ANNUAL INTEGRATED REPORT
2017

CURRO

Contents

HIGHLIGHTS

52 233
Number of learners
(Prior year: 47 589)

59
Number of campuses
(Prior year: 54)

145
Number of schools
(Prior year: 127)

2 985
Number of educators
(Prior year: 2 734)

17
Learner/educator ratio
(Prior year: 17)

5 853
Number of employees
(Prior year: 4 990)

629 635
Building size (m^2)
(Prior year: 558 683)

537
Land size (ha)
(Prior year: 434)

Figures as at 31 January 2018
Prior year figures as at 31 January 2017 include Embury

SCOPE AND BOUNDARY

About this report

This is the 2017 annual integrated report (the report) of Curro Holdings Ltd (Curro), which is published for the year ended 31 December 2017 and presents an overview of the 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 reports, although the report has been expanded to include a wider range of information about the company.

There has been a change in the structure of the group during the year under review in that Stadio Holdings Ltd, the tertiary-education business (Stadio), was separately listed and unbundled from Curro. Refer to page 50 for more detail on this. There has been no significant change in size, structure or ownership of the group during the current reporting period, other than the aforementioned, through organic and acquisitive growth, which forms part of the ongoing vision of the group, and which is discussed in more detail on pages 12 and 13 of this report.

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 for, among others, shareholders, funders, regulators, current and prospective employees, 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.

Materiality

The selection of issues discussed in this report was informed by inputs from a broad spectrum of stakeholders, including Curro employees, clients, capital providers, regulators and suppliers, and was further reviewed, refined and finalised through engagement with the executive management and board. The selection also took into account relevant regulations, Curro's key competencies, key risks to which the group is exposed, and – above all – the vision and values of the organisation.

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 71 of 2008 and the JSE Listings Requirements.

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 (CFO) on +27 21 979 1204.

Approval of the 2017 annual integrated report

The board of directors of Curro acknowledges its responsibility to ensure the integrity of this report, and believes it addresses the material issues of the business and is a fair representation of the integrated performance of the group. The board has therefore approved the 2017 annual integrated report for publication.

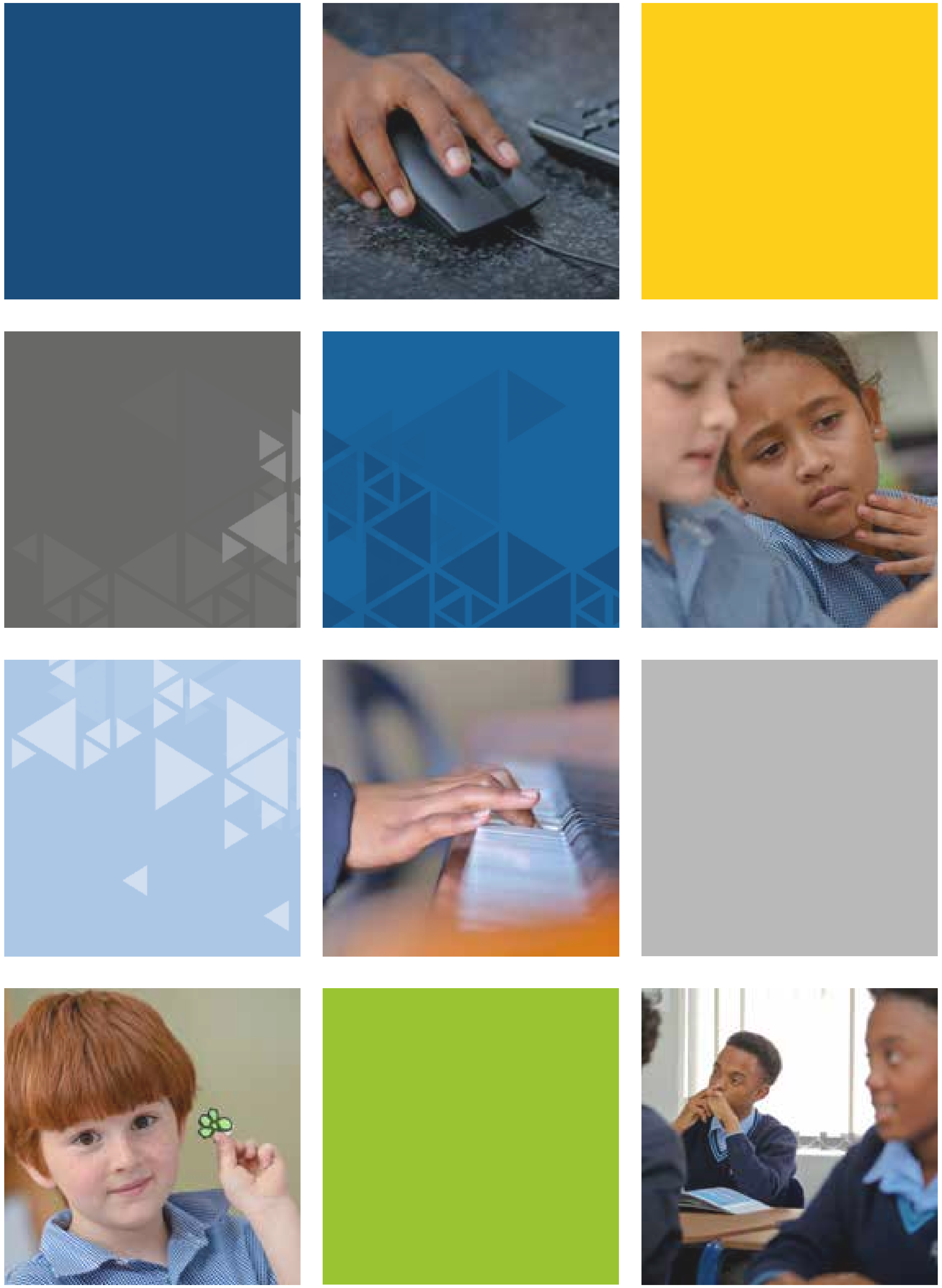
On behalf of the board

SL Botha
Chairperson of the Board

AJF Greyling
Chief Executive Officer

ORGANISATIONAL OVERVIEW

2.1 General



Profile of Curro Holdings Ltd

Curro was established in 1998, and is the leading for-profit independent school provider in southern Africa. It develops, acquires and manages independent schools for learners from the age of three months to Grade 12. Curro's journey since inception can be found on pages 12 and 13 of this report.

Curro believes that education is the cornerstone in the development of quality leaders and responsible citizens who will positively impact the economy, environment and society. Curro's aim moving into 2021 is to provide 80 campuses (or 200 schools) that will be able to accommodate many more learners.

Currently located across 59 campuses (145 schools), Curro has 52 233 learners and 5 853 employees of which 2 985 are educators all contributing to developing the leaders of tomorrow. For detail on Curro's highlights, refer to page 20 of this report.

The different school models are Curro Castles (nursery schools), Curro, Curro Academy, Meridian and Select schools.

Curro's vision is to make independent school education accessible to more learners throughout southern Africa. Its product offerings are summarised as follows:

School brand	Maximum class size	Monthly school fees	Product offering
Curro schools	25 learners	R2 250 to R7 500	Excellent facilities and a significant range of subject choices and extramural activities. Use of technology as a learning tool in the classroom.
Curro Select schools	25 learners	R3 600 to R8 650	Curro Select schools retain their original well-established identity and ethos. Superior facilities for both academics and sport, a rich heritage and sound academic and extramural results.
Curro Academies and Meridian schools	35 learners	R1 235 to R3 000	Quality facilities, the choice of selected subjects and extramural activities. Use of technology as a learning tool in the classroom.
Curro Castles	25 children	R3 100 on average	Quality facilities, following the unique Curro preschool curriculum focusing on early learning goals. Provides well-balanced, wholesome meals and snacks.

ORGANISATIONAL OVERVIEW

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 created 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 21st-century teaching and learning methodology in classrooms (www.21stcenturylearning.co.za), including the active involvement of technology.

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.

Curro considers the written curriculum to be the mainstay of its offering. Successful learning takes place when the taught curriculum aligns with the intentions of the written curriculum. Curriculum strategy is an important topic at the Curro strategy board meetings. At these meetings the enhancements to Curro's academic offering are regularly reviewed and progress on strategic initiatives is monitored.

Focus areas for 2018 include:

- Introducing project-based learning initiatives at primary and high school level.
- The development of a new academic model, to be announced in due course.
- The further development of academic streams for technical vocational education and learning.
- The introduction of a science, technology, engineering, arts, maths and design (STEAMD) exhibition.
- The launch of an internal Curro eisteddfod to optimise its performing arts offering.

The continuous development and training of educators remain a key strategic focus area. Educators of all Castles and primary schools receive training during every school term. Professional learning communities, facilitated by subject experts, exist for high schools.

The ancillary services vary between schools and include boarding, aftercare, cafeterias, school transport and activity centres.

Refer to page 17 for statistics on the growth in the enrolment numbers of learners.

For details on how mature schools compare to developing schools, refer to page 54 of this report.

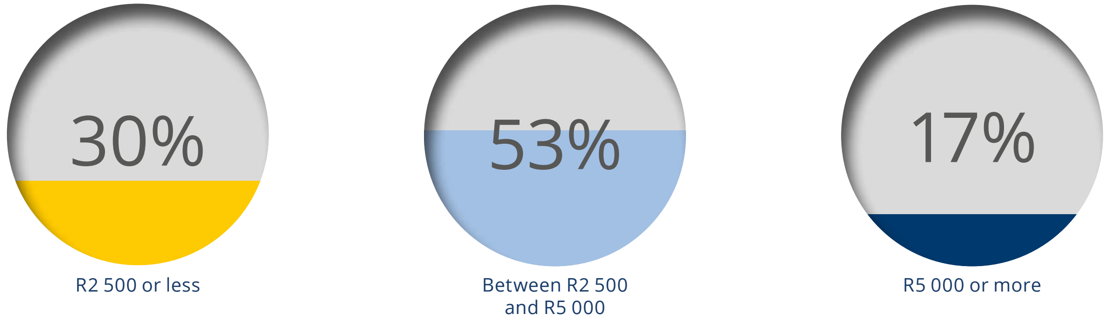
Curro endeavours to create an environment that supports the development of learners into well-rounded citizens.

At Curro we encourage creativity. Here our learners aim to 'bake' the world a better place.

ORGANISATIONAL OVERVIEW

Curro offers a vibrant and fun atmosphere where our learners enjoy coming to school.

Proportion of learners per school-fee bracket (average monthly school fees)



Academic performance

Curro endeavours to create an environment that supports the development of learners into well-rounded citizens. 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. Citizens should serve within all levels of society. 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 is proud of the near 100% Grade 12 pass rate achieved for the past 18 years and the satisfactory pass rate of about 92% for those schools that wrote the National Senior Certificate examinations.

The class of 2017 consisted of 1 968 (2016: 1 650) learners who wrote their Grade 12 examinations (Independent Examinations Board or National Senior Certificate, as relevant). A good performance was achieved, with 1 900 (2016: 1 591) learners who passed. This is a 97% (2016: 96%; 2015: 99%) pass rate. The Grade 12 academic performance is a key indicator of the quality of the education provided by the group. Refer to page 16 for more details on academic performance in 2017, including statistics on university and diploma exemptions and the percentage of learners who achieved distinctions and an average of more than 60%.

ORGANISATIONAL OVERVIEW

1998
Curro is founded with 28 learners in the vestry of a church

1999
Construction of the first campus in Durbanville (Curro Durbanville) commences

2006
Curro has approximately 900 learners

Construction of the second campus in Langebaan (Curro Langebaan) commences

2007
Curro Langebaan campus opens

Curro has approximately 1 000 learners

2008
Opening of the third campus in Hazeldean, Pretoria (Curro Hazeldean)

Curro has more than **1 600** learners

2009
Curro has approximately 2 000 learners

Paladin Capital, a subsidiary of the PSG Group, acquires a 50% stake in Curro for R50 million

PSG GROUP LIMITED

2010
Curro has five campuses, with approximately 3 000 learners

Curro adopts a strategic growth plan to have 40 campuses by 2020

Paladin Capital acquires another 25% stake in Curro

2011
Curro has 12 campuses, with approximately 5 500 learners

In June, **Curro lists on the Alternative Exchange (AltX)** of the JSE, with a market capitalisation of approximately R400 million

Curro raises R318 million through a rights offer

JSE

2012
Curro has 19 campuses, with approximately **12 000** learners

Raises R476 million through a rights offer

Moves to the Main Board of the JSE

Market capitalisation exceeds R4 billion

2013
Curro acquires Northern Academy and Embury Institute for Teacher Education (Pty) Ltd

Adopts '80@20' growth strategy, i.e. 80 campuses will be developed by the end of 2020

Curro has 26 campuses with 21 027 learners

Commences with Meridian schools

Raises R606 million through a rights offer

Lists a domestic medium-term note programme on the JSE

Curro develops five new campuses

Market capitalisation exceeds R8 billion

2014
Adds 10 new campuses, of which eight are constructed and two acquired

Develops existing schools further to the value of approximately R500 million

Reports an annual revenue of R1 billion for the first time

Rights offer of R600 million takes place during June

Curro ends the year with 32 campuses and 28 737 learners

2015
Curro starts the year with 42 campuses (101 schools) and 35 970 learners

Curro Academy schools are launched

Invests R1 billion in growth and expansion projects

Develops five new campuses

Raises R740 million through a rights offer

2016
Curro ends the year with 49 campuses (115 schools) and 43 183 learners

Acquires Windhoek Gymnasium in Namibia, Building Blocks schools and St Conrad's College

Invests R1.7 billion in growth and expansion projects

2017
Reports an annual revenue of R2 billion for the first time

Stadio experiences growth and with the opportunity in the tertiary-education sector, unbundles from Curro and lists separately on the JSE

Curro invests R324 million in the construction of five new campuses and R652 million in expansion projects for existing campuses

Ends the year with **45 870** learners and 51 campuses (127 schools)

2018
At 31 January 2018, Curro has 59 campuses (145 schools) and **52 233** learners

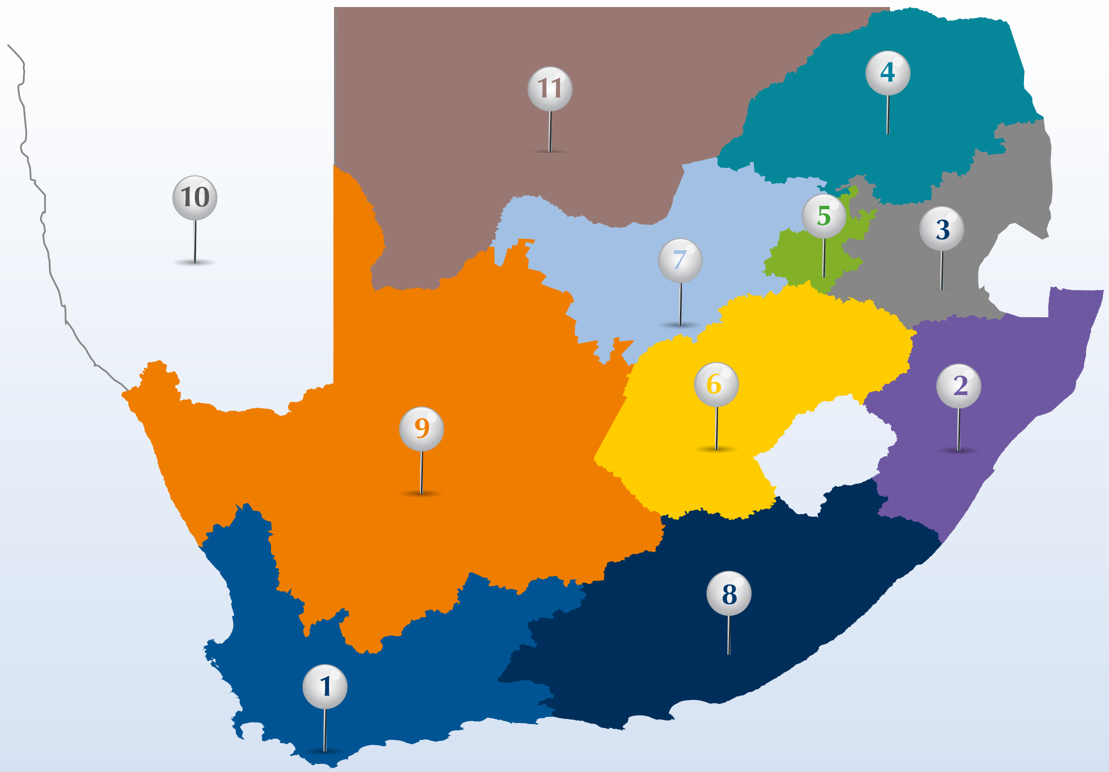
Expands into Botswana with the acquisition of Baobab School, a leading primary school with a 27-year history

More details on Curro's journey since inception can be found on page 176 of this report.

Curro Holdings Ltd annual integrated report 2017

ORGANISATIONAL OVERVIEW

2.2 Geographic footprint by campus



Curro Academy Riverside opened its doors in January 2018.

1 Western Cape

1. Curro Durbanville
2. Curro Langebaan
3. Curro Hermanus
4. Curro Mossel Bay
5. Curro Century City (Cape Town)
6. Meridian Pinehurst (Kraaifontein)
7. Curro Rosen Castle (Tyger Valley)
8. Curro Castle George
9. Curro Brackenfell
10. Curro Sitari (Somerset West)
11. Curro Sandown (Table View)
12. Curro Castle Uitzicht

2 KwaZulu-Natal

13. Curro Hillcrest
14. Curro Embury College (Durban)
15. Curro Mount Richmore (Ballito)
16. Grantleigh (Empangeni)
17. Meridian Newcastle
18. St Dominics Newcastle

3 Mpumalanga

19. Curro Bankenveld (Witbank)
20. Curro Nelspruit
21. Meridian Karino (Nelspruit)
22. Curro Secunda

4 Limpopo

23. Curro Heuwelkruin (Polokwane)
24. Meridian Northern Academy I (Polokwane)
25. Meridian Northern Academy II (Polokwane)

5 Gauteng

26. Curro Serengeti (Kempton Park)
27. Curro Helderwyk (Brakpan)
28. Curro Hazeldean (Pretoria)
29. Curro College Hazeldean (Pretoria)
30. Curro Roodeplaat
31. Curro Aurora (Randburg)
32. Curro Thatchfield (Centurion)
33. Curro Krugersdorp
34. Curro Academy Pretoria
35. Woodhill College (Pretoria)
36. Waterstone College (Johannesburg South)

Gauteng Cont.

37. Curro Castle Bryanston
38. Curro Castle Douglasdale
39. Curro Waterfall
40. Curro Academy Soshanguve
41. Meridian Cosmo City
42. Curro Monaghan
43. Building Blocks (Midrand)
44. Curro Academy Clayville
45. Curro Academy Wilgeheuwel
46. Curro Rivonia
47. Curro Academy Riverside
48. Curro Academy Mamelodi
49. Curro Castle Oakdene

6 Free State

50. Curro Bloemfontein
51. Academy I
52. Academy II

7 North West

53. Curro Klerksdorp
54. Meridian Rustenburg
55. Curro Academy Mahikeng

8 Eastern Cape

56. Curro Westbrook

9 Northern Cape

57. Curro Kathu

10 Namibia

58. Windhoek Gymnasium

11 Botswana

59. Baobab School

ORGANISATIONAL OVERVIEW

2.3 Key statistics

Academic results

(excludes Windhoek Gymnasium)

IEB

	Number of learners	Pass rate	University exemption	Learners with an A aggregate	Average > 60%
2017	**1 144**	**99.7%**	**85.1%**	**9.8%**	**70.3%**
2016	877	99.4%	83.6%	8.9%	69.8%

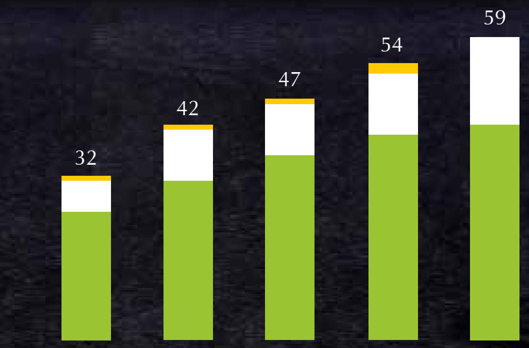
IEB: Independent Examinations Board
NSC: National Senior Certificate

NSC*

	Number of learners	Pass rate	University or diploma exemption	Learners with an A aggregate	Average > 60%
2017	**824**	**92.1%**	**79.0%**	**1.1%**	**29.9%**
2016	773	93.0%	79.2%	1.3%	29.6%

*Meridian and Curro Academy schools

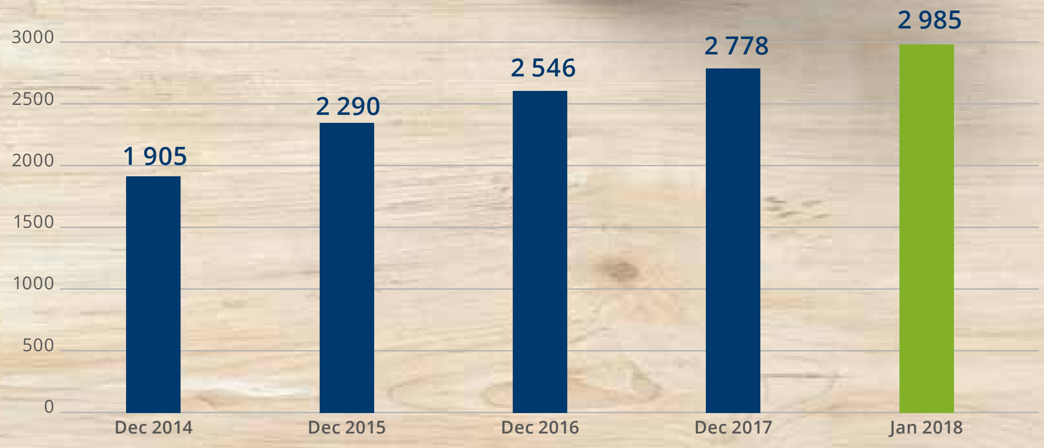
Number of campuses



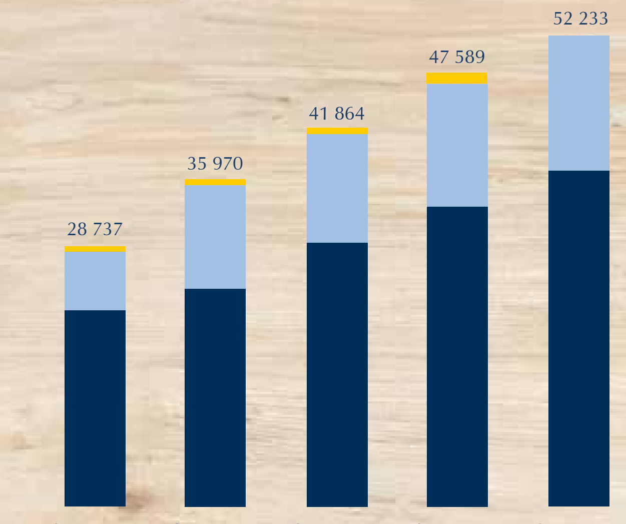
	Jan 2014	Jan 2015	Jan 2016	Jan 2017	Jan 2018
Institute for Higher Education	1	1	1	3	–
Meridian and Curro Academy schools	6	10	10	12	17
Curro, Curro Castles and Curro Select schools	25	31	36	39	42
Total	**32**	**42**	**47**	**54**	**59**

Learner demographics - 2017

Number of educators



Number of learners



	Jan 2014	Jan 2015	Jan 2016	Jan 2017	Jan 2018
Institute for Higher Education	800	800	800	978	–
Meridian and Curro Academy schools	6 389	10 787	12 022	13 453	16 975
Curro, Curro Castles and Curro Select schools	21 548	24 383	29 042	33 158	35 258
Total	**28 737**	**35 970**	**41 864**	**47 589**	**52 233**

2.4 Group financial performance review

Key performance indicators for the years ended 31 December

	2013	2014	2015	2016	*YOY growth*	2017	CAGR
Profitability							
Revenue (R million)	659	1 001	1 384	1 714	*22%*	2 098	34%
Employee costs (R million)	386	550	738	936	*16%*	1 090	30%
EBITDA (R million)	114	191	292	377	*25%*	472	43%
Profit attributable to ordinary shareholders (R million)	37	55	98	172	*22%*	209	54%
Headline earnings per share (cents)	12.8	17.2	28.3	43.9	*10%*	48.1	39%
EBITDA margin	17%	19%	21%	22%		23%	
Statement of financial position							
Total assets (R million)	2 634	4 073	5 079	7 321	*10%*	8 085	32%
Interest-bearing liabilities (R million)	817	1 399	1 583	1 624	*44%*	2 342	30%
Equity (R million)	1 563	2 211	3 081	4 964	*1%*	4 996	34%
Net asset value per share (cents)	529	679	865	1 222	*(1%)*	1 213	23%
Capital investment (R million)							
- Current campuses	602	651	626	571		652	
- New campuses	242	482	369	649		472	
- Acquisitions	171	172	15	266		12	
- Stadio	61	0	20	214		56	
Total capital investment	1 076	1 305	1 030	1 700		1 192	

We encourage our learners to be active. Curro Mount Richmore is a place to learn while having fun.

VALUE ADDED

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

Value distribution (R million)	2016		2017	
Distributed to employees	61%	936	52%	1 090
Distributed to providers of capital	12%	179	25%	530
Value retained	11%	172	10%	209
Value reinvested	10%	148	9%	188
Distributed to government	3%	46	2%	51
Distributed to social responsibility	3%	43	2%	51

Note: Year-on-year percentage comparison is consistent, excluding dividend in specie for the Stadio unbundling.

ORGANISATIONAL OVERVIEW
2.5 Group highlights 2017

Significant milestones included:

- Exceptional achievements beyond academics were recorded by Curro learners, with national and international recognition being received.
- The Curro Curriculum Management and Delivery (CCMD) division implemented national benchmark testing to ensure quality delivery throughout the group. In addition, a comprehensive curriculum approach was rolled out to all nursery schools, and they implemented reading comprehension strategies to ensure learners read to learn. Curro is the only school that has made Robotics part of its curriculum. Their educators are exposed to continuous learning and development, equipping them with 21st-century methodologies and approaches such as deep learning.
- Curro's people management team focused on establishing a transformation and diversity culture within the group through various workshops and engagement sessions at school level. These sessions centred around topics such as racial conflict, cultural differences, tolerance and unity. On a staff level, staff benefits were improved through an increased contribution to pension funds, along with opportunities to participate in staff incentive schemes.
- On the financial front Curro continued to focus on efficiencies by establishing a shared-services centre. Funding of R2 billion at lower interest rates was made available.
- Five new schools were opened in 2017. In addition, the facilities team focused on building optimisation, the establishment of water harvesting and energy projects and the introduction of an Engineering Centre of Excellence and Architectural Centre of Excellence.
- Curro has established a regional office in Rivonia, put a concrete safety and security plan in place, and enhanced internal control and management oversight strategies and practices to assist with achieving 10-year targets and to ensure alignment with Curro's growth strategy.
- A centralised internal and external marketing and communication division was established, while regional marketers were appointed to strengthen the group's localised marketing capabilities.
- The information technology team completed system upgrades and optimised supplier management.
- Curro assisted a number of learners with scholarships and bursaries through the Ruta Sechaba Foundation (see below).

Ruta Sechaba Foundation

Background

Since its establishment in 2016, the Ruta Sechaba Foundation has grown from strength to strength. The foundation, a public benefit organisation, provides scholarships, bursaries and awards to qualifying learners at Curro or Curro-managed schools. The PSG Group BEE Education Trust was the initial donor to the foundation.

The Ruta Sechaba Foundation started 2017 with 119 learners on academic and sports scholarships. Early in 2017 the Ruta Sechaba Foundation, backed by PSG, launched a partnership with the Titans Multiply Cricket Team in Pretoria. Stephen Maluleke, a learner from rural Hammanskraal in Pretoria and an all-rounder for the Titans, was awarded a 100% cricket scholarship to study at Curro Roodeplaat. The PSG BEE Education Trust was the sole funder of these learners.

The foundation is appropriately governed through its trust deed and the independent trustees appointed. Curro's strategic relations officer, Phakamisa Ndzamela, is responsible for the management and administration of the foundation.

2017 highlights

Before the 2017 final examination the Ruta Sechaba Foundation had 137 beneficiaries, including the Titans Cricket programme. In total, 133 learners on academic and sports scholarships (excluding Titans) wrote the final exam. All these learners passed. Just over 20 Ruta Sechaba beneficiaries wrote matric, and all passed. Five of the eight top-performing learners at Northern Academy who were honoured at Emperors Palace in January for achieving at least three distinctions in the Grade 12 exam were Ruta Sechaba beneficiaries. These five Ruta Sechaba beneficiaries achieved a total of 24 distinctions in their matric exam.

A key focus for 2017 was to increase funding for the foundation, and by year-end four additional contributors over and above the initial donor were procured, with total bursary funding amounting to R2.8 million.

The focus for 2018 will be to continue to establish the foundation, a key responsible-citizenship initiative of the group. In 2018 Ruta Sechaba will have more than 260 beneficiaries (provisional with further possible growth expected). The Titans programme will have 16 learners attending Curro Roodeplaat and Hazeldean. Total funding will be close to R7 million for the 2018 academic year.

COMMUNITY OUTREACH

Each year, Curro prides itself on the selfless manner in which its schools participate in social and community outreach projects. From learners to staff and parents, there is no limit to their generosity.

With too many examples to cite of the various initiatives carried out by the schools, some highlights are included below:

- Contributing funds, supplies and time to various animal shelters
- Reach for a Dream
- Spending time with the aged and disabled
- Various fund-raising events for cancer
- Distributing winter scarves for Nelson Mandela Day
- Santa Shoebox Project
- Beach clean-ups

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.

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 the greatest need exists, as it is unlikely that the private sector will get involved in these areas. 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 40 learners per class cap.

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	–
Assumed average number of learners	2.0	15%
Number of learners who can afford some form of independent schooling	2.3	18%[2]
Global average number of learners in independent schools	1.7	13%[3]
Number of learners in independent schools in South Africa	(0.5)[1]	
A possible market potential	1.5	
Required number of schools at an average of 1 500 learners per school	991	12%

References
[1] 2016 School Realities (published September 2016) www.education.gov.za
[2] Learners in LSM9+
[3] United Nations Educational Scientific and Cultural Organisation (UNESCO)

Curro estimates, on the basis of the facts above, that there is potential for an additional 1.5 million learners to attend independent schools, implying that up to 1 000 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's aim is to have 80 campuses or 200 schools as it moves into 2021 – a growth of an additional 21 campuses from the existing 59 campuses. Despite the substantial growth envisioned, Curro's market share will still only represent approximately 3.3% 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 independent schooling at the different price points.
- 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.
- Learners are usually loyal to the schools they attend.

Other advantages that will benefit the business in the future are:
- Affordable available land that Curro has or is in the process of acquiring.
- Accreditation with Umalusi and registration with the Department of Education 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, the majority 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 are low compared to market norms at approximately 1.5% of revenue.
- Costs are mainly fixed and predictable for a year and 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 each additional learner a larger proportion of revenue will impact profit.

Curro is the market leader

- As at January 2018, Curro had 52 233 approximately 47% 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 R6 billion in facilities over the past five 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 500 per month, which compares very favourably with former model C government schools.
- More than 80% of Curro's learners pay on average less than R5 000 per month for schooling, with 30% paying less than R2 500 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 53% of eventual capacity, implying a revenue growth potential of 70% (based on 85% of eventual capacity filled), with very 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.

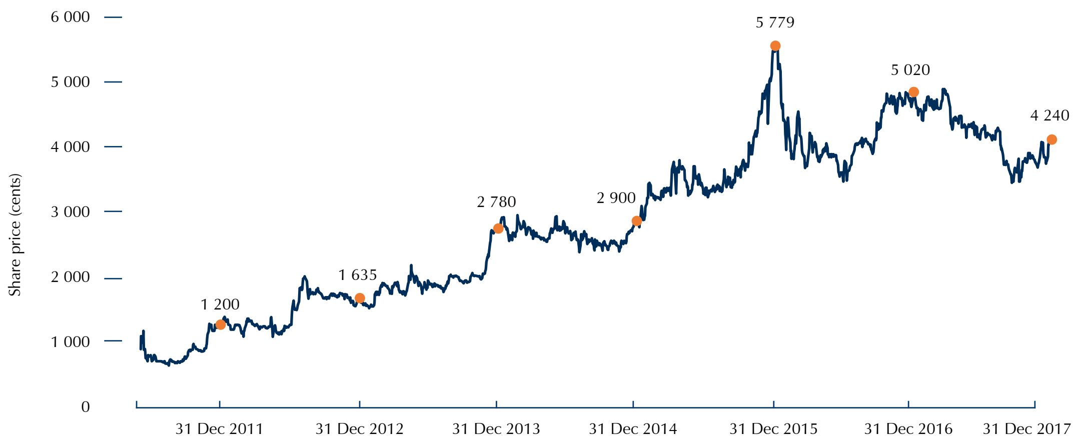
Curro will continue to explore the significant growth opportunities in the education market, both in South Africa and across its borders.

Curro creates opportunities for personal growth in independence and responsibility.

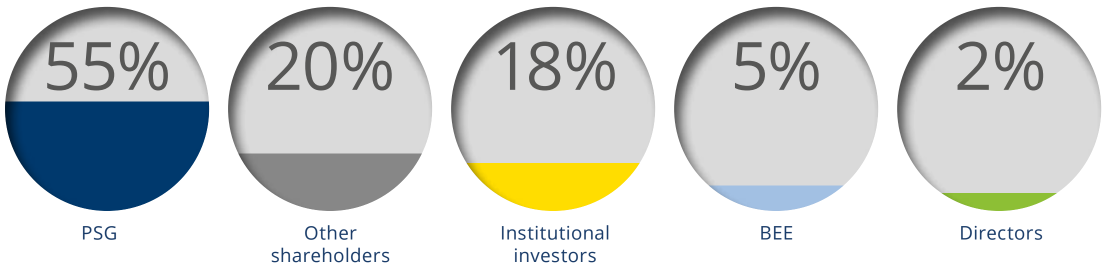
ORGANISATIONAL OVERVIEW

2.7 Shareholders statistics

Share price history



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
Market price - High (cents)	2 955	3 095	5 999	5 800	5 092
Market price - Low (cents)	1 379	2 405	2 715	3 500	3 387
Market price - Close (cents)	2 780	2 900	5 779	5 020	4 240
Market price - Average (cents)	1 902	2 679	3 788	4 339	4 319
Volume of shares traded (million)	22	26	39	98	107
Value of shares traded (R million)	425	709	1 485	4 162	4 523
Volume/weighted average number of shares (%)	8	8	11	25	26
Market capitalisation (R million)	8 195	9 442	20 623	20 439	17 473
Price-earnings ratio at year-end	216	171	205	114	88

Curro schools are designed to stimulate learning, inside and outside the classroom.

ORGANISATIONAL OVERVIEW

2.8 The capitals

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

Inputs and activities	Outputs and outcomes
Financial capital Curro's sources of financial capital include shareholder equity, internally generated cash flows and debt. The group uses its financial capital to maintain and improve existing campuses, develop new campuses, develop the curriculum, acquire schools and cover its operating costs. Financial capital is also invested in the continuous training and development of its educators to ensure that they have the necessary competencies in effective methodologies to engage learners in all domains of learning (21st-century teaching and learning). This allows Curro to grow its resources of productive capital.	During the 2017 financial year the group generated cash flow of R390 million through operations, raised R177 million by way of general issue of shares for cash and increased its debt funding by R714 million. This financial capital was used for: • Capital investment in existing and new campuses (R1 136 million) • Net finance costs to providers of capital (R78 million) Curro's number of campuses has increased to 59 (Jan 2017: 51) and its number of schools has increased to 145 (Jan 2017: 127). Further information is available in the financial review on pages 44 to 53.
Productive/manufactured capital Curro's campuses, curriculum and educators form the heartbeat of its productive capital. The quality and uniqueness of its curriculum are key differentiators for Curro's business and its focus on the ongoing development thereof. Growing its resources of productive capital requires the investment of financial capital.	Curro has 59 campuses across southern Africa. These campuses are currently operating at 53% of eventual capacity. In 2017 Curro invested • R652 million in existing campuses • R472 million in new campuses and land banking • R12 million in acquisitions Investment in the development of the curriculum amounted to R17 million. Further information is available in the financial review on pages 44 to 53.
Human capital Human capital includes educators' skills, experience and ability to engage their learners in all domains of learning. Curro's educators 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. Curro invests financial capital to employ and develop human capital through continuous professional development, providing appropriate remuneration and incentives and 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 2018, Curro had 5 853 employees, which included 2 985 educators. The number of employees has increased by an average of 22% per year since 2013 mainly due to organic and acquisitive growth. The average learner/educator ratio of 17 contributes to productive capital in the education of Curro's learners. During the 2017 financial year Curro invested R1 107 million in the remuneration of its employees, which includes a share incentive scheme to incentivise and retain key employees and management. The CCMD division ensures that its educators receive continuous training and development. Through Embury's Institute for Higher Education, educators 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 it nurtures its intellectual capital. The detailed demographics of Curro's employees are contained on page 43 of this report. The renumeration policy and implementation reports are contained on pages 70 to 83.

Inputs and activities	Outputs and outcomes
Intellectual capital Curro's intellectual capital includes its brand, its information and technology systems, its curriculum development, its investment in governance structures to ensure that it maintains best-practice corporate governance, and its ability to ensure that its campuses are all aligned with the group's strategic objectives and business model. 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 60 years' experience and a significant knowledge base in selecting, developing and managing schools.	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 the brand and reputation. 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. Its in-house architect and new-business development team ensure that the facilities stay on par with the latest global design and development trends in order to contribute to the learning environment. The ongoing development and maturation of IT governance processes have been evident. These processes include: • The regular use of an IT governance framework. • Reviewing the IT strategy annually so as to align it to Curro's strategy. • The ongoing reviewing 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 board meetings. • The embedding of appropriate IT governance practices in day-to-day operations.
Social and relationship capital The group actively manages the stakeholder relationships on which the business depends, including those with its clients (learners and parents), its business partners, the government and regulators and communities.	Each school has an upliftment project(s) relevant to the community in which the school is located and this project also helps to educate its learners to be responsible corporate citizens. These 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 parent advisory committees (PACs) at school level. This body enables and strengthens communication to the benefit of the school and its learners. Curro contributed R51 million to corporate social investment and bursaries for the year ended 31 December 2017. 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.
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. Energy-efficient lighting and motion sensors are introduced at all schools. In 2009 Curro decided to use terminals in its computer laboratories and not personal computers or laptops. This contributed to a material reduction in power consumption. Efforts continue to improve electricity consumption. **Water** Landscaping experts are consulted during the design phase 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. Schools have installed or are in the process of installing a water-measuring device. 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 our schools. This water will be used for toilet flushing, fields/gardens and cleaning.

ORGANISATIONAL OVERVIEW

2.9 Stakeholder engagement

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. Curro's sustainability in the long term is significantly impacted by the quality of its relationships with its stakeholders, and therefore the group actively engages with stakeholders, understands their concerns, and addresses these as comprehensively as possible.

Stakeholders

Clients (learners and parents)	Daily engagement takes place between educators and learners, regarded as the primary stakeholders within 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, which includes updates that are school-specific and directly related to the Curro curriculum. This ensures 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 within 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), chief financial officer (CFO) and chief investment officer (CIO) engage continuously with investment communities and shareholders. A programme exists in terms of which investors and funders are invited to visit schools on a pre-arranged basis.
Employees	Engagement with this stakeholder group is covered on page 26 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 R51 million to corporate social investment and bursaries for 2017. The Ruta Sechaba Foundation continues to grow from strength to strength. Refer to page 20 for information on Ruta Sechaba.

Current issues and solutions

Areas of interest	Stakeholder	Curro's response
Is a target of 80 000 to 90 000 learners as Curro moves into 2021 still attainable?	**Shareholders and analysts**	Curro continues to maintain strong momentum and remains positive about attaining its target moving into 2021. Curro started 2018 with 145 schools, compared to 127 schools at the beginning of 2017. This aligns with the aim of approximately 80 campuses or 200 schools as Curro moves into 2021.
What is Curro's African expansion strategy?	**Shareholders and analysts**	Potential for expansion in South Africa remains significant given the demand for quality education and Curro's ability to provide said at value for money prices. The primary development focus will therefore be in South Africa. Where Curro believes there are growth opportunities, outside the borders of South Africa, these opportunities could be considered.

Areas of interest	Stakeholder	Curro's response
Does Curro comply with the prerequisites of the Curriculum Assessment Policy Statements (CAPS) on educator/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 a non-negotiable. Curro strives to attain all its objectives, has its schools accredited with Umalusi and reports to Umalusi about particular areas that still need to be developed in the group's newly built schools. Umalusi visited a number of Curro's schools in 2017 and no material deficiencies were identified. The following schools obtained accreditation from Umalusi in 2017: • Curro Academy Soshanguve • Curro Klerksdorp • Curro Sitari • Curro Kathu • Grantleigh • Curro Thatchfield • Curro Krugersdorp Primary • Curro Heuwelkruin
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.
What is Curro's policy regarding a suitable debt/equity ratio?	**Funders**	The group aims for a 50/50 debt/equity ratio.
Complying with key covenants: - Interest service coverage ratio of 1.75 times (excluding Meridian debt) - Loan to value ratio of at least 1.3 times	**Funders**	Curro's interest service coverage ratio stood at 3.2 times. The loan to value ratio exceeded 2 times.

2.9 Stakeholder engagement

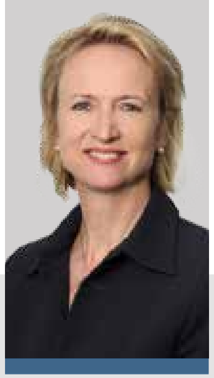
Areas of interest	Stakeholder	Curro's response
Is my child receiving quality education?	**Parents**	This area of interest should be addressed through the written curriculum that is taught by qualified educators (accredited with the South African Council for Educators) who are continuously developed through a combination of Embury's Institute for Higher Education and the CCMD, which is under the strong leadership of experienced educators. In 2017 Curro implemented a system of standardised testing throughout its schools to ensure aligned quality in educational delivery and provide us with the opportunity to ensure excellence for all learners under our care. 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.
Are we receiving a written curriculum that is still relevant?	**Learners**	Curro's CCMD conducts ongoing research into curriculum innovation. Best practices are communicated to Curro employees regularly and they are trained to implement new written curricula.
What can Curro do to ensure a safe and stable working environment?	**Educators**	Curro has good security protocols that endeavour to keep its campuses safe. The group also protects its educators' 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.
Does Curro's supplier application process provide everyone with a fair chance?	**Suppliers**	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.
Do all Curro schools comply with the prerequisites of local government?	**Departments of education**	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 educators before the registration process can be concluded.
Is the company committed to transformation?	**Government**	Curro is committed to employing and developing a skills base that represents the demographic profile of its learner base, of which 68% was black and 32% was white for 2017. The company has an employment equity plan on which it reports annually. Refer to page 43 for employee statistics. A dedicated transformation committee has been formed to monitor and guide transformation within the group.
Is Curro JSE compliant?	**JSE Limited**	Curro's corporate sponsor, PSG Capital, monitors its compliance regularly in order to ensure JSE compliance. In accordance with the JSE Listings Requirements, the board submits its annual compliance certificate timeously.
How does Curro protect its organisation from the communication of incorrect facts?	**Media**	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.

Areas of interest	Stakeholder	Curro's response
How does Curro keep its stakeholders informed?	**All stakeholder groups**	The company believes in the clear, 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 image and brand of Curro are protected.
Why list the tertiary-education business separately?	**Shareholders**	At listing, Curro was an independent-school company with a target of reaching 80 campuses by 2020. Significant progress has been made towards achieving this target. Although both Curro and Stadio relate to education, there are significant differences and splitting them will ensure focus by the respective management teams and provide shareholders with the opportunity to balance their exposure.
What are Curro's policy and principles regarding remuneration?	**Shareholders**	Curro has provided details regarding its remuneration policy and implementation reports on pages 70 to 83.

Curro's curriculum stimulates engagement and collaboration.

LEADERSHIP

The Curro leadership team consists of its board of directors, the executive committee (exco), senior management (regional heads and relevant exco administrative structures) and the executive heads at the schools. For information on the governance structure, refer to page 64, and for detailed information on the board's role, responsibilities and powers, and the length of service, refer to pages 60 to 69.



SL (Santie) Botha*

BEcon; BEcon (Hons)

Santie serves as a non-executive director on the boards of Liberty Holdings Ltd and Telkom Ltd. She is also the chairperson of Famous Brands Ltd. Santie has a wide knowledge of and experience in different sectors, ranging from banking (Executive Director: ABSA Bank, 1996 to 2003) to telecommunications (Executive Director: MTN, 2003 to 2010). She was the Chancellor of the Nelson Mandela University from 2011 to 2017. In 2010, Santie received the South African Business Woman of the Year award.

AJF (Andries) Greyling$^{\Delta}$

CA(SA)

Andries, Curro's CEO since 1 July 2017, is a chartered accountant. He started his career as audit manager at KPMG Inc. He subsequently worked at Sasko (a division of Pioneer Food Group Ltd), Distell Ltd and PricewaterhouseCoopers. In 2000, he joined Media24 Ltd's ICG (brand names include INTEC, Damelin) as financial director, after which he was promoted to financial director of Educor (Pty) Ltd (Educor). In 2006, Educor bought a 26% stake in Curro, where Andries, together with Curro founder Dr Chris van der Merwe, compiled the expanded business plan upon which Curro's current growth strategy is based. In 2007, when Naspers Ltd disposed of Educor, including their interest in Curro, Andries acquired a stake in Curro and joined the company as financial director. In 2011, when Bernardt van der Linde was appointed as the CFO of Curro, Andries's role changed to that of COO, and then to that of CEO when he succeeded Chris.

ZL (KK) Combi*

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

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

HG (Hennie) Louw$^{\Delta}$

CA(SA)

Hennie, Curro's CIO, is a chartered accountant and lectured in Auditing at the University of the Western Cape prior to joining Hospiplan Ltd, a group that developed private hospitals across South Africa, as group financial director in 1996. In 1998 he joined Media24 Ltd's ICG as managing director and was the group managing director of Educor from 2004 to 2007. After working in the venture capital industry as an investment manager for Mark Shuttleworth's venture capital firm HBD (Pty) Ltd, Hennie joined Curro in 2010 as manager of new business.

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 Ltd, Pioneer Food Group Ltd, PSG Konsult Ltd and Zeder Investments Ltd. He has served within the investment and financial services industries since 1999.

Key:
** Independent non-executive director*
Δ Executive director
§ Non-executive director

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, as well as 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 for the Financial and Fiscal Commission. Between 2004 and 2010 Sibongile served as the director general of the Eastern Cape Provincial Government.

B (Barend) Petersen*

CA(SA)

Barend, a chartered accountant, has wide international business experience in mining, finance, auditing, the oil industry, energy, government relations, business turnarounds, corporate recovery, consulting and corporate governance. Barend is the executive chairperson of De Beers Consolidated Mines, and is also a non-executive director of various listed and unlisted companies, including Anglo American South Africa Ltd, De Beers PLC and Ponahalo Group. He is the chairperson of Sizwe Business Recoveries (Pty) Ltd (founded by him in 1997).

DM (Douglas) Ramaphosa*

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

Douglas is a non-executive director of EnviroServe, a waste-management company, as well as of the Wildlife and Environment Society of South Africa (WESSA), and chairperson and director of Satori Tech Hub. Previously, Douglas served as group executive of corporate affairs at Altron, was CEO of Bytes Healthcare Solutions and, prior to that, managing director of Bytes Specialised Solutions. Douglas has more than 25 years of business experience through various director and board memberships. He worked at senior executive level for a number of large organisations, including Transnet, ABSA and Anglo American. He served on the board of Eskom Enterprises for five years and was director and chairperson of Rotek Industries.

B (Bernardt) van der Linde$^{\Delta}$

CA(SA); CFA

Bernardt, a chartered accountant, 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 Private Equity). He joined Curro in 2009 and was appointed as CFO in 2011.

Dr CR (Chris) van der Merwe§

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

Chris, who has a doctorate in education, has extensive knowledge of and is highly experienced in the independent school sector. He founded Curro in 1998 with 28 learners based in a church and steered the company to listing on the JSE in 2011. He was named Business Leader by the Bellville Chamber of Commerce (2011) for his efforts in establishing Curro, and 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. On 3 October 2017, Stadio Holdings, the tertiary component of the Curro business, unbundled from Curro and was listed on the JSE with Chris as CEO. Stadio focuses on widening access to tertiary education and has approximately 30 000 tertiary-education students in its group of brands.

LEADERSHIP
(continued)

R (Ronell) van Rensburg

FCIS; BCom (Accounting); member of the Institute of Directors in Southern Africa

Ronell, Curro's company secretary since 2013, is an FCIS charter holder. Ronell has almost 20 years' experience in the governance and company secretary arena in various industries such as banking, manufacturing, retail, information technology, the public sector and investment and financial services. Subsequent to the financial year-end, Ronell resigned effective 1 May 2018.

For further information on the role of the company secretary, refer to page 68 of this report.

3.2 Chairperson's report

Poised for growth

I am proud to present the annual integrated report for Curro Holdings Ltd for 2017. Curro has delivered a satisfactory set of financial results for 2017 in a tough economic environment. We are now strategically positioned and poised for both organic and acquisitive growth.

On behalf of the board, I would like to congratulate the 2017 Curro matric learners for achieving excellent results.

At the beginning of the 2018 financial year we passed another milestone, with more than 50 000 learners across 59 campuses. The group plans to further invest in the building of new schools in 2018, to be ready for the 2019 academic year. Broadening the Curro footprint remains a key priority of the group.

During the 2017 financial year, Curro's revenue improved by 22% from R1 714 million to R2 098 million, while profit after tax (PAT) rose by 18% from R168 million to R198 million. Headline earnings per share (HEPS) from continuous operations grew by 17% to 49 cents per share in 2017 from 41.8 cents per share in 2016. Headline earnings from continuous operations increased by 24% from R162 million to R201 million during the reporting period. I am confident that we shall reach our target of 80 campuses by the end of 2020.

In 2018, we celebrate our 20-year anniversary, and I am pleased with all the achievements from the past two decades. The group has overcome many hurdles, but with all that the Curro brand offers and represents, parents, learners and investors will continue to see value in the brand in the years to come. There is always a demand for quality education, and Curro will continue to fill this gap as it expands its offering throughout southern Africa.

Curro conditionally acquired Baobab School, a leading primary school with a 27-year history and 750 learners, situated in Gaborone, Botswana, and another independent school group with more than 2 000 learners in South Africa. In addition to the greenfield expansion programme, strategic acquisitions at competitive prices are considered on an ongoing basis.

Curro has a strong board who ensures that high governance and education standards are maintained for Curro to remain an educational institution of choice.

To ensure our continued growth and contribution to the South African educational sector, we welcomed Douglas Ramaphosa to our board on 26 January 2018 as an independent non-executive director.

Andries Greyling, who was appointed as chief executive officer on 1 July 2017, will continue to focus on our expansion plan course and on sustainable long-term growth. On behalf of the board, I thank Andries and his leadership team for their commitment, diligence and strong performance in navigating us through a tough economic climate.

I would also like to thank my fellow board members for their support, advice and valuable contributions during the year. The board and I especially thank our employees, managers, educators, suppliers, clients, learners, and business partners for their support, commitment and dedication.

Curro will continue to strive to develop the future leaders for a greater South Africa and Africa. We will continue to ensure that, through various initiatives like the Ruta Sechaba Foundation, quality education is accessible to learners from all backgrounds.

Santie Botha
Chairperson of the Board

Curro will continue to strive to develop the future leaders for a greater South Africa and Africa.

Curro schools promote a love of the arts.

3.3 Chief executive officer's report

20 years on Curro is still providing quality education

In 2018 Curro celebrates 20 years of education excellence. We opened our first school in 1998 and have grown substantially, building and acquiring schools across southern Africa, offering learners quality education and a safe environment for learning and play. As we reflect on the past and continue to plan for the future, we are proud of those who entrusted their education to us. We remain on course to provide even more learners the opportunity to lay the foundation for a better, brighter future.

Curro started the current year with 145 schools, compared to 127 schools at the beginning of 2017. We have seen double-digit growth on an organic basis, and satisfactory EBITDA margin growth is evident in schools where capacity utilisation increases. We are on target with our expansion plans, our balance sheet is healthy and I believe that our results show that we are in a position to deliver shareholder value and growth now and in the future.

Curro stands firm in the belief that education plays a vital role in our nation, one in which all South Africans have the opportunity to fulfil their potential. We know our country's leadership is committed to implementing the changes that are needed in order to improve our education system. Whether independent or state education, we share common goals: educating and developing our people to ensure that we produce learners who are workplace ready, and who contribute to the future success of our nation.

Not everyone has the means to pay for quality independent education, and we consequently established the Ruta Sechaba Foundation in 2016 to provide scholarships, bursaries and awards to qualifying learners at Curro or Curro-managed schools. We currently have just under 250 learners benefiting from academic and sports scholarships. It is a pleasure to see these learners excel as they grab the opportunities presented within the group.

At Curro we are all proud of the stimulating environment that we have created for our learners. We realise that technology and the acute understanding of it is vital considering the digital age in which we live.

The next working generation will be embarking on careers that have not yet been conceptualised. Curro schools apply 21st-century teaching and learning methodologies in our classrooms. I believe this is one of the many advantages that we provide that set our learners apart and equip them in dealing with the uncertainties that the future brings.

But not all learners in Africa have access to our world-class services, and this is one of the many reasons why we are expanding into southern Africa. In 2017, five new campuses were constructed and they opened in 2018. During the same period, five existing campuses underwent expansion and we can undoubtedly look forward to increasing our presence in 2018.

At Curro we are all proud of the stimulating environment that we have created for our learners.

To ensure that we maintain our high standards of excellence we employ educators who can create efficiencies, suggest ways to improve our facilities and guide and enlighten our learners.

We have a heightened awareness of the need for all stakeholders to engage in South Africa's transformation process. Our vision is to double the representation of educators and management from black backgrounds to 39% in 2020, up from 22% in 2016.

At board level we are also ensuring that we have the best minds available that will help us to improve our standards of education excellence and keep us on course with our expansion and transformational goals.

In closing, I want to reiterate how much our organisation values the educators who contribute to our business and make Curro the institution it is today. We want to create an environment that supports the development of learners to become well-rounded citizens – something that would not be possible without the continued care and dedication of our educators.

We would also like to thank our school parents for their continued support of Curro and their collaboration with educators and school management teams. Your solutions and commitment are what we need to ensure greater success at our schools.

Finally, I would like to thank Curro's board of directors for their ongoing support, guidance and leadership. A special thanks goes to Santie Botha, our chairperson, for her commitment and wisdom. I have no doubt that our formidable leadership team will continue to steer us on our course for expansion and providing the finest standards. Thank you to my executive committee – without your support this would not be possible.

Curro has built a great legacy and vision over the past 20 years, and I am proud of our commitment to provide quality, affordable independent education to learners, while ensuring that we keep our promises to the market.

Andries Greyling
Chief Executive Officer

Curro has a strong balance sheet that allows for accruing additional debt for our expansions going forward.

3.4 Strategic review and operating context

Curro's business model is simple to understand. The group operates in a market sector with substantial potential for growth and profitability, which at the same time presents significant barriers to entry. Although competition is on the increase, the business model is predictive and cash generative, with a strong annuity base. Taking advantage of the growth potential in the group's target market requires substantial investment and long-term planning. For more details regarding its competitive advantage as well as the market size and potential, refer to the Curro investment case section of this report on pages 22 and 23.

The risks relevant to the business range from reputational to curriculum, investment, financial, information technology, human resources, safety and economic risks. The details on the likelihood of and actions taken to mitigate these risks are set out in the risk management review section of this report on pages 56 to 58.

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 as well as the initiatives in place to achieve them.

Theme	Priorities	Key performance indicators	Outcomes FY17
Managing stakeholder value	• 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.	• 200 schools as Curro moves into 2021. • Offering as many bursaries as Curro's business model can carry to talented, less-privileged learners, optimising the relationship with the Ruta Sechaba Foundation. • Developing neat, inviting and cost-efficient school campuses. • Releasing a variety of digital and other publications, suited to the needs of key stakeholders. • A Parent Advisory Committee (PAC) at every school. • Increase in share price and payment of dividends.	• Curro started 2018 with 145 schools, compared to 127 schools at the beginning of 2017. This aligns with the goal of 80 campuses or 200 schools moving into 2021. • In 2017, Curro offered school-level academic and sports bursaries to the value of R51 million. The newly established Ruta Sechaba Foundation offered 137 bursaries for the 2017 academic year and approximately 260 bursaries for the 2018 academic year. • In 2017, five campuses (eight schools) were developed and opened in 2018, in addition to a significant investment in the further development and acquisition of other campuses. • Weekly, monthly and termly publications distributed to stakeholders. • Since listing, Curro has generated a compound annual growth rate in its share price of 33%. Subject to investment opportunities in 2019 and beyond, Curro aims to pay a dividend following the 2018 financial year.
Developing and maintaining a unique client service	• Focusing on client relationships. • Enhancing networking among parents, learners and educators. • 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.	• Introducing open-door policies from executive heads and educators 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 billboards and open days).	• Client service remains a primary priority throughout the various touch-points within 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. • We further developed our in-house school management system and improved our data warehouse to support the management of the business.
Driving sustainable growth	• Basing Curro's model on the concept of affordable independent school education. • Securing enough school-zoned erven for future developments. • Setting realistic annual business targets. • Conducting ongoing research regarding actionable acquisitions. • Securing sufficient financing proactively. • Attracting and retaining quality educators and other employees.	• Escalating school fees at 2% above consumer inflation per annum, taking the country's annual inflation rate into consideration. • Expanding existing schools to their maximum designed capacity through capital investment and an effective marketing strategy. • Maintaining and developing Curro's two-tier approach: Curro schools @ R5 000 per month on average and Curro Academies @ R1 200 to R3 000 per month. • Ensuring at least one acquisition per annum. • Acquiring at least five new school erven per annum. • Ensuring an appropriate funding strategy, with consideration of the balance sheet, to fund this strategic objective. • Ensuring an appropriate recruitment and reward strategy is in place.	• In 2017 Curro managed to ensure alignment to its business plan. Key performance indicators have been taken into consideration. • Curro opened five new campuses. • Capacity utilisation was increased from 52% to 53% (44% to 47% at Curro developed schools). Although no new acquisitions were made in 2017, three campuses with 2 750 learners had been acquired in 2018. • Curro refinanced R850m of funding and secured another R1.2bn of funding during the year.
Transfor-mation management	• Ensuring that all Curro schools strive to become demographically representative.	• Active involvement at school level driving Curro's transformation agenda. • Delivery on a BBBEE strategy and plan. • Delivery on an approved employment equity plan. • Being closely aligned with the public sector.	Curro understands that education plays an important role in empowering individuals and redressing the inequalities of the past. As part of this commitment, Curro adopted a transformation charter in 2016 and approved the appointment of a transformation committee that advises and provides the board (via the social, ethics and human resources committee) with appropriate recommendations. The transformation committee was active in 2017, managing its plan with set targets with the 2020 transformation vision in mind. Please refer to pages 42 and 43 more information.
Curriculum innovation	• Conducting ongoing research and development to pursue best practices and to keep Curro's service competitive.	• Ensuring that the CCMD stays focused on literacy development, coding activities, tablet research, further development of Curro's IT (Information Technology) curricula, systemic testing of systems, Mathematics teaching methodologies, Science and Technology education, Engineering, and Entrepreneurship as subjects.	A number of key strategic initiatives were undertaken to ensure aligned quality in curriculum delivery throughout the group, this includes the implementation of standardised testing in primary and high schools inter alia.

Transformation journey

Curro is committed to transformation as a critical business practice to ensure sustainability and to make a meaningful contribution to the country. Good progress has been made in terms of Curro's transformation journey, with the implementation of targeted programmes for staff and learners.

The main focus remains on the improvement of employment equity targets, with the group recognising value in diversity and the need for employees to be representative of the southern African demographic. To this end Curro has established a transformation committee (monitored by the social, ethics and human resources committee), which meets quarterly and where clear targets are managed and monitored.

For more information visit www.curro.co.za

At Curro learners are involved in walking the road to transformation through various structured programmes.

Employee statistics as at 31 December 2017

	Race								Total		
	African		Indian		Coloured		White				
	M	F	M	F	M	F	M	F	M	F	Total
Executive	1	–	–	–	–	–	6	2	7	2	9
Senior management	4	1		2	1	1	36	10	41	14	55
Middle management	15	18	1	6	6	8	125	298	147	330	477
Total management	**20**	**19**	**1**	**8**	**7**	**9**	**167**	**310**	**195**	**346**	**541**
Employee category %	*3.7*	*3.5*	*0.2*	*1.5*	*1.3*	*1.7*	*30.9*	*57.3*	*36.0*	*64.0*	*100.0*
Total management %	*0.4*	*0.4*	*0.0*	*0.1*	*0.1*	*0.2*	*3.1*	*5.8*	*3.6*	*6.4*	*10.1*
Skilled technical and academically qualified employees	133	275	9	70	29	139	361	1 871	532	2 355	2 887
Semi-skilled and discretionary decision-making employees	158	558	–	12	14	191	34	355	206	1 116	1 322
Unskilled and defined decision-making employees	252	291	2	2	20	37	5	10	279	340	619
Total non-management	**543**	**1 124**	**11**	**84**	**63**	**367**	**400**	**2 236**	**1 017**	**3 811**	**4 828**
Employee category %	*11.2*	*23.3*	*0.2*	*1.7*	*1.3*	*7.6*	*8.3*	*46.3*	*21.1*	*78.9*	*100.0*
Total non-management %	*10.1*	*20.9*	*0.2*	*1.6*	*1.2*	*6.8*	*7.5*	*41.6*	*18.9*	*71.0*	*89.9*
Total employees	**563**	**1 143**	**12**	**92**	**70**	**376**	**567**	**2 546**	**1 212**	**4 157**	**5 369**
Total employees %	*10.5*	*21.3*	*0.2*	*1.7*	*1.3*	*7.0*	*10.6*	*47.4*	*22.6*	*77.4*	*100.0*

Employee statistics as at 31 December 2016

	Race								Total		
	African		Indian		Coloured		White				
	M	F	M	F	M	F	M	F	M	F	Total
Executive	–	–	–	1	–	–	4	–	4	1	5
Senior management	5	1	1	–	1	1	49	21	56	23	79
Middle management	10	15	1	12	5	7	55	132	71	166	237
Total management	**15**	**16**	**2**	**13**	**6**	**8**	**108**	**153**	**131**	**190**	**321**
Employee category %	*4.7*	*5.0*	*0.6*	*4.0*	*1.9*	*2.5*	*33.6*	*47.7*	*40.8*	*59.2*	*100.0*
Total management %	*0.3*	*0.3*	*0.0*	*0.3*	*0.1*	*0.2*	*2.2*	*3.2*	*2.7*	*4.0*	*6.7*
Skilled technical and academically qualified employees	125	256	6	60	19	71	388	1 507	538	1 894	2 432
Semi-skilled and discretionary decision-making employees	116	378	–	15	14	179	36	713	166	1 285	1 451
Unskilled and defined decision-making employees	244	268	1	1	18	45	15	10	278	324	602
Total non-management	**485**	**902**	**7**	**76**	**51**	**295**	**439**	**2 230**	**982**	**3 503**	**4 485**
Employee category %	*10.8*	*20.1*	*0.2*	*1.7*	*1.1*	*6.6*	*9.8*	*49.7*	*21.9*	*78.1*	*100.0*
Total non-management %	*10.1*	*18.8*	*0.1*	*1.6*	*1.1*	*6.1*	*9.1*	*46.4*	*20.4*	*72.9*	*93.3*
Total employees	**500**	**918**	**9**	**89**	**57**	**303**	**547**	**2 383**	**1 113**	**3 693**	**4 806**
Total employees (%)	*10.4*	*19.1*	*0.2*	*1.9*	*1.2*	*6.3*	*11.4*	*49.6*	*23.2*	*76.8*	*100.0*

Notes:
M = Male
F = Female

Highlights and events pertaining to the group's operations in 2017:

- Revenue of R2.1 billion represents an increase of 22%.
- Headline earnings from continuing operations increased by 24% to R201 million.
- Curro schools' (excluding Meridian) headline earnings increased by 33% to R232 million.
- Curro schools' (excluding Meridian) headline earnings per share increased by 26% from 45.0 cents to 56.6 cents.
- Unbundling of Stadio.
- Yield of 8.1%.
- Total learner numbers at the start of the 2018 academic year are 52 233.

Key statistics

	2012	2013	2014	2015	2016	YOY growth	2017	5-year CAGR
Number of campuses	22	26	31	41	48	*6%*	51	*18%*
Number of schools	61	72	80	100	114	*11%*	127	*15%*
Number of learners	12 473	21 027	28 737	35 130	42 343	*8%*	45 870	*30%*
% of eventual capacity	31%	44%	51%	50%	52%	*2%*	53%	*11%*
Revenue (R million)	366	659	1 001	1 384	1 714	*22%*	2 098	*42%*
Schools' EBITDA (R million)	79	155	262	382	487	*22%*	594	*50%*
EBITDA (R million)	53	114	191	292	377	*25%*	472	*55%*
EBITDA margin (%)	14.50%	17.30%	19.10%	21.10%	21.98%	–	22.53%	–
Net interest expense (R million)	15	22	55	91	70	*11%*	78	*39%*
Headline earnings – continuing ops (R million)	15	37	56	100	162	*24%*	201	*68%*
HEPS – continuing ops (cents)	7.0	12.8	17.2	28.3	41.8	*17%*	49	*48%*
Learner/educator ratio	11	13	15	15	17	–	17	*9%*
Capital investment (R million)	782	1 015	1 305	1 010	1 486	*(24%)*	1 136	*8%*
Total building size (m²)	169 024	261 004	392 314	449 067	558 683	*7%*	598 194	*29%*

Key drivers for performance

Learner numbers and campuses

Campus numbers

	2013	2014	2015	2016	2017	*YOY growth*	2018	*5-year CAGR*
Curro and Curro Select	23	27	31	34	35	*1*	36	*9%*
Curro Academy	–	–	2	3	5	*5*	10	*71%**
Curro Castle	1	2	2	4	4	*2*	6	*43%*
Meridian	2	2	6	7	7	*–*	7	*28%*
Total	**26**	**31**	**41**	**48**	***51***	***8***	**59**	***18%***

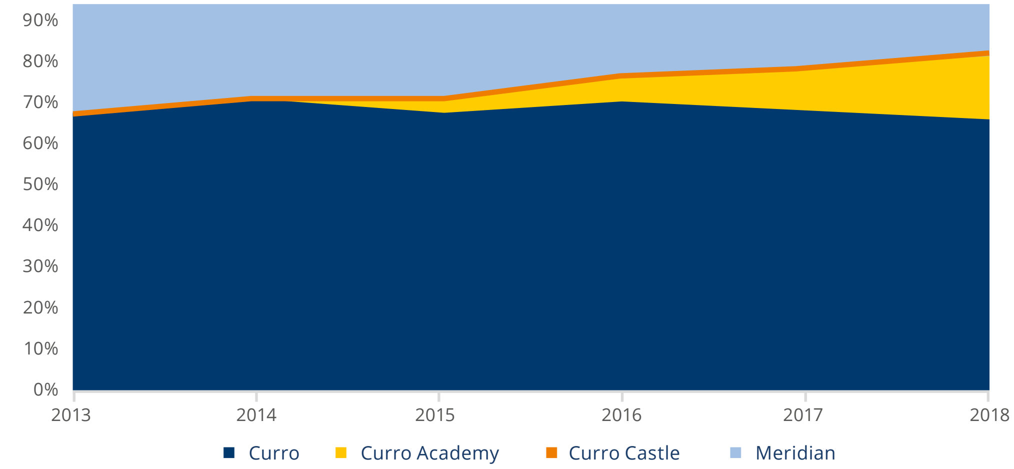
*3-year CAGR

Learner numbers

	2013	2014	2015	2016	2017	*YOY growth*	2018	*5-year CAGR*
Curro and Curro Select	13 398	19 501	23 638	29 639	31 414	*9%*	34 276	*21%*
Curro Academy			990	2 114	3 831	*101%*	7 698	*98%**
Curro Castle	350	474	572	792	960	*2%*	982	*23%*
Curro	13 748	19 975	25 200	32 545	36 205	*19%*	42 956	*26%*
Meridian	6 389	7 941	9 948	9 798	9 665	*(4%)*	9 277	*8%*
Total	**20 137**	**27 916**	**35 148**	**42 343**	**45 870**	*14%*	**52 233**	***21%***

*3-year CAGR

Learner composition



2017

- Learner growth of 8% in 2017 was lower compared to that in 2016, mainly because no learner numbers were added as a result of acquisitions in the 2017 year.
- Curro Academy growth continued and was strongly boosted by the opening of the Wilgeheuwel campus, which opened with more than 800 learners in its first year of operation.
- In 2017, Curro commenced operation from only one new site in Rivonia. The primary school site at Waterfall City was opened next to the Castle site. Promising growth continues at both these sites in 2018, confirming demand for the Curro model in good locations.

2018

- The increase in learner growth is stronger than in 2017 as a result of the strong organic growth in the Academy business in particular, and as a result of the acquisition of three campuses.
- There are also other acquisitions in the offing.

Fee increases

	2015	2016	2017
Average school fee per learner (R'000)	34.0	37.6	41.6
% increase	8.4%	10.6%	10.7%

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

For 2016 to 2017 the school fee increases at school level ranged from 7.3% to 12.2%, with a weighted average school fee increase of 10%. For 2017 to 2018 the school fee increases ranged from 5.4% to 12.2%, with a weighted average increase of 9.0%. The weighted average effective increase can also vary according to the distribution of the learners over different grades with different fees.

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 book value of the assets with inflation (of 7%) since the inception of the school.

Over time the company aims to increase its yield to more than 20%.

		2015		2016		2017		
	2017 campuses	EBITDAR Margin	Yield	EBITDAR Margin	Yield	EBITDAR Margin	Yield	Eventual capacity utilised
Curro and Select	35	28%	8.8%	29%	8.6%	31%	8.3%	59%
Developed	25	24%	5.1%	27%	6.1%	29%	6.2%	52%
Acquired	10	35%	22.5%	33%	15.0%	33%	13.8%	77%
Curro Academy	5	(8%)	(3.4%)	14%	0.9%	25%	4.4%	33%
Curro Castle	4	34%	1.1%	29%	4.7%	29%	6.1%	57%
Meridian	7	25%	9.3%	24%	9.4%	21%	7.2%	51%
Total	**51**	**28%**	**9.0%**	**29%**	**8.7%**	**31%**	**8.1%**	**53%**

The improvement in yield for developed schools has been temporarily impacted by the capital invested for the high schools at Krugersdorp, Century City and Roodeplaat, as well as by a slowdown in filling open capacity at Curro schools, specifically in the more rural areas. At acquired schools, capital projects at Hillcrest, St Dominics and Windhoek impacted the yield over the short term.

Capacity utilisation and retention of learners

The utilisation of capacity is key for the company to increase its targeted EBITDA margin of 40% per campus.

The capacity utilisation has stagnated as a result of new capacity being added through acquisitions and greenfield developments, while the growth in learner numbers was lower due to learners leaving the campuses.

The learners leaving the campuses was mainly for financial reasons (voluntarily or involuntarily), as well as relocation. Leavers as a result of financial reasons was the most prominent at the Meridian schools.

The Castle and preschool model has lower entry barriers for competition. In addition, not all the parents are interested in the full-day service, i.e. from 07:00 to 18:00, which is focused on families where both parents work. While a Castle on a larger campus site secures entry into the primary school, standalone facilities do not have this advantage. Standalone Castles will only be built where Curro believes them to be in a good position and the aforementioned factors are lower.

Retention of learners

A key goal for 2018 onwards will be the retention of learners. A detailed evaluation of all learners who leave is now being performed. Curro will continue to emphasise the benefit of its product, although it may come at a premium to other available options.

Loan scheme

The major entry points for a school are from preschool to Grade 1, and then again at Grade 8. Where learners leave as a result of financial reasons from Grade 9 onwards it is unlikely that the learner will be replaced with a new learner. It is therefore important that this aspect be considered when future capacity requirements are calculated. Where the capacity now exists, Curro is looking at improving affordability by offering the option of a school fee loan for selected learners in those grades, based on available capacity, credit score and academic performance.

Bad debts and discount ratio

Discounts are granted for children of educators attending Curro schools and for the prepayment of school fees for the year in advance. Merit bursaries are awarded for excellence in academic work as well as sport and culture. Short-term financial assistance is available taking into consideration various factors. Since 2015 the total discounts and bursaries remained constant at 6.5%, with approximately 2.2% for bursaries to personnel.

Bad debts (R million)	2015	2016	2017
Total write-off for the 12 months	16.1	23.6	54.2
Bad debts recovered	(2.6)	(5.5)	(23.0)
Net write-off	**13.5**	**18.1**	**31.2**
Net bad debts as % of turnover	1.0%	1.0%	1.5%

With the introduction of the loan scheme and other attempts to increase occupancy it is foreseen that the bad debt ratio to turnover will increase.

Expenses

Employee costs

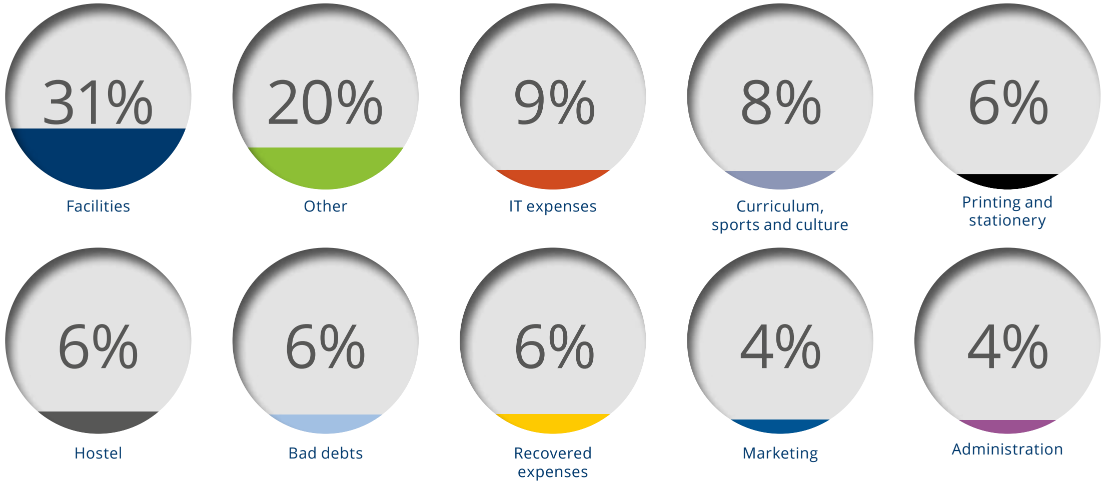
	2013	2014	2015	*YOY change*	2016	*YOY change*	2017	*4-year CAGR change*	2018	
Total staff costs (R million)	374	535	722	*27%*	918	*21%*	1 107	*31%*		
Staff costs as % of turnover	57%	53%	54%		54%		53%			
Staff costs as % of total expenses	71%	69%	68%		69%		69%			
No. of staff	2 387	3 128	3 969	*21%*	4 806	*12%*	5 369	*22%*	5 853	
Average cost per employee (R'000)	157	171	182	*5%*	191	*8%*	206	*7%*		
No. of educators	1 593	1 905	2 290	*11%*	2 546	*9%*	2 778	*15%*	2 850	*
Learner/educator ratio (LER)	13.2	15.1	15.7	*6%*	16.6	*(1%)*	16.5	*6%*	17.3	*

Notes: * Excludes 2018 acquisitions

Salaries remain the largest expense for the business, at 69% of total expenses. Quality educators in the classroom remain the bedrock of Curro's product. Educator resources are assessed to ensure that any underutilisation is limited as far as possible.

The stagnation in the learner/educator ratio between 2016 and 2017 was the result of lower learner enrolments in 2017. Capacity was closely managed for 2018, and the improvement in the LER is evident.

Other costs



	2015 R million	2016 R million	*YOY growth*	2017 R million	*CAGR 4 years*
Facilities	100	122	*22%*	149	*34%*
Curriculum, sports and culture	28	37	*5%*	39	*28%*
IT expenses	27	40	*14%*	45	*53%*
Hostel	28	30	*(1%)*	30	*45%*
Recovered expenses	23	20	*26%*	25	*44%*
Printing and stationery	21	24	*18%*	28	*22%*
Bad debts	14	18	*66%*	31	*52%*
Admin	11	13	*18%*	16	*23%*
Marketing	11	17	*11%*	18	*30%*
Other	73	89	*9%*	97	*28%*
	336	**410**	***17%***	**478**	***34%***

The majority of other expenses are related to facilities that for the greater part are rates and taxes and utilities. For the manageable portion of these expenses, management continuously looks for areas to save these costs through more efficient electricity usage and water-saving initiatives. Smart metering assists in identifying areas for improvement in this regard.

Curro has boreholes at the majority of its schools. It is also testing water-harvesting methods on its sports fields and where swimming pools are in place. If successful, the model will be introduced at Curro schools with a capital outlay of R800 000 per campus.

The increased usage of technology on the campuses has led to a higher growth rate for IT expenses. This coincides with Curro's 21st-century teaching and learning approach and it's focus on coding, Robotics and IT.

Meridian business

The Meridian business commenced in 2012 between Curro, Old Mutual Life Assurance Company South Africa Ltd (through the Financial Sector Charter Fund) and the Schools and Education Impact Fund of South Africa (SEIFSA), funded by the Public Investment Corporation.

Old Mutual and SEIFSA contributed all the senior and mezzanine funding, with Curro providing 65% of the funding and other parties the rest. The 15-year senior and junior funding had a three-year interest roll-up, followed by a three-year partial interest payment only. Capital redemption is due from 2019 onwards.

	2015	2016	2017
Learner numbers	9 948	9 798	9 665
Revenue (R million)	258	275	271
EBITDA (R million)	45	51	43
Depreciation (R million)	(13)	(12)	(11)
EBIT (R million)	32	39	32
Net interest (R million)	(54)	(61)	(67)
PBT (R million)	(22)	(22)	(35)
Tax (R million)	6	10	4
Headline earnings (R million)	(16)	(12)	(31)
Equity and junior loans (R million)	51	40	8
Debt funding (R million)	553	564	620
Senior (JIBAR + 4%)	448	454	497
Mezzanine (JIBAR + 8%)	105	110	123

Operationally

Meridian operates from seven locations, two of which are considered first-tier urban, and the other five campuses are in second-tier urban/rural locations. The demand and ability to afford independent school fees are much stronger in first-tier urban areas as opposed to more rural areas. This is also evident in the growth of the Curro Academy learner numbers.

First-tier urban	Second-tier urban/rural
Cosmo City (Johannesburg, Gauteng)	Karino (Nelspruit, Mpumalanga)
Pinehurst (Cape Town, Western Cape)	Newcastle (KwaZulu-Natal)
	Northern Academy (I & II) (Polokwane, Limpopo)
	Rustenburg (North West)

The majority of the Meridian business consists of Northern Academy, with roughly 40% of learners attending this school. Fifty per cent of these learners are in the hostel. As a result of the downturn in economic conditions and senior management changes, Northern Academy has experienced a loss in the number of learners from around 5 000 in 2015 to about 4 000 currently. Senior management has now been stabilised and the business will focus on what it has always excelled at: excellent academic results. Management will also adjust the cost base at the campuses.

Overall, the business remains conservative in terms of capital investment, with no material capital investment required at any of the current campuses.

Balance sheet

Although Meridian is operationally profitable, with a reasonable yield considering its current capacity utilisation, the high levels of gearing placed the business overall in a loss-making position.

Shareholders have engaged since 2016 to consider options to adjust the capital structure of the business, as it is unlikely to meet cash-flow requirements when repayment of the loans commence from 2019. The 2018 learner numbers provided more certainty in terms of the future of the business and the shareholders are in the process of approving a recapitalisation of the business through the redemption of a portion of the senior and mezzanine funding. This will significantly improve the profitability of the business. It should be effective in the second half of the 2018 year.

Stadio unbundling

Given the potential identified in the tertiary-education market, the apparent differences in the models between school and tertiary education and the belief that management teams should focus on their respective industries, Stadio listed separately and unbundled from Curro on 3 October 2017.

Stadio was treated as a discontinued operation in the financial statements.

	2015 R million	*YOY growth*	2016 R million	*YOY growth*	2017 R million
Headline earnings					
Curro schools	106	*64%*	174	*33%*	232
Meridian	(11)	*9%*	(12)	*158%*	(31)
Curro group (continuing)	95	*71%*	162	*24%*	201
Stadio	5	40%	7	–	(4)
Total	**100**	***69%***	**169**	***17%***	**197**
HEPS (cents)					
Curro schools	29.9	*51%*	45.0	*26%*	56.6
Meridian	(3.1)	*3%*	(3.2)	*138%*	(7.6)
Curro group (continuing)	26.8	*56%*	41.8	*17%*	49.0
Stadio	1.5	*40%*	2.1	–	(0.9)
Total	**28.3**	***55%***	**43.9**	***10%***	**48.1**

Stadio embarked on a growth plan that included significant acquisitions in order to increase its product offerings in the private higher-education space, as well as the geographic expansion of its offerings. The once-off acquisition costs, new-campus set-up costs, costs of establishing a new head office management team, as well as the costs to list Stadio, all impacted the results for the 2017 financial year.

Capital investment

	2015 R million	2016 R million	2017 R million
Land banking	85	125	148
New school construction	284	524	324
Expansion and replacement of existing campuses	646	571	652
Acquisitions	15	266	12
	1 030	**1 486**	**1 136***

*Excludes investment by Embury/Stadio.

Since 2016, Curro has focused its investments for new schools on the three major metropolitan areas in Gauteng, Cape Town and Durban.

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

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

Cash flow

	2015 R million	2016 R million	2017 R million
Cash generated from operations	305	399	489
Taxation paid	(9)	(8)	(8)
Net finance costs	(90)	(68)	(77)
Working capital movements – operations	(11)	(4)	(27)
Working capital movements – investments	(33)	85	(64)
Net cash generated from operating activities	**162**	**404**	**313**
Net cash utilised – investing activities	(1 030)	(1 700)	(1 192)
Net rights issue	742	1 771	177
Net debt	162	–	714
Stadio unbundling	–	–	(147)
Cash movement	**36**	**475**	**(135)**
Cash opening balance	195	231	706
Cash closing balance	231	706	571

Healthy cash-flow generation continued in 2017, with a 23% increase in cash generated from operations. Cash generated from operations has increased to the level that expansion capex can be funded from this cash flow, and that new projects can be financed by debt.

The low cash tax rate is as a result of a 5% wear-and-tear allowance is allowed by the Income Tax Act. Curro has a taxable loss of R316 million available for set-off against future taxable income.

Capital structure and debt

	2015	2016	2017
Curro net debt (R million)	767	370	1 180
Meridian net debt (R million)	591	575	632
Net debt (R million)	1 358	945	1 812
Equity (R million)	3 081	4 964	4 996
Debt/equity (group)	44%	19%	36%
Debt/equity (excl. Meridian)	25%	7%	24%
ISCR (group)	3.2	4.2	4.9
ISCR (excl. Meridian) >1.75x	3.5	5.7	5.6

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.

Over the long term Curro's gearing will be increased to a 50/50 debt to equity ratio.

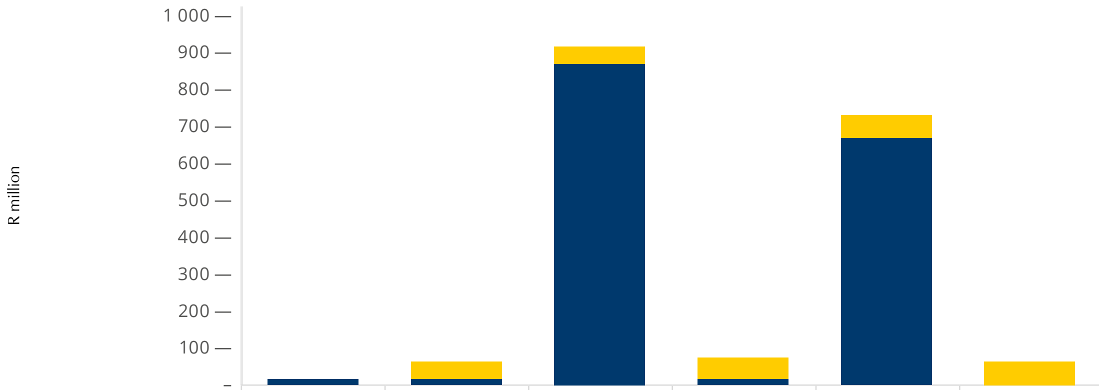
The minimum covenants to be met with regard to the majority of Curro's debt are interest service cover ratio of at least 1.75 times and a loan to the value of 1.3 times. Curro currently falls well within these covenants and is expected to continue to do so.

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

	Rate	Maturity	Amount (R million)
Previous funding (prior to refinancing)			
COH001	JIBAR + 275	Nov-18	150
COH002	JIBAR + 260	Mar-19	125
Bank bullet funding	JIBAR + 235	Nov-19	450
Bank bullet funding	JIBAR + 215	Dec-20	125
Refinanced – bank bullet	**JIBAR + 175**	**Sep-20**	**850**
New funding			
Bank bullet funding	JIBAR + 205	Sep-22	600
Bank bullet funding	JIBAR + 197.5	Dec-22	50

Curro raises debt at a corporate level, secured against its property portfolio. Most of Curro's debt is incurred with a bullet repayment at the end of five years. This provides a cash-flow advantage in the early years when a school is still progressing through its J-curve.

Debt maturity profile



	2018	2019	2020	2021	2022	2023
Meridian	–	43	57	53	60	67
Curro	23	23	873	23	673	

Tax

The lower effective tax rate of the previous years was mainly as a result of the difference between the tax-deductible capital contribution made by Curro to the share incentive trust in order to settle its responsibilities to the share option holders and the IFRS 2 amortised accounting expense of the share options.

	2015	2016	2017
Effective tax rate	20.0%	22.2%	27.1%
% as a result of SIT	7.7%	7.5%	2.0%
Capital gains tax change/foreign rate		(1.7%)	(0.4%)
Other	0.3%	(0.0%)	(0.7%)
	28.0%	28.0%	28.0%
Capital contribution (R million)	43	72	30
IFRS 2 share-based incentive cost (R million)	(12)	(14)	(10)
Difference	**32**	**58**	**20**
% difference on tax rate	7.7%	7.5%	2.0%

Dividends

The Stadio unbundling was accounted for as a dividend in specie in terms of section 46(1)(a)(ii) of the Companies Act, No. 71 of 2008, as amended, and section 46 of the Income Tax Act, No. 58 of 1962, as amended, and amounted to R345 million. The debit was accounted for as a decrease in retained earnings.

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

Curro will assess its plans to commence with the payment of dividends in 2019, subject to investment opportunities following the release of the 2018 results early in 2019.

Key focus areas

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

- Improving the debt-collection process and implementing a loan scheme in line with the overall intention to retain learners.
- Recapitalising the Meridian business.
- Refining the learner/educator model specifically pertaining to the high school.
- Securing appropriate long-term funding for the anticipated capital expansion.

Outlook

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

Smiles cultivate a happy environment.

J-curve

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

Note
Acquired schools indicates the year the school was incorporated into Curro. All acquired schools have been established for at least seven years.
*2009 and before schools have a maximum of 20 learners per class, which has a direct impact on the EBITDA. Other schools have a maximum of 25 learners for Curro and Select, or 35 for Meridian or Academy schools.

The open-air classroom is where learners play, learn and grow.

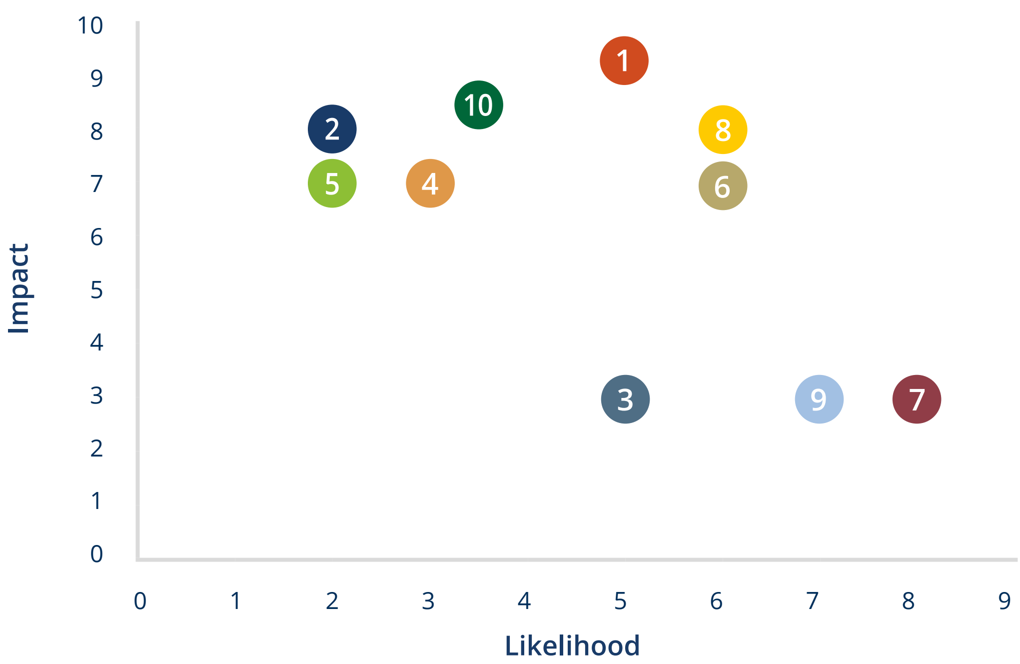
3.6 Risk management review

The focus of risk management in the group is 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, being responsible for Curro's risk management, 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 within 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, 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, who 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 2017.

Risk matrix



The following table illustrates the group's top risks and how the group mitigates (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. Main areas that may be affected by reputational risks are: • 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 advantage of curriculum experts who guide educators in curriculum planning to maintain an ideal balance between the written and the received curriculum. This ideal balance motivates educators, because they are enabled to 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** • 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 that government is not able to meet entirely, the market still offers significant growth opportunities. • 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** • 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. This risk item has increased one increment in impact since the previous reporting period. 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 becoming 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. This risk item has increased one increment in likelihood since the previous reporting period.

Indicator	Risk	Responses
7	**Human resources risk** • Recruiting the right skilled and experienced educators. • Competitive employee remuneration. • Managing a growing workforce.	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. All executive heads are experienced leaders. They receive human resource management support from Curro's contracted service provider and regional heads. Curro places a lot of emphasis on the development of its educators, 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 educators whom Curro considers for appointment in its recruitment process.
8	**Economic risk** Clients cannot afford to keep their children enrolled at the school.	• In general, Curro's clients believe in the value of a good, quality education. Curro experiences that parents' spend is reprioritised to ensure that their children receive 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.	• 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 controlled entrance via 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.	• Water-saving/-usage awareness campaigns 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 our schools. This will be used for toilet flushing, fields/gardens and cleaning.

Curro believes that children develop and learn in different ways and all areas of learning and development are equally important.

3.7 Corporate governance

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

This report must be read in conjunction with Curro's disclosure register (King IV™ register) on the principles set out in King IV™ as available at www.curro.co.za and the other sections of the annual integrated report, encompassing Curro's integrated 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 and Curro's corporate governance framework (inter alia delegation of powers and responsibilities, board committees, the executive committee) and the company secretary.

Furthermore, this report includes reporting on matters that took place subsequent to year-end. New governance practices implemented during the 2017 year, material changes to the board and committees have specifically been noted herein.

Board leadership

The board, under the leadership of an independent non-executive chairperson, is key to Curro's corporate governance system and is ultimately 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 standards of corporate governance set for Curro. It also ensures that the internal controls – operational, financial, environmental and societal – are adequate and that, through effective internal controls, the financial statements accurately and objectively reflect the group's business.

The Board has an approved charter (based on the company's memorandum of incorporation) and fulfilled it during the year under review. 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 curriculum) and monitor performance against the achievement thereof.
- Review and approve annual and interim financial reports, budgets and business plans.
- Advise on corporate finance actions in conjunction with the company's sponsor.
- 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 over time.
- 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 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 same.
- Provide oversight on risk governance, information and technology governance, compliance governance, remuneration governance, assurance quality and stakeholder relations governance in a manner that supports the company in achieving its strategic objectives while taking the triple context into account.
- 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 2017 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 56 to 58), and that the risk management system, together with the internal control environment, is effective and commensurate with the size and nature of the business.

Refer to the King IV™ register for further detail on how the board leads ethically and effectively. The register can be found at www.curro.co.za.

Composition of board, appointment process and induction

Appointments to the board are made in terms of clear policy with respect to the recommendations that are made by fellow board members, with the input of other significant stakeholders. This is done on the basis of the needs of the company and the set of skills, experience, knowledge, independence and diversity that such an appointee can bring to the table. The board has adopted and approved a policy on voluntary targets for race and gender diversity. These voluntary targets, which were approved in 2017 are:

- To ensure that 50% of non-executive directors are female by 2022
- To ensure that 60% of non-executive directors are black by 2022

If required, the board appoints an ad hoc committee to screen the curricula vitae of prospective candidates or to conduct interviews when a vacancy arises. All new appointments to the board are therefore made in terms of a formal and transparent process, and are considered to be a matter for the board as a whole. The board decided not to appoint a nominations committee, as the entire board takes responsibility for the appointment of directors. The other activities that a nominations committee usually performs (inter alia succession planning and evaluation and performance of the board) are furthermore either delegated to an ad hoc committee, formed for the specific purpose, or individual directors, when needed, or, to the remuneration committee.

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

The board comprises three executive and seven non-executive directors, with the majority of the non-executive directors being independent. With regard to race diversity, 60% of the non-executive directors on the board are black. The board has two female non-executive directors and the board has plans in place towards achieving its voluntary target set (detailed above). One of the non-executive directors is not independent, given that he is a representative of the major shareholder, PSG Group Ltd, and his skills and experience are invaluable to the board. No individual has unfettered power on the board.

As was previously reported to shareholders, the chief executive officer (CEO) succession plan and the appointment of Dr Chris van der Merwe (previous CEO) as a non-executive director were implemented in 2017. Douglas Ramaphosa was appointed to the board as independent non-executive director effective 26 January 2018.

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

For executive directors, formal employment agreements exist that contain appropriate notice periods (no fixed terms exist) and restraint-of-trade provisions so as to protect the company's assets.

Furthermore, the composition of the board and board committees ensures that no individual has unfettered powers of decision-making and authority, and 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, the board decided not to appoint a lead independent non-executive director and the board has a plan in place for those instances where the chairperson may not be available.

The three executive directors comprise the CEO, chief financial officer (CFO), and chief investment officer (CIO).

Abbreviated curricula vitae of the individual directors on the board are contained on pages 32 and 33 of this report.

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

A formal induction programme for non-executive directors was formulated and approved in 2017 so as to assist a newly appointed director with an accelerated on-boarding 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 separate induction sessions with the chairperson of the board, CEO, CFO, company secretary, sponsor and chairpersons of board committees 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 70 to 83 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 board day in addition thereto. Further details on decision-making powers and limits are contained in the corporate governance framework section of this report. The chairperson of the board approves the attendance of any invitees at board meetings. Additional meetings may be called for when it is necessary to do so.

In between the formally scheduled meetings of the board, the board applies the decision-making process of its resolutions 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, and at the expense of the company.

The board evaluates its performance, that of its chairperson and its committees biennially through a self-evaluation process that is facilitated by the company secretary. This evaluation is populated on an anonymous basis and the results are submitted to the chairperson of the board. The findings of these self-evaluations 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 of the board as a whole, the chairperson, and the board committees. No material issues were identified during the evaluations conducted in December 2016 and the next evaluation is to take place in 2018.

ACCOUNTABILITY
3.7 Corporate governance

The table below illustrates the number of meetings and attendance at these meetings, directors' age and their tenures of service.

Name of director	Age[2]	Classification: independent non-executive/ non-executive /executive	Years of service since appointment/ employment	Board: quarterly plus a strategic session – year 2017 Total: five meetings
Santie Botha (appointed on 09/07/2012)	53	Independent non-executive	6 years	5/5 (chairperson)
Andries Greyling (appointed on 01/02/2007)	48	Executive – CEO	11 years	5/5
KK Combi[1] (appointed on 17/08/2012)	66	Independent non-executive	6 years	5/5
Hennie Louw (appointed on 27/02/2012)	50	Executive – CIO	8 years	5/5
Piet Mouton[1] (appointed on 01/07/2009)	41	Non-executive	9 years	5/5
Prof. Sibongile Muthwa (appointed on 01/05/2013)	55	Independent non-executive	5 years	4/5[5]
Barend Petersen (appointed on 15/04/2011)	58	Independent non-executive	5 years	4/5[5]
Douglas Ramaphosa[1] (appointed on 26/01/2018)	61	Independent non-executive	Subsequent to year-end	n/a
Bernardt van der Linde (appointed on 01/07/2009)	40	Executive – CFO	9 years[3]	5/5
Dr Chris van der Merwe[4] (appointed on 30/12/1998)	55	Non-executive	19 years (founder)	5/5

1 Retirement by rotation: up for re-election/confirmation of appointment, refer to the AGM notice (only relevant to non-executive directors). Refer to pages 32 and 33 of this report for the abbreviated curricula vitae.
2 As at date of posting of the annual integrated report.
3 Was appointed a director prior to being employed by the company, therefore the date of appointment to the board was used for calculation purposes.
4 Was executive director until mid-2017 and non-executive director thereafter.
5 Directors tender apologies when they cannot attend a meeting for good reason.

A new life is just around the corner ... Grade 12s celebrating the end of their school career.

Conflicts of interest

The board has a formal process in place to manage conflicts of interest. In terms of this process, each director individually is obliged to disclose any conflict they may have with regard to a matter for discussion at the board meetings. They must disclose the relevant information to the board prior to recusing themselves and leaving the meeting room 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 the matter is also 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 human resources committee, which is a board committee. The company's governance of ethics goes beyond legislated requirements and supports the establishment of an ethical culture. 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 who are not listed on a securities exchange (as JSE-listed companies are expected to be responsible citizens) are made aware of these social matters and are required to respect them. Further detail on ethics management is included in the King IV™ disclosure register.

Curro believes that every child is a competent learner from birth who can be resilient, capable, confident and self-assured.

ACCOUNTABILITY

3.7 Corporate governance

Governance framework and delegation of powers and responsibilities

CURRO HOLDINGS LTD GOVERNANCE FRAMEWORK

BOARD OF DIRECTORS

- Social, ethics and human resources committee
- Audit and risk committee
- Remuneration committee

External assurance providers
- External auditors
- Internal auditors
- Specific experts

EXECUTIVE COMMITTEE
(subsidiary boards where relevant)

BOUNDARIES — MONITORING

OBJECTIVES — ACCOUNTABILITIES — AUTHORITY — ASSURANCE

- Strategy
- 10-year plans
- Budgets
- Financial performance
- Values and ethics
- Investments and growth opportunities
- Authority levels
- Going concern
- Stakeholder engagement
- Policies
- Recruitment

- Remuneration
- Risk appetite and management
- IT governance
- Legal risk
- Audited financial statements
- Annual integrated report
- Financial reports
- Incidents
- Record keeping
- Natural resources
- Social responsibility

RECORDS — PLANS — OUTCOMES

REPORTS — POLICIES

'Kids deserve an opportunity, and we want to give them that chance.' – Chris van der Merwe, founder of Curro

3.7 Corporate governance

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 appointed an audit and risk committee, a remuneration committee and a social, ethics and human resources committee to assist it with the performance of its duties. A transformation committee with a limited-duration mandate reports to the social, ethics and human resources committee and indirectly to the board with the aim of assisting Curro with the implementation of its transformation charter, strategy and plan. Refer to pages 42 and 43 for more details on transformation.

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 board also determines which invitees are requested to attend meetings of the board committees to provide additional insight and to influence discussions at these committee meetings. The board committees meet in accordance with their mandates, which are reviewed annually. Conflicts of interests are at large dealt with at board committees in the same manner as that of the board (refer to details thereof on page 63).

Refer to the table below for a summary of the composition of the board committees, number of meetings and attendance thereat, their roles and responsibilities, statement on achievement of objectives for 2017 and key focus areas for 2018, and number of meetings and attendance thereat.

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 – 2017	Charter – summary of role and responsibilities	2017 performance and 2018 key focus areas
Audit and risk committee (consists of three independent non-executive directors)	Twice per annum	- Barend Petersen (chairperson) - Sibongile Muthwa - KK Combi Invitees: Remaining board members External auditors Internal auditors Holding company's financial director Financial managers Refer to pages 32 and 33 for member profile	Two meetings were held and all members attended both meetings, except Prof. Muthwa, who tendered apologies for one of the meetings. Apologies with valid reasons were tendered to the chairperson of the board and chairperson of the committee.	Review and approve for recommendation to shareholders: • External auditors, the audit strategy and audit fees. Review and approve for recommendation to the board: • Audited financial results and statements and interim financial results. • Changes to risk appetite. • Furthermore, review the arrangements for ensuring 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: • Use of the external auditors for non-audit services and fees. • Annually consider and satisfy itself as to the appropriateness of the expertise and the experience of the CFO of Curro. • Any material changes to the group's finance function. • Process and system of risk management, and management's risk assessments (inter alia strategic, financial, technology, health, safety, environment, compliance risks) performed. • Internal auditors appointed, their risk-based combined assurance plan, and fees (outsourced providers are used) and review of progress to achieve plan and outcome of audits completed. Oversight of: • Assurance functions of the group, i.e. external auditor, internal auditors, finance function, information and technology governance, and compliance governance and risk management. • Refer to pages 56 to 58 on risk management-related matters. • Refer to page 27 for more detail on information and technology governance. Information and technology (IT) governance: • Review whether Curro's IT is aligned with the performance and sustainability objectives of Curro and whether the IT assets are managed effectively. • 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 same, ensure an integrated approach with linkage to company-wide risk management and strategic alignment. • Monitor and evaluate significant IT expenditure. Compliance governance: • Compliance risk is monitored within the risk reporting and 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 to ensure compliance with laws and legislation.	2017 performance: The committee fulfilled its role in accordance with its charter as summarised for the year ended 31 December 2017. Refer to the audit committee report that forms part of the audited financial statements on pages 92 and 93. 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 2017 this was noted as 'satisfactory'. The external auditors have issued an unmodified audit opinion. Compliance governance (new): • 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. 2018 key focus areas: • Continue to fulfil the committee's mandate.

Curro Holdings Ltd annual integrated report 2017

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 – 2017	Charter – summary of role and responsibilities	2017 performance and 2018 key focus areas
Social, ethics and human resources committee (consists of three members, two of whom are non-executive directors, and one executive director)	Once per annum	- Sibongile Muthwa (chairperson) - Chris van der Merwe (resigned effective 16/02/2018) - Douglas Ramaphosa (appointed effective 16/02/2018) - Bernardt van der Linde Invitee: - Andries Greyling - Beverley Bennett (Head: Human Resources) (new invitee effective 16/02/2018) Refer to page 32 and 33 for member profile	Two meetings were held and all members attended same.	Review and approve for recommendation to the board: • Curro's BBBEE strategy and plans, transformation targets and transformation charter. Review and approve: • Policies relating to the social and ethics mandate (inter alia codes of ethics, whistle-blowing, corporate citizenship policies, anti-bribery and corruption, environmental, health and safety, transformation). • King IV™ register for publication on Curro's website. Oversight of: • 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. • Transformation committee activities. • 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. • King IV™ application.	2017 performance: • Enhancement of the transformation journey towards Curro's transformation plan. • Evaluation of the BBBEE compliance certificate and determining the way forward. • Reviewing Curro's application of King IV™ and approving the disclosure register. 2018 key focus areas: • BBBEE strategy and plan. • Enhancement of stakeholder relationships review.
Remuneration committee (consists of majority of independent non-executive directors)	Twice per annum	- KK Combi (chairperson) - Santie Botha - Piet Mouton Invitee: - Andries Greyling - Chris van der Merwe (resigned July 2017) - Bernardt van der Linde (only at the meeting on the long-term incentive scheme) Refer to page 32 and 33 for member profile	Three meetings were held and all members attended same.	Review and approve: • The remuneration policy, remuneration implementation report and levels of authority. • Executive directors, exco members and company secretary remuneration; performance measures. Refer to pages 70 to 83 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: • Recommendation of changes to the trust deed of the share incentive scheme. • Non-executive directors' fees and changes thereto. Oversight of: • Appropriate succession plans for executive level. • Organisational leadership organogram.	2017 performance: • The remuneration committee believes it has fulfilled its stated objectives. 2018 key focus areas: • Refer to page 71 of the remuneration reports.

The board's governance and management functions are linked through the CEO, Andries Greyling, who is tasked with the running of the business and the implementation of 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, executive committee charter and policies of the company. To assist the CEO to fulfil his mandate, a Curro executive committee was formed and the investment executive and the executive operational committees were disbanded. This took place mid-2017. 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 meets at least monthly. Among other things, 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. Note, however, that following the separate listing of Curro's tertiary-education businesses in 2017, most of the subsidiaries are property-holding entities, except for the Meridian venture and Curro Education Namibia (Pty) Ltd, the Namibian company that owns the Windhoek Gymnasium campus. 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 at exco meetings, 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

Ronell van Rensburg, Curro's company secretary, has played an essential role in the ongoing effectiveness of the board. The board is satisfied with the competence, qualification and experience of the company secretary. These elements are reviewed annually at the same time the performance review is done. Refer to page 34 of this report for an abbreviated curriculum vitae 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 to date 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. In evaluating these qualities of the company secretary, the board has considered the Companies Act, JSE Listings Requirements and corporate governance practices such as prescribed in King IV™.

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 liaison with the Companies and Intellectual Property Commission and the JSE.

Furthermore, 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 86 of this report.

Subsequent to year-end and as announced, Ronell has resigned as company secretary, effective 01 May 2018.

ACCOUNTABILITY
3.8 Remuneration reports

Background statement

Dear Shareholders

Curro's vision is to make independent school education accessible to more learners throughout South Africa. Our people are the single biggest factor in achieving that vision.

Remuneration governance is a priority for Curro and thus we are submitting our policy to shareholders for a non-binding advisory vote. The company has adopted a three-part remuneration report comprising this background statement; the forward-looking 2018 remuneration policy; and the implementation report that illustrates the outcomes of the 2017 remuneration policy over the past financial year. In line with the JSE Listings Requirements, the remuneration policy (contained in part 2) and the implementation report (contained in part 3) will be tabled at the annual general meeting (AGM) in two separate resolutions.

At 31 December 2017 there were 5 369 employees of which 133 employees are related to head office. Total remuneration represented 50% of revenue generated and 70% of operating expenses respectively.

Overall philosophy

Ensuring alignment of Curro's remuneration philosophy with the interests of other stakeholders will ensure sustainable growth to the benefit of all parties, which includes rewarding its employees fairly.

Other factors influencing the remuneration policy are:

- The financial position and outlook for the company in the context of the broader economy.
- Remuneration trends in both the public and private education sector as well as other industries that have parallel touchpoints.
- The long-term aims of the company and specific measures that will encourage responsible behaviour.
- Considering the level of school fee increases in relation to salary increases.

Feedback from the 2017 AGM

Shareholders voted on the remuneration policy on a non-binding advisory basis for the first time at the AGM held on 23 June 2017. At this meeting, 92.38% of our shareholders voted in favour of the policy, 0.04% abstained and 7.62% voted against this resolution. Although shareholders endorsed our policy, we have engaged with selected institutional shareholders regarding the remuneration policy throughout the 2017 financial year (FY) on an informal basis.

Shareholder feedback	Responses from the remuneration committee ('remcom')
While the disclosure of both the financial and non-financial indicators is acknowledged, there is no distribution of weightings and targets for key performance indicators.	We have included details on the weightings of the key performance measures in part 2 of this report and will continue to review our disclosure in this regard in future years.
The vesting period for share options under the Share Incentive Scheme is set at less than three years.	The vesting period for share options is over five years, with only 25% of the award, vesting in less than three years.
The long-term incentive (LTI) allows executive directors to receive loans in order to assist their ability to exercise share options.	Curro encourages executive directors to hold shares in the company as it ensures strategic alignment. The loan funding structure is in line with the shareholder-approved rules for the LTI. Curro is proposing that the loan cover ratio be increased from 130% to 200%. Refer to the notice of the AGM.
Potential compensation on top of base fees was proposed for the former CEO who transitioned to the role of non-executive director from 1 July 2017 onwards, for his services as a strategic adviser. The open-ended nature of this arrangement raises concerns as to the ultimate quantum of the fees that may become payable.	Dr Chris van der Merwe's fees as a strategic adviser are explained in part 2 of the report, and the fees earned in the 2017 financial year are disclosed in part 3 of this report. The arrangement expires on 30 June 2018.
The LTI have no performance conditions for the vesting of shares.	The remcom will consider appropriate performance conditions (over and above the inherent share price growth hurdle) in the 2018 financial year.

Updates to the remuneration report and policy

The remcom reviews the remuneration policy annually and has updated the policy for 2018 with the following components:

- Incorporation of a number of the practices recommended in the King IV Report on Corporate Governance™.
- The implementation report has now been included for a non-binding advisory vote.
- Key performance measures for executives are described in more detail.
- A new medical aid employer-provided benefit has been introduced for employees earning less than R12 000 per month. This benefit will allow these employees to obtain covered medical assistance for basic medical care.
- Changes to the LTI scheme, more fully detailed in the AGM notice, are being proposed.

Remuneration committee key decisions during 2017

In accordance with its charter, the remcom made the following key decisions during 2017:

- Determined the short-term incentives (STI) key performance indicators for the 2017 financial year.
- Reviewed performance against the 2016 key performance areas and approved STI for executive directors, prescribed officers and company secretary.
- Reviewed and approved salary increases for the executive directors, prescribed officers and company secretary.
- Reviewed non-executive directors' fees for submission to the shareholders at the AGM that took place in June 2017.
- Reviewed and approved the share option scheme model, share option awards, any loans to participants with the vesting of share options.
- Dealt with the CEO succession related matters, including the strategic adviser role for Dr Chris van der Merwe, that was implemented mid-2017.
- Reviewed the composition of the board and board committees and made recommendations to the board.
- Reviewed the succession plan for key management.
- Reviewed the committee's charter.

Refer to the corporate governance report on pages 68 and 69 for more detail on the committee's functioning.

The remcom believes:

- That it was objective and independent when it reviewed the remuneration policy.
- That the policy approved in 2017 achieved its stated objectives.
- That it remained objective and independent when it approved the remuneration of executives and the rest of the company as a whole.
- That our independent advisers were independent and objective in their services rendered during the year under review.

The focus areas for 2018 are:

- To continue to implement best practice protocols in accordance with principles set out in this policy.
- To determine performance conditions for the LTI scheme that would be appropriate for Curro's business model.
- To revisit certain aspects of the King IV™ practices to further enhance its reporting in the future.

At the 2018 AGM, shareholders will be afforded the opportunity to vote on the remuneration policy and its implementation. The remcom believes that the Curro remuneration policy supports the long-term business strategy of the company and look forward to receiving shareholder support thereof.

KK Combi
Chairman of the Remcom

2018 Remuneration policy

1. Introduction

The purpose of this policy is to provide the principles according to which Curro remunerate its employees.

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 short-term and long-term incentives (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 develop, motivate and retain its skilled employees, which is essential in the education environment.

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

Curro's remuneration policy consists of three components:

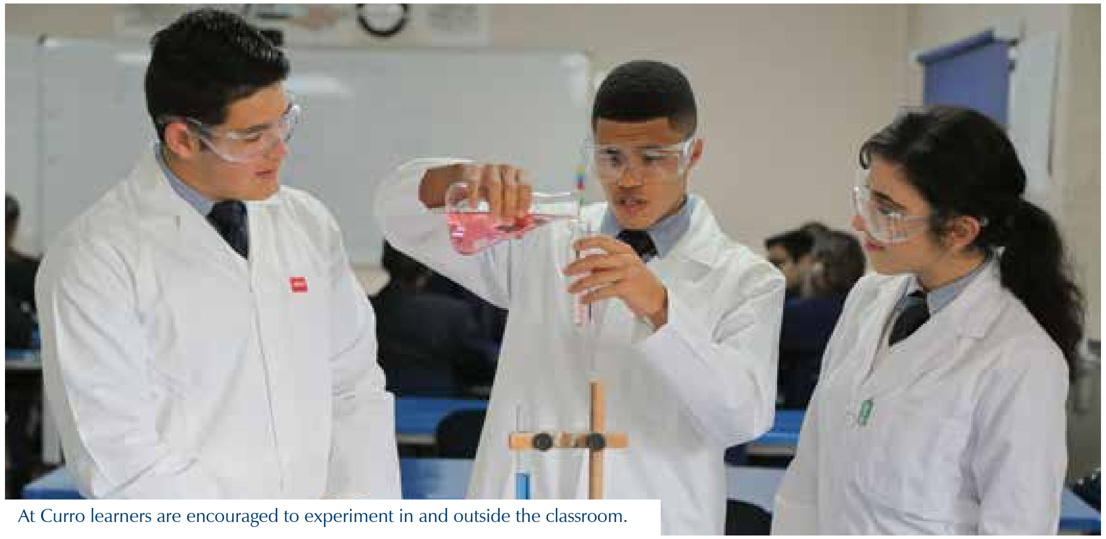
i. A TCTC package, including benefits, for example 13th cheques (guaranteed bonus portion – see below), maternity leave, provident fund contribution, death, disability and dreaded disease benefits, medical aid).
ii. A short-term cash incentive scheme, linked to the annual performance of the company.
iii. A long-term incentive scheme (limited in participation) that assist with the retention of key skills within the management of the Curro group (the rules have been approved by the Curro group shareholders) and to promote long-term performance.

An internal policy exists to ensure 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 (short-term incentives and long-term incentives) elements of remuneration, as well as between short-term (total-cost-to-company) and medium- and long-term (short- term incentive and long-term incentive schemes) strategic performance objectives. The remcom's view of the remuneration of executives contributes towards ensuring that remuneration is fair and responsible to both the company (i.e. shareholders and other stakeholders) and the executive.

Non-executive directors receive a fixed fee, which is paid biannually. Further details are set out in section 8 of this policy.

Refer to the corporate governance report on pages 68 and 69 for details on the remcom's composition, purpose, role, mandate, meetings held and attendance thereat.

This policy can be accessed electronically at www.curro.co.za. Refer to the annual integrated report for the year ended 31 December 2017.



At Curro learners are encouraged to experiment in and outside the classroom.

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 have line of sight of 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	Longest period of remuneration deferral
Executives	Formulate, drive and oversee implementation of strategy	Longest term	Cost-to-company package, *short-term incentive and share options	5 years
Head office: professionals and management levels	Operational	Short to long term	Cost-to-company package, **maximum 15th cheque as short-term incentive, share options	5 years
Schools: management levels	Operational	Short to long term	Cost-to-company package, **discretionary bonus and share options	5 years
Other staff (head office and schools (including educators))	Support (administration)	Short term	Cost-to-company package and 13th cheque	1 year

* The remcom approves the short-term incentive scheme from time to time. The remcom approves the long-term incentive 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 1% in 2017 to 2% in 2018.
- A medical benefit, in particular an employer-provided medical benefit plan, has been introduced effective 01 April 2018 for employees earning less than R12 000 per month. This benefit will allow 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 pay wage.

4. Total-cost-to-company packages

The TCTC packages of employees are determined and reviewed annually, and changes thereto are effective 1 March of each year. These packages take into account individual performance, company performance, the macro economic environment, industry, level of responsibility that the individual assumes, business complexity and external salary benchmarks where relevant. This allows 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)

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

Head office employees (about 3% of total employees)

- Administrative employees and non-management employees: general comparisons
- Specialised functions/professionals: industry 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 decisions on a comprehensive and informed basis.

The Curro 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 Curro remcom reviews whether the total consolidated increases to the salary packages of employees of the company, together with the total short-term incentives (STI) considered annually, are commensurate with the size and complexity of the business. This remcom approves the levels of authority with respect to who may approve increases to the packages of employees in the different areas and levels within 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 new 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. STI are not guaranteed and are paid at the discretion of the remcom. The purpose of STI is to encourage and promote the continued and consistent focus on the implementation of Curro's group strategy, and to appreciate and recognise achievements. It also assists in retaining the group's top performers. STI are usually paid to employees who fall within the management levels of the group.

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

Key aspects of the STI:

Achieving targets set by remcom for each exco member, these weightings are aligned towards the strategic and functional levels of responsibilities, in respect of:

	CEO	CFO	CIO	Business Manager 1&2	Academic	Operational	Company Secretary
FINANCIAL GOALS							
- Minimum target	45.0%	37.5%	12.8%	25.5%	15.0%	18.0%	9.0%
- On target	60.0%	50.0%	17.0%	34.0%	20.0%	24.0%	12.0%
- Stretch target	72.0%	60.0%	20.4%	40.8%	24.0%	28.8%	14.4%
EMPLOYMENT EQUITY TARGETS							
- Minimum target	3.8%	3.8%	2.3%	11.3%	7.5%	4.5%	6.0%
- On target	5.0%	5.0%	3.0%	15.0%	10.0%	6.0%	8.0%
- Stretch target	6.0%	6.0%	3.6%	18.0%	12.0%	7.2%	9.6%
SCHOOL PERFORMANCE TARGETS							
- Minimum target	7.5%	0.0%	0.0%	12.0%	30.0%	7.5%	0.0%
- On target	10.0%	0.0%	0.0%	16.0%	40.0%	10.0%	0.0%
- Stretch target	12.0%	0.0%	0.0%	19.2%	48.0%	12.0%	0.0%
EXPANSION TARGETS							
- Minimum target	7.5%	3.8%	30.0%	3.8%	0.0%	0.0%	0.0%
- On target	10.0%	5.0%	40.0%	5.0%	0.0%	0.0%	0.0%
- Stretch target	12.0%	6.0%	48.0%	6.0%	0.0%	0.0%	0.0%
PERSONAL KPI's	15.0%	20.0%	10.0%	10.0%	10.0%	20.0%	20.0%
TOTAL BONUS OPPORTUNITY (% of annual salary)							
- Minimum target	78.8%	65.0%	55.0%	62.5%	62.5%	50.0%	35.0%
- On target	100.0%	80.0%	70.0%	80.0%	80.0%	60.0%	40.0%
- Stretch target	117.0%	92.0%	82.0%	94.0%	94.0%	68.0%	44.0%

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

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 long-term incentives (LTI) assist in doing so. Furthermore, LTI align the interests of participants to the medium- to long-term strategic objectives of the company (i.e. shareholders and other stakeholders). At the same time, they illustrate Curro's commitment and loyalty towards the participants. Curro's LTI consists 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 2nd, 3rd, 4th and 5th anniversaries of the award date and consequent award top-ups as detailed below. The remcom is currently reviewing performance criteria for vesting conditions going forward.

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, as well as, for example, how to deal with circumstances when an employee retires, is retrenched or in the case of death. The remcom is recommending certain changes to the rules, which are set out in ordinary resolution number 9 of the annual general meeting notice and which will be incorporated in this section of the policy once approved by shareholders.

These amendments to the Trust Deed are being recommended for approval by the board, in order to:

- Allow the board to determine and set performance measures, which 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 the issue and allotment of ordinary shares in the company.
- Grant the board the discretion to determine that options which 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%.

Mechanics of the share option scheme

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 1 time and 7 times applied thereto, depending on the employee's seniority and level of responsibility assumed within the organisation, and subject to his/her 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 automatic 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 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.

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 Ltd Listings Requirements.

Below is a summary of the shares already utilised up to December 2017:

	Number of shares	Portion utilised	As % of shares in issue
For all participants			
Cumulative utilised	15 020 431	77.6%	3.6%
Current unvested utilised	6 803 716	35.2%	1.7%
Maximum that may be utilised	19 354 954	100%	4.7%
Per individual participant			
Cumulative utilised	1 903 899	49.2%	0.5%
Current unvested utilised	566 198	14.6%	0.1%
Maximum that may be utilised	3 870 990	100%	0.9%

Loan funding

Loan funding is available to employees to assist them in exercising their share options and to remain invested in Curro. This funding is provided on the following terms:

- Maximum loan funding of 90% of the strike price and section 8C income tax payable in respect of the vesting of share options (i.e. a cash deposit of 10% is required from the employee).
- The Curro shares acquired through the exercising of share options are ceded as security and need to cover the outstanding loan by at least 1.3 times at all times. This measure to be increased to at least 2 times on all new loans provided effective 2018.
- Interest on the outstanding loan accrues at the South African Revenue Service fringe benefit rate.
- Loans are repayable in full after three years.

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 twelve months thereafter, will generally continue to be exercisable provided they are exercised during such twelve 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 twenty-four 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).

There are no retention-based payments made to Curro employees, although the remcom has the discretion to make such payments where 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 policy

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. Once the fee has been approved, the fees are paid biannually (end of June and end of December).

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.

As part of his transition from CEO to non-executive director, Dr Chris van der Merwe was requested by the company to fulfil the role of strategic adviser to the executive team and the board up to 30 June 2018. For this additional role, Dr Chris van der Merwe received a strategic adviser fee of R720 000 per annum (in addition to his fees as a non-executive director). Dr Chris van der Merwe no longer qualifies for the payment of a discretionary bonus, nor for the award of further share options. His unvested share options, the last of which were awarded to him in 2016, will vest in accordance with the rules of the share option scheme.

Refer to page 164 of the AGM notice for details on the proposed fees for 2018 where an increase of 5% is being recommended. Refer to the implementation report for the details on the non-executive directors' remuneration paid in the 2017 financial year.

The proposed fee increase for non-executive directors can be summarised as follows:

Directors' fees (excluding value-added tax)	Annual fee 2018
Board	
Chairperson of the board	R467 208
Board members	R187 110
Members of board committees	
Audit and risk committee	R53 298
Remuneration committee	R26 649
Social, ethics and human resources committee	R26 649
Additional fee payable to the chairpersons of the board committees	
Audit and risk committee	R26 649
Remuneration committee	R13 381
Social, ethics and human resources committee	R13 381

Notes:
1. Fees are paid for services rendered as directors and are not based on meetings attended.
2. The fees are paid biannually and value-added tax (VAT) is payable thereon if the non-executive director is VAT registered.
3. Fees relating to members of the remuneration committee shall apply to any other board committee that may be formed from the date of this AGM until the next AGM of the company.

9. Shareholder non-binding advisory vote

This policy as updated from time to time, and the implementation report, are submitted to the shareholders of Curro for two separate non-binding advisory votes annually at its AGM (from 2018 onwards).

In accordance with the JSE Ltd 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 in its AGM voting results published via 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 the remuneration governance processes.

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

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

Implementation report for the year ended 31 December 2017

This is the inaugural implementation report for Curro.

Human capital is a critical component of Curro's business success, as our people are key to the quality of education that we provide through our schools. Curro has more than 5 000 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 2017. There were no material deviations from the remuneration policy, and no termination payments made to prescribed officers in the 2017 financial year.

	2015	2016	**2017**	
Total remuneration				
Total number of employees	3 886	4 723	**5 369**	
Guaranteed pay and company contributions	714	911	**1 086**	
Short-term incentive	12	11	**4**	
IFRS2 share-based payments expense	12	14	**17**	
Total remuneration* (R million)	738	936	**1 107**	
As percentage of revenue	53%	53%	**51%**	
Remuneration of prescribed officers and executive committee				
Number of employees	6	6	**9**	**
Guaranteed pay (R million)	10	11	**13**	
Short-term incentive (R million)	7	8	**2**	***
IFRS2 share-based payments expense (R million)	6	6	**7**	
Total of guaranteed and short-term incentive (R million)	23	25	**22**	
Short-term incentive as percentage of guaranteed pay	*70%*	*73%*	***15%***	
Total of guaranteed pay as percentage of revenue	*1.7%*	*1.4%*	***1.0%***	
Total of guaranteed pay as percentage of EBITDA	*7.9%*	*6.2%*	***4.7%***	

Notes
* Total remuneration includes total short-term incentive and the IFRS2 share-based payments expenses relating to the share incentive trust.
** The investment exco and operational exco were disbanded and a new exco, called the 'Curro executive committee', was formed after Andries Greyling (COO) succeeded Dr Chris van der Merwe as CEO. Another two new exco members started on 1 January 2018 in the roles of Business Manager: Meridian Schools and Manager: Human Resources, taking the total number of exco members to 11.
*** 2017 numbers exclude STI payments made to new exco members that joined in July 2017 as these payments were made in March 2017.

Single total figure remuneration for executives in FY 2017

Executive	Basic salary	Expense allowances	Pension contributions paid	Bonuses	Gains on exercise of options	Total
2017	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
AJF Greyling	2 165	119	81	1 465	3 307	7 137
HG Louw	1 539	259	109	1 271	2 419	5 597
B van der Linde	1 741	85	81	1 271	2 383	5 561
CR van der Merwe*	1 358	64	24	2 224	5 067	8 737
	6 803	**527**	**295**	**6 231**	**13 176**	**27 032**

*Salary and emoluments as CEO until 30 June 2017.

Prescribed officers	Basic salary	Pension contributions paid	Bonuses	Gains on exercise of options	Total
2017	R'000	R'000	R'000	R'000	R'000
S Totaram	–		995	–	995
R van Rensburg	1 139	43	507	575	2 264
	1 139	**43**	**1 502**	**575**	**3 259**

Single total figure remuneration for executives in FY 2016

Executive	Basic salary	Expense allowances	Pension contributions paid	Bonuses	Gains on exercise of options	Total
2016	R'000	R'000	R'000	R'000	R'000	R'000
AJF Greyling	1 911	122	71	1 304	11 430	14 838
HG Louw	1 450	244	102	1 132	7 971	10 899
B van der Linde	1 640	80	77	1 132	7 039	9 968
CR van der Merwe	2 580	122	47	1 732	14 617	19 098
	7 581	**568**	**297**	**5 300**	**41 057**	**54 803**

Prescribed officers	Basic salary	Pension contributions paid	Bonuses	Gains on exercise of options	Total
2016	R'000	R'000	R'000	R'000	R'000
S Totaram	1 347	51	821	2 805	5 024
R van Rensburg	1 073	40	438	571	2 122
	2 420	**91**	**1 259**	**3 376**	**7 146**

For further details, including the single total figure of remuneration, refer to note 37 of the annual financial statements (AFS) on page 149 for the directors' and prescribed officers' emoluments.

TCTC packages

Increases are provided to staff annually with effect from 1 March. For the 2017 year, the general annual salary increase was 6%, with a 1% increase to the employer contribution to the provident fund. The increases for executives were in line with those for the rest of the staff.

On appointment as CEO effective 1 July 2017, Andries Greyling's total-cost-to-company was adjusted to take into account the increased level of responsibility.

Short-term incentives

Short-term incentives are paid annually in March following the financial and academic results of the prior year and the learner enrolments for the following financial year. The March 2017 amounts paid to the exco was R8 million, which was the on-target bonus pool approved by the remcom in February 2017. This was accrued for as an expense in the 2016 financial year. Remcom's approval process for short-term incentives, took into account a review of the exco's achievement against the 2016 key performance indicators that were approved for that year in February 2016 and reviewed in February 2017 (once reviewed and/or audited information was available).

Executives met the key performance indicators that had been set for the 2016 financial year, which consisted of financial indicators (EBITDA, headline earnings and learner numbers) and non-financial indicators (academic results, reputation management and employment equity targets).

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

Long-term incentives (R million)	2015	2016	**2017**
Realised gains on vesting (all participants)	43	77	30
Realised gains on vesting (prescribed officers and exco)	26	44	16
Outstanding loans to participants*	12	31	44

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

There are 162 (2016: 119) participants in the share incentive trust.

As allowed for in the rules, the strike price of the share options was adjusted to:

- Account for the effect of the Stadio unbundling on the Curro share price. The strike price of share options was accordingly reduced by R5.80 each, which was the closing price of a Stadio share on the day of listing and most accurately quantified the value that was forfeited by the participants of the long-term incentives as a result of the unbundling of Stadio from Curro.
- Adjust the strike prices for the diluting effects of the rights issue on unvested shares. Whereas the diluting effects were previously calculated on a percentage dilution of the theoretical ex rights price, it was deemed, based on market practice, to be more equitable to adjust the strike price based on the VWAP of the actual rights price.

Date of option awards	Original strike price at award date of options	Pre 2017 historically adjusted strike price (Rand)	Difference between theoretical ex rights dilution and VWAP of rights price	Price adjustment based on actual VWAP price	Adjustment for Stadio unbundling	Adjusted exercise price 2017 (Rand)
2012/09/29	17.10	15.10	(1.37)	13.73	(5.80)	7.93
2013/09/29	19.61	18.44	(1.13)	17.31	(5.80)	11.51
2014/09/29	25.58	24.62	(0.58)	24.04	(5.80)	18.24
2015/09/29	35.42	34.91	(0.10)	34.81	(5.80)	29.01
2016/09/29	42.01	42.01	–	42.01	(5.80)	36.21

The rules provide specific powers to the remcom pertaining to staff who retire or resign. The remcom has elected that the share options of Dr Chris van der Merwe not be forfeited upon his retirement as CEO. They will continue to vest over the remaining period. There were, however, no new allocations made to Dr Chris van der Merwe in the 2017 financial year.

Curro prides itself on the skills, experience and abilities of its quality educators.

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

Director	Share options award date	Final share option vesting date	Exercise price per share option* (Rand)	Opening balance of share options awarded at 1 January 2017	Number of share options awarded during the year	Number of share options exercised during the year	Closing balance of share options as at 31 December 2017	Gain on exercise of options** R'000	Value of unvested share options as at 31 December 2017*** R'000
CR van der Merwe	2012/09/29	2017/09/29	7.93	46 889	–	(46 889)	–	1 388	–
	2013/09/29	2018/09/29	11.51	200 787	–	(100 394)	100 393	2 612	3 101
	2014/09/29	2019/09/29	18.24	100 650	–	(33 550)	67 100	647	1 621
	2015/09/29	2020/09/29	29.01	197 200	–	(49 300)	147 900	420	1 980
	2016/09/29	2021/09/29	36.21	140 200	–	–	140 200	–	868
				685 726	**–**	**(230 133)**	**455 593**	**5 067**	**7 570**
AJF Greyling	2012/09/29	2017/09/29	7.93	35 630	–	(35 630)	–	1 054	–
	2013/09/29	2018/09/29	11.51	118 598	–	(59 300)	59 298	1 543	1 832
	2014/09/29	2019/09/29	18.24	70 425	–	(23 475)	46 950	453	1 134
	2015/09/29	2020/09/29	29.01	120 600	–	(30 150)	90 450	257	1 211
	2016/09/29	2021/09/29	36.21	95 800	–	–	95 800	–	593
	2017/09/29	2022/09/29	37.53	–	273 700	–	273 700	–	1 333
				441 053	**273 700**	**(148 555)**	**566 198**	**3 307**	**6 103**
B van der Linde	2012/09/29	2017/09/29	7.93	23 805	–	(23 805)	–	705	–
	2013/09/29	2018/09/29	11.51	85 963	–	(42 981)	42 982	1 118	1 328
	2014/09/29	2019/09/29	18.24	59 025	–	(19 675)	39 350	380	951
	2015/09/29	2020/09/29	29.01	84 700	–	(21 175)	63 525	180	850
	2016/09/29	2021/09/29	36.21	67 200	–	–	67 200	–	416
	2017/09/29	2022/09/29	37.53	–	167 700	–	167 700	–	817
				320 693	**167 700**	**(107 636)**	**380 757**	**2 383**	**4 362**
HG Louw	2012/09/29	2017/09/29	7.93	24 885	–	(24 885)	–	737	–
	2013/09/29	2018/09/29	11.51	91 456	–	(45 728)	45 728	1 190	1 412
	2014/09/29	2019/09/29	18.24	47 625	–	(15 875)	31 750	306	767
	2015/09/29	2020/09/29	29.01	87 300	–	(21 825)	65 475	186	877
	2016/09/29	2021/09/29	36.21	68 800	–	–	68 800	–	426
	2017/09/29	2022/09/29	37.53	–	114 900	–	114 900	–	560
				320 066	114 900	(108 313)	326 653	2 419	4 042
				1 767 538	**556 300**	**(594 637)**	**1 729 201**	**13 176**	**22 077**

* 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 R37.53.
*** The unrealised in the money amount was calculated by multiplying the unvested numbers of shares by the market price of the share at 31 December 2017 being R42.40.

Refer to note 17 of the AFS on page 133 for further details on the share based payments.

Non-executive directors' fees

	2015	2016	**2017**
Remuneration (R'000)	1 230	1 358	1 564
Growth	*7.9%*	*10.4%*	*15.2%*

The fees paid to non-executive directors in the 2017 financial year include the following:

Name	**2016**	**2017**
SL Botha	436	470
ZL Combi	239	267
PJ Mouton	202	204
SWF Muthwa	245	267
B Petersen	236	254
CR van der Merwe*	–	462
	1 358	**1 924**

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

Fees for non-executives for the 2017 financial year were increased by an average of 7.7% as approved by shareholders at the previous AGM. The larger increase in growth percentage in total fees when compared to prior years was largely attributable to Dr Chris van der Merwe's appointment as a non-executive director from 1 July 2017. In addition to his remuneration as non-executive director, he also received R360 000 for acting as strategic adviser to Curro since 1 July 2017.

For further details, refer to note 37 of the AFS on page 149 for the directors' and prescribed officers' emoluments.

Curro Castle Oakdene opened its doors in January 2018.

CONTENTS

The reports and statements set out below comprise the consolidated and separate annual financial statements presented to the shareholders:

The directors are required in terms of the Companies Act of South Africa, as amended (the Companies Act), to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of Curro Holdings Ltd and its subsidiaries (group) as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS) and the Companies Act. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Ltd (JSE) and the Companies Act. The consolidated and separate annual financial statements have been prepared using policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is 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 behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the consolidated and separate cash-flow forecast for the year to 31 December 2018 and, in the light of this review and the current financial position, they are satisfied that the group and the company have or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the group's external auditors and their report is presented on pages 87 to 91.

The consolidated and separate annual financial statements set out on pages 92 to 158, which have been prepared on the going concern basis, were approved by the board of directors on 19 February 2018 and were signed on their behalf by:

SL Botha
Chairperson of the Board

AJF Greyling
Chief Executive Officer

Durbanville
19 February 2018

Company secretary's certification

In terms of section 88(2)(e) of the Companies Act of South Africa, as amended, I certify to the best of my knowledge that the group has lodged with the Commissioner all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

R van Rensburg
Company Secretary
Durbanville
19 February 2018

To the Shareholders of Curro Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Curro Holdings Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Curro Holdings Limited's consolidated and separate financial statements set out on pages 98 to 157 comprise:

- the consolidated and separate statements of financial position as at 31 December 2017;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

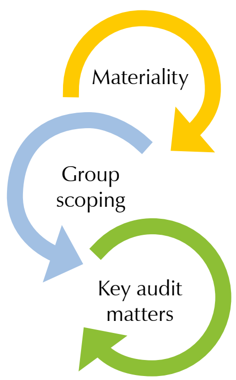
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview



Overall group materiality

- R13.79 million which represents 5% of consolidated profit before tax.

Group audit scope

- We conducted full scope audits for the two significant components, Curro and Meridian.

Key audit matters

- Impairment assessment of goodwill and other indefinite-lived intangible assets

INDEPENDENT AUDITOR'S REPORT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R13.79 million
How we determined it	5% of consolidated profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Ten reporting components were identified for the audit of the consolidated financial statements. Of these reporting components Curro and Meridian were scoped in for full scope audits as a result of their contribution to profit before tax and total assets. For the remaining components we performed analytical review procedures. Although the Group operates various schools all over South Africa and in Namibia, the financial function is centralised at a head office level and therefore the group audit team performed most of its work at a head office level, with some testing at the individual schools within the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and other indefinite-lived intangible assets *The Group and Company's financial statements include a significant amount of goodwill and other indefinite-lived intangible assets. As per note 5, the most significant portion of this relates to goodwill, amounting to R397 million (Group) and R66 million (Company).* *The goodwill and other indefinite-lived intangible assets are tested for impairment annually in terms of the requirements of IAS 36, where management calculates a recoverable amount. As disclosed in note 5 to the financial statements the recoverable amount in the current year has been determined based on a value in use model. As described in note 5 to the financial statements, unobservable inputs that require management to apply their judgement are used in the value-in-use model.* *The impairment assessment is considered to be a matter of most significance to our current year audit due to the nature of the unobservable inputs used by management in their value-in-use model, being:* • *Learner numbers;* • *Tuition fee growth rates; and* • *Discount rates.* *Management's current year assessment indicated that there were no impairment required.*	*In testing management's impairment calculation:* • *We tested the mathematical accuracy of the calculations for each model.* • *We challenged key inputs used in the calculations, such as learner numbers and tuition fee growth rates by comparing these to actual enrolment figures and increased tuition fees for 2018. The assumptions used were found to be consistent with actual fees and learner number growth.* • *To test the robustness and reasonability of management's cash flow forecasts, we compared the actual cash flows for 2017 to the forecasted cash flows used in the prior year's calculations. The actual results were consistent with forecasted results.* • *We compared the discount rates used by management to our internally developed benchmarks, which are based on various economic indicators. The discount rates used by management were within a reasonable range of our internally developed benchmarks.*

Other information

The directors are responsible for the other information. The other information comprises the information included in the Curro Holdings Limited and its Subsidiaries Consolidated and Separate Annual Financial Statements, for the year ended 31 December 2017, which includes the Directors' report, Audit and risk committee's report and the Company secretary's certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the Curro Holdings Limited Annual Integrated Report 2017, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Curro Holdings Limited for 1 year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor
Stellenbosch
19 February 2018

AUDIT AND RISK COMMITTEE REPORT

This report is provided by the audit and risk committee (the committee) appointed in respect of the 2017 financial year of Curro Holdings Limited (Curro) and its subsidiaries.

1. Members of the audit and risk committee

The members of the committee consists solely of independent non-executive directors.

The members are B Petersen (chairperson), ZL Combi and Dr SWF Muthwa. The company secretary is the secretary of the committee.

The committee is satisfied that the members thereof have the required knowledge and experience as set out in section 94(5) of the Companies Act 71 of South Africa, as amended, and Regulation 42 of the Companies Regulations, 2011.

2. Purpose

The purpose of the committee is to:

- Review the effectiveness of Curro's financial reporting process.
- Review the effectiveness of Curro's assurance processes.
- Review the effectiveness of Curro's process for monitoring compliance with laws and regulations.
- Ensure the integrity of the integrated reporting for Curro.
- Assist the board in carrying out its risk responsibilities including the review of the effectiveness of the management thereof. Management remains responsible for the design, implementation and monitoring of the risk management plan.
- Assist the board with its information technology (IT) governance responsibilities. Management remains responsible for the implementation of an IT governance framework.
- Report to the board of directors, even though the committee is appointed by shareholders. If differences of opinion arise between the committee and the board of directors, where the committee's statutory functions are concerned, the committee's decision will prevail.
- Appoint external auditors, review their independence and approve audit fees.

3. Meetings held by the audit and risk committee

The committee performs the duties imposed upon it by Section 94(7) of the Companies Act of South Africa, as amended by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor.

The committee held two scheduled meetings during 2017. Dr SWF Muthwa rendered an apology for one of the meetings but submitted her inputs for the meeting. The rest of the committee attended both meetings.

4. External audit

To ensure sufficient alignment with Curro's holding company, PSG Group Ltd, and with due regard to the requirement of Mandatory Audit Firm Rotation (MAFR), the committee decided to change its external auditor to PricewaterhouseCoopers Inc., and D de Jager who is a registered independent auditor, as the designated partner for the 2017 audit. The company extends its sincere appreciation to Deloitte & Touche for their services as auditor over the years.

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act of South Africa and as per the standards stipulated by the auditing profession. Requisite assurance was sought from the audit partner, that internal governance processes within the firm support and demonstrate the claim to independence.

The committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the scope and extent of the work required and the timing of the audit.

The committee has considered and pre-approved all non-audit services provided by the external auditors and the fees thereof to ensure that the independence of the external auditors is maintained.

5. Internal audit

The committee has assessed and is satisfied with the expertise and experience of the internal audit function.

6. Consolidated and separate annual financial statements

The committee recommends board approval pursuant to the review of the consolidated and separate annual financial statements.

7. Accounting practices and internal control

Internal controls and systems have been designed to provide reasonable assurance of the integrity and reliability of the financial information presented in the annual financial statements and to safeguard, verify and maintain the assets of the group and the company.

Nothing has come to the attention of the committee to indicate that any material breakdown in the functioning of the group's key internal control systems has occurred during the year under review.

The committee considers the accounting policies, practices and annual financial statements to be appropriate.

8. Evaluation of the chief financial officer

As required, by the JSE Listings Requirement 3.84 (h), the committee has assessed and is satisfied with the expertise and experience of the group's chief financial officer.

9. Complaints and/or concerns

No complaints or concerns were received by the committee on any matters relating to the accounting practices and internal audit of the group, the content or auditing of the consolidated and separate annual financial statements, the internal financial controls of the group or on any other related matter during the year under review.

On behalf of the committee

B Petersen
Chairperson of the Audit and Risk Committee

Durbanville
19 February 2018

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the consolidated and separate annual financial statements of Curro and its subsidiaries for the year ended 31 December 2017.

1. Nature of business

Overview

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

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

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

Stadio Holdings

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

The unbundling was accounted for as a dividend in specie in terms of section 46(1)(a)(ii) of the Companies Act, No. 71 of 2008, as amended, and section 46 of the Income Tax Act, No. 58 of 1962, as amended, and amounted to R345 million. The debit was accounted for as a decrease in retained earnings.

Group financial results

Continuing operations

For the year ended 31 December 2017, learner numbers increased by 8% from 42 343 to 45 870, increasing revenue by 22% from R1 714 million in 2016 to R2 098 million. Schools' EBITDA (earnings before interest, taxation, depreciation, amortisation and head office expenditure) increased by 22% from R487 million to R594 million over the same period, with EBITDA increasing by 25% from R377 million to R472 million.

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

Headline earnings increased by 24% from R162 million to R201 million over the same period. However, headline earnings per share increased by 17% from 41,8 cents to 49,0 cents due to the increase in the weighted average number of shares in issue following private placements undertaken and shares issued in terms of the Share Incentive Trust in the year.

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

Group (including discontinued operations)

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

Investment and expansion

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

- Construction of five new campuses to the value of R324 million. These campuses include Curro Castle Oakdene (Gauteng), Curro Castle Uitzicht (Western Cape), Curro Academy Mamelodi (Gauteng), Curro Academy Riverside (Gauteng), Curro Academy Sandown (Western Cape).

- R652 million invested in the expansion of existing campuses, which included significant expansions at Curro Roodeplaat (high school), Curro Academy Wilgeheuwel (high school), Windhoek Gymnasium (Namibia), Curro Hillcrest Academy and Curro Hermanus.
- R148 million invested in land banking.

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

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

2. Share capital

On 13 December 2017, 1.6 million shares were issued to employees through the Curro share incentive scheme. Curro also issued 3.4 million shares through private placements during the year.

Refer to note 16 of the consolidated and separate annual financial statements for detail of the movement in authorised and issued share capital.

3. Control over unissued shares

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act. As this general authority remains valid only until the next annual general meeting, a shareholders resolution will be posed at the next annual general meeting to consider placing the unissued ordinary shares, up to a maximum of 10% of the company's issued share capital, under the control of the directors until the next annual general meeting.

4. Dividends

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

No other dividends have been declared for the year under review (2016: RNil).

5. Directorate

The directors in office at the date of this report are as follows:

Directors	Gender	Office	Designation
SL Botha	Female	Chairperson of the board	Non-executive independent
ZL Combi	Male		Non-executive independent
AJF Greyling	Male	Chief executive officer	Executive
HG Louw	Male	Chief investment officer	Executive
PJ Mouton	Male		Non-executive
SWF Muthwa	Female		Non-executive independent
B Petersen	Male		Non-executive independent
D Ramaphosa	Male		Non-executive independent
B van der Linde	Male	Chief financial officer	Executive
CR van der Merwe	Male		Non-executive

During 2017 Andries Greyling succeeded Chris van der Merwe as the CEO. Chris was appointed as a non-executive director during 2017. Douglas Ramaphosa was appointed effective 26 January 2018.

DIRECTORS' REPORT

6. Shareholding of directors

The shareholding of directors, excluding the participation in the share incentives plan (as set out in note 17), in the issued share capital of the company as at 31 December was as follows:

	2017				2016			
Directors	**Direct**	**Indirect**	**Number**	**%**	Direct	Indirect	Number	%
SL Botha	272 926	–	272 926	0.07	272 926	–	272 926	0.07
AJF Greyling	–	961 057	961 057	0.23	–	821 501	812 501	0.20
HG Louw	262 739	–	262 739	0.06	189 424	–	189 424	0.05
PJ Mouton	–	1 939 943	1 939 943	0.47	–	1 939 943	1 939 943	0.48
B van der Linde	129 299	608 283	737 582	0.18	129 299	500 645	629 944	0.15
CR van der Merwe	–	3 511 677	3 511 677	0.85	–	3 711 677	3 711 677	0.91
B Petersen	10 000	–	10 000	0.00	10 000	–	10 000	0.00
	674 964	**7 020 960**	**7 695 924**	**1.87**	601 649	6 974 766	7 566 415	1.86

The register of interests of directors and others in shares of the company is available to the shareholders on request.

There have been no changes in the shareholding of directors between the reporting date and the date of approval of the annual financial statements.

7. Interests in subsidiaries and associates

Details of material interests in subsidiary companies and associates are presented in the consolidated and separate annual financial statements in notes 7 and 8.

The interest of the group in the profits of its associate for the year ended 31 December 2017 are as follows:

	2017	2016
	R'000	R'000
Share of equity accounted profits	**R1 190**	R977

8. Holding company

The holding company is PSG Financial Services Ltd which holds 55.4% (2016: 56.1%) of the issued share capital. PSG Financial Services Ltd is incorporated in South Africa.

9. Ultimate holding company

The ultimate holding company is PSG Group Ltd, which is incorporated in South Africa.

10. Special resolutions

No special resolutions, the nature of which might be significant to the shareholders in their appreciation of the state of affairs of the group were made by the company or any of its subsidiaries during the period covered by this report.

11. Events after the reporting period

Refer to note 33 for acquisitions effective after the reporting period. The directors are not aware of any other matter, which is material to the group or the company that has occurred between the reporting date and the date of the approval of the annual financial statements.

12. Going concern

The directors believe that the group and the company have adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group and the company are in a sound financial position and that they have access to sufficient borrowing facilities to meet their foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group and the company. The directors are also not aware of any material noncompliance with statutory or regulatory requirements or any pending changes to legislation which may affect the group or the company.

13. Auditors

PricewaterhouseCoopers Inc., was appointed in office in accordance with section 90 of the Companies Act of South Africa, as amended.

14. Secretary

The company secretary is Ms R van Rensburg.

Postal address
PO Box 2436
Durbanville
Cape Town
South Africa
7551

Business address
38 Oxford Street
Durbanville
Cape Town
South Africa
7550

15. Sponsor

PSG Capital acts as sponsor for the group and the company, providing advice on the interpretation of and compliance with the Listings Requirements of the JSE and reviewing notices required in terms of the company's memorandum of incorporation and the JSE's Listings Requirements.

16. Corporate governance

The directors subscribe to the principles incorporated in the King Code of Corporate Practices and Conduct as set out in King IV™ and have applied, as far as practical, the principles contained therein throughout the reporting period. The directors recognise the need to conduct the enterprise with integrity and in accordance with generally accepted corporate practices. The board of directors has performed a detailed exercise to assess the company's compliance with King IV™ and the members are satisfied that sufficient compliance occurs, while they have instituted steps to ensure a constant monitoring of improvement, where practically possible.

17. Report of the audit and risk committee

The report of the audit and risk committee, as required in terms of section 94(7)(f) of the Companies Act of South Africa of 2008, is set out on pages 92 and 93 of the consolidated and separate annual financial statements.

Curro Holdings Ltd annual integrated report 2017

Consolidated and separate statements of financial position

for the year ended 31 December 2017

		Group		Company	
		2017	2016 Restated	**2017**	2016 Restated
	Note(s)	**R'000**	R'000	**R'000**	R'000
Assets					
Non-current assets					
Property, plant and equipment	4	**6 658 486**	5 850 549	**5 275 391**	4 445 235
Goodwill	5	**397 137**	428 112	**66 189**	57 872
Intangible assets	6	**169 161**	191 352	**111 804**	86 338
Investments in and loans to subsidiaries and associates	7,8,9	**12 183**	10 794	**472 711**	524 797
Other financial assets	10	**37 765**	29 214	**–**	1 807
		7 274 732	6 510 021	**5 926 095**	5 116 049
Current assets					
Inventories	13	**3 355**	9 777	**645**	642
Loans to group companies	9	**–**	–	**392 626**	542 827
Trade and other receivables	14	**108 356**	85 184	**140 251**	130 851
Other financial assets	10	**124 988**	3 635	**119 042**	–
Current tax receivable		**2 507**	7 470	**1 151**	1 151
Cash and cash equivalents	15	**570 837**	705 657	**530 773**	530 948
		810 043	811 723	**1 184 488**	1 206 419
Total assets		**8 084 775**	7 321 744	**7 110 583**	6 322 468
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	16	**4 732 924**	4 556 399	**4 883 290**	4 677 107
Reserves		**13 658**	22 292	**13 656**	22 292
Retained income		**272 394**	396 913	**(389)**	141 135
		5 018 976	4 975 604	**4 896 557**	4 840 534
Non-controlling interest	7	**(22 587)**	(11 671)	**–**	–
		4 996 389	4 963 933	**4 896 557**	4 840 534
Liabilities					
Non-current liabilities					
Other financial liabilities	19	**2 341 729**	1 623 651	**1 688 478**	1 023 054
Deferred tax	12	**375 452**	318 067	**219 139**	156 562
		2 717 181	1 941 718	**1 907 617**	1 179 616
Current liabilities					
Trade and other payables	21	**330 553**	388 873	**265 962**	274 228
Loans from group companies	9	**–**	–	**–**	907
Other financial liabilities	19	**40 447**	27 183	**40 447**	27 183
Current tax payable		**205**	37	**–**	–
		371 205	416 093	**306 409**	302 318
Total liabilities		**3 088 386**	2 357 811	**2 214 026**	1 481 934
Total equity and liabilities		**8 084 775**	7 321 744	**7 110 583**	6 322 468

Consolidated and separate statements of comprehensive income

for the year ended 31 December 2017

		Group		Company	
		2017	2016 Restated	**2017**	2016 Restated
	Note(s)	**R'000**	R'000	**R'000**	R'000
Revenue	22	2 098 060	1 714 408	1 641 777	1 319 508
Operating expenses		(1 626 153)	(1 337 548)	(1 320 808)	(1 128 424)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**471 907**	376 860	**320 969**	191 084
Depreciation and amortisation		(131 063)	(105 511)	(112 250)	(87 803)
Earnings before interest and taxation (EBIT)	23	340 844	271 349	208 719	103 281
Investment income	24	41 345	56 850	73 814	102 167
Profit (loss) on sale of property, plant and equipment		12 648	(503)	907	(190)
Impairment	4	–	(11 227)	–	(99 118)
Bargain purchase gain	33	–	14 701	–	14 701
Share of profit of associates		1 190	977	–	–
Finance costs	25	(119 338)	(127 390)	(48 669)	(61 175)
Profit before taxation		**276 689**	204 757	**234 771**	59 666
Taxation	26	(74 688)	(44 546)	(66 306)	(41 983)
Profit for the year from continuing operations		**202 001**	160 211	**168 465**	17 683
Discontinued operations					
(Loss) profit for the year from discontinued operations	44	(4 235)	7 152	–	–
Profit for the year		**197 766**	167 363	**168 465**	17 683
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Effects of cash flow hedges	29	(18 207)	(20 601)	(18 207)	(20 601)
Income tax effect		5 007	(164)	5 007	(164)
Total items that may be reclassified to profit or loss		**(13 200)**	(20 765)	**(13 200)**	(20 765)
Total comprehensive income (loss) for the year		**184 566**	146 598	**155 265**	(3 082)
Profit (loss) attributable to:					
Owners of the parent					
For continuing operations		212 917	164 521	168 465	17 683
For discontinued operations		(4 235)	7 152	–	–
Non-controlling interests					
For continuing operations		(10 916)	(4 310)	–	–
		197 766	167 363	**168 465**	17 683
Total comprehensive income (loss) attributable to:					
Owners of the parent					
For continuing operations		199 717	143 756	155 265	(3 082)
For discontinued operations		(4 235)	7 152	–	–
Non-controlling interests					
For continuing operations		(10 916)	(4 310)	–	–
		184 566	146 598	**155 265**	(3 082)
Earnings per share (cents)					
For continuing operations	30	51,9	42,6		
For discontinued operations	30	(0,9)	2,1		
		51,0	44,7		
Diluted earnings per share (cents)					
For continuing operations	30	51,7	42,4		
For discontinued operations	30	(0,9)	2,1		
		50,8	44,5		

Consolidated and separate statements of changes in equity

for the year ended 31 December 2017

	Share capital R'000	Hedging reserve R'000	Share-based payments reserve R'000	Total reserves R'000	Retained income R'000	Total attributable to equity holders of the group R'000	Non-controlling interest R'000	Total equity R'000
Group								
Balance at 1 January 2016	**2 834 177**	**21 466**	**17 503**	**38 969**	**215 046**	**3 088 192**	**(7 361)**	**3 080 831**
Profit for the year	–	–	–	–	171 673	171 673	(4 310)	167 363
Other comprehensive loss	–	(20 765)	–	(20 765)	–	(20 765)	–	(20 765)
Total comprehensive income for the year	**–**	**(20 765)**	**–**	**(20 765)**	**171 673**	**150 908**	**(4 310)**	**146 598**
Issue of shares	1 720 603	–	–	–	–	1 720 603	–	1 720 603
Share issue costs	(26 477)	–	–	–	–	(26 477)	–	(26 477)
Employees share option plan:								
Proceeds of shares issued	28 096	–	–	–	–	28 096	–	28 096
Recognition of share-based payments	–	–	14 282	14 282	–	14 282	–	14 282
Exercise of share options	–	–	(10 194)	(10 194)	10 194	–	–	–
Total contributions by and distributions to owners of the company recognised directly in equity	**1 722 222**	**–**	**4 088**	**4 088**	**10 194**	**1 736 504**	**–**	**1 736 504**
Balance at 31 December 2016	**4 556 399**	**701**	**21 591**	**22 292**	**396 913**	**4 975 604**	**(11 671)**	**4 963 933**
Profit for the year	–	–	–	–	208 682	208 682	(10 916)	197 766
Other comprehensive loss	–	(13 200)	–	(13 200)	–	(13 200)	–	(13 200)
Total comprehensive (loss) income for the year	**–**	**(13 200)**	**–**	**(13 200)**	**208 682**	**195 482**	**(10 916)**	**184 566**
Issue of shares	150 000	–	–	–	–	150 000	–	150 000
Share issue costs	(1 119)	–	–	–	–	(1 119)	–	(1 119)
Employees share option plan:								
Proceeds of shares issued	27 644	–	–	–	–	27 644	–	27 644
Recognition of share–based payments	–	–	16 539	16 539	–	16 539	–	16 539
Exercise of share options	–	–	(11 975)	(11 975)	11 975	–	–	–
Unbundling of Stadio Holdings	–	–	–	–	(345 176)	(345 176)	–	(345 176)
Total contributions by and distributions to owners of the company recognised directly in equity	**176 525**	**–**	**4 564**	**4 564**	**(333 201)**	**(152 112)**	**–**	**(152 112)**
Balance at 31 December 2017	**4 732 924**	**(12 499)**	**26 155**	**13 656**	**272 394**	**5 018 974**	**(22 587)**	**4 996 387**
Note(s)	16	18 & 29	17					

ANNUAL FINANCIAL STATEMENTS

Consolidated and separate statements of changes in equity
for the year ended 31 December 2017

	Share capital R'000	Hedging reserve R'000	Share-based payments reserve R'000	Total reserves R'000	Retained income R'000	Total attributable to equity holders of the company R'000	Total equity R'000
Company							
Balance at 1 January 2016	**2 877 532**	**21 466**	**17 503**	**38 969**	**115 256**	**3 031 757**	**3 031 757**
Profit for the year	–	–	–	–	17 683	17 683	17 683
Other comprehensive loss	–	(20 765)	–	(20 765)	–	(20 765)	(20 765)
Total comprehensive income for the year	**–**	**(20 765)**	**–**	**(20 765)**	**17 683**	**(3 082)**	**(3 082)**
Issue of shares	1 720 603	–	–	–	–	1 720 603	1 720 603
Share issue costs	(26 477)	–	–	–	–	(26 477)	(26 477)
Employees share option plan: Proceeds of shares issued	105 449	–	–	–	–	105 449	105 449
Recognition of share-based payments	–	–	14 282	14 282	–	14 282	14 282
Exercise of share options	–	–	(10 194)	(10 194)	10 194	–	–
Transfer of assets under common control	–	–	–	–	(1 998)	(1 998)	(1 998)
Total contributions by and distributions to owners of the company recognised directly in equity	**1 799 575**	**–**	**4 088**	**4 088**	**8 196**	**1 811 859**	**1 811 859**
Balance at 31 December 2016	**4 677 107**	**701**	**21 591**	**22 292**	**141 135**	**4 840 534**	**4 840 534**
Profit for the year	–	–	–		168 465	168 465	168 465
Other comprehensive loss	–	(13 200)	–	(13 200)	–	(13 200)	(13 200)
Total comprehensive (loss) income for the year	**–**	**(13 200)**	**–**	**(13 200)**	**168 465**	**155 265**	**155 265**
Issue of shares	150 000	–	–	–	–	150 000	150 000
Share issue costs	(1 119)	–	–	–	–	(1 119)	(1 119)
Employees share option plan: Proceeds of shares issued	57 302	–	–	–	–	57 302	57 302
Recognition of share-based payments	–	–	16 539	16 539	–	16 539	16 539
Exercise of share options	–	–	(11 975)	(11 975)	11 975	–	–
Unbundling of Stadio Holdings	–	–	–	–	(321 964)	(321 964)	(321 964)
Total contributions by and distributions to owners of the company recognised directly in equity	**206 183**	**–**	**4 564**	**4 564**	**(309 989)**	**(99 242)**	**(99 242)**
Balance at 31 December 2017	**4 883 290**	**(12 499)**	**26 155**	**13 656**	**(389)**	**4 896 557**	**4 896 557**
Note(s)	16	18 & 29	17				

Curro Holdings Ltd annual integrated report 2017

Consolidated and separate statements of cash flows

for the year ended 31 December 2017

		Group		Company	
		2017	2016 Restated	**2017**	2016 Restated
	Note(s)	**R'000**	R'000	**R'000**	R'000
Cash flows from operating activities					
Cash generated from operations	31	397 480	481 307	348 489	215 786
Interest income		48 076	58 504	73 814	76 681
Finance costs		(124 845)	(127 390)	(48 669)	(61 175)
Tax (paid) refund	32	(7 654)	(8 858)	–	112
Net cash from operating activities		**313 057**	403 563	**373 634**	231 404
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(1 172 278)	(1 438 720)	(1 097 291)	(1 168 475)
Sale of property, plant and equipment		27 609	6 880	5 180	5 894
Purchase of intangible assets	6	(40 879)	(30 087)	(37 899)	(17 547)
Business combinations	33	(12 217)	(266 188)	(12 217)	(24 596)
Acquisition of subsidiaries		–	–	–	(87 891)
Loans to group companies repaid		–	–	–	–
Loans advanced to group companies		–	–	(69 189)	(414 500)
Repayment of loans from group companies		–	–	(907)	–
Movement in other financial assets		5 854	27 915	–	(625)
Net cash utilised in investing activities		**(1 191 911)**	(1 700 200)	**(1 212 323)**	(1 707 740)
Cash flows from financing activities					
Proceeds on shares issued		176 526	1 722 222	176 526	1 799 575
Proceeds from other financial liabilities	34	1 595 363	83 620	1 542 708	75 000
Repayment of other financial liabilities	34	(880 720)	(34 074)	(880 720)	(33 907)
Net cash from financing activities		**891 169**	1 771 768	**838 514**	1 840 668
Net cash from unbundling		(147 135)	–	–	–
Total cash movement for the year		(134 820)	475 131	(175)	364 332
Cash at beginning of the year		705 657	230 526	530 948	166 616
Total cash at end of the year	15	**570 837**	705 657	**530 773**	530 948

Accounting policies

1. Presentation of consolidated and separate annual financial statements

Curro Holdings Limited (Curro) is a public company incorporated in the Republic of South Africa. The principle activities are the provision of independent education within southern Africa.

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards, 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 the Companies Act of South Africa, as amended. The consolidated and separate annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African rands.

These accounting policies are consistent with the previous year, except for standards included in note 3.

1.1 Fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants were to take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based payments*, leasing transactions that are within the scope of IAS17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to fair value measurement in its entirety. The levels are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

1.2 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the group and the company and all investees that are controlled by the group and the company.

The group and the company have control of an investee when they have power over the investee; they are exposed to or have rights to variable returns from involvement with the investee; and they have the ability to use their power over the investee to affect the amount of the investor's returns. The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the group and the company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions that result in changes in ownership levels, where the group and the company have control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

ANNUAL FINANCIAL STATEMENTS
Accounting policies

1.2 Consolidation (continued)

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Business combinations

The group and the company account for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt, which are amortised as part of the effective interest and costs to issue equity, which are included in equity.

Contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity that arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition conditions of IFRS 3 *Business combinations* are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 *Non-current assets held-for-sale and discontinued operations*, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the group and the company assess the classification of the acquiree's assets and liabilities and reclassify them where the classification is inappropriate for group and company purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests arising from a business combination, that are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS.

In cases where the group and the company held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured at fair value as at acquisition date. The measurement at fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group and the company at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

Business combinations under common control are accounted for at book value at acquisition date.

1.3 Investment in associates

An associate is an entity over which the group and the company have significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 *Non-current assets held-for-sale and discontinued operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the group and the company's share of net assets of the associate, less any impairment losses.

Losses in an associate in excess of the group and the company's interest in that associate are recognised only to the extent that the group and the company has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment. However, a gain on acquisition is recognised immediately in profit or loss. Profits or losses on transactions between the group and the company and an associate are eliminated to the extent of the group and the company's interest therein.

When the group and the company reduce their level of significant influence or lose significant influence, the group and the company proportionately reclassify the related items that were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured at fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the group and the company hold for their own use and are expected to be used for more than one year. An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all the expenditure that is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments with respect to hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment is capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the company and the cost can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land, which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group and the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Not depreciated
Buildings	Straight line	75 to 90 years
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	6 years
Premises equipment	Straight line	5 years/6 years
School equipment	Straight line	5 years/6 years
Motor vehicles	Straight line	5 years
Computer equipment	Straight line	3, 5 or 10 years

1.4 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indication that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indication that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values in profit or loss as follows:

Item	Useful life
Learner enrolments (client list)	1 to 14 years
Trademarks	Indefinite
Curriculum material	6 years
Computer software	2 years/3 years

1.6 Investment in and loans to subsidiaries and associates

Company annual financial statements

In the company's separate financial statements, investments in and loans to subsidiaries and associates are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.7 Financial instruments

Classification

The group and the company classify financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss.
- Loans and receivables (non-derivative financial assets and liabilities).
- Financial liabilities at fair value through profit or loss.
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the group and the company becomes a party to the contractual provisions of the instruments.

The group and the company classify financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost.

For financial instruments that are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

1.7 Financial instruments (continued)

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the group and the company's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each reporting date the group and the company assess all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group and the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

The recoverable amount of a financial asset is the lower of the carrying amount and the present value of future cash flow, discounted using the original effective interest rate.

Reversals of impairment losses are recognised in profit or loss.

Impairment losses are also not subsequently reversed for available-for-sale equity investments that are held at cost because fair value was not determinable.

Where financial assets are impaired through use of a provision account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost less any accumulated impairment.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Hedging activities

Designated and effective hedging instruments are excluded from the definition of financial instruments at fair value through profit or loss.

The group and the company designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); and
- hedges of a net investment in a foreign operation (net investment hedge).

The group and the company document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as their risk management objectives and strategy for undertaking various hedging transactions. The group and the company also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 11.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised to other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'other income'.

Amounts accumulated in equity are reclassified to other comprehensive income to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

1.7 Financial instruments (continued)

However, when the forecast transaction that is hedged results in the recognition of a non-financial item (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity in other comprehensive income and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss as a reclassification adjustment through to other comprehensive income when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in profit or loss as a reclassification adjustment through to other comprehensive income.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction or affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event that is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessee

Any contingent rents are expensed in the period they are incurred.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of non-financial assets

The group and the company assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group and the company estimate the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group and the company also:

- test intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with their recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- test goodwill acquired in a business combination for impairment annually

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Curro Holdings Ltd annual integrated report 2017

1.11 Impairment of non-financial assets (continued)

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.12 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.13 Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding increase in equity are measured indirectly by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. If the share-based payments granted do not vest until the counterparty completes a specified period of service, group and company accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

ANNUAL FINANCIAL STATEMENTS
Accounting policies

1.15 Provisions and contingencies

Provisions are recognised when:

- The group and the company have a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If the entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. A constructive obligation to restructure arises only when the entity:

- Has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken;
  - when the plan will be implemented; and
- Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- The amount that would be recognised as a provision; and
- The amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.16 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Tuition fees are recognised over the period that tuition is provided.

Enrolment fees and registration fees are recognised on initial registration. Re-registration fees are recognised in the year to which the re-registration relates.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- Expenditures for the asset have occurred;
- Borrowing costs have been incurred, and
- Activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are substantially complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Discontinued operations

A discontinued operation is a component of the group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

1.19 Significant judgements and sources of estimation uncertaint

In preparing the consolidated and separate annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated and separate annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated and separate annual financial statements.

Significant judgements include:

Impairment of Trade receivables, Held to maturity investments and Loans and receivables

The group and the company assess their trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group and the company make judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Refer to note 40 for additional considerations regarding credit risk on trade receivables.

Share-based payments

Management used the Black-Scholes Model to determine the value of the options at issue date. Additional details regarding the estimates are included in the note 17.

Impairment of non-financial assets

Goodwill, intangible assets and property, plant and equipment are assessed annually for impairment. These impairment calculations include the use of estimates of future cash flows as well as the determination of discount rates at which the cash flows are discounted. The maturity of a school is factored in when performing impairment assessments. Additional details regarding impairment test assumptions are included in the note 5.

Fair values in business combinations

Management uses valuation techniques to determine the fair value of assets and liabilities acquired in a business combination. Fair value of property, plant and equipment is determined by using external valuations as well as rental return on property. Client lists (learner enrolments) are valued through a net present value model of the contribution from the enrolments at the school, based on their estimated future enrolment period.

Although a comprehensive valuation exercise is performed for each business combination, the group applies initial accounting for its business combinations, which will allow the group a period of one year after the acquisition date to adjust the provisional amounts recognised for a business combination.

Useful lives and residual values

The estimated useful lives for property, plant and equipment and intangibles are set out in notes 1.4 and 1.5. Estimated useful lives and residual values are reviewed annually, taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the education industry where the assets are used.

Curro Holdings Ltd annual integrated report 2017

2. Segmental information

The reportable segments, which represents the structure used by the chief operating decision maker, to make key operating decisions and assess performance are set out below:

Reportable segment	Product and service
Curro	Independent education and ancillary service. Includes Select schools, Curro Academy schools and Curro Castle nursery schools.
Meridian	Independent education and ancillary services with restricted funding
Stadio Holdings Ltd (Stadio)	Investment company that focuses on tertiary education

Stadio results is only included for 9 months due to the unbundling of it at the end of quarter three of 2017.

Segmental revenue and results

The executive committee (exco) assess the performance of the operating segments based on the measure of EBITDA (earnings before interest, tax, depreciation, amortisation, impairment, bargain purchase gains, share of profit of associates and profit or loss on sale of property, plant and equipment)

Transactions within the group and the company take place on an arm's length basis.

The segment information provided to the exco is presented below.

	2017				2016			
	Curro R'000	Meridian R'000	Stadio R'000	Total R'000	Curro R'000	Meridian R'000	Stadio R'000	Total R'000
Total segment revenue	1 837 949	270 129	58 984	2 167 062	1 450 095	274 792	48 048	1 772 935
Inter-segment revenue	(10 019)	–	–	(10 019)	(10 479)	–	(523)	(11 002)
Revenue from external customers	1 827 930	270 129	58 984	2 157 043	1 439 616	274 792	47 525	1 761 933
EBITDA	429 455	42 451	572	472 478	325 169	51 691	10 970	387 830
Depreciation and amortisation	120 524	10 538	6 266	137 328	93 686	11 825	2 231	107 742
Impairments	–	–	–	–	11 227	–	–	11 227
Profit (loss) on sale of PPE	12 904	(256)	–	12 648	(60)	(443)	–	(503)
Investment revenue	38 603	2 742	6 731	48 076	51 851	4 999	1 654	58 504
Finance cost	49 384	69 954	5 507	124 845	61 266	66 124	–	127 390
Taxation	79 055	(4 367)	(235)	74 453	53 933	(9 387)	3 241	47 787
Profit (loss) after taxation	233 189	(31 188)	(4 235)	197 766	172 527	(12 315)	7 151	167 363

Segment assets and liabilities

The amounts provided to the exco with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Investments in shares held by the group and the company and deferred tax assets are not considered to be segment assets and are not allocated to segments.

Capital expenditure reflects additions to non-current assets, other than financial instruments and deferred tax assets.

The amounts provided to the exco with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment

ANNUAL FINANCIAL STATEMENTS
Notes to the consolidated and separate annual financial statements
for the year ended 31 December 2017

The table below provides information on segment assets and liabilities:

	2017				2016			
	Curro R'000	Meridian R'000	Stadio R'000	Total R'000	Curro R'000	Meridian R'000	Stadio R'000	Total R'000
Capital expenditure	1 097 292	22 502	–	1 119 794	1 352 998	52 050	72 904	1 477 952
Total assets	7 381 777	702 996	–	8 084 773	6 390 625	679 260	251 859	7 321 744
Total liabilities	2 315 670	772 714	–	3 088 384	1 415 022	717 789	224 999	2 357 810

Geographical information

The group operates in two principal geographical areas – South Africa and Namibia.

The group's revenue from continuing operations from external customers by location of operations and non-current assets by location of assets is detailed below:

	2017		2016	
	Revenue from external customers R'000	Non-current assets R'000	Revenue from external customers R'000	Non-current assets R'000
South Africa	2 015 319	6 346 528	1 701 792	5 357 899
Namibia	82 741	311 958	59 285	277 203
Total	2 098 060	6 658 486	1 761 077	5 635 102

Non-current assets exclude financial instruments and deferred tax assets.

3. New and revised standards

3.1 Standards and amendments effective and adopted in the current year

In the current year, the group and the company have adopted the following standards and amendments that are effective for the current financial year and that are relevant to their operations:

Standard/Amendment:	Effective date: Years beginning on or after
• Amendments to IAS 7: Disclosure Initiative	01 January 2017
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017

The adoption of these standards and amendments did not have a significant impact on the amounts recognised or disclosed in the consolidated and separate annual financial statements.

3.2 Standards and amendments not yet effective

The group and the company have chosen not to early adopt the following standards and amendments, which have been published and are mandatory for the group and the company's accounting periods beginning on or after 01 January 2018 or later periods:

Standard/Amendment:	Effective date: Years beginning on or after
• IFRS 16 Leases	01 January 2019
• IFRS 9 Financial Instruments	01 January 2018
• IFRS 15 Revenue from Contracts with Customers	01 January 2018
• Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01 January 2018

3.2 Standards and amendments not yet effective (continued)

The directors have assessed the potential impact of the application of these standards and amendments. The application is not expected to have a significant impact on the amounts recognised or disclosed in the consolidated and separate annual financial statements, except for IFRS 16.

The aggregate impact of the initial application of IFRS 16 to the consolidated and separate annual financial statements is expected to be as follows:

A right of use asset will be recognised that will be depreciated over 20 years with the recognition of a finance lease liability that has been discounted at 12.15% per annum;

	R'm
• Increase in property, plant and equipment (right of use asset)	118
• Increase in long-term liabilities (financial lease liability)	140
• Decrease in lease expense (per annum)	(15)
• Increase in depreciation (per annum)	4
• Increase in finance cost (per annum)	16

4. Property, plant and equipment

Group

	2017			2016		
	Cost	**Accumulated depreciation and impairment**	**Carrying value**	Cost	Restated Accumulated depreciation and impairment	Carrying value
	R'000	**R'000**	**R'000**	R'000	R'000	R'000
Land and buildings	6 161 446	(17 690)	6 143 756	5 438 104	(17 306)	5 420 798
Furniture and fixtures	314 057	(106 810)	207 247	223 646	(74 376)	149 270
Computer equipment	250 590	(141 885)	108 705	213 084	(110 785)	102 299
Motor vehicles	125 488	(45 548)	79 940	96 403	(33 803)	62 600
School equipment	134 257	(44 096)	90 161	103 272	(29 184)	74 088
Premises equipment	59 922	(35 406)	24 516	57 302	(20 199)	37 103
Office equipment	8 087	(3 926)	4 161	8 622	(4 231)	4 391
Total	**7 053 847**	**(395 361)**	**6 658 486**	6 140 433	(289 884)	5 850 549

Company

	2017			2016		
	Cost	**Accumulated depreciation and impairment**	**Carrying value**	Cost	Restated Accumulated depreciation and impairment	Carrying value
	R'000	**R'000**	**R'000**	R'000	R'000	R'000
Land and buildings	4 822 965	(4 008)	4 818 957	4 084 754	(3 625)	4 081 129
Furniture and fixtures	273 392	(90 040)	183 352	186 600	(61 176)	125 424
Computer equipment	211 984	(115 370)	96 614	170 894	(87 506)	83 388
Motor vehicles	111 190	(39 659)	71 531	82 934	(29 133)	53 801
School equipment	116 839	(36 994)	79 845	89 626	(24 359)	65 267
Premises equipment	52 738	(30 845)	21 894	50 588	(17 200)	33 388
Office equipment	6 240	(3 042)	3 198	5 729	(2 891)	2 838
Total	**5 595 348**	**(319 958)**	**5 275 391**	4 671 125	(225 890)	4 445 235

ANNUAL FINANCIAL STATEMENTS
Notes to the consolidated and separate annual financial statements
for the year ended 31 December 2017

Reconciliation of property, plant and equipment – group 2017

	Opening balance	**Additions**	**Additions through business combinations**	**Disposals**	**Depreciation**	**Stadio unbundling**	**Impairment provision**	**Closing balance**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Land and buildings	**5 420 798**	**963 937**	**5 000**	**(10 365)**	**(3 738)**	**(231 876)**	**–**	**6 143 756**
Furniture and fixtures	**149 270**	**94 056**	**26**	**(1 006)**	**(33 937)**	**(1 162)**	**–**	**207 247**
Computer equipment	**102 299**	**43 698**	**–**	**(51)**	**(33 428)**	**(3 813)**	**–**	**108 705**
Motor vehicles	**62 600**	**34 072**	**–**	**(1 749)**	**(14 610)**	**(373)**	**–**	**79 940**
School equipment	**74 088**	**30 887**	**–**	**(5)**	**(14 809)**	**–**	**–**	**90 161**
Premises equipment	**37 103**	**3 963**	**121**	**(1 783)**	**(14 851)**	**(37)**	**–**	**24 516**
Office equipment	**4 391**	**1 665**	**–**	**–**	**(651)**	**(1 244)**	**–**	**4 161**
Total	**5 850 549**	**1 172 278**	**5 147**	**(14 959)**	**(116 024)**	**(238 505)**	**–**	**6 658 486**

Reconciliation of property, plant and equipment – group 2016 Restated

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Stadio unbundling	Impairment provision	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land and buildings	3 953 909	1 184 711	296 460	(1 488)	(1 567)	–	(11 227)	5 420 798
Furniture and fixtures	132 735	41 645	2 510	(405)	(27 215)	–	–	149 270
Computer equipment	72 361	64 545	1 649	(1 553)	(34 703)	–	–	102 299
Motor vehicles	56 215	15 704	5 681	(3 113)	(11 887)	–	–	62 600
School equipment	49 383	35 991	581	(797)	(11 070)	–	–	74 088
Premises equipment	14 104	24 854	6 941	(16)	(8 780)	–	–	37 103
Office equipment	3 309	1 412	175	–	(505)	–	–	4 391
Total	4 282 016	1 368 862	313 997	(7 372)	(95 727)		(11 227)	5 850 549

Reconciliation of property, plant and equipment – company 2017

	Opening balance	**Additions**	**Additions through business combinations**	**Disposals**	**Depreciation**	**Stadio unbundling**	**Impairment provision**	**Closing balance**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Land and buildings	**4 081 129**	**904 764**	**5 000**	**(168 198)**	**(3 738)**	**–**	**–**	**4 818 957**
Furniture and fixtures	**125 424**	**87 790**	**26**	**(1 006)**	**(28 882)**	**–**	**–**	**183 352**
Computer equipment	**83 388**	**40 974**	**–**	**(51)**	**(27 697)**	**–**	**–**	**96 614**
Motor vehicles	**53 801**	**32 116**	**–**	**(1 426)**	**(12 960)**	**–**	**–**	**71 531**
School equipment	**65 267**	**27 074**	**–**	**(5)**	**(12 491)**	**–**	**–**	**79 845**
Premises equipment	**33 388**	**4 062**	**121**	**(1 783)**	**(13 894)**	**–**	**–**	**21 894**
Office equipment	**2 838**	**511**	**–**	**–**	**(151)**	**–**	**–**	**3 198**
Total	**4 445 235**	**1 097 291**	**5 147**	**(172 469)**	**(99 813)**	**–**	**–**	**5 275 391**

Reconciliation of property, plant and equipment – company 2016 Restated

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Stadio unbundling	Impairment provision	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land and buildings	3 008 178	1 020 489	65 760	(750)	(1 321)	–	(11 227)	4 081 129
Furniture and fixtures	114 275	33 657	217	(405)	(22 320)	–	–	125 424
Computer equipment	57 775	52 395	279	(994)	(26 067)	–	–	83 388
Motor vehicles	49 512	17 706	355	(3 101)	(10 671)	–	–	53 801
School equipment	43 465	32 906	–	(797)	(10 307)	–	–	65 267
Premises equipment	12 281	23 260	5 937	(16)	(8 074)	–	–	33 388
Office equipment	2 565	643	–	–	(370)	–	–	2 838
Total	3 288 051	1 181 056	72 548	(6 063)	(79 130)	–	(11 227)	4 445 235

Pledged as security

The following assets have been pledged as security for the secured long-term borrowings as disclosed in notes 19 and 20:

	Group		Company	
	2017	2016	**2017**	2016
	R'000	R'000	**R'000**	R'000
Land and buildings	**5 435 028**	4 409 760	**4 223 105**	3 334 075
Furniture and fixtures	**21 385**	25 166	**6 902**	9 507
Computer equipment	**7 580**	12 829	**–**	3 006
Motor vehicles	**67 988**	49 551	**64 203**	46 553
Premises equipment	**6 364**	6 876	**–**	–
Office equipment	**312**	344	**–**	–

Borrowing costs capitalised

	Group		Company	
	2017	2016	**2017**	2016
	R'000	R'000	**R'000**	R'000
Borrowing costs capitalised to qualifying assets	**(66 018)**	(52 349)	**(65 711)**	(51 160)
Capitalisation rate used	**10,02%**	10,13%	**10,02%**	10,13%

Registers containing the information required by Regulation 25(3) of the Companies Regulations, 2011 are available for inspection at the registered office of Curro Holdings Limited.

In the current year, management reclassified R240 million of other financial assets to property, plant and equipment with respect to the year ended 31 December 2016 in the 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 appropriately reflect the nature of the underlying transaction, which has changed since December 2016.

Computer software was reclassified to intangible assets disclosed in note 6.

ANNUAL FINANCIAL STATEMENTS
Notes to the consolidated and separate annual financial statements
for the year ended 31 December 2017

5. Goodwill

Group

	2017			2016		
	Cost	**Accumulated impairment**	**Carrying value**	Cost	Accumulated impairment	Carrying value
	R'000	**R'000**	**R'000**	R'000	R'000	R'000
Goodwill	**402 703**	**(5 565)**	**397 137**	433 677	(5 565)	428 112

Company

	2017			2016		
	Cost	**Accumulated impairment**	**Carrying value**	Cost	Accumulated impairment	Carrying value
	R'000	**R'000**	**R'000**	R'000	R'000	R'000
Goodwill	**71 754**	**(5 565)**	**66 189**	63 437	(5 565)	57 872

Reconciliation of goodwill – group 2017

	Opening balance	**Stadio unbundling**	**Changes through business combinations**	**Closing balance**
	R'000	**R'000**	**R'000**	**R'000**
Goodwill	**428 112**	**(39 924)**	**8 949**	**397 137**

Reconciliation of goodwill – group 2016

	Opening balance	Stadio unbundling	Changes through business combinations	Closing balance
	R'000	R'000	R'000	R'000
Goodwill	332 495	–	95 617	428 112

Reconciliation of goodwill – company 2017

	Opening balance	**Stadio unbundling**	**Changes through business combinations**	**Closing balance**
	R'000	**R'000**	**R'000**	**R'000**
Goodwill	**57 872**	**–**	**8 317**	**66 189**

Reconciliation of goodwill – company 2016

	Opening balance	Stadio unbundling	Changes through business combinations	Closing balance
	R'000	R'000	R'000	R'000
Goodwill	57 872	–	–	57 872

5. Goodwill (continued)

The goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit (CGU) that is expected to benefit from that business. Goodwill is assessed for the impairment annually, irrespective of whether or not there is any indication of impairment, or more frequently if there are indicators that goodwill might be impaired.

During the year there was a measurement period adjustment of R0.63 million.

When testing goodwill for impairment, the recoverable amounts of the CGUs, which are mostly represented by a school or campus, are determined using value-in-use calculations. The key assumptions for the value-in-use calculations are discount rates, growth in learner numbers and terminal growth rates. Management estimates discount rates using rates that reflect current market data available and these rates are adjusted for risks specific to the CGU. However all current CGUs with goodwill are matured schools and has been operating for more than 7 years. The terminal growth rate is based on the tuition fee increases, growth in learners number and reflects past experience.

The group and the company prepare cash flow forecasts based on the CGU's budgeted results as approved by the board of directors and extrapolate cash flows beyond this period based on the terminal growth rate of 8% (2016: 10%).

Impairment tests for CGUs containing goodwill are based on the following assumptions:

Group	Discount rate 2017	Discount rate 2016	Forecast period 2017	Forecast period 2016	Goodwill 2017 R'000	Goodwill 2016 R'000
Curro schools	**14.5% p.a**	15% p.a	**5 years**	5 years	**109 763**	100 814
Aurora College	**14.5% p.a**	15% p.a	**5 years**	5 years	**15 485**	15 485
Woodhill College	**14.5% p.a**	15% p.a	**5 years**	5 years	**59 191**	59 191
Campus and Property Management Company (Pty) Ltd	**14.5% p.a**	15% p.a	**5 years**	5 years	**96 337**	96 337
Embury Institute for Higher Education (Pty) Ltd	**14.5% p.a**	15% p.a	**5 years**	5 years	**–**	39 924
Waterstone College (Pty) Ltd	**14.5% p.a**	15% p.a	**5 years**	5 years	**57 944**	57 944
Curro Education Namibia (Pty) Ltd	**14.5% p.a**	15% p.a	**5 years**	5 years	**58 417**	58 417
					397 137	428 112

Company	Discount rate 2017	Discount rate 2016	Forecast period 2017	Forecast period 2016	Goodwill 2017 R'000	Goodwill 2016 R'000
Curro schools	**14.5% p.a**	15% p.a	**5 years**	5 years	**66 189**	57 872

Curro schools consist of the following: Durbanville, Langebaan, Helderwyk, Hermanus, Serengeti, Nelspruit, Embury, Hillcrest, Bloemfontein, Krugersdorp, Rosen Castle, Curro Academy Pretoria, Building Blocks and Mount Richmore.

Aurora College, Woodhill College, Campus and Property Management Company (Pty) Ltd, Waterstone College (Pty) Ltd and Curro Education Namibia (Pty) Ltd represent the CGUs which have been assessed as significant by management in terms of IAS 36 paragraph 134.

All other CGUs have been represented in aggregate as Curro Schools in accordance with IAS 36 paragraph 135.

6. Intangible assets

Group

	2017 Cost R'000	**2017** Accumulated amortisation and impairment R'000	**2017** Carrying value R'000	2016 Cost R'000	2016 Restated Accumulated amortisation and impairment R'000	2016 Carrying value R'000
Trademarks	**57 973**	**(291)**	**57 682**	73 549	(291)	73 258
Curriculum material	**55 435**	**(2 297)**	**53 138**	58 719	(1 325)	57 394
Learner enrolments	**56 450**	**(29 902)**	**26 548**	62 375	(25 887)	36 488
Software	**62 387**	**(30 594)**	**31 793**	44 581	(20 369)	24 212
Total	**232 245**	**(63 084)**	**169 161**	239 224	(47 872)	191 352

Company

	2017 Cost R'000	**2017** Accumulated amortisation and impairment R'000	**2017** Carrying value R'000	2016 Cost R'000	2016 Restated Accumulated amortisation and impairment R'000	2016 Carrying value R'000
Trademarks	**14 670**	**(237)**	**14 433**	13 627	(237)	13 390
Curriculum material	**55 435**	**(2 297)**	**53 138**	38 654	(1 325)	37 329
Learner enrolments	**26 916**	**(12 875)**	**14 041**	27 721	(12 098)	15 623
Software	**59 226**	**(29 034)**	**30 192**	39 151	(19 155)	19 996
Total	**156 247**	**(44 443)**	**111 804**	119 153	(32 815)	86 338

Reconciliation of intangible assets – group 2017

	Opening balance R'000	Additions through business combinations R'000	Internally generated R'000	Additions R'000	Other changes, movements R'000	Stadio unbundling R'000	Amortisation R'000	Closing balance R'000
Trademarks	**73 258**	**–**	**–**	**–**	**1 043**	**(16 619)**	**–**	**57 682**
Curriculum material	**57 394**	**–**	**16 781**	**–**	**–**	**(20 065)**	**(972)**	**53 138**
Learner enrolments	**36 488**	**4**	**–**	**–**	**–**	**(6 522)**	**(3 422)**	**26 548**
Software	**24 212**	**–**	**10 942**	**12 113**	**–**	**(4 829)**	**(10 645)**	**31 793**
Total	**191 352**	**4**	**27 723**	**12 113**	**1 043**	**(48 035)**	**(15 039)**	**169 161**

Reconciliation of intangible assets – group 2016 Restated

	Opening balance R'000	Additions through business combinations R'000	Internally generated R'000	Additions R'000	Other changes, movements R'000	Stadio unbundling R'000	Amortisation R'000	Closing balance R'000
Trademarks	68 866	3 349	–	–	1 043	–	–	73 258
Curriculum material	28 852	–	29 044	–	–	–	(502)	57 394
Learner enrolments	36 235	5 319	–	–	–	–	(5 066)	36 488
Software	8 701	–	18 007	3 951	–	–	(6 447)	24 212
Total	142 654	8 668	47 051	3 951	1 043	–	(12 015)	191 352

6. Intangible assets (continued)

Reconciliation of intangible assets – company 2017

	Opening balance R'000	Additions through business combinations R'000	Internally generated R'000	Additions R'000	Other changes, movements R'000	Stadio unbundling R'000	Amortisation R'000	Closing balance R'000
Trademarks	13 390	–	–	–	1 043	–	–	14 433
Curriculum material	37 329	–	16 781	–	–	–	(972)	53 138
Learner enrolments	15 623	4	–	–	–	–	(1 586)	14 041
Software	19 996	–	10 942	9 133	–	–	(9 879)	30 192
Total	86 338	4	27 723	9 133	1 043	–	(12 437)	111 804

Reconciliation of intangible assets – company 2016 Restated

	Opening balance R'000	Additions through business combinations R'000	Internally generated R'000	Additions R'000	Other changes, movements R'000	Stadio unbundling R'000	Amortisation R'000	Closing balance R'000
Trademarks	12 347	–	–	–	1 043	–	–	13 390
Curriculum material	21 327	–	16 504	–	–	–	(502)	37 329
Learner enrolments	17 656	–	–	–	–	–	(2 033)	15 623
Software	8 127	–	18 007	–	–	–	(6 138)	19 996
Total	59 457	–	34 511	–	1 043	–	(8 673)	86 338

Other information

The useful life of trademarks is considered indefinite as it relates to acquired schools that operate under an existing brand. It is not bound by any expiry period and there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the group and the company.

Intangible assets with indefinite useful lives are assessed for impairment annually, irrespective of whether or not there is any indication of impairment, or more frequently if there are indicators that intangibles may be impaired. Refer to note 5 for the details regarding the impairment assessments performed.

Computer software was reclassified from property plant and equipment to intangible assets.

7. Investment in subsidiaries

The following table lists the entities that are controlled by the company, either directly or indirectly through subsidiaries.

Name of company

Name of company	% holding 2017	% holding 2016	Carrying amount 2017 R'000	Carrying amount 2016 R'000
Building Blocks Prep School (Pty) Ltd	100%	100%	–	–
Campus and Property Management Company (Pty) Ltd	65%	65%	–	–
Curro Holdings Limited Share Incentive Trust	100%	100%	–	–
Curro Education Namibia (Pty) Ltd	100%	100%	–	–
Curro Financial Services (Pty) Ltd	100%	–%	–	–
Curro Funding Company (Pty) Ltd	100%	100%	–	–
De Jager Kids (Pty) Ltd	100%	100%	–	–
Dream Park Village (Pty) Ltd	100%	100%	3 148	3 148
Embury Institute for Higher Education (Pty) Ltd	–%	100%	–	60 811

ANNUAL FINANCIAL STATEMENTS
Notes to the consolidated and separate annual financial statements
for the year ended 31 December 2017

Name of company	% holding 2017	% holding 2016	Carrying amount 2017 R'000	Carrying amount 2016 R'000
Meridian College Schools NPC	100%	100%	–	–
Meridian Operations Company (RF) NPC	65%	65%	–	–
Plot One Hundred Bush Hill (Pty) Ltd	100%	100%	21 338	21 338
Sheerprops 129 (Pty) Ltd	100%	100%	81 675	81 675
Stratland Developments (Pty) Ltd	100%	100%	1 965	1 965
Waterstone College (Pty) Ltd	100%	100%	130 000	130 000
Woodhill College Property Holdings (Pty) Ltd	100%	100%	140 000	140 000
			378 126	438 937

The carrying amounts of subsidiaries are shown net of impairment losses. All subsidiaries are incorporated in the Republic of South Africa with the exception of Curro Education Namibia (Pty) Ltd which, is incorporated in Namibia, with the principal place of business being Namibia.

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests that are material to the company. The summarised financial information is provided prior to intercompany eliminations.

Subsidiary	Principal place of business	% Ownership interest held by non-controlling interest 2017	2016
Campus and Property Management Company (Pty) Ltd	South Africa	35%	35%
Meridian Operations Company (RF) NPC	South Africa	35%	35%

Meridian Operations Company (RF) NPC is a subsidiary in terms of International Financial Reporting Standards, but not in its legal form.

Summarised statement of financial position

	Campus and Property Management Company (Pty) Ltd 2017 R'000	2016 R'000	Meridian Operations Company (RF) NPC 2017 R'000	2016 R'000	Total 2017 R'000	2016 R'000
Assets						
Non-current assets	640 163	627 781	–	–	640 163	627 781
Current assets	36 862	22 865	25 971	28 411	62 833	51 276
Total assets	677 025	650 646	25 971	28 411	702 996	679 057
Liabilities						
Non-current liabilities	704 216	652 446	–	–	704 216	652 446
Current liabilities	21 761	35 672	46 736	29 468	68 497	65 140
Total liabilities	725 977	688 118	46 736	29 468	772 713	717 586
Total net liabilities	(48 952)	(37 472)	(20 765)	(1 057)	(69 717)	(38 529)
Non-controlling interest per statement of financial position					(22 587)	(11 671)

7. Investment in subsidiaries (continued)

Summarised statement of comprehensive income

	Campus and Property Management Company (Pty) Ltd		Meridian Operations Company (RF) NPC		Total	
	2017	2016	**2017**	2016	**2017**	2016
	R'000	R'000	**R'000**	R'000	**R'000**	R'000
Revenue	**103 379**	98 504	**166 495**	176 289	**269 874**	274 793
Operating expenses	**(50 166)**	(69 936)	**(188 051)**	(165 432)	**(238 217)**	(235 368)
Earnings (loss) before interest and taxation	**53 213**	28 568	**(21 556)**	10 857	**31 657**	39 425
Net finance (costs) income	**(69 060)**	(62 622)	**1 848**	1 497	**(67 212)**	(61 125)
Taxation	**4 367**	9 387	**–**	–	**4 367**	9 387
(Loss) profit for the year	**(11 480)**	(24 667)	**(19 708)**	12 354	**(31 188)**	(12 313)
Loss allocated to noncontrolling interest					**(10 916)**	(4 310)

Summarised statement of cash flows

	Campus and Property Management Company (Pty) Ltd		Meridian Operations Company (RF) NPC		Total	
	2017	2016	**2017**	2016	**2017**	2016
	R'000	R'000	**R'000**	R'000	**R'000**	R'000
Cash flows from operating activities	**9 958**	65 641	**(4 801)**	(387)	**5 157**	65 254
Cash flows from investing activities	**(23 176)**	(51 933)	**–**	–	**(23 176)**	(51 933)
Cash flows from financing activities	**13 949**	(32 219)	**–**	–	**13 949**	(32 219)
Net increase (decrease) in cash	**731**	(18 511)	**(4 801)**	(387)	**(4 070)**	(18 898)

Restrictive funding arrangements:

Campus and Property Management Company (Pty) Ltd and Meridian Operations Company (RF) NPC.

The funding provided by the Schools and Education Investment Impact Fund of South Africa (SEIIFSA) and the Old Mutual Assurance Group South Africa (Pty) Ltd is subject to restrictive funding arrangements. The arrangements restrict the use of funding and cash to the operations of Meridian Operations Company (RF) NPC and Campus and Property Management Company (Pty) Ltd, collectively referred to as the Meridian schools.

8. Investment in associate

Group

	% ownership interest	% ownership interest	**Carrying amount 2017**	Carrying amount 2016
	2017	2016	**R'000**	R'000
GRIT Procurement Solutions (Pty) Ltd	**40%**	40%	**12 183**	10 794

Company

	% ownership interest 2016	% ownership interest 2015	**Carrying amount R'000 2017**	Carrying amount R'000 2016
GRIT Procurement Solutions (Pty) Ltd	**40 %**	40	**6 000**	6 000

GRIT Procurement Solutions (Pty) Ltd is incorporated in the Republic of South Africa.

The associate is not material to the group and therefore summarised financial information is not presented.

9. Loans to (from) group companies

	Group		Company	
	2017	2016	**2017**	2016
Subsidiaries	**R'000**	R'000	**R'000**	R'000
Campus and Property Management Company (Pty) Ltd The loan bears interest at three-month JIBAR plus 10% per annum. Repayments are expected to commence in 2028.	**–**	–	**50 809**	50 809
Campus and Property Management Company (Pty) Ltd The loan is interest free, unsecured and there are no fixed terms of repayment.	**–**	–	**11 775**	9 267
Curro Holdings Limited Share Incentive Trust The secured loan bears interest at rates approximating those received on the loans to participants and cash and cash equivalents and is repayable within three years from grant date.	**–**	–	**43 720**	32 686
Curro Education Namibia (Pty) Ltd The loan bears interest at variable rates, is unsecured and there are no fixed terms of repayment.	**–**	–	**237 115**	182 288
Curro Funding Company (Pty) Ltd The loan bears interest at variable rates, is unsecured and there are no fixed terms of repayment.	**–**	–	**34 339**	(907)
Dream Park Village (Pty) Ltd The loan is interest free and unsecured, and there are no fixed terms of repayment.	**–**	–	**3 185**	3 185
Embury Institute for Higher Education (Pty) Ltd The loan was interest free and unsecured, and was capitalised with the unbundling of Stadio.	**–**	–	**–**	210 664
Plot One Hundred Bush Hill (Pty) Ltd The loan bears interest at variable rates, is unsecured and there are no fixed terms of repayment.	**–**	–	**23 321**	22 265
Sheerprops 129 (Pty) Ltd The loan is interest free and unsecured, and there are no fixed terms of repayment.	**–**	–	**8 077**	8 927
Stratland Developments (Pty) Ltd The loan is interest free and unsecured, and there are no fixed terms of repayment.	**–**	–	**901**	901
Waterstone College (Pty) Ltd The loan bears interest at variable rates, is unsecured and there are no fixed terms of repayment.	**–**	–	**12 881**	43 099
Woodhill College Property Holdings (Pty) The loan bears interest at variable rates, is unsecured and there are no fixed terms of repayment.	**–**	–	**55 088**	58 596
			481 211	621 780
Disclosed as follows:				
Non–current assets	**–**	–	**88 585**	79 860
Current assets	**–**	–	**392 626**	542 827
Current liabilities	**–**	–	**–**	(907)
	–	–	**481 211**	621 780

10. Other financial assets

	Group		Company	
	2017	2016	**2017**	2016
	R'000	R'000	**R'000**	R'000
At fair value through profit or loss – held for trading				
Interest rate swap				
Interest rate swap on notional amount of R512.5 million at a fixed interest rate of 7.84% plus a margin of 2.35%. The interest rate swap was replaced during the year.	**–**	1 182	**–**	1 182
	–	1 182	**–**	1 182
Loans and receivables				
Stadio Corporate Services (Pty) Ltd The loan is secured by property, bears interest at 10%, and has no fixed repayment terms.	**119 042**	–	**119 042**	–
Loans to directors and employees The loans bear interest at the SARS fringe benefit rate, currently 7.75%, and are repayable within three years from issue. The loans are granted in terms of the Curro Holdings Limited Share Incentive Trust trust deed for the acquisition of qualifying vested shares.	**43 711**	31 042	**–**	–
Former owners of Building Blocks Prep School (Pty) Ltd The loan is unsecured, bears no interest and has no fixed repayment terms.	**–**	625	**–**	625
	162 753	31 667	**119 042**	625
Total other financial assets	**162 753**	32 849	**119 042**	1 807
Non-current assets				
At fair value through profit or loss	**–**	1 182	**–**	1 182
Loans and receivables	**37 765**	28 032	**–**	625
	37 765	29 214	**–**	1 807
Current assets				
Loans and receivables	**124 988**	3 635	**119 042**	–
	162 753	32 849	**119 042**	1 807

11. Derivative financial instruments and hedging information

The following information relates to derivative financial instruments included in other financial assets and other financial liabilities:

Group and company	2017 Assets R'000	2017 Liabilities R'000	2016 Assets R'000	2016 Liabilities R'000
Interest rate swaps – cash flow hedges	**–**	**17 298**	1 182	597
Non-current portion	**–**	**17 298**	1 182	597

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months from the reporting date.

No ineffective portion of the cash flow hedges were recognised during the year (2016: Rnil).

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2017 were R725 million (2016: R512.5 million).

At 31 December 2017, the fixed interest rates vary from 7.84% to 8.21% (2016: 7.43% to 7.85%), and the main floating rates are JIBAR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2017 will be continuously released to the statement of comprehensive income until the repayment of the borrowings.

12. Deferred tax liability

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Property, plant and equipment	**(493 002)**	(419 463)	**(312 693)**	(245 467)
Prepaid expenditure	**(24 545)**	(15 184)	**(23 598)**	(11 894)
Interest rate swaps	**4 843**	(164)	**4 843**	(164)
Intangible assets	**(26 280)**	(32 167)	**(7 305)**	(7 638)
Income received in advance	**32 366**	39 445	**29 282**	31 554
Provision for bonuses	**1 119**	3 433	**1 119**	3 217
Donations	**6 160**	6 160	**–**	–
Tax losses available for set off against future taxable	**123 887**	99 873	**89 213**	73 830
Total deferred tax liability	**(375 452)**	(318 067)	**(219 139)**	(156 562)
Reconciliation of net deferred tax liability				
Balance at the beginning of the year	**(318 067)**	(188 564)	**(156 562)**	(97 735)
Originating temporary differences on:				
Property, plant and equipment	**(73 539)**	(159 540)	**(67 225)**	(76 596)
Prepaid expenditure	**(9 361)**	(13 105)	**(11 704)**	(10 614)
Intangible assets	**5 887**	(4 504)	**333**	562
Income received in advance	**(7 079)**	11 930	**(2 273)**	7 837
Provision for doubtful debts	**–**	–	**–**	–
Provision for bonuses	**(2 314)**	3 433	**(2 098)**	3 217
Donations	**–**	6 160	**–**	–
Interest rate swaps	**5 007**	(164)	**5 007**	(164)
Increase in tax losses available for set off against future taxable income	**24 014**	26 287	**15 383**	16 931
Balance at the end of the year	**(375 452)**	(318 067)	**(219 139)**	(156 562)

The statutory companies within the group are individually in a net deferred tax liability position.

Recognition of deferred tax asset

Deferred tax asset is recognised for unused tax losses to the extent that probable future taxable profit will be available against which the unused tax losses can be utilised.

13. Inventories

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Merchandise	**3 355**	9 777	**645**	642

There were no inventory write-downs during the period under review.

14. Trade and other receivables

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Gross receivables	**65 512**	29 430	**118 446**	94 777
Provision for impairment	**–**	–	**–**	–
Trade receivables	**65 512**	29 430	**118 446**	94 777
Prepayments	**22 194**	33 151	**18 526**	30 412
Deposits	**1 234**	6 006	**366**	317
Value added taxation	**16 478**	13 677	**2 745**	5 266
Other receivables	**2 938**	2 920	**168**	79
	108 356	85 184	**140 251**	130 851

Interest is charged on overdue accounts at 15% per annum.

Credit periods may vary based on special payment agreements reached with parents of learners, but normal payment terms are that all fees should be settled within 30 days.

No credit insurance is taken out by the group or the company.

The net carrying values of receivables are considered to be a close approximation of their fair values.

Except for Waterstone College (Pty) Ltd with a R65 million (2016: R66 million) balance in the company, no individual debtor represents more than 10% of the total debtors balance in the current or prior year.

Trade receivables past due but not impaired

Group

Trade receivables with renegotiated terms of payment or with acceptable payment history are not considered to be impaired. At 31 December 2017, R17,1 million (2016: R10,9 million) were past due but not impaired.

Company

Trade receivables with renegotiated terms of payment or with acceptable payment history are not considered to be impaired. At 31 December 2017, R11,8 million (2016: R7,7 million) were past due but not impaired.

14. Trade and other receivables (continued)

The ageing of amounts past due but not impaired is as follows:

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
1 month past due	**6 893**	5 722	**4 513**	4 021
2 months past due	**3 943**	3 176	**2 832**	2 213
3 months past due	**6 228**	2 044	**4 501**	1 488
	17 064	10 942	**11 846**	7 722

Trade receivables impaired

Group

As of 31 December 2017, trade and other receivables of R nil (2016: R nil) were impaired and provided for.

Company

As of 31 December 2017, trade and other receivables of R nil (2016: R nil) were impaired and provided for.

15. Cash and cash equivalents

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Cash and cash equivalents consists of:				
Bank balances	**570 837**	705 657	**530 773**	530 948

The value of facilities available to the group includes a First National Bank Ltd sharing facility of R10 million between Plot One Hundred Bush Hill (Pty) Ltd, Campus and Property Management Company (Pty) Ltd and/or Curro Holdings Ltd.

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Amount of undrawn facilities available as at 31 December	**679 800**	372 000	**550 000**	225 000

16. Share capital

	Group		Company	
	2017	2016	**2017**	2016
Authorised				
Ordinary shares with no par value ('000)	**600 000**	600 000	**600 000**	600 000
Issued				
Ordinary shares with no par value (R'000)	**4 732 924**	4 556 399	**4 883 290**	4 677 107
Reconciliation of number of shares issued:				
Reported as at 1 January 2017 ('000)	**407 152**	356 867	**407 152**	356 867
Issue of shares ('000)	**4 936**	50 285	**4 936**	50 285
	412 088	407 152	**412 088**	407 152

Unissued ordinary shares of 40 715 206 are under the control of the directors in terms of a shareholders resolution passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

17. Share based payments

17.1 Details of the employee option plan of the company

The company has established a share incentive plan for certain key members of management.

Each employee's share option converts into one ordinary share of the company upon exercise and payment of the exercise price. No amounts are paid or payable by the recipient on receipt of the option. The exercise price is determined by the 30 day volume weighted average share price preceding the option issue date. The options carry neither rights to dividends nor voting rights. The options only vest if the recipient is still in employment.

Options may be exercised at any time from the date of vesting to the date of its expiry, which is a 30 day period.

Options awarded vest over a five year period from the grant date, namely:

- 25% thereof as at the second anniversary of the option grant date;
- 25% thereof as at the third anniversary of the option grant date;
- 25% thereof as at the fourth anniversary of the option grant date; and
- 25% thereof as at the fifth anniversary of the option grant date.

The exercise price of options awarded are adjusted when necessary to take into consideration the effect of any rights offers. This adjustment does not result in an incremental increase in the fair value of the share options awarded.

17.2 Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2017		**2016**	
	Number of options	**Weighted average exercise price (Rand)**	Number of options	Weighted average exercise price (Rand)
Outstanding at the beginning of the year	**5 842 039**	**31,10**	6 551 570	22,66
Awarded during the year	**2 697 500**	**37,53**	1 597 400	42,01
Exercised during the year	**(1 526 836)**	**18,07**	(2 179 131)	9,48
Forfeited during the year	**(209 009)**	**30,00**	(127 800)	18,06
Outstanding at end of the year	**6 803 694**	**31,39**	5 842 039	31,10

The number of shares available to award at the reporting date in terms of the Curro Holdings Limited Share Incentive Trust deed is 4 829 953 (2016: 7 318 444) shares.

Curro Holdings Ltd annual integrated report 2017

17.2 Movements in share options during the year (continued)

Details of share options granted to and exercised by directors:

Director	Opening balance of share options awarded at 1 January 2017	Number of share options awarded during the year	Number of share options exercised during the year	Strike price per share options awarded (Rand)	Exercise price per share option (Rand)	Share options award date	Closing balance of share options as at 31 December 2017
CR van der Merwe	46 889	–	(46 889)	17,10	7,93	2012/09/29	–
	200 787	–	(100 394)	19,61	11,51	2013/09/29	100 393
	100 650	–	(33 550)	25,58	18,24	2014/09/29	67 100
	197 200	–	(49 300)	35,42	29,01	2015/09/29	147 900
	140 200	–	–	42,01	36,21	2016/09/29	140 200
	685 726	–	(230 133)				455 593
AJF Greyling	35 630	–	(35 630)	17,10	7,93	2012/09/29	–
	118 598	–	(59 300)	19,61	11,51	2013/09/29	59 298
	70 425	–	(23 475)	25,58	18,24	2014/09/29	46 950
	120 600	–	(30 150)	35,42	29,01	2015/09/29	90 450
	95 800	–	–	42,01	36,21	2016/09/29	95 800
	–	273 700	–	37,53	37,53	2017/09/29	273 700
	441 053	273 700	(148 555)				566 198
B van der Linde	23 805	–	(23 805)	17,10	7,93	2012/09/29	–
	85 963	–	(42 981)	19,61	11,51	2013/09/29	42 982
	59 025	–	(19 675)	25,58	18,24	2014/09/29	39 350
	84 700	–	(21 175)	35,42	29,01	2015/09/29	63 525
	67 200	–	–	42,01	36,21	2016/09/29	67 200
	–	167 700	–	37,53	37,53	2017/09/29	167 700
	320 693	167 700	(107 636)				380 757
HG Louw	24 885	–	(24 885)	17,10	7,93	2012/09/29	–
	91 456	–	(45 728)	19,61	11,51	2013/09/29	45 728
	47 625	–	(15 875)	25,58	18,24	2014/09/29	31 750
	87 300	–	(21 825)	35,42	29,01	2015/09/29	65 475
	68 800	–	–	42,01	36,21	2016/09/29	68 800
	–	114 900	–	37,53	37,53	2017/09/29	114 900
	320 066	114 900	(108 313)				326 653
	1 767 538	556 300	(594 637)				1 729 201

828 272 shares are offered as security for the loans provided by Curro Holdings Limited Share Incentive Trust.

Vesting year	Number of options outstanding	Weighted average strike price (Rand)
29 September 2018	1 678 466	23,21
29 September 2019	1 944 900	30,63
29 September 2020	1 444 400	34,92
29 September 2021	1 061 575	37,05
29 September 2022	674 353	37,53
	6 803 694	31,39

ANNUAL FINANCIAL STATEMENTS
Notes to the consolidated and separate annual financial statements
for the year ended 31 December 2017

17.3 Share option expense for the year

Total expense of R16,5 million (2016: R14,3 million) related to equity–settled share based payment transactions were recognised in operating expenses within profit or loss during the year.

17.4 Assumptions used in fair value

The company used the following assumptions in determining the fair value of options awarded in the current period:

	2017	2016
Strike price (Rand)	37,53	42,01
Current share price (Rand)	37,53	42,01
Fair value (Rand)	11,41	15,05
Volatility (%)	22,89	34,44
Risk free rate (%)	8,40	8,01
Dividend yield (%)	–	–

The Black-Scholes Model is used to calculate the estimated theoretical fair value of options awarded.

The volatility is derived from the movement in the volume weighted average share price for a period of 365 calendar days prior to the share options award date.

18. Hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non–financial hedged item, consistent with the relevant accounting policy.

The movement in the hedging reserve is illustrated below:

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Balance as at the beginning of the year	701	21 466	701	21 466
Recognition of fair value movement, after taxation	(13 200)	(20 765)	(13 200)	(20 765)
Balance at the end of the year	(12 499)	701	(12 499)	701

Curro Holdings Ltd annual integrated report 2017

19. Other financial liabilities

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
At fair value through profit or loss–held for trading				
Interest rate swap Interest rate swap on a notional amount of R75 million at a fixed interest rate of 7.49% plus a margin of 2.75%. The interest rate swap was replaced during the year.	–	60	–	60
Interest rate swap Interest rate swap on a notional amount of R62.5 million at a fixed interest rate of 7.85% plus a margin of 2.60%. The interest rate swap was replaced during the year.	–	537	–	537
Interest rate swap Interest rate swap on a notional amount of R512.5 million with a termination date of 29 September 2020 at a fixed interest rate of 7.84%.	9 941	–	9 941	–
Interest rate swap Interest rate swap on a notional amount of R212.5 million with a termination date of 15 December 2022 at a fixed interest rate of 8.21%.	7 356	–	7 356	–
Total at fair value through profit or loss	17 297	597	17 297	597
Held at amortised cost				
ABSA Bank Ltd – Instalment sale agreements The secured loans bear interest at various prime linked rates, payable in monthly instalments ranging from R1,109 to R116,552. Secured by fixed assets as disclosed in note 4.	49 705	34 132	49 705	34 132
ABSA Bank Ltd – 5 year bullet loan The secured loan bears interest at a three-month JIBAR plus 1.975%, payable in December 2022.	50 025	–	50 025	–
Development Bank of South Africa The secured loan bears interest at 12.11% per annum, payable in biannual instalments. Repayable during the period August 2015 to August 2029.	149 957	144 445	149 957	144 445
Development Bank of South Africa Consists of two secured loans bearing interest at 9.57% and 12.03% per annum, payable in monthly and biannual instalments respectively. Repayable during March 2027 and October 2029.	7 772	8 147	7 772	8 147
Development bonds Development bonds are refunded when the learner leaves the school, or after three years have elapsed since its payment, whichever is the later date. The development bonds bear interest.	6 463	8 278	–	–
Debentures – fixed fee The unsecured debenture is interest free in exchange for a fixed school fee of R17,000 per annum for 12 years. The capital is repayable on 27 August 2021.	200	200	200	200
Debentures – Prepaid block The secured debentures are interest free and are repaid through set off against annual school fees over the relevant period.	1 501	2 994	450	276
Old Mutual Assurance Group South Africa (Pty) Ltd The loan bears interest at various rates from 4% to 10% linked to a three-month JIBAR rate. The loan has a 15 year term. Repayable during the period 2018 to 2027. Refer restrictive funding arrangement disclosure below.	144 808	132 566	–	–

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Senior Secured Floating Rate Notes (Stock Code COH001) The notes bear interest at three-month JIBAR plus 2.75%. The notes were settled during the year.	–	151 371	–	151 371
Senior Secured Floating Rate Notes (Stock Code COH002) The notes bear interest at three-month JIBAR plus 2.60%. The notes were settled during the year.	–	127 558	–	127 558
Schools and Education Investment Impact Fund of South Africa (SEIIFSA) The loan bears interest at various rates from 4% to 10% linked to three-month JIBAR rate. The loan has a 15 year term. Repayable during the period 2018 to 2027. Refer restrictive funding arrangement disclosure below.	502 069	458 289	–	–
Standard Bank of South Africa Ltd (First Bullet Facility) The loan bears interest at three-month JIBAR plus 2.35%, the loan was settled during the year.	–	425 000	–	425 000
Standard Bank of South Africa Ltd (Second Bullet Facility) The loan bears interest at three-month JIBAR plus 2.15%, the loan was settled during the year.	–	50 000	–	50 000
Standard Bank of South Africa Ltd – Instalment Sale The secured loans bear interest at various prime linked rates, payable in monthly instalments ranging from R2,063 to R194,473. Secured by fixed assets as disclosed in note 4.	6 381	16 863	6 381	16 863
Standard Bank of South Africa Ltd – 3 year bullet loan The secured loan bears interest at three-month JIBAR plus 1.75%, payable in September 2020.	850 609	–	850 609	–
Standard Bank of South Africa Ltd – 5 year bullet loan The secured loan bears interest at three-month JIBAR plus 2.05%, payable in September 2022.	605 123	–	605 123	–
Nedbank Ltd – Instalment sale agreements The secured loan bears interest at 10.25% payable in monthly instalments of R11,050. Secured by fixed assets as disclosed in note 4.	54	174	54	174
Other loan The loan bears no interest and is not repayable within the next 12 months.	298	298	298	298
Sanlam The secured loan bears interest at three-month JIBAR plus 2.35%, the loan was settled during the year.	–	100 000	–	100 000
Transaction cost incurred	(10 087)	(10 078)	(8 947)	(8 824)
Total at amortised cost	2 364 878	1 650 237	1 711 627	1 049 640
	2 382 175	1 650 834	1 728 924	1 050 237
Non-current liabilities				
Fair value through profit or loss	17 298	597	17 298	597
At amortised cost	2 324 431	1 623 054	1 671 180	1 022 457
	2 341 729	1 623 651	1 688 478	1 023 054
Current liabilities				
At amortised cost	40 447	27 183	40 447	27 183
	2 382 176	1 650 834	1 728 925	1 050 237

19. Other financial liabilities (continued)

Restrictive funding arrangements

The funding provided by the Schools and Education Investment Impact Fund of South Africa (SEIIFSA) and the Old Mutual Assurance Group South Africa (Pty) Ltd is subject to restrictive funding arrangements. The arrangements restrict the use of the funding and cash to the operations of Meridian Operations Company NPC (RF) and Campus and Property Management Company (Pty) Ltd, collectively referred to as the Meridian schools.

Securities

The securities for banking facilities and long-term funding are as follows:

- Majority of land and buildings are pledged as security. The full list of properties pledged as security is available for inspection at the registered office of the company.
- The Schools and Education Investment Impact Fund of South Africa and Old Mutual Assurance Group South Africa (Pty) Ltd.

As part of the conditions of the facilities agreement Campus and Property Management Company (Pty) Ltd has ceded and pledged to the Meridian Security SPV (Pty) Ltd and as security for the company's obligations under the company indemnity, the company's right, title and interest in and to:

- All amounts of any nature now or from time to time owing to the company by any person whatsoever including, but without limitation, any amounts owing to the company by any bank with whom the company maintains any bank account (including, without limitation, the advances account and the collections account), and any parent in terms of any learner admission contract, and Meridian Operations Company NPC (RF) under the working capital facility agreement, and by any approved insurer with whom the company maintains any required insurance;
- Each transaction document to which it is a party;
- The working capital facility agreement and the working capital security; and
- Any property lease agreement held by it in respect of any school property or any boarding house property provided that such property lease agreement is capable of being ceded, and if the consent of the landlord under a property lease agreement is required for its cession, the company shall use commercially reasonable endeavours to obtain that consent.

As part of the conditions the company registered a general notarial bond over all its movable assets (including, but without limitation, the required equipment in respect of each school) and each boarding house.

If the company acquires ownership of any school property or any hostel property, the company shall, against registration of transfer of ownership of that property into its name in the office of the applicable registry, register a first mortgage bond over that property in favour of the Meridian Security SPV (Pty) Ltd as security for the company's obligations arising under the company indemnity.

20. Finance lease liabilities

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Minimum lease payments due				
– within one year	**25 182**	27 447	**25 182**	27 447
– in second to fifth year inclusive	**54 207**	41 630	**54 207**	41 630
	79 389	69 077	**79 389**	69 077
less: future finance charges	**(22 690)**	(17 908)	**(22 690)**	(17 908)
Present value of minimum lease payments	**56 699**	51 169	**56 699**	51 169
Present value of minimum lease payments due				
– within one year	**20 291**	22 710	**20 291**	22 710
– in second to fifth year inclusive	**36 408**	28 459	**36 408**	28 459
	56 699	51 169	**56 699**	51 169

The group's and the company's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4. The material leasing arrangements are disclosed in note 19.

21. Trade and other payables

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Income received in advance	**134 532**	171 225	**104 920**	119 982
Trade payables	**41 880**	38 870	**34 133**	39 359
Development and acquisition payables	**27 221**	90 850	**24 267**	51 470
Accrued expense	**115 620**	77 988	**98 426**	58 421
Entrance deposits	**4 323**	4 720	**2 745**	3 142
Value added taxation	**4 896**	2 840	**–**	162
Onerous contracts	**2 079**	2 380	**1 465**	1 692
	330 551	388 873	**265 956**	274 228

Credit periods vary, but ordinarily the group and the company do not make use of trade credit facilities. Unpaid amounts are accrued for until settled.

The carrying values of trade and other payables approximate their fair values.

The group and the company have credit risk policies in place to ensure that all payables are paid within the agreed terms.

Income received in advance is repayable to parents if the learner were to leave the school and is therefore a financial liability.

22. Revenue

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Rendering of services	**2 098 060**	1 714 407	**1 641 777**	1 319 508
The amount included in revenue:				
Registration and tuition fees	**1 951 405**	1 586 255	**1 555 596**	1 253 465
Other income	**95 930**	73 454	**78 866**	55 985
Hostel fees	**58 610**	59 446	**14 432**	12 731
Aftercare fees	**54 406**	46 658	**45 750**	40 096
Tablet curriculum fees	**35 414**	27 352	**32 398**	25 841
Bus income	**24 705**	20 451	**24 084**	20 143
Rental income	**11 577**	6 684	**5 541**	6 637
Subsidy income	**2 771**	2 575	**–**	–
Discounts granted	**(136 758)**	(108 468)	**(114 890)**	(95 390)
	2 098 060	1 714 407	**1 641 777**	1 319 508

23. Earnings before interest and taxation

Earnings before interest and taxation for the year is stated after accounting for the following:

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Operating lease charges				
Premises – contractual amounts	**19 481**	2 954	**35 535**	17 618
Equipment – contractual amounts	**15 135**	19 204	**12 862**	17 183
	34 616	22 158	**48 397**	34 801
Profit (loss) on sale of property, plant and equipment	**12 648**	(503)	**907**	(190)
Loss on capital contribution – share incentive plan	**–**	–	**29 659**	77 353
Amortisation on intangible assets	**15 039**	10 740	**12 437**	8 673
Depreciation on property, plant and equipment	**116 024**	95 727	**99 813**	79 130
Employee costs	**1 107 217**	917 755	**866 672**	715 700
Repairs and maintenance	**19 867**	27 625	**16 163**	22 403
Bad debts written off	**53 627**	23 574	**40 389**	18 797

24. Investment income

	Note	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Dividend received					
Subsidiaries – local		**–**	–	**–**	25 486
Interest received					
Bank and money market		**30 531**	54 955	**26 228**	47 470
Interest charged on trade and other receivables		**3 501**	1 895	**3 490**	1 895
Related parties	36	**7 314**	–	**44 097**	27 316
		41 346	56 850	**73 815**	76 681
		41 346	56 850	**73 815**	102 167

Interest received relates to financial assets that are not designated as at fair value through profit or loss.

25. Finance cost

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Borrowings	**180 642**	179 588	**112 928**	112 275
Bank	**4 265**	137	**1 448**	53
Other interest paid	**449**	14	**4**	7
Less: Interest capitalised	**(66 018)**	(52 349)	**(65 711)**	(51 160)
	119 338	127 390	**48 669**	61 175

The capitalisation rate used for the group and the company during the period was 10,02% (2016: 10,13%) on general borrowings for capital projects.

Finance costs relate to financial liabilities that are not designated as at fair value through profit or loss.

Finance costs included in the statements of cash flows represents net finance costs incurred for the year and exclude interest capitalised to property, plant and equipment.

ANNUAL FINANCIAL STATEMENTS
Notes to the consolidated and separate annual financial statements
for the year ended 31 December 2017

26. Taxation

Major components of tax expenses

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Current taxation				
Local income tax – current period	**8 978**	7 328	**–**	–
Deferred taxation				
Temporary differences – current period	**65 710**	32 492	**66 306**	39 740
Capital gains tax rate change	**–**	3 730	**–**	1 247
Arising from prior period adjustments	**–**	996	**–**	996
	65 710	37 218	**66 306**	41 983
	74 688	44 546	**66 306**	41 983

Reconciliation of the tax expense

	Group 2017	Group 2016	Company 2017	Company 2016
Reconciliation between applicable tax rate and effective tax rate				
Applicable tax rate	**28,0%**	28,0%	**28,0%**	28,0%
Non-taxable income – gain on bargain purchase	**–%**	(1,9%)	**–%**	(6,9%)
Non-taxable income – profit on sale of property, plant and equipment	**(0,1%)**	0,1%	**(0,0%)**	(0,1%)
Non-taxable income – share of profit of associate	**(0,1%)**	(0,1%)	**–%**	–%
Non-taxable income – dividend received in specie	**–%**	–%	**–%**	(12,0%)
Non-taxable income – Curro Education Namibia	**(0,4%)**	–%	**–%**	–%
Non-deductible expenditure – share-based payment expenditure	**1,7%**	1,9%	**2,0%**	6,9%
Non-deductible expenditure – impairment losses	**–%**	1,5%	**–%**	46,5%
Non-deductible expenditure – other	**0,2%**	–%	**–%**	–%
Deferred tax – increase in capital gains tax rate	**–%**	1,7%	**–%**	2,1%
Deferred tax – prior year correction	**–%**	0,5%	**–%**	1,7%
Capital contribution – share incentive scheme	**(3,1%)**	(10,1%)	**–%**	–%
Other	**1,3%**	0,6%	**(1,3%)**	4,2%
Effective tax rate	**27,5%**	22,2%	**28,7%**	70,4%

Group

The estimated tax loss available for set off against taxable income is R442,08 million (2016: R356,70 million).

Company

No provision has been made for 2017 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R318,62 million (2016: R263,70 million).

27. Auditors remuneration

	Group		Company	
	2017	2016	**2017**	2016
	R'000	R'000	**R'000**	R'000
Audit fees	**1 368**	1 736	**1 067**	1 300
Fees for non-audit services	**–**	57	**–**	–
	1 368	1 793	**1 067**	1 300

28. Operating leases

Total of future minimum lease payments for each of the following periods:

	Group		Company	
	2017	2016	**2017**	2016
	R'000	R'000	**R'000**	R'000
Premises				
– within one year	**14 399**	22 339	**14 399**	35 667
– in second to fifth year inclusive	**75 434**	188 046	**75 434**	112 435
– later than five years	**84 350**	299 114	**84 350**	171 432
	174 183	509 499	**174 183**	319 534
Equipment				
– within one year	**7 275**	7 094	**7 064**	6 548
– in second to fifth year inclusive	**2 901**	6 766	**2 758**	6 406
	10 176	13 860	**9 822**	12 954

The Waterfall Castle and Primary lease agreements are for an initial period of 20 years, with an option to renew. The annual escalations in the lease payments are linked to the consumer price index.

29. Other comprehensive income

Components of other comprehensive income

	Group		Company	
	2017	2016	**2017**	2016
	R'000	R'000	**R'000**	R'000
Items that may be reclassified to profit or loss				
Effects of cash flow hedges				
Gross	**(18 207)**	(20 601)	**(18 207)**	(20 601)
Tax	**5 007**	(164)	**5 007**	(164)
Net	**(13 200)**	(20 765)	**(13 200)**	(20 765)

30. Earnings per share

	Group	
	2017	2016
	R'000	R'000
Basic earnings per share		
Attributable to continuing operations (cents per share)	**51,9**	42,6
Attributable to discontinued operations (cents per share)	**(0,9)**	2,1
	51,0	44,7

Basic earnings per share was based on earnings of R208,682 million (2016: R171,673 million) and a weighted average number of ordinary shares of 408,889 million (2016: 384,702 million).

	Group	
	2017	2016
	R'000	R'000
Reconciliation of profit or loss for the year to basic earnings		
Profit or loss for the year attributable to equity holders of the parent		
From continuing operations	**212 917**	164 522
From discontinued operations	**(4 235)**	7 151
	208 682	171 673

Diluted earnings per share

In the determination of diluted earnings per share, profit or loss attributable to equity holders of the parent and the weighted average number of ordinary shares is adjusted for the effects of all dilutive potential ordinary shares.

	Group	
	2017	2016
	R'000	R'000
Diluted earnings per share		
Attributable to continuing operations (cents per share)	**51,7**	42,4
Attributable to discontinued operations (cents per share)	**(0,9)**	2,1
	50,8	44,5
Reconciliation of basic earnings to diluted earnings		
Basic earnings		
From continuing operations	**212 917**	164 522
From discontinued operations	**(4 235)**	7 151
	208 682	171 673
The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows.		
Weighted average number of ordinary shares used in the calculation of basic earnings per share ('000)	**408 889**	384 702
Shares deemed to be issued for no consideration in respect of:		
– Share options incentive plan ('000)	**1 505**	1 681
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	**410 394**	386 383
Headline earnings per share		
Attributable to continuing operations (cents per share)	**49,0**	41,8
Attributable to discontinued operations (cents per share)	**(0,9)**	2,1
	48,1	43,9

30. Earnings per share (continued)

	Group 2017 R'000	Group 2016 R'000
Diluted headline earnings per share		
Attributable to continuing operations (cents per share)	**48,9**	41,6
Attributable to discontinued operations (cents per share)	**(0,9)**	2,1
	48,0	43,7
Reconciliation of basic earnings to diluted earnings		
Basic earnings		
From continuing operations	**212 917**	164 522
From discontinued operations	**(4 235)**	7 151
	208 682	171 673
Adjusted for:		
(Profit) loss on disposal of property, plant and equipment (continuing operations)	**(12 648)**	502
Loss on impairment (continuing operations)	**–**	11 227
Gain on bargain purchase (continuing operations)	**–**	(14 701)
Tax effect of reconciling items	**478**	–
Headline earnings		
From continuing	**200 747**	161 550
From discontinued operations	**(4 235)**	7 151
	196 512	168 701
Reconciliation between diluted earnings and diluted headline earnings		
Diluted earnings		
From continuing operations	**212 917**	164 522
From discontinued operations	**(4 235)**	7 151
	208 682	171 673
Adjusted for:		
(Profit) loss on disposal of property, plant and equipment (continuing operations)	**(12 648)**	502
Loss on impairment (continuing operations)	**–**	11 227
Gain on bargain purchase (continuing operations)	**–**	(14 701)
Tax effect of reconciling items	**478**	–
Diluted headline earnings		
From continuing	**200 747**	161 550
From discontinued operations	**(4 235)**	7 151
	196 512	168 701

31. Cash generated from operations

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Profit before taxation from continuing operations	**276 690**	204 757	**234 771**	59 666
(Loss) profit before taxation for discontinued operations	**(4 470)**	10 393	**–**	–
	272 220	215 150	**234 771**	59 666
Adjustments for:				
Depreciation and amortisation	**137 329**	107 742	**112 250**	87 803
Net (profit) loss on disposal of property, plant and equipment	**(12 648)**	494	**(907)**	169
Income from equity accounted investments	**(1 190)**	(977)	**–**	–
Dividends received	**–**	–	**–**	(25 486)
Interest received	**(48 076)**	(58 504)	**(73 814)**	(76 681)
Finance costs	**124 845**	127 390	**48 669**	61 175
Impairment	**–**	11 227	**–**	99 118
Non cash flow interest on hedge recognised through equity	**–**	(2 030)	**–**	(2 030)
Realised profit from share of profits of associates	**(198)**	(263)	**–**	–
Share based payment expense	**16 536**	14 282	**16 536**	14 282
Gain on bargain purchase	**–**	(14 701)	**–**	(14 701)
Loss on capital contribution	**–**	–	**29 659**	–
Changes in working capital:				
(Increase) decrease in inventories	**2 616**	574	**(3)**	733
(Increase) decrease in trade and other receivables	**(26 368)**	(47 716)	**(9 356)**	(60 649)
Increase (decrease) in trade and other payables	**(67 586)**	128 639	**(9 316)**	72 387
	397 480	481 307	**348 489**	215 786

32. Taxation (paid) refunded

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Balance at beginning of the year	**7 434**	5 903	**1 151**	1 263
Current tax for the year recognised in profit or loss	**(8 978)**	(7 328)	**–**	–
Stadio unbundling	**(3 808)**	–	**–**	–
Balance at end of the year	**(2 302)**	(7 433)	**(1 151)**	(1 151)
	(7 654)	(8 858)	**–**	112

33. Business combinations

	Group 2017 R'000	Company 2017 R'000
Business combinations		
Property, plant and equipment	**5 147**	5 147
Intangible assets	**4**	4
Trade and other receivables	**46**	46
Cash and cash equivalents	**83**	83
Deferred tax liability	**(1 276)**	(1 276)
Trade and other payables	**(20)**	(20)
Total identifiable net assets	**3 984**	3 984
Goodwill	**8 316**	8 316
	12 300	12 300
Consideration paid		
Cash	**(12 300)**	(12 300)
	(12 300)	(12 300)
Net cash outflow on acquisition		
Cash consideration paid	**(12 300)**	(12 300)
Cash acquired	**83**	83
	(12 217)	(12 217)

The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Eco kidz

Effective 1 January 2017, the group acquired the entire business operations and properties of Eco kidz for a purchase consideration of R12.3 million in order to continue the expansion of the group. Eco kidz is principally involved in the private school industry in Durban, KwaZulu–Natal.

Goodwill of R8.3 million arising from the acquisition consists largely of the expected synergies and the established brand of the school.

Goodwill is not deductible for income tax purposes.

Business combinations occurring after the end of the reporting period

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

34. Reconciliation of liabilities arising from financing activities

	Group		Company	
Other financial liabilities	**Loans R'000**	Finance leases R'000	**Loans R'000**	Finance leases R'000
Balance as at 31 December 2016	**1 599 663**	51 168	**999 067**	51 168
New loans	**1 512 038**	28 232	**1 500 597**	28 232
Repayments	**(861 975)**	(22 700)	**(858 493)**	(22 700)
Non cash movements (Interest rate swap)	**16 700**	–	**16 700**	–
Interest accrued	**59 059**	–	**14 477**	–
Transaction costs	**(9)**	–	**(123)**	–
Balance as at 31 December 2017	**2 325 476**	56 700	**1 672 225**	56 700

35. Commitments and guarantees

Authorised future capital commitments

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Authorised and contracted	**516 488**	127 539	**516 285**	127 539
Authorised, but not yet contracted	**1 805 512**	1 878 221	**1 792 632**	1 672 461
	2 322 000	2 005 760	**2 308 917**	1 800 000

Any capital expenditure will be financed through internal cash generation and borrowing facilities where necessary.

Guarantees

Curro has provided a guarantee in favour of Rand Merchant Bank (RMB) of R10 million plus costs and interest for the completion of the entrance road at Curro Serengeti. The owner of the estate is responsible for this cost, but Curro had to provide a guarantee for the financing.

Guarantees were also provided in favour of City of Tshwane and Ethekwini Municipality of R0.7 million and R2.4 million respectively relating to construction of infrastructure at Curro Monaghan and Curro Hillcrest. An unlimited guarantee was also provided to Curro Funding Company (Pty) Ltd.

36. Related parties

Relationships

Ultimate holding company	PSG Group Ltd
Holding company	PSG Financial Services Ltd
Subsidiaries	Refer note 7
Associates	Refer note 8

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Related party balances				
Loan accounts – owing (to) by related parties				
Campus and Property Management Company (Pty) Ltd	–	–	62 584	60 076
Curro Holdings Limited Share Incentive Trust	–	–	43 720	32 686
Dream Park Village (Pty) Ltd	–	–	3 185	3 185
Embury Institute for Higher Education (Pty) Ltd	–	–	–	210 664
Plot One Hundred Bush Hill (Pty) Ltd	–	–	23 321	22 265
Sheerprops 129 (Pty) Ltd	–	–	8 077	8 927
Stratland Developments (Pty) Ltd	–	–	901	901
Waterstone College (Pty) Ltd	–	–	12 881	43 099
Woodhill College Property Holdings (Pty) Ltd	–	–	55 088	58 596
Curro Funding Company (Pty) Ltd	–	–	34 339	(907)
Curro Education Namibia (Pty) Ltd	–	–	237 115	182 288
Stadio Corporate Services (Pty)Ltd	119 042	–	119 042	–
Amounts included in trade and other receivables regarding related parties				
Campus and Property Management Company (Pty) Ltd	–	–	4 143	2 825
Embury Institute for Higher Education (Pty) Ltd	–	–	564	–
GRIT Procurement Solutions (Pty) Ltd	782	26 326	782	26 326
Meridian Operations Company (RF) NPC	–	–	697	1 407
Plot One Hundred Bush Hill (Pty) Ltd	–	–	–	276
Sheerprops 129 (Pty) Ltd	–	–	2 310	–
Stadio Holdings Ltd	93	–	93	–
Woodhill College Property Holdings (Pty) Ltd	–	–	70	463
Waterstone College (Pty) Ltd	–	–	65 364	66 124
Amounts included in trade and other payables regarding related parties				
Campus and Property Management Company (Pty) Ltd	–	–	(4)	(300)
GRIT Procurement Solutions (Pty) Ltd	(25 808)	(20 119)	(23 103)	(18 008)
Meridian Operations Company (RF) NPC	–	–	(133)	–
Plot One Hundred Bush Hill (Pty) Ltd	–	–		(5 335)
PSG Corporate Services (Pty) Ltd	(32)	(99)	(32)	(99)
Related party transactions				
Purchases from related parties				
GRIT Procurement Solutions (Pty) Ltd	124 544	122 427	119 536	109 609

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Administration fees paid to (received) from related parties				
PSG Corporate Services (Pty) Ltd	771	845	771	845
Stadio Corporate Services (Pty) Ltd	161	–	161	–
Interest (received) from paid to related parties				
Curro Holdings Limited Share Incentive Trust	–	–	(3 414)	(1 226)
Curro Education Namibia (Pty) Ltd	–	–	(24 450)	–
Curro Funding Company (Pty) Ltd	–	–	247	–
Embury Institute for Higher Education (Pty) Ltd	–	–	(4 475)	–
Plot One Hundred Bush Hill (Pty) Ltd	–	–	(2 223)	(1 974)
Stadio Holdings Ltd	(2 926)	–	(2 926)	–
Waterstone College (Pty) Ltd	–	–	(2 518)	(4 627)
Woodhill College Property Holdings (Pty) Ltd	–	–	(5 975)	(5 456)
Share issue costs paid to related parties				
PSG Corporate Services (Pty) Ltd	855	25 132	855	25 132
Stadio Corporate Services (Pty) Ltd	93	–	93	–
Management fees received from related parties				
Campus and Property Management Company (Pty) Ltd	–	–	(8 198)	(8 155)
Meridian Operations Company (RF) NPC	–	–	(2 337)	(2 324)
Rent paid to (received from) related parties				
GRIT Procurement Solutions (Pty) Ltd	–	543	–	543
Plot One Hundred Bush Hill (Pty) Ltd	–	–	1 873	1 750
Woodhill College Property Holdings (Pty) Ltd	–	–	13 654	13 003
Compensation to directors and other key management				
Short-term employee benefits (refer note 37)	15 545	17 128	15 545	17 128

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior year for bad or doubtful debts in respect of the amounts owed by related parties.

37. Directors' and prescribed officers' emoluments

Executive

2017	**Basic salary R'000**	**Expense allowances R'000**	**Pension contributions paid R'000**	**Bonuses R'000**	**Gains on exercise of options R'000**	**Total R'000**
AJF Greyling	2 165	119	81	1 465	3 307	7 137
HG Louw	1 539	259	109	1 271	2 419	5 597
B van der Linde	1 741	85	81	1 271	2 383	5 561
CR van der Merwe*	1 358	64	24	2 224	5 067	8 737
	6 803	527	295	6 231	13 176	27 032

* Salary and emoluments as executive until 30 June 2017.

37. Directors' and prescribed officers' emoluments (continued)

2016	Basic salary R'000	Expense allowances R'000	Pension contributions paid R'000	Bonuses R'000	Gains on exercise of options	Total R'000
AJF Greyling	1 911	122	71	1 304	11 430	14 838
HG Louw	1 450	244	102	1 132	7 971	10 899
B van der Linde	1 640	80	77	1 132	7 039	9 968
CR van der Merwe	2 580	122	47	1 732	14 617	19 098
	7 581	568	297	5 300	41 057	54 803

PJ Mouton is a non-executive director of Curro Holdings Ltd and has a standard service contract with PSG Corporate Services (Pty) Ltd ("PSGCS"). His remuneration for services rendered as executive director within the PSG group for its financial year ending 28 February 2018 is R11 million (2017: R10.1 million), of which 30% is deferred for a period of 12 months subject to him remaining in PSGCS's employment (2017: no deferral). PJ Mouton's gain on vesting of PSG Group Ltd share options during February 2017 amounted to R41.9 million.

Non-executive

	Other fees fee 2017 R'000	Directors' fee 2017 R'000	Director's fee 2016 R'000
SL Botha	–	470	436
ZL Combi	–	267	239
PJ Mouton	–	204	202
SWF Muthwa	–	267	245
B Petersen	–	254	236
C van der Merwe*	360	102	–
	360	1 564	1 358

* Fees from 1 July 2017

Prescribed officers

2017	Basic salary R'000	Pension contributions paid R'000	Bonuses R'000	Gains on exercise of options R'000	Total R'000
S Totaram	–	–	995	–	995
R van Rensburg	1 139	43	507	575	2 264
	1 139	43	1 502	575	3 259

2016	Basic salary R'000	Pension contributions paid R'000	Bonuses R'000	Gains on exercise of options R'000	Total R'000
S Totaram	1 347	51	821	2 805	5 024
R van Rensburg	1 073	40	438	571	2 122
	2 420	91	1 259	3 376	7 146

38. Categories of financial instruments

	Note(s)	Financial assets at fair value through profit or loss R'000	Loans and receivables R'000	Financial liabilities at fair value through profit or loss R'000	Financial liabilities at amortised cost R'000	Total R'000
Categories of financial instruments group – 2017						
Assets						
Non-current assets						
Other financial assets	10	–	37 765	–	–	37 765
Current assets						
Other financial assets	10	–	124 988	–	–	124 988
Trade and other receivables	14	–	84 928	–	–	84 928
Cash and cash equivalents	15	–	570 837	–	–	570 837
		–	780 753	–	–	780 753
Liabilities						
Non-current liabilities						
Other financial liabilities	19	–	–	17 298	2 324 431	2 341 729
Current liabilities						
Other financial liabilities	19	–	–	–	40 447	40 447
Trade and other payables	21	–	–	–	325 655	325 655
		–	–	–	366 102	366 102
Categories of financial instruments group – 2016						
Assets						
Non-current assets						
Other financial assets	10	1 182	28 032	–	–	29 214
Other financial assets	10	–	3 635	–	–	3 635
Trade and other receivables	14	–	46 027	–	–	46 027
Cash and cash equivalents	15	–	705 657	–	–	705 657
		–	755 319	–	–	755 319
Liabilities						
Non-current liabilities						
Other financial liabilities	19	–	–	597	1 623 054	1 623 651
Current liabilities						
Other financial liabilities	19	–	–	–	27 183	27 183
Trade and other payables	21	–	–	–	375 266	375 266
		–	–	–	402 449	402 449

ANNUAL FINANCIAL STATEMENTS
Notes to the consolidated and separate annual financial statements
for the year ended 31 December 2017

38 Categories of financial instruments (continued)

	Note(s)	Financial assets at fair value through profit or loss R'000	Loans and receivables R'000	Financial liabilities at fair value through profit or loss R'000	Financial liabilities at amortised cost R'000	Total R'000
Categories of financial instruments company – 2017						
Assets						
Non-current assets						
Loans to group companies	9	–	88 586	–	–	88 586
Other financial assets	10	–	–	–	–	–
		–	**88 586**	**–**	**–**	**88 586**
Current assets						
Loans to group companies	9	–	392 626	–	–	392 626
Other financial assets	10	–	119 042	–	–	119 042
Trade and other receivables	14	–	121 358	–	–	121 358
Cash and cash equivalents	15	–	530 773	–	–	530 773
		–	**1 163 799**	**–**	**–**	**1 163 799**
Liabilities						
Non-current liabilities						
Other financial liabilities	19	–	–	17 298	1 671 180	1 688 478
Current liabilities						
Other financial liabilities	19	–	–	–	40 447	40 447
Trade and other payables	21	–	–	–	265 956	265 956
		–	**–**	**17 298**	**1 977 583**	**1 994 881**
Categories of financial instruments company – 2016						
Assets						
Non-current assets						
Loans to group companies	9	–	79 860	–	–	79 860
Other financial assets	10	1 182	625	–	–	1 807
		1 182	80 485	–	–	81 667
Current assets						
Loans to group companies	9	–	542 827	–	–	542 827
Trade and other receivables	14	–	100 122	–	–	100 122
Cash and cash equivalents	15	–	530 948	–	–	530 948
		–	1 173 897	–	–	1 173 897
Liabilities						
Non-current liabilities						
Other financial liabilities	19	–	–	597	1 022 457	1 023 054
Current liabilities						
Loans from group companies	9	–	–	–	907	907
Other financial liabilities	19	–	–	–	27 183	27 183
Trade and other payables	21	–	–	–	265 565	265 565
		–	–	–	293 655	293 655

39. Risk management

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 9, 19 and 20, cash and cash equivalents disclosed in note 15 and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

There have been no changes to what the group manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2017 and 2016 respectively were as follows:

		Group		Company	
		2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Total borrowings					
Loans from related parties	9	**–**	–	**–**	907
Other financial liabilities	19	**2 364 878**	1 650 237	**1 711 627**	1 049 640
		2 364 878	1 650 237	**1 711 627**	1 050 547
Less: Cash and cash equivalents	15	**570 837**	705 657	**530 773**	530 948
Net debt		**1 794 041**	944 580	**1 180 854**	519 599
Total equity		**4 996 389**	4 963 933	**4 896 557**	4 840 534
Total capital		**6 790 430**	5 908 513	**6 077 411**	5 360 133
Gearing ratio		**26%**	16%	**19%**	10%

Liquidity risk

The group's risk to liquidity is a result of funds being available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the group's financial liabilities and net–settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Curro Holdings Ltd annual integrated report 2017

39. Risk management (continued)

Group

At 31 December 2017	Less than 1 year R'000	Between 2 and 5 years R'000	Over 5 years R'000
Borrowings	(40 447)	(1 793 856)	(550 364)
Trade and other payables	(193 940)	–	–
Trade and other receivables	85 625	–	–
Other financial assets	119 042	–	–
Cash and cash equivalents	570 837	–	–

At 31 December 2016	Less than 1year R'000	Between 2 and 5 years R'000	Over 5 years R'000
Borrowings	(27 183)	(1 160 491)	(463 160)
Trade and other payables	(386 532)	(597)	–
Trade and other receivables	27 756	–	–
Other financial assets	–	1 182	–
Cash and cash equivalents	705 659	–	–

Company

At 31 December 2017	Less than 1year R'000	Between 2 and 5 years R'000	Over 5 years R'000
Borrowings	(40 447)	(1 600 311)	(88 167)
Trade and other payables	(161 881)	–	–
Trade and other receivables	121 681	–	–
Loans to subsidiaries and associates	392 626	–	–
Other financial assets	119 042	–	–
Cash and cash equivalents	530 773	–	–

At 31 December 2016	Less than 1year R'000	Between 2 and 5 years R'000	Over 5 years R'000
Borrowings	(28 090)	(973 077)	(49 070)
Trade and other payables	(274 227)	–	–
Trade and other receivables	130 850	–	–
Loans to subsidiaries and associates	621 780	–	–
Other financial assets	–	1 807	–
Cash and cash equivalents	530 950	–	–

Interest rate risk

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. The interest and related terms of the group's interest–bearing loans are disclosed in note 19.

The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the group calculates the impact on profit or loss of a defined interest rate shift.

Interest rate sensitivity analysis

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on pre-tax profit of a shift of 100 basis points in the interest rate would result in a decrease in profit of R23,0 million (2016: R10,8 million) for the group and R16,0 million (2016: R10,8 million) for the company. A 100 basis points decrease in the interest rate would have an equal but opposite effect on profit or loss.

Interest rate swap contracts

Under interest rate swap contracts, the group and the company agree to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group and the company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposure on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit inherent in the contract, and is disclosed in note 19.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the group and the company's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The group's and the company's exposure to interest rate risk at the end of the year is R1.6 billion and R1 billion respectively (2016: R920.7 million and R340.9 million respectively) after taking into consideration the notional amounts of the interest rate hedge of R725 million (2016: R512.5 million) for the group and the company.

Credit risk

Credit risk consists mainly of cash deposits, cash and cash equivalents, derivative financial instruments and trade debtors. The group and the company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Due to the long-term nature of the service provided, the threat of suspension of said services prove to be a strong factor in encouraging customers to settle their dues. In addition there are certain retention rights that can be effectively used in order to effect performance. At 31 December 2017, the group and the company did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

Financial assets exposed to credit risk at year-end were as follows:

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Financial instrument				
Interest rate swap	**–**	585	**–**	585
Cash and cash equivalents	**570 837**	705 657	**530 773**	530 948
Trade receivables	**65 512**	29 429	**118 446**	94 777

Foreign exchange risk

The group and the company do not trade in foreign currency or incur any expenditure in foreign currency, except for the Namibian operations, which have a 1:1 Rand exchange rate and as such have no foreign currency risk.

40. Fair value information

Levels of fair value measurements

Level 2

Recurring fair value measurements

		Group		Company	
		2017	2016	**2017**	2016
Assets	Note(s)	**R'000**	R'000	**R'000**	R'000
Financial assets at fair value through profit or loss – held for trading					
Interest rate swaps	10	**–**	1 182	**–**	1 182
Liabilities					
Financial liabilities at fair value through profit or loss					
Interest rate swaps	10	**17 298**	597	**17 298**	597
Total		**17 298**	585	**17 298**	585

Valuation techniques used to derive level 2 fair values

The discounted cash flow valuation technique is used to calculate level 2 fair values. Future cash flows are estimated based on forward interest rates and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

41. Going concern

The consolidated and separate annual financial statements have been prepared on the going concern basis as the directors believe that the group and the company have adequate resources in place to continue in operation for the foreseeable future.

42. Events after the reporting date

Refer to note 33 for acquisitions effective after the reporting period. The directors are not aware of any other matter, that is material to the group or the company, that has occurred between the reporting date and the date of the approval of the consolidated and separate annual financial statements.

43. Correction of prior period error

Due to the nature of the underlying asset, computer software has been reclassified as an intangible asset.

ANNUAL FINANCIAL STATEMENTS
Notes to the consolidated and separate annual financial statements
for the year ended 31 December 2017

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follow:

Statement of financial position (extract)	**31 December 2016 R'000**	**Increase/ (Decrease)** R'000	**31 December 2016 (Restated) R'000**
Group			
Property, plant and equipment	5 635 102	215 447	5 850 549
Intangible assets	167 143	24 209	191 352
Other financial assets	272 505	(239 656)	32 849
Net assets	6 074 750	–	6 074 750
Group			
Property, plant and equipment	4 225 572	219 663	4 445 235
Intangible assets	66 345	19 993	86 338
Other financial assets	241 463	(239 656)	1 807
Net assets	4 533 380	–	4 533 380

Other financial assets was reclassified to property, plant and equipment as disclosed in note 4.

44. Discontinued operations

Stadio Holdings

Shareholders were advised on SENS on 15 September 2017 that the Board resolved to proceed with the unbundling of its interest in Stadio and to list Stadio as a separate entity on the JSE. Stadio was subsequently listed on the JSE on 3 October 2017.

The unbundling was accounted for as a dividend in specie in terms of section 46(1)(a)(ii) of the Companies Act, No. 71 of 2008, as amended, and section 46 of the Income Tax Act, No. 58 of 1962, as amended, and amounted to R345 million. The debit was accounted for as a decrease in retained earnings.

The results of discontinued operations of the Stadio disposal group are as follows:

	Group	
Range of shareholding	**2017**	2016
	R'000	R'000
Revenue	**58 984**	47 172
Operating expenses	**(58 412)**	(36 203)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**572**	10 969
Depreciation and amortisation	**(6 266)**	(2 231)
Earnings before interest and taxation (EBIT)	**(5 694)**	8 738
Investment income	**6 731**	1 654
Finance costs	**(5 507)**	–
Profit before taxation	**(4 470)**	10 392
Taxation	**235**	(3 241)
(Loss) profit for the year from discontinued	**(4 235)**	7 151

45. Range of shareholding

Range of shareholding	Number of shares held in range 2017	%	Number of shares held in range 2016	%
1 to 500	1 365 554	0,3%	1 262 631	0,3%
501 to 1 000	2 262 399	0,5%	2 105 800	0,5%
1 001 to 5 000	12 927 915	3,1%	12 680 715	3,1%
5 001 to 10 000	7 937 406	1,9%	8 012 207	2,0%
10 001 and over	387 594 715	94,1%	383 090 709	94,1%
	412 087 989	100,0%	407 152 062	100,0%

Public and non-public shareholding	Number of shares held in range 2017	%	Number of shares held in range 2016	%
PSG Financial Services Ltd	228 210 051	55,4%	228 210 051	56,1%
Directors	7 695 924	1,9%	7 566 415	1,9%
Total non-public shareholding	235 905 975	57,3%	235 776 466	58,0%
Total public shareholding	176 182 014	42,7%	171 375 596	42,0%
	412 087 989	100,0%	407 152 062	100,0%

Number of public and non-public shareholders	Number of shareholders 2017	%	Number of shareholders 2016	%
Non-public	7	0,0%	7	0,0%
Public	18 417	100,0%	17 201	100,0%
	18 424	100,0%	17 208	100,0%

Individual shareholders holding more than 5%	Number of shares held 2017	%	Number of shares held 2016	%
PSG Financial Services Ltd	228 210 051	55,4%	228 210 051	56,1%
Coronation Ltd	27 116 958	6,6%	20 442 580	5,0%
Dipeo Capital (RF) (Pty) Ltd	21 414 497	5,2%	21 414 497	5,3%
Public Investment Corporation	20 985 273	5,1%	–	0,0%
	297 726 779	72,3%	270 067 128	66,4%

NOTICE OF ANNUAL GENERAL MEETING

Curro Holdings Limited

Incorporated in the Republic of South Africa
Registration number: 1998/025801/06
Share code: COH
ISIN: ZAE000156253
(**'Curro'** or **'the company'**)

Notice of annual general meeting of Curro shareholders

Notice is hereby given of the annual general meeting of shareholders of Curro to be held at Curro Durbanville school, 1 Memento Drive, Sonstraal Heights, Cape Town at 11:30 on Monday, 4 June 2018 (the 'AGM').

Purpose

The purpose of the AGM is to transact the business set out in the agenda below.

Agenda

1. Presentation of the audited annual financial statements of Curro and its subsidiaries, including the reports of the directors and the audit and risk committee, and report back on the social, ethics and human resources committee's activities, for the year ended 31 December 2017. The annual integrated report of the company, containing the audited annual financial statements, is available at www.curro.co.za or can be obtained from the company at its registered office.
2. To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

Note:

For any of the ordinary resolutions numbers 1 to 7 and 10 to 11 (inclusive) to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolutions numbers 8 to 9 (inclusive) to be adopted, at least 75% of the voting rights exercised on each such resolution must be exercised in favour thereof.

2.1 Confirmation of appointment, retirement and re-election of directors

2.1.1 Ordinary resolution number 1

Resolved that Mr Douglas Maitakhole Ramaphosa's appointment as director in terms of the memorandum of incorporation of the company be and is hereby confirmed.

Summary curriculum vitae of Mr Douglas Maitakhole Ramaphosa ('Douglas')

Douglas is a non-executive director of EnviroServ, a waste-management company, as well as of the Wildlife and Environment Society of South Africa (WESSA), and chairperson and director of Satori Tech Hub. Previously, Douglas served as group executive of corporate affairs at Altron, was CEO of Bytes Healthcare Solutions and, prior to that, managing director of Bytes Specialised Solutions. Douglas has more than 25 years of business experience through various director and board memberships. He worked at senior executive level for a number of large organisations, including Transnet, ABSA and Anglo American. He served on the board of Eskom Enterprises for five years and was director and chairperson of Rotek Industries.

Qualifications: MA (Social Sciences)

2.1.2 Ordinary resolution number 2

Resolved that Mr Petrus Johannes Mouton, who retires by rotation in terms of the memorandum of incorporation of the company, and being eligible and offering himself for re-election, be and is hereby re-elected as director.

Summary curriculum vitae of Mr Petrus Johannes Mouton ('Piet').

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 Ltd, Pioneer Food Group Ltd, PSG Konsult Ltd and Zeder Investments Ltd. He has served within the investment and financial services industries since 1999.

Qualifications: BCom (Mathematics)

2.1.3 Ordinary resolution number 3

Resolved that Mr Zitulele Luke Combi, who retires by rotation in terms of the memorandum of incorporation of the company, and being eligible and offering himself for re-election, be and is hereby re-elected as director.

Summary curriculum vitae of Mr Zitulele Luke Combi ('KK')

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

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

The reason for ordinary resolution number 1 is that the memorandum of incorporation of the company and the Listings Requirements of the JSE require that any new appointment to the board of the company be confirmed by the shareholders at the AGM of the company. The board of directors of the company ('the board') announced on 29 January 2018 that Mr Ramaphosa had been appointed as independent non-executive director of Curro, effective 26 January 2018.

The reason for ordinary resolutions numbers 2 to 3 is that the memorandum of incorporation of the company and, to the extent applicable, the Companies Act 71 of 2008, as amended ('the Companies Act'), require that a component of the non-executive directors rotate at the AGM and, being eligible, may offer themselves for re-election as directors.

2.2 Reappointment of the members of the audit and risk committee of the company

Note:

To avoid doubt, all references to the audit and risk committee of the company are a reference to the audit committee as contemplated in the Companies Act.

2.2.1 Ordinary resolution number 4

Resolved that Mr Barend Petersen, being eligible, be and is hereby reappointed as a member and chairperson of the audit and risk committee of the company, as recommended by the board, until the next annual general meeting of the company.

Summary curriculum vitae of Mr Barend Petersen ('Barend')

Barend, a chartered accountant, has wide international business experience in mining, finance, auditing, the oil industry, energy, government relations, business turnarounds, corporate recovery, consulting and corporate governance. Barend is the executive chairperson of De Beers Consolidated Mines and is also a non-executive director of various listed and unlisted companies, including Anglo American South Africa Ltd, De Beers PLC and Ponahalo Group. He is the chairperson of Sizwe Business Recoveries (Pty) Ltd (founded by him in 1997).

Qualifications: CA(SA)

2.2.2 Ordinary resolution number 5

Resolved that Prof. Sibongile Winnie Frieda Muthwa, being eligible, be and is hereby reappointed as a member of the audit and risk committee of the company, as recommended by the board, until the next annual general meeting of the company.

Summary curriculum vitae of Prof. Sibongile Winnie Frieda Muthwa ('Sibongile')

Sibongile has international business experience in the non-government, development and public sectors, as well as 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 for the Financial and Fiscal Commission. Between 2004 and 2010 Sibongile served as the director general of the Eastern Cape Provincial Government.

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

2.2.3 Ordinary resolution number 6

Resolved that, subject to the approval of ordinary resolution number 3 above, Mr Zitulele Luke Combi, being eligible, be and is hereby reappointed as a member of the audit and risk committee of the company, as recommended by the board, until the next annual general meeting of the company.

A summary curriculum vitae of Mr Combi has been included in paragraph 2.1.3 of this notice of the AGM.

The reason for ordinary resolutions numbers 4 to 6 (inclusive) is that the company, being a public listed company, must appoint an audit committee, and the Companies Act requires that the members of such audit committee be appointed, or reappointed, as the case may be, at each AGM of the company.

2.3 Reappointment of auditor

Ordinary resolution number 7

Resolved that PricewaterhouseCoopers Inc. be and is hereby reappointed as the auditors of the company for the ensuing year on the recommendation of the audit and risk committee of the company.

The reason for ordinary resolution number 7 is that the company, being a public listed company, must have its annual financial statements audited, and such auditors must be appointed or reappointed each year at the annual general meeting of the company, as required by the Companies Act.

2.4 General authority to issue ordinary shares for cash

Ordinary resolution number 8

Resolved that the directors of the company be and are hereby authorised, by way of a general authority, to allot and issue any of the company's unissued shares for cash as they at their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements of the JSE Ltd ('the JSE'), and subject to the provision that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution shall be limited to 10% of the issued share capital of the company at the date of this notice of AGM, provided that:

- *The approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond 15 months from the date of this resolution;*
- *The general issues of shares for cash in any one financial year may not exceed, in the aggregate, 10% of the company's issued share capital (number of securities) of that class as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer or in consideration for acquisitions or shares issued to the Curro Holdings Limited Share Incentive Trust ('Trust') or options granted by the Trust in accordance with the Listings Requirements of the JSE shall not diminish the number of ordinary shares that comprise the 10% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 10% of the issued ordinary shares of the company amounts to 41 208 798 ordinary shares;*
- *In determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the issuer and the party subscribing to the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30-business-day period;*
- *Any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE and not to related parties;*
- *Any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights* that are convertible into a class already in issue; and
- *If the issued securities represent, on a cumulative basis, 5% or more of the number of securities in issue, prior to that issue, an announcement containing full details of such issue shall be published on SENS.*

For listed entities wishing to issue shares for cash (other than issues by way of rights offers and/or in consideration for acquisitions and/or to share incentive schemes, which schemes have been duly approved by the JSE and by the shareholders of the company), it is necessary for the board to obtain the prior authority of the shareholders in accordance with the Listings Requirements of the JSE and the memorandum of incorporation of the company. The reason for ordinary resolution number 8 is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements of the JSE and the memorandum of incorporation of the company.

At least 75% of the shareholders present in person or by proxy and entitled to vote at the AGM must cast their vote in favour of this resolution.

2.5 Amendments to the Curro Holdings Limited Share Incentive Trust

Ordinary resolution number 9

*Resolved that the board and the trustees of the Curro Holdings Limited Share Incentive Trust (the '**Share Incentive Scheme**'), be and are hereby authorised to amend the trust deed regulating the Share Incentive Scheme (the **Trust Deed**) as set out in **Annexure A** to this notice of AGM.*

The reason for ordinary resolution number 9 is to obtain the prior approval of shareholders to amend the Trust Deed, such approval being required in terms of paragraph 14.2, read with paragraph 14.1, of Schedule 14 of the Listings Requirements. These amendments to the Trust Deed are being recommended for approval by the board, in order to:

- 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;

NOTICE OF ANNUAL GENERAL MEETING

- Allow the company to settle exercised options on a net equity basis by way of cash payments or 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, at its sole discretion, that the participant is guilty of misconduct or poor performance; and
- Increase the required loan cover ratio applicable to loans made by the company to participants in the Share Incentive Scheme from 130% to 200%.

The effect of ordinary resolution number 9, if passed, will be that the proposed amendments to the Trust Deed, as set out in **Annexure A** to this notice of AGM, are approved.

At least 75% of the shareholders present in person or represented by proxy and entitled to vote at the AGM must cast their vote in favour of this resolution. In determining whether the requisite number of votes have been achieved to adopt this resolution, the votes attaching to any ordinary shares acquired in terms of the Share Incentive Scheme and owned or controlled by persons who are existing participants in the Share Incentive Scheme, and which may be impacted by the above-mentioned resolution, shall not be taken into account.

A copy of the current Trust Deed is available for inspection by shareholders at the company's registered address.

2.6 Non-binding advisory vote on Curro's remuneration policy

Ordinary resolution number 10

Resolved that the company's remuneration policy, as set out on pages 72 to 78 of this annual integrated report, be and is hereby endorsed by way of a non-binding advisory vote.

The reason for and effect of ordinary resolution number 10 is that the King IV Report on Corporate Governance for South Africa, 2016™ ('King IV™') recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each AGM. This enables shareholders to express their views on the remuneration policy adopted. Ordinary resolution number 10 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the company's remuneration policy.

2.7 Non-binding advisory vote on Curro's implementation report of the remuneration policy

Ordinary resolution number 11

Resolved that the company's implementation report with regard to the remuneration policy, as set out on pages 79 to 83 of this annual integrated report, be and is hereby endorsed by way of a non-binding advisory vote.

The reason for and effect of ordinary resolution number 11 is that King IV™ recommends, and the JSE Listings Requirements require, that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM. This enables shareholders to express their views on the implementation of a company's remuneration policy. Ordinary resolution number 11 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the company's remuneration policy.

3. To consider and, if deemed fit, approve, with or without modification, the following special resolutions:

Note: For the special resolutions to be adopted, more than 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

3.1 Remuneration of non-executive directors

Special resolution number 1

Resolved in terms of section 66(9) of the Companies Act that the company be and is hereby authorised to remunerate its non-executive directors for their services as directors on the basis set out below, provided that this authority will be valid until the next annual general meeting of the company.

Directors' fees (excluding value-added tax)	Annual fee 2018
Board	
Chairperson of the board	R467 208
Board members	R187 110
Members of board committees	
Audit and risk committee	R53 298
Remuneration committee	R26 649
Social, ethics and human resources committee	R26 649
Additional fee payable to the chairpersons of the board committees	
Audit and risk committee	R26 649
Remuneration committee	R13 381
Social, ethics and human resources committee	R13 381

Notes:

1. *Fees are paid for services rendered as directors and are not based on meetings attended.*
2. *The fees are paid biannually and value-added tax (VAT) is payable thereon if the non-executive director is VAT registered.*
3. *Fees relating to members of the remuneration committee shall apply to any other board committee that may be formed from the date of this AGM until the next AGM of the company.*
4. *The same board and board committee fee relevant to that of a non-executive director applies to Dr Chris van der Merwe with his change in designation to non-executive director as from 1 July 2017. In addition thereto the board (which is authorised to do so on the basis of the company's memorandum of incorporation) may determine any other compensation payable for specific services rendered in his capacity as strategic adviser to the board. Dr Chris van der Merwe's strategic adviser fee that was approved in 2017 (refer to the remuneration implementation report on pages 78 to 83) is payable until 30 June 2018.*

The reason for special resolution number 1 is for the company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for the services they render to the company as directors without requiring further shareholder approval until the next annual general meeting of the company.

3.2 Inter-company and related financial assistance

3.2.1 Special resolution number 2: Inter-company financial assistance

*Resolved in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the board be and is hereby authorised to approve that the company provide any direct or indirect financial assistance ('**financial assistance**' will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board may deem fit to any company or corporation that is related or inter-related ('**related' or 'inter-related**' will herein have the meaning attributed to it in section 2 of the Companies Act) to the company, on the terms and conditions and for amounts that the board may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company.*

The reason for and effect of special resolution number 2 is to grant the board the authority, until the next annual general meeting, to provide direct or indirect financial assistance to any company or corporation that is related or inter-related to the company. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

3.2.2 Special resolution number 3: Financial assistance for the subscription to and/or the acquisition of shares in the company or a related or inter-related company.

*Resolved that, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, the board be and is hereby authorised to approve that the company provide any direct or indirect financial assistance ('**financial assistance**' will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the board may deem fit to any person (including a juristic person) for purposes of, or in connection with, the subscription to any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company ('**related**' or '**inter-related**' will herein have the meaning attributed to it in section 2 of the Companies Act), on the terms and conditions and for amounts that the board may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting .*

The reason for and effect of special resolution number 3 is to grant the board the authority, until the next annual general meeting, to provide financial assistance to any person for purposes of, or in connection with, the subscription to or purchase of options, shares or other securities in the company or any related or inter-related company or corporation. This means that the company is authorised, inter alia, to grant loans to any person (including its subsidiaries) or to guarantee and furnish security for the debt of any person where any such financial assistance is directly or indirectly related to that person subscribing to options, shares or securities in the company or its subsidiaries or purchasing options, shares or securities in the company or its subsidiaries. A typical example of where the company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

3.3 Share repurchased by the company and its subsidiaries

Special resolution number 4

Resolved, as a special resolution, that the company and the subsidiaries of the company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of section 46 and 48 of the Companies Act, the memorandum of incorporation of the company and the Listings Requirements of the JSE, including, inter alia, that:

- *The general repurchase of the shares may only be implemented on the open market of the JSE and must be done without any prior understanding or arrangement between the company and the counterparty;*
- *This general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond 15 months from the date of this resolution;*
- *An announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;*
- *The general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the company's issued share capital at the time the authority is granted;*
- *A resolution has been passed by the board approving the repurchase, that the company and its subsidiaries have satisfied the solvency and liquidity test as defined in the Companies Act, and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the group;*
- *The general repurchase is authorised by the company's memorandum of incorporation;*
- *Repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the company's securities have not traded in such a five business-day period;*
- *The company may at any point in time appoint only one agent to effect any repurchase(s) on the company's behalf; and*
- *The company and/or its subsidiaries may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless a repurchase programme, as contemplated in terms of 5.72(h) of the Listings Requirements of the JSE, has been submitted to the JSE in writing and executed by an independent third party.*

The reason for and effect of special resolution number 4 is to grant the board a general authority in terms of the company's memorandum of incorporation and the Listings Requirements of the JSE for the acquisition by the company or by a subsidiary of the company of shares issued by the company on the basis reflected in special resolution number 4.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not collectively hold more than 10% in aggregate of the number of the issued shares of a company. In order to avoid doubt, a pro rata repurchase by the company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

4. Other business

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the company.

Information relating to special resolution number 4

1. The directors of the company or its subsidiaries will only utilise the general authority to repurchase shares of the company, as set out in special resolution number 4, to the extent that the directors, after considering the maximum shares to be purchased, are of the opinion that the position of the company and its subsidiaries (the Curro group) would not be compromised as to the following:
   - The Curro group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the repurchase;
   - The consolidated assets of the Curro group will, at the time of the AGM and at the time of making such determination, be in excess of the consolidated liabilities of the Curro group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Curro group;
   - The ordinary capital and reserves of the Curro group after the purchase will remain adequate for the purpose of the business of the Curro group for a period of 12 months after the AGM and after the date of the share repurchase; and
   - The working capital available to the Curro group after the repurchase will be sufficient for the Curro group's requirements for a period of 12 months after the date of the notice of the AGM;

   and the directors have passed a resolution authorising the repurchase, resolving that the company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Curro group.
2. The directors, whose names appear on pages 32 and 33 of the annual integrated report, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made, and that the AGM notice contains all information required by the Listings Requirements of the JSE.

   Special resolutions numbers 2, 3 and 4 are renewals of resolutions passed at the previous annual general meeting on 23 June 2017.

VOTING

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company (the share register) for purposes of being entitled to receive this notice is Friday, 20 April 2018.
2. The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at this meeting is Friday, 25 May 2018, with the last day to trade being Tuesday, 22 May 2018.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairperson of the AGM and must accordingly bring a copy of their identity document, passport or driver's licence to the AGM. If in in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.
4. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy in which the relevant instructions for its completion are set out is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by no later than 11:30 (South African time) on Thursday, 31 May 2018, provided that any form of proxy not delivered to the transfer secretaries by this time may be handed to the chairperson of the AGM prior to the commencement of the AGM, at any time before the appointed proxy exercises any shareholder rights at the AGM.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person will need to request their central securities depository participant (CSDP) or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and the CSDP or broker in the manner and time stipulated therein.

8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, have one vote in respect of each share held.

By order of the board

CURRO HOLDINGS LTD
30 April 2018

Registered office
38 Oxford Street
Durbanville 7550
(PO Box 2436, Durbanville, South Africa 7551)

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

Sponsor
PSG Capital (Pty) Ltd
1st Floor, Ou Kollege Building
35 Kerk Street Stellenbosch,
South Africa 7600
(PO Box 7403, Stellenbosch, South Africa 7599)

Curro Academy Mamelodi opened its doors in January 2018

THIRD ADDENDUM TO TRUST DEED
in respect of
THE CURRO HOLDINGS LIMITED SHARE INCENTIVE TRUST

1 PARTIES

1.1 The Parties to this Third Addendum are –

1.1.1 Curro Holdings Limited;

1.1.2 WL Greeff; and

1.1.3 A Rossouw.

1.2 The Parties agree as set out below.

2 INTERPRETATION

In this Third Addendum, words and expressions defined in the Trust Deed shall, unless the context indicates a contrary intention, bear the same meaning in this Third Addendum and the following words and expressions bear the meanings assigned to them and cognate expressions bear corresponding meanings –

2.1 "**First Addendum**" means the first addendum to the Trust Deed, entered into between the Company and the Trustees on or about 23 June 2014;

2.2 "**Parties**" means the parties to this Third Addendum as set out in clause 1.1 above;

2.3 "**Second Addendum**" means the second addendum to the Trust Deed, entered into between the Company and the Trustees on or about 24 June 2016;

2.4 "**Third Addendum**" means the third addendum to the Trust Deed, as contained in this document; and

2.5 "**Trust Deed**" means the trust deed in respect of the Curro Holdings Limited Share Incentive Trust, entered into between the Company and the Trustees on or about 21 September 2011, as amended by the First Addendum and the Second Addendum.

3 RECORDAL

3.1 The Parties record that they entered into the Trust Deed on or about 21 September 2011 and subsequently concluded the First Addendum and the Second Addendum.

3.2 In terms of clause 33 of the Trust Deed, the Board and the Trustees may amend the Trust Deed, subject to the approval of the Company's shareholders, to the extent required.

3.3 The Board and the Trustees now wish to amend the Trust Deed as set out in this Third Addendum.

4 AMENDMENTS TO THE TRUST DEED

The Board and the Trustees agree that, subject to the approval of the Company's shareholders, to the extent required, the Trust Deed will be amended as follow –

4.1 by the insertion of a new clause 1.1.18A after the existing clause 1.1.18 of the Trust Deed, to read as follows –

*"1.1.18A "**Market Price**" means the price per Share at the closing of trade on the JSE on the relevant Option Exercise Date;"*

4.2 by the insertion of a new clause 1.1.21A after the existing clause 1.1.21 of the Trust Deed, to read as follows –

*"1.1.21A "**Option Exercise Date**" means the date, during a relevant Exercise Period, on which a Beneficiary exercises his Options in accordance with the provisions of this Trust Deed;"*

4.3 by the deletion of the words "as defined in terms of clause 21.2 below" in clause 1.1.22 of the Trust Deed, to read as follows –

*"1.1.22 "**Option Period**" means the period between the Option Date and the Option Exercise Date;"*

4.4 by the insertion of a new clause 1.1.24A after the existing clause 1.1.24 of the Trust Deed, to read as follows –

*"1.1.24A "**Performance Measures**" means such performance measures, if any, as may be determined by the Board in its sole discretion, from time to time, which may include, but will not be limited to –*

1.1.24A.1 key performance objectives for specific Participants;

1.1.24A.2 recurring headline earnings per Share targets for the Company; and/or

1.1.24A.3 return on equity/asset targets for the Company;"

4.5 by the insertion of the words "*The Board may, from time to time, determine and set Performance Measures which will apply to the vesting of Options.*", "*the Performance Measures which apply to the vesting of such Options (if applicable)*" and "*the Performance Measures which apply to the vesting of such Options (if applicable),*" in clause 18.1 of the Trust Deed, to read as follows –

*"18.1 <u>The Board may, from time to time, determine and set Performance Measures which will apply to the vesting of Options.</u> The Board, subject to clause 19.4, may from time to time instruct and authorise the Trustees in writing to award Options to such Employees selected by it to participate in this Scheme ("**the Resolution**"). The Resolution shall specify the name of the Employee, the number of Options, the Option Date, the Strike Price, <u>the Performance Measures which apply to the vesting of such Options (if applicable)</u> and any other relevant terms and conditions as may be determined by the Board. Each such Option shall be offered for purchase at the Strike Price. The Trustees shall as soon as practicable award the Options to the persons named in the Resolution, which award shall be in writing and specify the number of Options, the Option Date, the Strike Price, <u>the Performance Measures which apply to the vesting of such Options (if applicable)</u>, the obligation of the Participant to adhere strictly to the terms of this Deed (which shall be made available at all times to any Participant) and any other relevant terms and conditions as may be determined by the Trustees."*

4.6 by the insertion of a new clause 20.1.1A after the existing clause 20.1.1 of the Trust Deed, to read as follows –

"20.1.1A may be subject to the fulfilment and meeting of certain Performance Measures, as set out in the Resolution and written award referred to in clause 18.1, if applicable;"

4.7 by the insertion of a new clause 20.1.7A after the existing clause 20.1.7 of the Trust Deed, to read as follows –

"20.1.7A may, at the election of the Beneficiary in accordance with clause 24A, be settled on a net equity basis as set out in clause 24A;"

4.8 by the deletion of clause 20.1.8 of the Trust Deed in its entirety and the replacement thereof with a new clause 20.1.8, to read as follows –

"20.1.8 shall, pursuant to the exercise of an Option, be settled upon a Participant:

20.1.8.1 by way of the delivery of Shares, it being recorded that, for the purposes of International Financial Reporting Standard 2, the aforegoing shall be an equity-settled share-based payment transaction; or

20.1.8.2 in the event that the Participant elects to have the Options settled on a net equity basis in accordance with clause 24A, either by way of the delivery of Shares or by the Company making a cash payment to the Participant, in lieu of Shares, as the Board may elect, in its sole discretion;"

4.9 by the insertion of the words "*save as provided for in clause 24A*" in clause 20.1.9 of the Trust Deed, to read as follows –

"20.1.9 <u>save as provided for in clause 24A</u>, shall be awarded on the basis that the number of Scheme Shares to be delivered to a Participant, and the discharge of the Strike Price in respect of such Shares, shall be on a delivery versus payment method in accordance with the provisions of this Trust Deed;"

4.10 by the insertion of a new clause 20.5.1A after the existing clause 20.5.1 of the Trust Deed, to read as follows –

"20.5.1A to the extent that the Performance Measures applicable to such Option (if any), have not been fulfilled, met or achieved, unless the Board resolves otherwise in its sole discretion;"

4.11 by the insertion of a new clause 20.5.1B after the newly inserted clause 20.5.1A of the Trust Deed, to read as follows –

"20.5.1B in relation to Options awarded after 30 June 2018, in the event and to the extent that the Board determines, in its sole discretion, that the Beneficiary is guilty of misconduct or poor performance in general or as measured against any key performance indicators or targets as set for the Beneficiary by the Board or relevant senior management members of the Company, from time to time;"

4.12 by the deletion of the numbers and words "*130% (One Hundred and Thirty Percent)*" in clause 24.1.2 of the Trust Deed and the insertion of the numbers and words "*200% (Two Hundred Percent)*", to read as follows –

*"24.1.2 the Borrower shall be required, in a separate agreement, to pledge in securitatum debiti such number of Shares (whether or not they are the Scheme Shares to be delivered to the Borrower as contemplated in this clause 24) as is equal to (or more than) <u>200% (Two Hundred Percent)</u> of the loan value, unless the Trustees on reasonable grounds decide otherwise, with the value of such security to be calculated at the Market Price per Share ("**the security**");"*

4.13 by the insertion of a new clause 24A after the existing clause 24 of the Trust Deed, to read as follows –

24A NET EQUITY SETTLEMENT

24A.1 Notwithstanding any of the other provisions of this Trust Deed, in the event that a Beneficiary wishes to exercise his Options in terms of the Trust Deed, but is unable to, or elects not to, pay the aggregate Strike Price due in respect of such Options being exercised and the Beneficiary Taxation due in relation to the exercise of such Options and where –

24A.1.1 the Trustees, in their absolute and unfettered discretion, decide not to provide financial assistance to the Beneficiary in terms of clause 24, for the purpose of fulfilling such monetary obligations; or

24A.1.2 *the Beneficiary decides not to accept the financial assistance offered by the Trustees in terms of clause 24, for the purpose of fulfilling such monetary obligations,*

the Beneficiary may elect (in writing, together with his written notice to the Company that he is exercising his Options) to have all (and not only a portion) of his Options so exercised, settled on a net equity basis as set out in this clause 24A.

24A.2 *Where a Beneficiary has elected to have his Options settled on a net equity basis in accordance with the provisions of clause 24.A.1 above, the Company will settle –*

24A.2.1 *the Beneficiary's after-tax gain through the issue of fully paid Shares or by making a cash payment in lieu of Shares, as may be determined by the Board in its sole discretion; and*

24A.2.2 *settle the Beneficiary Taxation due in respect of the Options being exercised, on behalf of the Beneficiary.*

24A.3 *The "**After Tax Gain**" of the Beneficiary will be determined as follows –*

24A.3.1 *First, the "**Taxable Gain**" of the Beneficiary will be determined using the following formula –*

***Taxable Gain** = Market Value – Strike Value*

Where

***Market Value** = the number of Options exercised x by the Market Price per Share on the Option Exercise Date*

***Strike Value** = the number of Options exercised x by the Strike Price per Share*

24A.3.2 *Next, the "**After-Tax Gain**" will be determined using the following formula –*

After-Tax Gain = Taxable Gain – Tax Payable

*The "**Tax Payable**" will be calculated on the Taxable Gain based on the applicable income tax rate which applies to the Beneficiary.*

24A.4 *The After-Tax Gain will then be settled by the Company, either by making a cash payment to the Beneficiary in lieu of Shares, or by the issue and allotment of such number of Shares by the Company within 5 business days following the relevant Option Exercise Date, as determined using the formula set out below, as may be elected by the Board in its sole discretion –*

Number of Shares = After-Tax Gain / Market Price Per Share

Rounded to the nearest full number, as no fractions of Shares will be issued.

24A.5 *For the avoidance of doubt, an illustrative example is set out below:*

		Net settlement	*Full settlement when Options exercised at Strike Price*
1	*Number of Options exercised*	*100*	*100*
2	*Strike Price per Share*	*R150*	*R150*
3	*Strike Value (1 x 2)*	*R15 000*	*R15 000*
4	*Market Price per Share*	*R220*	*R220*
5	*Market Value (1 x 4)*	*R22 000*	*R22 000*
6	*Taxable Gain (5 – 3)*	*R7 000*	*R7 000*
7	*Tax rate applicable*	*45%*	*45%*
8	*Tax Payable (6 x 7)*	*R3 150*	*R3 150*
9	*After-Tax Gain (6 – 8)*	*R3 850*	*R3 850*
10	*Total Strike Value & Tax Payable in cash by Participant (3 + 8)*	*n/a*	*R18 150*
11	*Number of Shares to be issued if not settled by way of a cash payment (9 / 4)*	*18*	*n/a*
12	*Market Value*	*R5 400*	*R22 000*
13	*Less: Strike Value & Tax Payable by Participant (10)*	*n/a*	*R18 150*
14	***Upside to Participant on date of settlement***	***R3 850***	***R3 850***

5 SAVINGS CLAUSE

Save to the extent specifically modified or inconsistent with the provisions of this Third Addendum, all the terms and conditions of the Trust Deed *mutatis mutandis* shall continue in full force and effect.

6 COUNTERPARTS

This Third Addendum may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

7 SIGNATURE

7.1 This Third Addendum is signed by the Parties on the dates and at the places indicated below.

7.2 The persons signing this Third Addendum in a representative capacity warrant their authority to do so.

7.3 The Parties record that it is not required for this Third Addendum to be valid and enforceable that a Party shall initial the pages of this Third Addendum and/or have its signature of this Third Addendum verified by a witness.

SIGNED at ______________________ on ____________________________ 2018

For and on behalf of

CURRO HOLDINGS LIMITED

____
Signature

____
Name of Signatory

____
Designation of Signatory

SIGNED at ______________________ on ____________________________ 2018

WL GREEFF

____
Signature

SIGNED at ______________________ on ____________________________ 2018

A ROSSOUW

____
Signature

NOTES

FORM OF PROXY

Curro Holdings Limited

Incorporated in the Republic of South Africa
Registration number: 1998/025801/06
Share code: COH
ISIN: ZAE000156253
('**Curro**' or '**the company**')

Form of proxy – for use by certificated and own-name dematerialised shareholders only

For use at the annual general meeting of ordinary shareholders of the company to be held at Curro Durbanville school, 1 Memento Drive, Sonstraal Heights, Cape Town at 11:30 on Monday, 4 June 2018 (the '**AGM**').

I/we (full name in print) ....

of (address) ....

Telephone: (Work) area code (   ) .... Telephone: (Home) area code (......) ....

Cellphone number: (   ) ....

being the registered holder of .... shares in the company, hereby appoint:

1. .... or failing him/her

2. .... or failing him/her

3. .... the chairperson of the AGM,

as my/our proxy to attend, speak and vote for me/us at the AGM for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instruction (see notes):

	Number of shares		
	In favour of	Against	Abstain
Ordinary resolution number 1: To confirm Mr DM Ramaphosa's appointment as non-executive director			
Ordinary resolution number 2: To re-elect Mr PJ Mouton as non-executive director			
Ordinary resolution number 3: To re-elect Mr ZL Combi as non-executive director			
Ordinary resolution number 4: To reappoint Mr B Petersen as a member of the audit and risk committee of the company			
Ordinary resolution number 5: To reappoint Prof. SWF Muthwa as a member of the audit and risk committee of the company			
Ordinary resolution number 6: To reappoint Mr ZL Combi as a member of the audit and risk committee of the company			
Ordinary resolution number 7: Reappointment of the auditor			
Ordinary resolution number 8: General authority to issue ordinary shares for cash			
Ordinary resolution number 9: Amendments to the Curro Holdings Limited Share incentive Trust			
Ordinary resolution number 10: Non-binding endorsement of Curro's remuneration policy			
Ordinary resolution number 11: Non-binding endorsement of Curro's implementation report			
Special resolution number 1: Remuneration of non-executive directors			
Special resolution number 2: Inter-company financial assistance			
Special resolution number 3: Financial assistance for the subscription for and/or the acquisition of shares in the company or a related or inter-related company			
Special resolution number 4: Share repurchases by the company and its subsidiaries			

Please indicate your voting instruction by inserting the number of shares or by inserting a cross in the space provided.

Signed at .... on this .... day of .... 2018.

Signature(s) ....

Assisted by (where applicable) (state capacity and full name)

Each Curro shareholder is entitled to appoint one or more proxy(ies) (who need not be shareholder(s) of the company) to attend, speak and vote in his/her stead at the AGM.

Please read the notes overleaf.

FORM OF PROXY

Notes:

1. A Curro shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the chairperson of the AGM'. The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Curro shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairperson of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect of which abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders are present or represented at any meeting, only that one of the said persons whose name stands first in the register in respect of such shares, or his/her proxy, as the case may be, shall be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any shares stand shall be deemed joint holders thereof.
4. Proxy forms should be lodged with the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, South Africa, to be received by them not later than Thursday, 31 May 2018, at 11:30 (South African time), provided that any form of proxy not delivered to the transfer secretaries by this time may be handed to the chairperson of the AGM prior to the commencement of the AGM at any time before the appointed proxy exercises any shareholder rights at the AGM.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairperson of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

All children should have the chance to fulfil their potential.

ANNEXURE B

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 hostels. 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 through Standard Bank of financing.

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 (preschools). 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 (preschool 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 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.

As at 31 January 2018 Curro had 52 233 learners across their 145 schools (59 campuses).

Curro high schools produce a community of teenagers who know how to think innovatively, express their ideas and take charge of their own lives.

GLOSSARY

AGM	Annual general meeting
AFS	Audited financial statements
BBBEE	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
Company	Curro Holdings limited, an organisation registered as a public company and listed on the JSE Limited with registration number 1998/025801/06
Companies Act	Companies Act No 71 of 2008, as amended
CSDP	Central securities depository participant
CSR	Corporate social responsibility
Curro	Curro Holdings Limited
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Exco	Executive committee
FET	Further education and training
Group	Curro Holdings Limited and its subsidiaries
HEPS	Headline earnings per share
HR	Human resources function
IEB	Independent Examinations Board
Embury Institute for Higher Education	Embury Institute for Higher Education (Proprietary) Limited, a subsidiary of Stadio Holdings Ltd, currently providing tertiary education to educators
ISCR	Interest Service Cover Ratio
IT	Information and technology and/or information technology and systems
IFRS	International Financial Reporting Standards
JSE	JSE Limited
King IV™	King IV Report on 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	The acquisition of land for the purpose of developing schools
Ltd	Limited
MOI	Memorandum of incorporation
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 2013, 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.
OHASA	Occupational Health and Safety Act No 85 of 1993, as amended
Old Mutual/OMLACSA	Old Mutual Life Assurance Company South Africa Ltd
NSC	National Senior Certificate
PAC	Parent Advisory Committee
PAT	Profit after tax
PIC	Public Investment Corporation
Pty (Ltd)	Proprietary Limited
Ruta Sechaba	The Ruta Sechaba Foundation – provides bursaries and scholarships to qualifying learners from previously disadvantaged backgrounds
SEIIFSA or Schools Fund	Schools and Education Investment Impact Fund of South Africa
SRI	Socially responsible investment
Stadio	Stadio Holdings Ltd – the tertiary-education business of Curro Holdings Limited that was unbundled in October 2017 and listed separately on the JSE
Umalusi	The Umalusi Council for Quality Assurance in General and Further Education and Training

GENERAL INFORMATION

Curro Holdings Limited and its subsidiaries

(Registration number 1998/025801/06)

Consolidated and separate annual financial statements for the year ended 31 December 2017

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Independent schools and education services
Directors	**Executive** Mr AJF Greyling Mr B van der Linde Mr HG Louw **Non-executive** Mr PJ Mouton Dr CR van der Merwe **Independent non-executive** Ms SL Botha (chairperson) Mr B Petersen Mr ZL Combi Prof. SWF Muthwa DM Ramaphosa
Company secretary	Ms R van Rensburg
Registered office	38 Oxford Street Durbanville South Africa 7550
Business address	38 Oxford Street Durbanville South Africa 7550
Postal address	PO Box 2436 Durbanville South Africa 7551
Holding company	PSG Financial Services Ltd, incorporated in South Africa
Bankers	Absa Bank Ltd First National Bank Ltd Standard Bank of South Africa Ltd
Auditor	PricewaterhouseCoopers Inc.
Company registration number	1998/025801/06
Level of assurance	These audited annual financial statements have been audited in compliance with the applicable requirements of the Companies Act, No. 71 of 2008, as amended.
Preparer	The audited annual financial statements were compiled under the supervision of Mr B van der Linde CA(SA), CFA.

CURRO

www.curro.co.za