CURRO HOLDINGS LIMITED AND ITS SUBSIDIARIES

(Registration number 1998/025801/06)
Consolidated and Separate Financial Statements
for the year ended 31 December 2019

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Independent school and education services
Directors	SL Botha AJF Greyling ZL Combi ZN Mankai T Molefe PJ Mouton SWF Muthwa D Ramaphosa B van der Linde CR van der Merwe
Registered office and business address	38 Oxford Street Durbanville Cape Town South Africa 7550
Postal address	P O Box 2436 Durbanville Cape Town South Africa 7551
Holding company	PSG Financial Services Ltd, incorporated in South Africa
Ultimate holding company	PSG Group Ltd, incorporated in South Africa
Bankers	Absa Bank Ltd First National Bank Ltd Standard Bank of South Africa Ltd
Auditors	PricewaterhouseCoopers Inc. Registered Auditors
Secretary	R Botha
Company registration number	1998/025801/06
Tax reference number	9159/070/02/9
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, as amended.
Preparer	The financial statements were internally compiled by BC September CA(SA) under the supervision of the director and Chief Financial Officer, B van der Linde CA(SA), CFA
Published	24 February 2020

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

Directors' responsibilities and approval

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 financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate 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 year 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 financial statements.

The consolidated and separate 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 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 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 2020 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 financial statements. The consolidated and separate financial statements have been examined by the group's external auditors and their report is presented on pages 11 to 16.

The consolidated and separate financial statements set out on pages 17 to 82, which have been prepared on the going concern basis, were approved by the board of directors on 24 February 2020 and were signed on their behalf by:

SL Botha	**AJF Greyling**
Chairperson of the Board	Chief Executive Officer

Durbanville

24 February 2020

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 Botha
Company Secretary

Durbanville

24 February 2020

Audit and risk committee report

This report is provided by the audit and risk committee (the committee) appointed in respect of the 2019 financial year of Curro Holdings Limited (Curro) and its subsidiaries.

1. Members of the audit and risk committee

The members of the committee consist of majority independent non-executive directors.

The members are ZN Mankai (chairperson), ZL Combi, T Molefe (appointed on 1 May 2019) and Dr SWF Muthwa. The company secretary is the secretary of the committee.

Barend Petersen has resigned as independent non-executive director effective 1 May 2019.

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 and appropriateness 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 2019, which were attended by all members of the committee.

4. External audit

The committee has nominated PricewaterhouseCoopers Inc., as independent auditors and D de Jager, who is a registered independent auditor, as the designated partner for the 2019 audit.

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 external auditor is thus suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the Listings Requirements of the JSE Limited.

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.

Audit and risk committee report

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 and the group's finance function

As required by the JSE Listings Requirement 3.84 (g)(i), the committee has assessed and is satisfied with the expertise and experience of the group's chief financial officer. The committee is also satisfied that the group established appropriate financial reporting procedures and that those procedures are operating effectively.

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

ZN Mankai
Chairperson of the Audit and Risk Committee

Durbanville

24 February 2020

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 2019.

1. Nature of business

Overview

Curro continue with its vision to make quality independent school education, accessible to more learners in South Africa and beyond.

The company 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.

Both organic and acquisitive growth contributed to 62 689 learners across 76 campuses attending a Curro school in 2020.

Group financial results

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

From 2018 to 2019, learner numbers increased by 12% from 51 305 to 57 597. This resulted in an 18% increase in revenue from R2 496 million in 2018 to R2 944 million for the year ended 31 December 2019. Despite the increase in revenue, recurring headline earnings and recurring headline earnings per share decreased by 15% from R248 million to R212 million and from 60,1 cents to 51,0 cents over the same period due to:

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

Investment and expansion

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

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

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

2. Share capital

No changes occurred to authorised and issued share capital during 2019.

Directors' report

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

On 25 February 2020, the company declared a dividend of 10.2 cents per share from income resources for the year ended 31 December 2019, which is payable on 16 March 2020.

Dividends of 12 cents per share was paid on 11 March 2019 in respect of the year ended 31 December 2018.

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
AJF Greyling	Male	Chief executive officer	Executive
ZL Combi	Male		Non-executive
ZN Mankai	Female		Non-executive independent
T Molefe	Female		Non-executive independent
PJ Mouton	Male		Non-executive
SWF Muthwa	Female		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

T Molefe was appointed effective 1 May 2019 and B Petersen and HG Louw resigned effective 1 May 2019.

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:

	2019				2018			
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	-	961 057	961 057	0.23
PJ Mouton	-	1 950 068	1 950 068	0.47	-	1 939 943	1 939 943	0.47
B van der Linde	191 876	580 266	772 142	0.18	191 876	588 916	780 792	0.18
CR van der Merwe	-	3 011 677	3 011 677	0.73	-	3 511 677	3 511 677	0.85
B Petersen*	10 000	-	10 000	0.00	10 000	-	10 000	0.00
	474 802	**6 503 068**	**6 977 870**	**1.68**	**737 541**	**7 001 593**	**7 739 134**	**1.86**

* B Petersen resigned effective 1 May 2019.

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.

Directors' report

7. Interests in subsidiaries

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

8. Holding company

The holding company is PSG Financial Services Ltd, which holds 55.4% (2018: 55.4%) 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 31 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 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 that may affect the group or the company.

13. Auditors

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

14. Secretary

The company secretary is Mr R Botha, who was appointed effective 1 July 2019.

Postal address	P O Box 2436 Durbanville Cape Town South Africa 7551
Business address	38 Oxford Street Durbanville Cape Town South Africa 7550

Directors' report

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 is 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 5 to 6 of the consolidated and separate annual financial statements.

Independent auditor's report

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 2019, 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 (IFRS) 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 17 to 81 comprise:

- the consolidated and separate statements of financial position as at 31 December 2019;
- 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;
- the accounting policies; and
- the notes to the consolidated and separate financial statements.

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.

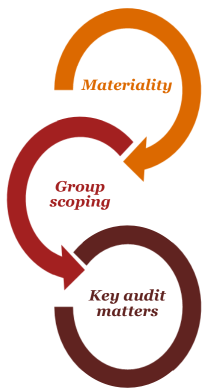
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

Overview



Overall group materiality

R13.2 million which represents 5% of adjusted consolidated profit before taxation.

Group audit scope

We conducted a full scope audit for Curro Holdings Limited, the only significant component. Statutory audits or specified procedures were performed for components that are financially significant in aggregate with other components. Analytical review procedures were performed over the remaining non-significant components.

Key audit matters

- *Impairment assessment of goodwill and trademarks;*
- *Impairment of land and buildings; and*
- *Adoption of IFRS 16 - Leases.*

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	*R13.2 million.*
How we determined it	*5% of adjusted consolidated profit before taxation.*
Rationale for the materiality benchmark applied	*We chose adjusted consolidated profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users. Consolidated profit before taxation was adjusted for non-recurring impairment losses and the bargain purchase gain to better reflect the continuing profit from normal operations. 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.

The group comprises of twenty four reporting components. A full scope audit has been performed for Curro Holdings Limited, which is the only financially significant component within the Group. All other components are considered financially insignificant. In order to ensure that sufficient work was performed over material line items in the financial statements, we have scoped in two entities, Meridian Operations Company (RF) NPC and Campus and Property Management Company Proprietary Limited, for which statutory audits were performed. We have performed specified procedures on the Namibian and Botswana operations as a result of their contribution to assets and revenue specifically. For the remaining components, we performed analytical review procedures and audited the consolidation process in order to gain sufficient evidence over the consolidated balances and transaction totals. Although the Group operates various schools all over South Africa and in Namibia and Botswana, 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 judgement, 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 trademarks *This key audit matter relates to the consolidated and separate financial statements.* *The indefinite life intangible assets consists of goodwill and trademarks, which amount to R565 million, R108 million, R97 million and R18 million, respectively, in the Group and Company financial statements. (Refer to note 6 & 7 to the consolidated and separate financial statements in this regard).* *Goodwill acquired in a business combination and intangible assets with indefinite useful lives are tested for impairment annually, irrespective of whether any indications of impairment exist (refer to note 1.12 of the Accounting Policies in this regard).* *As disclosed in notes 6 & 7 to the consolidated and separate financial statements, the recoverable amounts of the cash generating units (CGU's) to which goodwill acquired in a business combination and trademarks belong, has been determined based on value- in-use calculations.*	*In testing management's impairment calculation:* • *We tested the mathematical accuracy of the value-in-use calculations for each CGU;* • *We challenged the key assumptions used in the calculation, such as growth in learner numbers, tuition fee and terminal growth rates, by comparing these to actual enrolment figures and increased tuition fees for 2020. The terminal growth rate was compared to inflation of the educational sector, historic increases in tuition fees and nominal learner number growth. The key assumptions applied by management 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 2019 to the forecasted cash flows used in the prior year's calculations. The actual results were consistent with forecasted results;*

The key assumptions used by management in determining value-in-use include; discount rates, growth in learner numbers, tuition fees and terminal growth rates which require management to apply a degree of judgement and estimation.

The impairment assessment of goodwill and other indefinite-lived intangible assets was considered to be a matter of most significance to our current year audit due to the degree of judgement and estimation applied by management in their value-in-use calculation.

No impairment in respect of the indefinite useful life intangible assets has been recognised in the current year (refer to note 6 & 7 to the consolidated and separate annual financial statements in this regard).

- *With the assistance of our internal valuation experts we compared the discount rates used by management to our independently developed benchmarks, which are based on various economic indicators. The discount rates used by management were accepted as falling within a reasonable range; and*
- *We assessed the presentation and disclosure included in the consolidated and separate financial statements against the requirements of International Accounting Standard (IAS) 36: Impairment of Assets and no material disclosure deficiencies were noted.*

Impairment of land and buildings

This key audit matter relates to the consolidated and separate financial statements.

In terms of IAS 36: Impairment of Assets, an impairment assessment should be performed if any indicators of impairment are identified relating to an asset (refer to note 4 to the consolidated and separate annual financial statements in this regard).

During the current year, management identified impairment indicators in relation to buildings of two schools in which actual results were below expectations. Based on management's assessment, an impairment loss of R71 million on a Group level and R49 million on a Company level was recognised. The impairment loss represents a write-down of the buildings' carrying value to its recoverable amount. Management calculated the recoverable amount based on fair value less cost of disposal.

Furthermore, the company sold a vacant property subsequent to year end, which met the definition of an 'asset held for sale' as at year end. With the remeasurement of this in accordance with IFRS 5, management recognised an impairment loss of R33 million.

The impairment assessment of land and buildings was considered to be a matter of most significance to our current year audit due to the magnitude of the impairment loss recognised and the degree of judgement and estimation applied by management in the determination of the recoverable amount of these assets.

In testing management's impairment calculations:

- *We tested the mathematical accuracy of the impairment calculations of each of the three properties, being impaired;*
- *We inspected the impairment calculation to determine whether there are any indefinite intangible assets, such as goodwill relating to any of these schools and found that there were none;*
- *We compared the fair value of the land and buildings to the external valuation reports used by management in determining the fair value less cost to sell. No material exceptions were noted;*
- *We have evaluated management's experts by assessing their competence, capability, and objectivity and noted no aspects requiring further consideration.*
- *In assessing management's impairment calculation for the vacant property, we inspected the disposal contract for the disposal price, assessed whether this meets the definition of an 'asset held for sale' in accordance with IFRS 5 and recalculated the impairment loss. No material exceptions were noted; and*
- *We assessed the presentation and disclosure included in the consolidated and separate financial statements against the requirements of IAS 36 and IFRS 5 and did not note material disclosure deficiencies.*

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Adoption of IFRS 16 - Leases	
This key audit matter relates to the consolidated and separate financial statements. *IFRS 16: Leases was effective for the first time in the current financial year. The Group and Company adopted the new standard using the modified retrospective approach.* *The impact of the adoption of IFRS 16 is disclosed in note 43 and the results for the current year, is disclosed in note 5 to the consolidated and separate financial statements.* *The impact of the IFRS 16 transition is reliant upon a number of key estimates and judgements, primarily applied in determining the appropriate discount rates (incremental borrowing rates) and the lease term for each lease. The lease term may include future lease terms for which the Group and Company has extension options and which the Group and Company is reasonably certain to exercise.* *On initial recognition, the Group and Company recognised an increase in both the right to use assets and the lease liability, of R188m.* *We considered the adoption of IFRS 16 to be a matter of most significance to the audit due to estimation and judgement applied in the transition.*	*Our audit procedures included:* • *We challenged the key judgements and assumptions used by management by assessing the discount rates used to calculate the lease obligation. This included independently sourcing base rates for each lease origination date, usually linked to inter-bank rates. Additional adjustments were made to cater for lease terms, as well as for the economic environment;* • *We verified the accuracy of the underlying lease data by agreeing a sample of leases to the original contracts and checked the integrity and mathematical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment. No material exceptions were noted;* • *We tested the completeness of the lease data by reconciling a sample of the Group and Company's existing lease commitments to the lease data underpinning the IFRS 16 model. No material exceptions were noted; and* • *We evaluated the lease terms, including the renewal periods, where appropriate, by inspecting the underlying contracts and assessing management's judgements for the lease periods applied in the lease calculation No material exceptions were noted.*

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*Curro Holdings Limited and its subsidiaries Consolidated and Separate Annual Financial Statements for the year ended 31 December 2019*", which includes the Directors' Report, the Audit and Risk Committee 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 document titled "*Curro Holdings Limited Annual Integrated Report 2019"*, which is expected to be made available to us after that date. The other information does not include the consolidated or the 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.

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 IFRS 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 3 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor
Stellenbosch
24 February 2020

Consolidated and separate statements of financial position as at 31 December

		Group		Company	
		2019	2018	**2019**	2018
	Note(s)	**R million**	R million	**R million**	R million
Assets					
Non-current assets					
Property, plant and equipment	4	8 870	7 937	7 210	6 203
Right-of-use assets	5	200	-	200	-
Goodwill	6	565	520	108	73
Intangible assets	7	265	239	168	141
Investments in subsidiaries	8	-	-	807	910
Loans to group companies	9	-	-	240	228
Other financial assets	10	5	14	5	2
Deferred tax assets	12	8	8	-	-
		9 913	8 718	**8 738**	7 557
Current assets					
Inventories	13	14	5	8	1
Loans to group companies	9	-	-	178	161
Trade and other receivables	14	308	235	265	236
Other financial assets	10	34	21	11	11
Current tax receivable		2	1	1	1
Investment in money market funds	15	57	15	54	-
Cash and cash equivalents	15	114	170	68	123
		529	447	**585**	533
Non-current assets held for sale	44	43	-	43	-
		572	447	**628**	533
Total assets		**10 485**	9 165	**9 366**	8 090
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	16	4 733	4 733	4 883	4 883
Reserves		(4)	9	(3)	10
Retained income		676	496	124	63
		5 405	5 238	**5 004**	4 956
Non-controlling interest		11	34	-	-
		5 416	5 272	**5 004**	4 956
Liabilities					
Non-current liabilities					
Other financial liabilities at amortised cost	19	3 653	2 844	3 302	2 505
Other financial liabilities at fair value	19	27	9	27	9
Lease liabilities	5	195	-	195	-
Deferred tax liabilities	12	557	533	378	294
Contract liability	20	14	14	12	11
		4 446	3 400	**3 914**	2 819
Current liabilities					
Trade and other payables	21	205	169	174	140
Contract liability	20	214	197	177	148
Lease liabilities	5	20	-	20	-
Loans from group companies	9	-	-	12	-
Other financial liabilities	19	84	49	65	27
Current tax payable		1	-	-	-
Bank overdraft	22	99	78	-	-
		623	493	**448**	315
Total liabilities		**5 069**	3 893	**4 362**	3 134
Total equity and liabilities		**10 485**	9 165	**9 366**	8 090

Consolidated and separate statements of comprehensive income

		Group		Company	
		2019	2018	**2019**	2018
	Note(s)	**R million**	R million	**R million**	R million
Revenue from contracts with customers	23	2 944	2 496	2 412	1 927
Expected credit losses on financial assets*		(37)	(16)	(67)	(14)
Operating expenses		(2 214)	(1 853)	(1 826)	(1 453)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		693	627	519	460
Depreciation and amortisation		(187)	(154)	(171)	(138)
Earnings before interest and taxation (EBIT)	24	506	473	348	322
Investment income	25	36	55	70	83
Profit on sale of property, plant and equipment		2	-	3	-
Impairment of investments in subsidiaries	8	-	-	-	(113)
Impairment of property, plant and equipment	4	(104)	-	(82)	-
Bargain purchase gain	31	27	-	27	-
Share of loss of associates		-	(1)	-	-
(Loss)/profit on disposal of investment in associate		-	(1)	-	4
Finance costs	26	(279)	(193)	(223)	(134)
Profit before taxation		**188**	333	**143**	162
Taxation	27	(1)	(91)	(54)	(83)
Profit for the year		**187**	242	**89**	79
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operation		-	(1)	-	-
Effects of cash flow hedges	28	(18)	8	(18)	8
Income tax effect		5	(2)	5	(2)
Total items that may be reclassified to profit or		**(13)**	5	**(13)**	6
Total comprehensive income for the year		**174**	247	**76**	85
Profit (loss) attributable to:					
Owners of the parent		202	248	89	79
Non-controlling interests		(15)	(6)	-	-
		187	242	**89**	79
Total comprehensive income (loss) attributable to:					
Owners of the parent		189	253	76	85
Non-controlling interests		(15)	(6)	-	-
		174	247	**76**	85
Earnings per share (cents)					
Basic	29	49,0	60,0		
Diluted	29	49,0	59,8		

* Restated to comply with IAS 1 disclosure.

Consolidated and separate statements of changes in equity

	Share capital	Translation reserve	Hedging reserve	Share based payments reserve	Total reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
	R million	R million	R million	R million	R million	R million	R million	R million	R million
Group									
Balance at 1 January 2018	**4 733**	**-**	**(12)**	**26**	**14**	**274**	**5 021**	**(23)**	**4 998**
Adjustment due to the initial application of IFRS 9 and IFRS 15	-	-	-	-	-	(39)	(39)	-	(39)
Balance at 1 January 2018	**4 733**	**-**	**(12)**	**26**	**14**	**235**	**4 982**	**(23)**	**4 959**
Profit for the year	-	-	-	-	-	248	248	(6)	242
Other comprehensive (loss) income	-	(1)	5	-	4	-	4	-	4
Total comprehensive income for the year	**-**	**(1)**	**5**	**-**	**4**	**248**	**252**	**(6)**	**246**
Recognition of share-based payments	-	-	-	16	16	-	16	-	16
Exercise of share options	-	-	-	(26)	(26)	16	(10)	-	(10)
Acquisition of Cooper College								8	8
Capital Contribution								55	55
Total contributions by and distributions to owners of the company recognised directly in equity	**-**	**-**	**-**	**(10)**	**(10)**	**16**	**6**	**63**	**69**
Balance at 31 December 2018	**4 733**	**(1)**	**(7)**	**16**	**9**	**496**	**5 238**	**34**	**5 272**
Profit for the year	-	-	-	-	-	202	202	(15)	187
Other comprehensive loss	-	-	(13)	-	(13)	-	(13)	-	(13)
Total comprehensive (loss) income for the year	**-**	**-**	**(13)**	**-**	**(13)**	**202**	**189**	**(15)**	**174**
Recognition of share-based payments	-	-	-	22	22	-	22	-	22
Vesting of share options	-	-	-	(21)	(21)	21	-	-	-
Dividends paid	-	-	-	-	-	(49)	(49)	-	(49)
Acquire non-controlling interest of Magic Beings	-	-	-	-	-	8	8	(8)	-
Total contributions by and distributions to owners of the company recognised directly in equity	**-**	**-**	**-**	**1**	**1**	**(20)**	**(19)**	**(8)**	**(27)**
Balance at 31 December 2019	**4 733**	**(1)**	**(20)**	**17**	**(4)**	**676**	**5 405**	**11**	**5 416**
Notes(s)	16		18 & 28	17					

Consolidated and separate statements of changes in equity

	Share capital R million	Hedging reserve R million	Share based payments reserve R million	Total reserves R million	Retained income R million	Total attributable to equity holders of the company R million	Total equity R million
Company							
Balance at 1 January 2018	**4 883**	**(12)**	**26**	**14**	**(1)**	**4 896**	**4 897**
Adjustment due to the initial application of IFRS 9 and IFRS 15	**-**	**-**	**-**	**-**	**(31)**	**(31)**	**(31)**
Balance at 1 January 2018	**4 883**	**(12)**	**26**	**14**	**(32)**	**4 865**	**4 866**
Profit for the year	-	-	-	-	78	78	78
Other comprehensive income	-	5	-	5	-	5	5
Total comprehensive income for the year	**-**	**5**	**-**	**5**	**78**	**83**	**83**
Recognition of share-based payments	-	-	16	16	-	16	16
Excercise of share options	-	-	(26)	(26)	16	(10)	(10)
Total contributions by and distributions to owners of the company recognised directly in equity	**-**	**-**	**(10)**	**(10)**	**16**	**6**	**6**
Balance at 31 December 2018	**4 883**	**(7)**	**16**	**10**	**63**	**4 956**	**4 956**
Profit for the year	-	-	-	-	89	89	89
Other comprehensive (loss) / income	-	(13)	-	(13)	-	(13)	(13)
Total comprehensive (loss) / income for the year	**-**	**(13)**	**-**	**(13)**	**89**	**76**	**76**
Recognition of share-based payments	-	-	22	22	-	22	22
Vesting of share options	-	-	(21)	(21)	21	-	-
Dividends paid	-	-	-	-	(49)	(49)	(49)
Total contributions by and distributions to owners of the company recognised directly in equity	**-**	**-**	**1**	**1**	**(28)**	**(27)**	**(27)**
Balance at 31 December 2019	**4 883**	**(20)**	**17**	**(3)**	**124**	**5 004**	**5 004**
Notes(s)	16	18 & 28	17				

Consolidated and separate statements of cash flows

		Group		Company	
		2019	2018	**2019**	2018
	Note(s)	**R million**	R million	**R million**	R million
Cash flows from operating activities					
Cash generated from operations	30	684	543	536	399
Interest income		36	55	33	82
Finance costs		(240)	(193)	(201)	(134)
Tax paid	34	(13)	(18)	-	-
Net cash from operating activities		**467**	**388**	**368**	**347**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(1 069)	(1 091)	(932)	(1 006)
Sale of property, plant and equipment		9	2	9	2
Purchase of intangible assets	7	(56)	(38)	(56)	(44)
Business combinations	31	(123)	(369)	(96)	(6)
Acquisition of subsidiaries	31	-	-	(32)	(313)
Loans to group companies repaid		-	-	22	110
Loans advanced to group companies		-	-	(39)	(415)
Proceeds from loans from group companies		-	-	31	-
Investment in other financial assets		(17)	(52)	(14)	-
Proceeds from other financial assets		13	190	-	119
Investment in investments in money market funds	15	(2 846)	(270)	(2 711)	-
Withdraw from investments in money market funds	15	2 804	255	2 657	-
Net cash utilised in investing activities		**(1 285)**	**(1 373)**	**(1 179)**	**(1 553)**
Cash flows from financing activities					
Proceeds from other financial liabilities	33	1 701	850	1 690	850
Repayment of other financial liabilities	33	(908)	(344)	(882)	(52)
Principle elements of lease payments	33	(3)	-	(3)	-
Dividend's paid to company shareholder's		(49)	-	(49)	-
Net cash from financing activities		**741**	**506**	**756**	**798**
Total cash movement for the year		(77)	(479)	(55)	(408)
Cash at beginning of the year		92	571	123	531
Total cash at end of the year	15 & 22	**15**	**92**	**68**	**123**

Accounting policies

1. Presentation of consolidated and separate 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee Interpretations, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, as amended. The consolidated and separate financial statements have been prepared on the historical cost basis as modified by the revaluation of certain financial instruments, 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 Significant judgements and sources of estimation uncertainty

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:

Useful lives and residual values

The estimated useful lives for property, plant and equipment and intangibles are set out in notes 1.5 and 1.6. 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 property, plant and equipment and intangibles are used. This also applies to internally generated intangible assets.

Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of school buildings, the following factors are normally the most relevant:

- The demand for our product in the area.
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

For two significant leases the payments are structured as variable lease payments, but there are no genuine variability in those payments. Those payments contain variable clauses that do not have real economic substance. The lease payment of these leases are treated as in substance fixed and has been increased annually with a fixed inflation rate until the end of the lease terms.

The discount rate was based on comparable lending rates and adjusted for lease specific factors. Refer to note 1.10 for further details.

Significant estimates include:

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 note 4, 6 and 7.

Accounting policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment of Trade receivables and Loans and receivables

The group and the company assess their trade receivables 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.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group and company have identified the GDP and inflation to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

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.

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 note 17.

Revenue from contracts with customers

Registration fees carry a separate stand-alone transaction price which is recognised over time as the services are rendered.

In recognising the registration fees over time, management estimates the average tenure of learners and recognise the registration fee over this period.

The transaction price allocated to the unsatisfied portion of the performance obligation pertaining to registration fees, is represented by the contract liability balance at year end and as disclosed in note 20.

1.2 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 IFRS 16 *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.

Accounting policies

1.3 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.

1.4 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.

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.

Accounting policies

1.4 Business combinations (continued)

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, no new goodwill is recognised and is prospectively applied.

1.5 Property, plant and equipment

Property, plant and equipment are tangible assets that 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 are 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. Property, plant and equipment are 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.

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.

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	Not depreciated	Not depreciated
Buildings	Straight line	75 to 99 years
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	6 years
Premises equipment	Straight line	5 years to 6 years
School equipment	Straight line	5 years to 6 years
Motor vehicles	Straight line	5 years
Computer equipment	Straight line	3 to 10 years

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.

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.

The 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.

Accounting policies

1.5 Property, plant and equipment (continued)

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.

1.6 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 recognised at cost and carried at cost less any accumulated amortisation and any impairment losses. 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; or
- the expenditure attributable to the asset during its development can be measured reliably.

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 at 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 to 3 years

Accounting policies

1.7 Investment in subsidiaries

Company annual financial statements

In the company's separate financial statements, investments in subsidiaries 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.

1.8 Financial instruments

Classification of financial assets and financial liabilities

Financial assets

The group classifies its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The group classifies its financial assets into the following categories:

- Measured at amortised cost
- Fair value through other comprehensive income (OCI)
- Fair value through profit or loss

The group and company classify their financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The group and company classify their financial assets as at fair value through other comprehensive income only if both of the following criteria are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities

Financial liabilities include third-party liabilities, borrowings, derivative financial liabilities and trade and other payables, as well as standalone loans from subsidiaries.

The group and company classify their financial liabilities at amortised cost unless it relates to a hedge instrument, which is measured at fair value through other comprehensive income or fair value through profit or loss depending on the effectiveness of the hedge.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accounting policies

1.8 Financial instruments (continued)
Classification of financial assets and financial liabilities (continued)

Recognition and measurement
Financial instruments are recognised when the group and the company become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are measured at fair value at initial recognition.

Transaction costs on financial assets and financial liabilities at fair value through profit or loss are recognised in profit or loss.

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

Subsequent measurement
Financial assets and financial liabilities are subsequently measured in accordance with the initial classification category, as indicated below.

A gain or loss on a financial asset that is measured at fair value will be recognised in profit or loss unless it is a financial asset measured at fair value through other comprehensive income for which gains or losses are recognised in other comprehensive income.

Financial assets measured at amortised cost are subsequently measured at amortised cost.

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

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 measured at amortised cost.

Loans from group companies are measured as financial liabilities measured at amortised cost.

Loans to shareholders, directors, managers and employees
These financial assets are measured at amortised cost.

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. The group and company holds trade receivables with the objective to collect the contractual cash flows. The group and company apply the IFRS 9 simplified approach to measuring expected credit losses that uses a lifetime expected loss allowance for trade receivables.

Trade and other payables
Trade payables are measured initially at fair value, and 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 recorded at fair value.

Accounting policies

1.8 Financial instruments (continued)

Bank overdrafts and borrowings

Bank overdrafts and borrowings are measured initially 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.

Impairment of financial assets

Financial assets measured at amortised cost comprise trade receivables for providing independent education and ancillary services, but also include other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. Other types of financial assets are:

- Loans to group companies
- Loans to directors and employees for share options
- Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant. The loans to directors and employees are secured with shares held in a trade block account in favour of the company, and therefore the impairment loss is insignificant.

The group and company apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables (Refer to note 14 for more details on loss allowance). Impairment provisions on loans to group companies are recognised based on a general model expected credit loss basis.

There is a significant increase in the risk when the debtor is no longer an active client of the business. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include failure to make payments for a period of greater than 24 months.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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.

Hedging activities

The group and company elected to continue with hedge accounting according to IAS 39 as permitted by IFRS 9. 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 designate derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow 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.

Accounting policies

1.8 Financial instruments (continued)

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 from equity 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).

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 and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time are immediately recognised in profit or loss.

1.9 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 that, 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.

Accounting policies

1.10 Leases

The group leases a few school buildings. Rental contracts are typically concluded for an initial fixed period of 5 to 20 years with an extension option.

Contract may contain both lease and non-lease components. The group and company have applied a practical expedient and do not separate lease and non-lease components. The group and company account for each lease component and any associated non-lease components as a single lease component.

Until the 2018 financial year, the leasing of school buildings was accounted for as an expense, see note 44 for details under IAS 17. From 1 January 2019 with the adoption of IFRS 16, leases are recognised as a right-of-use asset with a corresponding liability at the date which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the in-substance fixed payments and fixed payments.

Property rates and taxes are considered to be variable lease payments that do not depend on an index or rate, therefore these payments have not been included in the measurement of the lease liability.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The group uses as the discount rate the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the lease payments are discounted using the incremental borrowing rate that the group would have paid to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group considers the following:

- Property specific nature
- Group borrowing rate for similar financing arrangements
- The governmental bond rate
- Adjustments specific to the lease, eg term, country, currency and security

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability and
- any initial direct costs

Right-of-use assets are depreciated over the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and/or with a cost value of one hundred thousand rand or less. Low-value assets comprise mainly IT equipment.

For the comparative year 2018: Leases

In the prior year, a lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership. A lease was classified as an operating lease if it did not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

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

1.11 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 comprises 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 is 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.

1.12 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.

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.

1.13 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all 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.

1.14 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.

1.15 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 is 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.

1.16 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 will be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement will be treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Accounting policies

1.16 Provisions and contingencies (continued)

If the entity has a contract that is onerous, the present obligation under the contract will 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.

1.17 Revenue

Revenue from Contract with Customers

Revenue is measured based on the transaction price in accordance with the school fee structure. The group provides independent education and ancillary services from group 1 (three months old babies) to Grade 12. Revenue from providing these services is recognised in the accounting period in which the services are rendered.

Revenue generated from registration, bus income, tuition fees, hostel fees and aftercare fees are recognised over time as the services are rendered. Each service represents a separate performance obligation with a separate transaction price.

The transaction price is determined in accordance with the school fee structure and each fee charged per performance obligation represents the stand alone selling price of that service. Subsequently, no allocation of transaction prices to multiple performance obligations are required.

All of these services, excluding the services pertaining to registration fees, are satisfied within one year and consequently does not result in any unsatisfied performance obligations at year end.

Registration fees are paid to grant access to or to provide a right to use a school. Registration fees paid by customers are non-refundable. The existence of a non-refundable registration fee indicates that the arrangement includes a renewal option for future services (access to school facilities) at a reduced price (customer renews the agreement without the payment of an additional registration fee). By not requiring the customer to pay the enrolment fee again at renewal, the group and company are effectively providing a discounted renewal rate to the customer. Re-registration fees are paid annually and are therefore recognised in the year to which it relates to. Refer to note 20 for more detail.

The group determined that the renewal option is a material right because it provides a renewal option at a lower price than the range of prices typically charged, and therefore it is a separate performance obligation. There are no contracts with variable consideration components as well as multiple performance obligations.

All discounts relate to tuition fees.

The group has only one revenue segment, which is for independent education services rendered. For further information refer to note 2 Segmental information, note 20 Contract Liabilities and note 23 Revenue from Contract with Customers.

Other Revenue

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. Rental income is recognised when the company has a right to receive payment.

Accounting policies

1.18 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.

1.19 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments* and
- the amount initially recognised less, where applicable the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments and required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, fair values are accounted for as contributions and recognised as part of the cost of the investment.

1.20 Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The group and company financial statements are presented in South African rand, being the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in the statement of comprehensive income.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the consolidated and separate financial statements

2. Segmental information

The reportable segments, which represent the structure used by the chief operating decision makers, 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

Segmental revenue and results

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

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.

		2019			2018	
	Curro R million	**Meridian R million**	**Total R million**	Curro R million	Meridian R million	Total R million
Total segment revenue	**2 662**	**289**	**2 951**	2 232	314	2 546
Inter-segment revenue	**(7)**	**-**	**(7)**	(10)	(40)	(50)
Revenue from external customers	**2 655**	**289**	**2 944**	2 222	274	2 496
EBITDA	**637**	**56**	**693**	581	46	627
Depreciation and amortisation	**(177)**	**(10)**	**(187)**	(144)	(10)	(154)
Impairments on property, plant and equipment	**82**	**22**	**104**	-	-	-
Profit (loss) on sale of property, plant and equipment	**2**	**-**	**2**	-	-	-
Profit on loan written off	**-**	**-**	**-**	(1)	-	(1)
Gain on bargain purchase	**27**	**-**	**27**	-	-	-
Investment revenue	**33**	**3**	**36**	53	2	55
Finance cost	**(207)**	**(72)**	**(279)**	(123)	(70)	(193)
Taxation	**(1)**	**-**	**(1)**	(106)	15	(91)
Profit (loss) after taxation	**232**	**(45)**	**187**	259	(17)	242
Recurring headline earnings						
Recurring headline earnings	**230**	**(18)**	**212**	259	(11)	248
Recurring headline earnings per share (cents)	**55,4**	**(4,4)**	**51,0**	62,8	(2,7)	60,1

Refer to note 29 for calculation of recurring headline earnings.

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.

2. Segmental information (continued)

Segments assets and liabilities (continued)

The table below provides information on segment assets and liabilities

	2019			2018		
	Curro R million	**Meridian R million**	**Total R million**	Curro R million	Meridian R million	Total R million
Capital expenditure	**1 066**	**17**	**1 083**	1 104	12	1 115
Total assets	**9 791**	**694**	**10 485**	8 468	699	9 165
Total liabilities	**4 396**	**673**	**5 069**	3 261	633	3 893

Geographical information

The group operates in three principal geographical areas – South Africa, Namibia and Botswana.

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:

	2019		2018	
	Revenue from external customers R million	**Non-current assets R million**	Revenue from external customers R million	Non-current assets R million
South Africa	**2 794**	**8 445**	2 380	7 574
Namibia	**115**	**347**	98	290
Botswana	**35**	**78**	18	73
Total	**2 944**	**8 870**	2 496	7 937

The non-current assets disclosed above consist only of property, plant and equipment as this is the most significant component.

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**
• IFRS 16:Leases	01 January 2019
• Amended IFRS 3: Business Combinations	01 January 2019
• Amendments to IAS 19: Employee Benefits	01 January 2019
• Amendments to IAS 23: Borrowing Costs	01 January 2019
• Amendments to IAS 28: Investments in Associates and Joint Ventures	01 January 2019
• IFRIC 23: Uncertainty over Income Tax Treatments	01 January 2019

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 except for IFRS 16. Refer to note 43 Change in Accounting Policies.

Notes to the consolidated and separate financial statements

3. New and revised standards (continued)

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 2020 or later periods:

Standard/Amendment:	Effective date: Years beginning on or after	Executive summary:	Impact:
• Amendments to IAS 1: Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2020	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in IAS 1 about immaterial information.	The application is not expected to have a significant impact on the amounts recognised or disclosed in the consolidated and separate annual financial statements.
Amendment to IFRS 3, 'Business combinations'	01 January 2020	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.	The application is not expected to have a significant impact on the amounts recognised or disclosed in the consolidated and separate annual financial statements.
• IFRS 17 Insurance	01 January 2021	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.	The application is not expected to have a significant impact on the amounts recognised or disclosed in the consolidated and separate annual financial statements.

4. Property, plant and equipment

Group	2019 Cost	2019 Accumulated depreciation and impairment	2019 Carrying value	2018 Cost	2018 Accumulated depreciation and impairment	2018 Carrying value
	R million	R million	R million	R million	R million	R million
Land and buildings	**8 325**	**(92)**	**8 233**	7 390	(15)	7 374
Furniture and fixtures	**422**	**(196)**	**226**	360	(148)	212
Computer equipment	**400**	**(220)**	**180**	316	(183)	133
Motor vehicles	**153**	**(71)**	**82**	141	(60)	81
School equipment	**204**	**(110)**	**94**	169	(61)	108
Premises equipment	**92**	**(41)**	**51**	77	(53)	24
Office equipment	**10**	**(6)**	**4**	10	(5)	5
Total	**9 606**	**(736)**	**8 870**	8 463	(525)	7 937

Company	2019 Cost	2019 Accumulated depreciation and impairment	2019 Carrying value	2018 Cost	2018 Accumulated depreciation and impairment	2018 Carrying value
	R million	R million	R million	R million	R million	R million
Land and buildings	**6 716**	**(74)**	**6 642**	5 713	(5)	5 708
Furniture and fixtures	**376**	**(172)**	**204**	314	(127)	187
Computer equipment	**348**	**(186)**	**162**	267	(150)	117
Motor vehicles	**138**	**(65)**	**73**	125	(53)	72
School equipment	**183**	**(99)**	**84**	149	(51)	98
Premises equipment	**83**	**(41)**	**42**	65	(47)	18
Office equipment	**8**	**(5)**	**3**	7	(4)	3
Total	**7 852**	**(642)**	**7 210**	6 640	(437)	6 203

Notes to the consolidated and separate financial statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - group 2019

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	IFRS 5 Assets held for sale	Impairment provision	Closing balance
	R million	R million	R million	R million	R million	R million	R million	R million
Land and buildings	7 374	868	149	(5)	(6)	(43)	(104)	8 233
Furniture and fixtures	212	60	-	-	(46)	-	-	226
Computer equipment	133	85	-	-	(38)	-	-	180
Motor vehicles	81	16	2	(2)	(15)	-	-	82
School equipment	108	14	-	-	(28)	-	-	94
Premises equipment	24	40	-	-	(13)	-	-	51
Office equipment	5	-	-	-	(1)	-	-	4
Total	7 937	1 083	151	(7)	(147)	(43)	(104)	8 870

Reconciliation of property, plant and equipment - group 2018

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	IFRS 5 Assets held for sale	Impairment provision	Closing balance
	R million	R million	R million	R million	R million	R million	R million	R million
Land and buildings	6 144	927	304	-	(1)	-	-	7 374
Furniture and fixtures	207	45	2	-	(42)	-	-	212
Computer equipment	109	62	3	-	(41)	-	-	133
Motor vehicles	80	17	1	(2)	(15)	-	-	81
School equipment	90	35	-	-	(17)	-	-	108
Premises equipment	25	16	2	-	(19)	-	-	24
Office equipment	4	1	1	-	(1)	-	-	5
Total	6 659	1 103	313	(2)	(136)	-	-	7 937

A school in the Curro and Meridian segment respectively, has grown slower than expected which has led to impairments of R71 million in total. There is no goodwill or any other indefinite intangible assets applicable to any of the properties being impaired. The recoverable amount of the properties is based on their fair value less cost to sell. The fair value less cost to sell, is based on the latest property valuation.

Land in Midrand has also been classified as held for sale, which led to an impairment of R33 million. Refer to note 44.

Notes to the consolidated and separate financial statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - company 2019

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Additions through unbundling	IFRS 5 Assets held for sale	Impairment provision	Closing balance
	R million	R million	R million	R million	R million	R million		R million	R million
Land and buildings	5 708	760	127	(5)	(6)	183	(43)	(82)	6 642
Furniture and fixtures	187	53	-	-	(41)	5	-	-	204
Computer equipment	117	75	-	-	(32)	2	-	-	162
Motor vehicles	72	12	2	(1)	(14)	2	-	-	73
School equipment	98	9	-	-	(25)	2	-	-	84
Premises equipment	18	37	1	-	(15)	1	-	-	42
Office equipment	3	-	-	-	-	-	-	-	3
Total	6 203	946	130	(6)	(133)	195	(43)	(82)	7 210

Reconciliation of property, plant and equipment - company 2018

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Additions through divisionalisation	IFRS 5 Assets held for sale	Impairment provision	Closing balance
	R million	R million	R million	R million	R million	R million	R million	R million	R million
Land and buildings	4 819	890	-	-	(1)	-	-	-	5 708
Furniture and fixtures	183	41	-	-	(37)	-	-	-	187
Computer equipment	96	56	-	-	(35)	-	-	-	117
Motor vehicles	72	16	-	(2)	(14)	-	-	-	72
School equipment	80	32	-	-	(14)	-	-	-	98
Premises equipment	22	12	-	-	(16)	-	-	-	18
Office equipment	3	1	-	-	(1)	-	-	-	3
Total	5 275	1 048	-	(2)	(118)	-	-	-	6 203

A school in Johannesburg has grown slower than expected which has led to an impairment of R49 million. There is no goodwill or other indefinite intangible assets applicable to the property being impaired. The recoverable amount of the property is based on its fair value less cost to sell, which is based on the latest property valuation.

Land in Midrand has also been classified as held for sale which led to an impairment of R33 million. Refer to note 44.

4. Property, plant and equipment (continued)

Pledged as security
The following assets have been pledged as security for the secured long-term borrowings as disclosed in note 19.

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Land and buildings	**5 581**	4 759	**5 302**	4 343
Motor vehicles	**43**	45	**43**	45
Borrowing cost capitalised				
Borrowing costs capitalised to qualifying assets	**65**	55	**65**	55
Capitalisation rate used	**9,12%**	9,15%	**9,12%**	9,15%

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.

5. Leases

	Group	Company
	2019	**2019**
	R million	**R million**
Amounts recognised in the statement of financial position		
Right-of-use assets	**200**	**200**
Lease liabilities	**(215)**	**(215)**
Amounts recognised in the statement of comprehensive income		
Depreciation charge of right-of-use-assets	**8**	**8**
Interest expense (included in finance cost)	**24**	**24**
Expenses relating to low value and short term leases (included in operating expenses)	**12**	**26**
Non-current liabilities	**(195)**	**(195)**
Current liabilities	**(20)**	**(20)**
	(215)	**(215)**
Cash outflow		
The capital portion	**(3)**	**(3)**
Total interest portion	**(14)**	**(14)**
	(17)	**(17)**

The right-of-use asset on the statement of financial position consist of six school buildings and/or land that are leased over various periods.

The initial lease liability recognised on 1 January 2019 amounted to R188 million as disclosed in note 43.

For the comparative period - 2018

Total of future minimum lease payments for each of the following periods:	Group	Company
	2018	2018
	R million	R million
Premises		
- within one year	15	15
- in second to fifth year inclusive	70	70
- later than five years	296	296
	381	**381**
Equipment		
- within one year	2	2
- in second to fifth year inclusive	1	1
	3	**3**

Notes to the consolidated and separate financial statements

6. Goodwill

Group

	2019			2018		
	Cost	**Accumulated impairment**	**Carrying**	Cost	Accumulated impairment	Carrying value
	R million	**R million**	**R million**	R million	R million	R million
Goodwill	**571**	**(6)**	**565**	526	(6)	520

Company

	2019			2018		
	Cost	**Accumulated impairment**	**Carrying**	Cost	Accumulated impairment	Carrying value
	R million	**R million**	**R million**	R million	R million	R million
Goodwill	**114**	**(6)**	**108**	79	(6)	73

Reconciliation of goodwill - group 2019

	Opening balance	**Changes through business combinations**	**Closing balance**
	R million	**R million**	**R million**
Goodwill	**520**	**45**	**565**

Reconciliation of goodwill - group 2018

	Opening balance	Changes through business combinations	Closing balance
	R million	R million	R million
Goodwill	397	123	520

Reconciliation of goodwill - company 2019

	Opening balance	**Changes through business combinations**	**Closing**
	R million	**R million**	**R million**
Goodwill	**73**	**35**	**108**

Reconciliation of goodwill - company 2018

	Opening balance	Changes through business combinations	Closing balance
	R million	R million	R million
Goodwill	66	7	73

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 tested 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.

6. Goodwill (continued)

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. Intangibles are included in this test for impairment. The key assumptions for the value-in-use calculations are discount rates, growth in learner numbers, tuition growth rates 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 have been operating for more than 7 years. The terminal growth rate is based on the tuition fee increases, growth in learner numbers and reflects past experience. The average learner number growth used in the calculation ranges from nil to 5% while the average price increases for tuition fees ranges from 5% to 9%.

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% (2018: 8%).

As all schools operate in the same industry, environment and the areas it operate in is similar, no additional risk premium is added to the discount rates.

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

Group	**Discount rate 2019**	Discount rate 2018	**Forecast period 2019**	Forecast period 2018	**Goodwill 2019 R million**	Goodwill 2018 R million
Curro schools	**13.3% p.a**	14.5% p.a	**5 years**	5 years	**151**	117
Aurora College	**13.3% p.a**	14.5% p.a	**5 years**	5 years	**15**	15
Woodhill College	**13.3% p.a**	14.5% p.a	**5 years**	5 years	**59**	59
Campus and Property Management Company (Pty) Ltd	**13.3% p.a**	14.5% p.a	**5 years**	5 years	**96**	96
Irvcor (Pty) Ltd	**13.3% p.a**	14.5% p.a	**5 years**	5 years	**11**	-
Waterstone College (Pty) Ltd	**13.3% p.a**	14.5% p.a	**5 years**	5 years	**58**	58
Curro Education Namibia (Pty) Ltd	**13.3% p.a**	14.5% p.a	**5 years**	5 years	**59**	59
Cooper College (Pty) Ltd	**13.3% p.a**	14.5% p.a	**5 years**	5 years	**69**	69
Curro Education Botswana (Pty) Ltd	**13.3% p.a**	14.5% p.a	**5 years**	5 years	**20**	20
Northriding College (Pty) Ltd	**13.3% p.a**	14.5% p.a	**5 years**	5 years	**27**	27
					565	520
Company						
Curro schools	**13.3% p.a**	14.5% p.a	**5 years**	5 years	**107**	73

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

Aurora College, Woodhill College, Campus and Property Management Company (Pty) Ltd, Waterstone College (Pty) Ltd, Curro Education Namibia (Pty) Ltd, Cooper College (Pty) Ltd, Curro Education Botswana (Pty) Ltd, Northriding College (Pty) Ltd and Irvcor (Pty) Ltd represent the CGUs that 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. All the goodwill relates to the Curro segment except for the R96 million of Campus and Property Management Company (Pty) Ltd which relates to the Meridian segment.

If the discount rate used in the value-in-use calculation for the CGUs had been 1% higher than management's estimate at 31 December 2019, the group and company would not have to recognise an impairment against the carry amount of Goodwill.

If the terminal growth rate used in the value-in-use calculation for the CGUs had been 1% lower than management's estimate at 31 December 2019, the group and company would not have to recognise an impairment against the carry amount of Goodwill.

7. Intangible assets

Group

	2019 Cost R million	2019 Accumulated amortisation and impairment R million	2019 Carrying value R million	2018 Cost R million	2018 Accumulated amortisation and impairment R million	2018 Carrying value R million
Trademarks	**98**	**(1)**	**97**	98	-	98
Curriculum material	**112**	**(12)**	**100**	83	(5)	78
Learner enrolments	**61**	**(32)**	**29**	64	(34)	30
Software	**108**	**(69)**	**39**	79	(46)	33
Total	**379**	**(114)**	**265**	324	(85)	239

Company

	2019 Cost R million	2019 Accumulated amortisation and impairment R million	2019 Carrying value R million	2018 Cost R million	2018 Accumulated amortisation and impairment R million	2018 Carrying value R million
Trademarks	**19**	**(1)**	**18**	19	-	19
Curriculum material	**112**	**(12)**	**100**	83	(5)	78
Learner enrolments	**28**	**(16)**	**12**	27	(14)	12
Software	**104**	**(66)**	**38**	76	(44)	32
Total	**263**	**(95)**	**168**	205	(63)	141

Reconciliation of intangible assets - group 2019

	Opening balance R million	Additions through business combinations R million	Internally generated R million	Additions R million	Amortisation R million	Closing balance R million
Trademarks	**98**	**-**	**-**	**-**	**(1)**	**97**
Curriculum material	**78**	**-**	**28**	**-**	**(6)**	**100**
Learner enrolments	**30**	**1**	**-**	**-**	**(2)**	**29**
Software	**33**	**-**	**11**	**17**	**(23)**	**39**
Total	**239**	**1**	**39**	**17**	**(32)**	**265**

Reconciliation of intangible assets - group 2018

	Opening balance R million	Additions through business combinations R million	Internally generated R million	Additions R million	Amortisation R million	Closing balance R million
Trademarks	58	40	-	-	-	98
Curriculum material	53	-	28	-	(3)	78
Learner enrolments	27	3	-	-	-	30
Software	32	-	-	16	(15)	33
Total	170	43	28	16	(18)	239

Notes to the consolidated and separate financial statements

7. Intangible assets (continued)

Reconciliation of intangible assets - company 2019

	Opening balance R million	Additions through business combinations R million	Internally generated R million	Additions R million	Amortisation R million	Closing balance R million
Trademarks	19	-	-	-	(1)	18
Curriculum material	78	-	28	-	(6)	100
Learner enrolments	12	1	-	-	(1)	12
Software	32	-	11	17	(22)	38
Total	141	1	39	17	(30)	168

Reconciliation of intangible assets - company 2018

	Opening balance R million	Additions through business combinations R million	Internally generated R million	Additions R million	Amortisation R million	Closing balance R million
Trademarks	15	4	-	-	-	19
Curriculum material	53	-	28	-	(3)	78
Learner enrolments	14	-	-	-	(2)	12
Software	30	-	-	17	(15)	32
Total	112	4	28	17	(20)	141

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 except for a specific trademark of R2 million which is amortised over 3 years.

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.

When testing trademarks for impairment, the recoverable amounts of the intangibles are determined using value-in-use calculations. The key assumptions for the value-in-use calculations are discount rates, growth rates and expected future cash flows. Management estimates discount rates using rates that reflect current market assumptions of the time value of money and the risks specific to intangibles. The growth rates are based on estimated growth in enrolment numbers.

The group and the company prepare cash flow forecasts based on the CGU's, to which the intangibles relates, budgeted results as approved by the board of directors and extrapolate cash flows beyond this period based on the estimated growth rate.

The directors were satisfied that there were no impairments required (2018: R nil).

Impairment tests for intangibles are based on a discount rate of 13.3% (2018: 14.5%) per annum and forecasted cash flow of 5 years (2018: 5 years) with a 8% (2018: 8%) terminal growth rate.

If the discount rate is increased with 1%, with all other variables held constant, or the terminal growth rate is decreased with 1%, with all other variables held constant, no impairment would be required.

Notes to the consolidated and separate financial statements

7. Intangible assets (continued)

The trademarks relate to the following CGU's:

Group

	Trademarks 2019 R million	Trademarks 2018 R million
Curro schools	19	20
Aurora College	1	1
Woodhill College	14	14
Campus and Property Management Company (Pty) Ltd	12	12
Waterstone College (Pty) Ltd	13	13
Curro Education Namibia (Pty) Ltd	2	2
Cooper College (Pty) Ltd	21	21
Curro Education Botswana (Pty) Ltd	9	9
Northriding College (Pty) Ltd	6	6
	97	98

Company

Curro schools	18	19

8. Investment in subsidiaries

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

Name of company	% holding 2019	% holding 2018	Carrying amount 2019 R million	Carrying amount 2018 R million
Building Blocks Prep School (Pty) Ltd	100%	100%	-	-
Campus and Property Management Company (Pty) Ltd	65%	65%	102	102
Curro Education Botswana (Pty) Ltd	100%	100%	-	-
Curro Education Namibia (Pty) Ltd	100%	100%	249	249
Curro Financial Services (Pty) Ltd	100%	100%	-	-
Curro Funding Company (Pty) Ltd	100%	100%	-	-
Curro Holdings Limited Share Incentive Trust	100%	100%	-	-
De Jager Kids (Pty) Ltd	100%	100%	-	-
Dream Park Village (Pty) Ltd	100%	100%	-	-
Cooper College (Pty) Ltd	100%	100%	150	150
Irvcor (Pty) Ltd	100%	-%	27	-
Lilac Moon Trade and investments 189 (Pty) Ltd	100%	100%	-	-
Magic Beings Creche (Pty) Ltd	100%	89%	60	60
Meridian College Schools NPC	100%	100%	-	-
Meridian Operations Company (RF) NPC	65%	65%	-	-
Northriding College (Pty) Ltd	100%	100%	25	25
Northriding Property Holdings (Pty) Ltd	100%	100%	54	54
Plot One Hundred Bush Hill (Pty) Ltd	100%	100%	-	-
Sheerprops 129 (Pty) Ltd	100%	100%	-	-
Stratland Developments (Pty) Ltd	100%	100%	-	-
Waterstone College (Pty) Ltd	100%	100%	-	130
Woodhill College Property Holdings (Pty) Ltd	100%	100%	140	140
			807	910

Notes to the consolidated and separate financial statements

8. Investment in subsidiaries (continued)

The non-controlling interest of Magic Beings Creche (Pty) Ltd was acquired during the year.

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, and Curro Education Botswana (Pty) Ltd, incorporated in Botswana, with the principal place of business being Botswana.

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 and voting interest held by non-controlling interest 2019	2018
Campus and Property Management Company (Pty) Ltd	South Africa	**35%**	35%
Meridian Operations Company (RF) NPC	South Africa	**35%**	35%

Campus and Property Management Company is a property holding company under the Meridian brand, for Meridian Operations Company, which in turn provides Independent school and education services.

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. The restricted cash balance on 31 December 2019 amounted to R20 million.

Impairments

Investments in group companies are considered for an impairment loss allowance by assessing the company’s financial position.

Waterstone College (Pty) Ltd was unbundled into Curro Holdings Ltd during the year and did not result in any impairments (refer to note 32).

The impairment for 2019 was nil (2018: R113 million).

Notes to the consolidated and separate financial statements

8. Investment in subsidiaries (continued)

Summarised statement of financial position

	Campus and Property Management Company (Pty) Ltd		Meridian Operations Company (RF) NPC		Total	
	2019 R million	2018 R million	**2019 R million**	2018 R million	**2019 R million**	2018 R million
Assets						
Non-current assets	**636**	650	**-**	-	**636**	650
Current assets	**16**	10	**42**	39	**58**	49
Total assets	**652**	660	**42**	39	**694**	699
Liabilities						
Non-current liabilities	**598**	561	**-**	-	**598**	561
Current liabilities	**44**	45	**31**	27	**75**	72
Total liabilities	**642**	606	**31**	27	**673**	633
Total net assets	**10**	54	**11**	12	**21**	66
Non-controlling interest per statement of financial position					**(44)**	(21)

Summarised statement of comprehensive income

	Campus and Property Management Company (Pty) Ltd		Meridian Operations Company (RF) NPC		Consolidated total	
	2019 R million	2018 R million	**2019 R million**	2018 R million	**2019 R million**	2018 R million
Revenue	**93**	89	**196**	185	**289**	274
Operating expenses	**(44)**	(46)	**(199)**	(192)	**(243)**	(238)
Earnings (loss) before interest and taxation	**49**	43	**(3)**	(7)	**46**	36
Net finance (costs) income	**(72)**	(70)	**3**	2	**(69)**	(68)
Impairment	**(22)**	-	**-**	-	**(22)**	-
Taxation	**-**	15	**-**	-	**-**	15
Profit (loss) for the year	**(45)**	(12)	**-**	(5)	**(45)**	(17)
Profit (loss) allocated to non-controlling interest					**(15)**	(6)

Summarised statement of cash flows

	Campus and Property Management Company (Pty) Ltd		Meridian Operations Company (RF) NPC		Total	
	2019 R million	2018 R million	**2019 R million**	2018 R million	**2019 R million**	2018 R million
Cash flows from operating activities	**28**	11	**(6)**	9	**22**	20
Cash flows from investing activities	**(17)**	(12)	**13**	(15)	**(4)**	(27)
Cash flows from financing activities	**(12)**	(2)	**-**	-	**(12)**	(2)
Net increase (decrease) in cash	**(1)**	(3)	**7**	(6)	**6**	(9)

Notes to the consolidated and separate financial statements

9. Loans to (from) group companies

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Subsidiaries				
Campus and Property Management Company (Pty) Ltd The loan bears interest at a variable interest rate ranging between zero and 3-month JIBAR plus 10% per annum and is repayable after all Senior Debt has been paid. The loan has been discounted to its fair value at initial recognition based on the expected interest and capital repayments. The nominal value of the loan is R 304 million.	**-**	-	**240**	211
Campus and Property Management Company (Pty) Ltd The loan is interest free and unsecured, and there are no fixed terms of repayment.	**-**	-	**9**	9
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.	**-**	-	**9**	22
Curro Education Botswana (Pty) Ltd The loan bears interest at variable rates, is unsecured and there are no fixed terms of repayment.	**-**	-	**56**	88
Curro Education Namibia (Pty) Ltd The loan bears interest at variable rates, is unsecured and there are no fixed terms of repayment.	**-**	-	**18**	-
Curro Financial services (Pty) Ltd The loan bears interest at variable rates, is unsecured and there are no fixed terms of repayment.	**-**	-	**1**	-
Curro Funding Company (Pty) Ltd The loan bears interest at variable rates, is unsecured and there are no fixed terms of repayment.	**-**	-	**12**	-
Cooper College (Pty) Ltd The loan is interest free and unsecured, and there are no fixed terms of repayment.	**-**	-	**(7)**	-
Magic Beings Creche (Pty) Ltd The loan is interest free and unsecured, and there are no fixed terms of repayment.	**-**	-	**(5)**	-
Northriding College (Pty) Ltd The loan bears interest at variable rates, is unsecured and there are no fixed terms of repayment.	**-**	-	**4**	-
Sheerprops 129 (Pty) Ltd The loan was interest free and unsecured, and was settled during the year.	**-**	-	**-**	(1)
Woodhill College Property Holdings (Pty) Ltd The loan bears interest at variable rates, is unsecured and there are no fixed terms of repayment.	**-**	-	**69**	60
	-	-	**406**	389
Disclosed as follows:				
Non-current assets	**-**	-	**240**	228
Current assets	**-**	-	**178**	161
Current liabilities	**-**	-	**(12)**	-
	-	-	**406**	389

Notes to the consolidated and separate financial statements

9. Loans to (from) group companies (continued)

The loans receivable from group companies was assessed for impairment by applying the expected credit loss model. The company has considered the financial performance, external debt and future cash flows of the loans receivable and concluded that there is some credit risk relating to these loans and loss exposure exists.

Loans to group companies were impaired as follows:

	Loans to group companies R million
Company	
Opening loss allowance as at 1 January 2019	-
Increase in loss allowance recognised in profit and loss during the year	35
Closing loss allowance as at 31 December 2019	35

10. Other financial assets

	Group		Company	
	2019 R million	2018 R million	**2019 R million**	2018 R million
At fair value				
Investment in SA SME Fund	**5**	2	**5**	2
At amortised cost				
S'Cool Concepts The loan is secured by inventory, interest free and is repayable within 12 months.	**11**	-	**11**	-
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.	**9**	22	**-**	-
Brandburry 13 (Pty) Ltd The loan is secured, bears interest and has no fixed payment terms.	**13**	11	**-**	11
TT Mabena The loan is secured, bears interest and has no fixed payment terms.	**1**	-	**-**	-
	34	33	**11**	11
Total other financial assets	**39**	35	**16**	13
Non-current assets				
At fair value	**5**	2	**5**	2
At amortised cost	**-**	12	**-**	-
	5	14	**5**	2
Current assets				
At amortised cost	**34**	21	**11**	11
	39	35	**16**	13

Notes to the consolidated and separate financial statements

10. Other financial assets (continued)

The company has applied the general impairment model to loans other financial assets. The company has considered the financial performance, external debt and future cash flows of the other financial assets and concluded that the credit risk relating to these loans are limited and that no significant credit loss exposure exists as a result.

The loans to directors and employees are secured with shares held in a trade block account in favour of the company, and therefore the impairment loss is immaterial.

11. Derivative financial instruments and hedging information

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

Group and company

	2019 Liabilities R million	2018 Liabilities R million
Interest rate swaps - cash flow hedges	**27**	9
Non-current portion	**27**	9

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 was recognised during the year (2018: Rnil).

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2019 were R1.2 billion (2018: R725 million). The total value of the loans are R2.3 billion. Refer to note 19 for the interest-bearing loans. The maturity dates for the interest rate swaps are 15 December 2022 (R212.5 million), 29 November 2023 (R150 million), 13 December 2023 (R150 million), 22 March 2024 (R150 million) and 14 August 2024 (R512.5 million) respectively. The hedge ratio for the current year is 0.5:1 (2018: 0.5:1).

At 31 December 2019, the fixed interest rates vary from 7.28% to 8.21% (2018: 7.84% to 8.21%), 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 2019 will be continuously released to the statement of comprehensive income until the repayment of the borrowings.

12. Deferred tax (liability) / asset

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Deferred tax asset	**8**	8	**-**	-
Deferred tax liability	**(557)**	(533)	**(378)**	(294)
Net deferred tax liability	**(549)**	(525)	**(378)**	(294)
Deferred tax				
Property, plant and equipment	**(714)**	(672)	**(503)**	(396)
Prepaid expenditure	**1**	1	**-**	-
Interest rate swaps	**7**	3	**7**	3
Intangible assets	**(36)**	(31)	**(12)**	(12)
Contract liability	**12**	19	**10**	16
Provision for doubtful debts	**10**	5	**10**	5
Provision for bonuses	**3**	4	**3**	4
Donations	**17**	17	**-**	-
Leases	**4**	-	**4**	-
Tax losses available for set off against future taxable income	**147**	129	**103**	86
Total deferred tax	**(549)**	(525)	**(378)**	(294)
Reconciliation of net deferred tax liability				
Balance at the beginning of the year	**(525)**	(375)	**(294)**	(219)
Adjustment due to the initial application of IFRS 9 and IFRS 15	**-**	14	**-**	12
Originating temporary differences on:				
Property, plant and equipment	**(42)**	(185)	**(107)**	(83)
Intangible assets	**(5)**	(5)	**-**	(5)
Contract liability	**(7)**	8	**(6)**	1
Provision for doubtful debts	**5**	1	**5**	2
Provision for bonuses	**(1)**	3	**(1)**	3
Donations	**-**	11	**-**	-
Interest rate swaps	**4**	(2)	**4**	(2)
Leases	**4**	-	**4**	-
Increase / (decrease) in tax losses available for set off against future taxable income	**18**	5	**17**	(3)
Balance at the end of the year	**(549)**	(525)	**(378)**	(294)

The statutory companies within the group are individually in a net deferred tax liability position except for Campus and Property Management Company (Pty) Ltd which is disclosed seperately.

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.

Notes to the consolidated and separate financial statements

13. Inventories

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Merchandise	**14**	5	**8**	1

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

The amount of inventories recognised as an expense during the period is R28 million (2018: R24 million).

14. Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Gross receivables	**249**	121	**202**	95
Loss provision	**(69)**	(32)	**(57)**	(25)
Trade receivables	**180**	89	**145**	70
Prepayments	**28**	27	**26**	25
Deposits	**31**	80	**29**	79
Value added taxation	**13**	24	**1**	2
Other receivables	**56**	15	**64**	60
	308	235	**265**	236

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.

The net carrying values of receivables are considered to be a close approximation of their fair values. No credit insurance is taken out by the group or the company.

At 31 December 2019, the lifetime expected loss provision for the trade receivables is as follows:

Group - 2019	Current	1-30 days	31 - 60 days	61 - 90 days	>90 days	Total
Expected loss rate	**14,8%**	**19,4%**	**20,8%**	**21,1%**	**38,0%**	**27,7%**
Gross carrying amount	**54**	**31**	**24**	**19**	**121**	**249**
Loss provision	**8**	**6**	**5**	**4**	**46**	**69**

Group - 2018	Current	1-30 days	31 - 60 days	61 - 90 days	>90 days	Total
Expected loss rate	4,0%	4,8%	7,4%	20,5%	52,0%	26,5%
Gross carrying amount	25	21	13	10	52	121
Loss provision	1	1	1	2	27	32

The expected loss provision take into account the forward looking view for GDP and inflation. GDP is expected to improve in 2020 and inflation weakening, the balance between the afore-mentioned and considering the nature of our business and debtors book, we do not expect any significant deteriorating effect on our debtors book.

The gross receivables increased significantly due to the learner retention strategy of the business.

Notes to the consolidated and separate financial statements

14. Trade and other receivables (continued)

At 31 December 2019, the lifetime expected loss provision for the trade receivables is as follows:

Company - 2019	Current	1-30 days	31 - 60 days	61 - 90 days	>90 days	Total
Expected loss rate	16,3%	15,4%	21,1%	26,7%	38,4%	28,2%
Gross carrying amount	43	26	19	15	99	202
Loss provision	7	4	4	4	38	57

Company - 2018	Current	1-30 days	31 - 60 days	61 - 90 days	>90 days	Total
Expected loss rate	5,6%	5,9%	9,1%	12,5%	50,0%	25,8%
Gross carrying amount	18	17	11	8	42	95
Loss provision	1	1	1	1	21	25

Movement in the loss allowance for trade receivables is as follow:

Group	Current & past due R million	>90 days R million	Total R million
Opening loss allowance as at 1 January 2018	10	6	16
(Decrease) / Increase in loss allowance recognised in profit and loss during the year	(5)	21	16
Opening loss allowance as at 1 January 2019	5	27	32
Increase in loss allowance recognised in profit and loss during the year	18	20	38
Receivables written off during the year as uncollectable	-	(1)	(1)
Closing loss allowance as at 31 December 2019	23	46	69

Company	Current & past due R million	>90 days R million	Total R million
Opening loss allowance as at 1 January 2018	8	3	11
(Decrease) / Increase in loss allowance recognised in profit and loss during the year	(4)	18	14
Opening loss allowance as at 1 January 2019	4	21	25
Increase in loss allowance recognised in profit and loss during the year	15	17	32
Receivables written off during the year as uncollectable	-	-	-
Closing loss allowance as at 31 December 2019	19	38	57

Curro has rebutted the presumption that there is a significant increase in credit risk after 30 days. Based on historic information, collections deteriorate where the period of indebtedness lengthens and the debtor is no longer an active client of the business at which point there is a significant increase in risk. The provision percentage differ from prior year due to the debt of clients that left our business being disclosed per bucket. In the prior year this was disclosed as part of the >90 days bucket.

Notes to the consolidated and separate financial statements

Trade and other receivables (continued)

Trade receivables impaired
Group
As of 31 December 2019, trade and other receivables of R69 million (2018: R32 million) were impaired and provided for.

Company
As of 31 December 2019, trade and other receivables of R57 million (2018: R25 million) were impaired and provided for.

15. Cash

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
15.1 Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank balances	**114**	170	**68**	123

15.2 Investment in money market

Investments in money market funds relate to investments in shares of liquidity funds of which the underlying investments have maturities of up to one year. The shares in these funds are callable on a daily basis.

Money market fund investments are held in the following currencies:

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
SA Rand	**57**	15	**54**	-

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial.

Local money market funds relate to investments in South African unit trusts offered by Nedgroup Collective Investments and ABSA Asset Management mandated to invest only in money market instruments of major South African banks. These instruments carry very low risk and provide daily liquidity, but cannot be classified as cash and cash equivalents as the individual instruments held by the funds do not meet the maturity criteria of IAS 7: Statement of Cash flows. These instruments are categorised as “financial assets at fair value through profit and loss.”

15.3 Facilities

The value of facilities available to the group includes a First National Bank Ltd sharing facility of R10 million between Campus and Property Management Company (Pty) Ltd and/or Curro Holdings Ltd. Curro Funding Company (Pty) Ltd has a facility with Standard Bank Ltd of R100 million.

Undrawn Facilities:

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Amount of undrawn facilities available as at 31 December	**174**	500	**160**	500

16. Share Capital

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Authorised				
Ordinary shares with no par value	**600**	600	**600**	600
Issued				
Ordinary shares with no par value	**4 733**	4 733	**4 883**	4 883

There was no new shares issued during the year under review.

Unissued ordinary shares of 41 208 798 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 trustees can elect to net settle the options at the trustees sole discretion. 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.

17.2 Movements in share options during the year

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

	2019		2018	
	Number of options	**Weighted average exercise price (Rand)**	Number of options	Weighted average exercise price (Rand)
Outstanding at the beginning of the year	**7 069 625**	**32,94**	6 803 694	31,39
Awarded during the year	**7 479 800**	**19,81**	2 369 700	30,54
Vested during the year	**(1 672 350)**	**30,62**	(1 534 367)	23,17
Forfeited during the year	**(377 975)**	**34,34**	(569 402)	30,79
Outstanding at end of the year	**12 499 100**	**25,35**	7 069 625	32,94

The number of shares available to award at the reporting date in terms of the Curro Holdings Limited Share Incentive Trust deed is 4 980 453 (2018: 2 460 253) shares.

Notes to the consolidated and separate financial statements

17. Share based payments (continued)

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 2019	Number of share options awarded during the year	Number of share options vested during the year	Exercise price per share option (Rand)	Share options award date	Closing balance of share options as at 31 December 2019
CR van der Merwe	**33 550**	**-**	**(33 550)**	18,24	2014/09/29	**-**
	98 600	**-**	**(49 300)**	29,01	2015/09/29	**49 300**
	105 150	**-**	**(35 050)**	36,21	2016/09/29	**70 100**
	237 300	**-**	**(117 900)**			**119 400**
AJF Greyling	**23 475**	**-**	**(23 475)**	18,24	2014/09/29	**-**
	60 300	**-**	**(30 150)**	29,01	2015/09/29	**30 150**
	71 850	**-**	**(23 950)**	36,21	2016/09/29	**47 900**
	273 700	**-**	**(68 425)**	37,53	2017/09/29	**205 275**
	109 300	**-**	**-**	30,54	2018/09/29	**109 300**
	-	**324 400**	**-**	19,81	2019/09/29	**324 400**
	538 625	**324 400**	**(146 000)**			**717 025**
B van der Linde	**19 675**	**-**	**(19 675)**	18,24	2014/09/29	**-**
	42 350	**-**	**(21 175)**	29,01	2015/09/29	**21 175**
	50 400	**-**	**(16 800)**	36,21	2016/09/29	**33 600**
	167 700	**-**	**(41 925)**	37,53	2017/09/29	**125 775**
	96 500	**-**	**-**	30,54	2018/09/29	**96 500**
	-	**197 500**	**-**	19,81	2019/09/29	**197 500**
	376 625	**197 500**	**(99 575)**			**474 550**
HG Louw	**15 875**	**-**	**(15 875)**	18,24	2014/09/29	**-**
	43 650	**-**	**(21 825)**	29,01	2015/09/29	**21 825**
	51 600	**-**	**(17 200)**	36,21	2016/09/29	**34 400**
	114 900	**-**	**(28 725)**	37,53	2017/09/29	**86 175**
	88 800	**-**	**-**	30,54	2018/09/29	**88 800**
	-	**172 700**	**-**	19,81	2019/09/29	**172 700**
	314 825	**172 700**	**(83 625)**			**403 900**
	1 467 374	**694 600**	**(447 100)**			**1 714 874**

HG Louw resigned as director during the year.

The 2015, 2016 and 2017 vestings had no gain during 2019.

318 556 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 2020	1 813 575	33,53
29 September 2021	3 353 200	26,33
29 September 2022	3 020 550	25,24
29 September 2023	2 441 825	22,32
29 September 2024	1 869 950	19,81
	12 499 100	25,35

17. Share based payments (continued)

17.3 Share option expense for the year
Total expense of R21.8 million (2018: R15.9 million) relating 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:

	2019	2018
Strike price (Rand)	**19,81**	30,54
Current share price (Rand)	**19,81**	30,54
Fair value (Rand)	**4,89**	8,08
Volatility (%)	**41,98**	35,33
Risk free rate (%)	**6,40**	7,86
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 effective portion of the hedge instrument is recognised in other comprehensive income.

The movement in the hedging reserve is illustrated below:

	Group		**Company**	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Balance as at the beginning of the year	**(7)**	(12)	**(7)**	(12)
Recognition of fair value movement, after taxation	**(13)**	5	**(13)**	5
Balance at the end of the year	**(20)**	(7)	**(20)**	(7)

19. Other financial liabilities

	Group		**Company**	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
At fair value through profit or loss				
Interest rate swap	**9**	4	**9**	4
Interest rate swap on a notional amount of R512.5 million with a termination date of 14 August 2024 at a fixed interest rate of 7.33%.				
Interest rate swap	**9**	5	**9**	5
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%.				

19. Other financial liabilities (continued)

	Group 2019 R million	Group 2018 R million	Company 2019 R million	Company 2018 R million
At fair value through profit or loss (continued)				
Interest rate swap	**3**	-	**3**	-
Interest rate swap on a notional amount of R150 million with a termination date of 22 March 2024 at a fixed interest rate of 7.32%.				
Interest rate swap	**3**	-	**3**	-
Interest rate swap on a notional amount of R150 million with a termination date of 29 November 2023 at a fixed interest rate of 7.28%.				
Interest rate swap	**3**	-	**3**	-
Interest rate swap on a notional amount of R150 million with a termination date of 13 December 2023 at a fixed interest rate of 7.32%.				
Total at fair value through profit or loss	**27**	9	**27**	9

	Group 2019 R million	Group 2018 R million	Company 2019 R million	Company 2018 R million
Held at amortised cost				
ABSA Bank Ltd - Instalment sale agreements	**34**	45	**34**	45
The secured loans bear interest at various prime linked rates, payable in monthly instalments ranging from R2,146 to R29,260. Secured by fixed assets as disclosed in note 4.				
ABSA Bank Ltd - 5 year bullet loan	**454**	454	**454**	454
The secured loan bears interest at a three-month JIBAR plus 1.975%, payable in December 2022.				
Development Bank of South Africa	**123**	131	**123**	131
The secured loan bears interest at fixed 12.11% per annum, payable in bi-annual instalments. Repayable during the period August 2015 to June 2028.				
Development bonds	**3**	5	**3**	-
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.				
Debentures - Prepaid block	**3**	-	**-**	-
The secured debentures are interest free and are repaid through set off against annual school fees over the relevant period.				
Old Mutual Assurance Group South Africa (Pty) Ltd	**34**	35	**-**	-
The loan bears interest at 3-month JIBAR plus 4% per annum The loan has a 15 year repayment period repayable in 36 equal quarterly instalments commencing on 1 April 2019. Refer restrictive funding arrangement disclosure below.				
Old Mutual Assurance Group South Africa (Pty) Ltd - Junior	**48**	40	**-**	-
The loan bears interest at a variable interest rate ranging between zero and 3-month JIBAR plus 10% per annum and is repayable after all Senior Debt has been paid. Refer restrictive funding arrangement disclosure below.				

Notes to the consolidated and separate financial statements

19. Other financial liabilities (continued)

	Group 2019 R million	Group 2018 R million	Company 2019 R million	Company 2018 R million
Schools and Education Investment Impact Fund of South Africa (SEIIFSA) The loan bears interest at 3-month JIBAR plus 4% per annum. The loan has a 15 year repayment period repayable in 36 equal quarterly instalments commencing on 1 April 2019. Refer restrictive funding arrangement disclosure below.	**204**	214	**-**	-
Schools and Education Investment Impact Fund of South Africa (SEIIFSA) - Junior The loan bears interest at a variable interest rate ranging between zero and 3-month JIBAR plus 10% per annum and is repayable after all Senior Debt has been paid. Refer restrictive funding arrangement disclosure below.	**81**	69	**-**	-
Standard Bank of South Africa Ltd - Instalment Sale The secured loans bear interest at various prime linked rates, payable in monthly instalments ranging from R1,278 to R32,166. Secured by fixed assets as disclosed in note 4.	**5**	2	**5**	2
Standard Bank of South Africa Ltd The secured loan bears interest at three-month JIBAR plus 1.25%, payable in November 2020.	**40**	-	**40**	-
Standard Bank of South Africa Ltd - 3 year bullet loan The secured loan bore interest at three-month JIBAR plus 1.75%, payable in September 2020. The loan was fully repaid during the year under review.	**-**	851	**-**	851
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**	605	**605**	605
Standard Bank of South Africa Ltd - 5 year bullet loan The secured loan bears interest at three-month JIBAR plus 1.78%, payable in November 2023.	**151**	151	**151**	151
Standard Bank of South Africa - Funding Facility The secured loan bears interest at three-month JIBAR plus 1.75%, payable August to December 2024.	**503**	-	**503**	-
Sanlam The secured loan bears interest at three-month JIBAR plus 1.8%, payable in November 2023.	**452**	150	**452**	150
Investec Bank of South Africa The secured loan bears interest at three-month JIBAR plus 1.75%, payable in December 2023.	**151**	151	**151**	151
Investec Bank of South Africa The secured loan bears interest at three-month JIBAR plus 1.75%, payable in December 2024.	**860**	-	**860**	-
Transaction cost incurred	**(14)**	(10)	**(14)**	(10)
Total at amortised cost	**3 737**	2 893	**3 367**	2 532
	3 764	2 902	**3 394**	2 541
Non-current liabilities				
Fair value through profit or loss	**27**	9	**27**	9
At amortised cost	**3 653**	2 844	**3 302**	2 505
	3 680	2 853	**3 329**	2 514
Current liabilities				
At amortised cost	**84**	49	**65**	27
	3 764	**2 902**	**3 394**	**2 541**

Notes to the consolidated and separate financial statements

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. The restricted cash balance on 31 December 2019 amounted to R20 million.

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 whosoever 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 will 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 boarding house property, the company will, 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. Contract liability

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Registration fees				
Opening balance	**41**	-	**35**	-
Initial recognition - IFRS 15	**-**	37	**-**	32
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(28)**	(24)	**(23)**	(21)
Increases due to cash received, excluding amounts recognised as revenue during the period	**29**	28	**25**	24
Closing balance	**42**	41	**37**	35

Registration fees carry a separate stand-alone transaction price which is recognised over time as the services are rendered. recognising the registration fees over time, management estimates the average tenure of learners and recognise the registration fee over this period. The transaction price allocated to the unsatisfied portion of the performance obligation pertaining to registration fees, is represented by the contract liability balance at year end.

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Income received in advance				
Opening balance	**170**	135	**124**	105
Revenue recognised in Statement of Comprehensive Income	**(170)**	(135)	**(124)**	(105)
School and other fees received in advance	**186**	170	**152**	124
Closing balance	**186**	170	**152**	124

Income received in advance carry a separate stand-alone transaction price which is recognised over time as the services are rendered. The transaction price allocated to the unsatisfied portion of the performance obligation pertaining to income received in advance is represented by the contract liability balance at year end. Income received in advance is repayable to parents if the learner were to leave the school.

Current liability	**214**	197	**177**	148
Non current liability	**14**	14	**12**	11
	228	211	**189**	159

21. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Trade payables	**85**	41	**73**	37
Development and acquisition payables	**19**	26	**19**	24
Accrued expense	**95**	93	**79**	77
Entrance deposits	**5**	4	**3**	2
Value added taxation	**1**	5	**-**	-
	205	169	**174**	140

Notes to the consolidated and separate financial statements

21. Trade and other payables (continued)

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.

22. Overdraft

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Overdraft	**99**	78	**-**	-

The overdraft facility is for Curro Funding (Pty) Ltd. The undrawn facility at year end was R1 million.

23. Revenue from contract with customers

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Rendering of services	**2 944**	2 496	**2 412**	1 927
Included in revenue from contracts with customers:				
Registration and tuition fees	**2 880**	2 342	**2 410**	1 836
Other income	**109**	102	**81**	74
Hostel fees	**65**	61	**22**	19
Aftercare fees	**76**	64	**63**	52
Tablet curriculum fees	**-**	41	**-**	37
Bus income	**35**	28	**33**	27
Rental income	**7**	6	**7**	6
Subsidy income	**2**	2	**-**	-
Discounts granted	**(230)**	(150)	**(204)**	(124)
	2 944	2 496	**2 412**	1 927

The group and company's principal activities to generate their revenue are to provide independent education and ancillary services. Refer to note 2 for segmental information that also discloses the revenue disaggregation.

These ancillary services and products are sold at stand-alone selling prices which do not require allocation to separate performance obligations. There is no significant financing component within the payment terms of school fees and other fees. School fees and other fees are non-refundable and hence no obligation to provide for refunds exists.

Revenue generated from registration, bus income, tuition fees, hostel fees and aftercare fees are recognised over time. Other income is recognised as the performance obligation is satisfied at a point in time. Subsidy income is recognised at a point in time. Other income includes ancillary services such as tuckshop income, levy income and excursion income.

As from the current year, tablet curriculum fees was stopped being charged separately as it is no longer a separate performance obligation and are now incorporated as part of the tuition fees.

Notes to the consolidated and separate financial statements

24. Earnings before interest and taxation

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

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Short term and low value lease items	**12**	32	**26**	45
Amortisation on intangible assets	**32**	18	**30**	20
Depreciation on property, plant and equipment	**147**	136	**133**	118
Depreciation on right-of-use assets	**8**	-	**8**	-
Employee costs	**1 569**	1 290	**1 298**	999
Repairs and maintenance	**30**	23	**24**	18
Debt collection cost	**19**	43	**14**	41

25. Investment income

	Note	Group		Company	
		2019	2018	**2019**	2018
		R million	R million	**R million**	R million
Dividend received					
Subsidiaries - local		**-**	-	**2**	1
Interest received					
Bank and Money Market		**18**	48	**12**	43
Interest charged on trade and other receivables		**18**	7	**17**	6
Related parties	35	**-**	-	**39**	33
		36	55	**68**	82
		36	55	**70**	83

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

26. Finance cost

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Borrowings	**311**	242	**263**	188
Bank	**9**	5	**1**	1
Lease liabilities	**24**	-	**24**	-
Less: Interest capitalised	**(65)**	(55)	**(65)**	(55)
	279	193	**223**	134

The capitalisation rate used for the group and the company during the period was 9,12% (2018: 9,15%) 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 represent net finance costs incurred for the year and exclude interest capitalised to property, plant and equipment.

27. Taxation

Major components of tax expenses

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Current taxation				
Local income tax - current period	**13**	19	**-**	-
Deferred taxation				
Temporary differences - current period	**(12)**	72	**54**	83
	1	91	**54**	83

Reconciliation of the tax expense

Reconciliation between applicable tax rate and effective tax rate

	Group 2019	Group 2018	Company 2019	Company 2018
Applicable tax rate	**28,0%**	28,0%	**28,0%**	28,0%
Non-taxable income - Loss / (profit) on sale of associate	**-%**	0,3%	**-%**	(0,8%)
Non-taxable income - Notional finance income	**-%**	-%	**(5,5%)**	-%
Non-deductible expenditure - Notional finance charge	**3,0%**	-%	**-%**	-
Non-taxable income - share of profit of associate	**-%**	0,2%	**-%**	-%
Non-taxable income - dividend received in specie	**-%**	-%	**(0,5%)**	(0,2%)
Non-taxable income - Meridian Operations & Windhoek	**(2,4%)**	(3,1%)	**-%**	-%
Non-deductible expenditure - share-based payment expenditure	**3,2%**	1,3%	**4,3%**	2,7%
Non-deductible expenditure - impairment losses	**-%**	-%	**6,9%**	19,4%
Non-taxable income - Gain on bargain purchase	**(4,0%)**	-%	**(5,3%)**	-%
Deferred tax - Windhoek reversal	**(28,2%)**	-%	**-%**	-%
Deferred tax - business combination acquisition	**-%**	-%	**6,8%**	-%
Deferred tax - opening balance adjustment	**-%**	4,5%	**-%**	7,5%
Capital contribution - share incentive scheme	**-%**	-%	**-%**	(1,6%)
Other	**1,2%**	(3,9%)	**3,2%**	(3,8%)
Effective tax rate	**0,8%**	27,3%	**37,9%**	51,2%

Group

The estimated tax loss available for set off against taxable income is R523,89 million (2018: R464,17 million).

Company

No provision has been made for 2019 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R367,35 million (2018: R308,83 million).

28. Other comprehensive income

Components of other comprehensive income

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations	**-**	(1)	**-**	-
Effects of cash flow hedges				
Gross	**(18)**	8	**(18)**	8
Tax	**5**	(2)	**5**	(2)
	(13)	5	**(13)**	6

29. Earnings per share

	Group 2019 R million	2018 R million
Basic earnings per share	**49,0**	60,0

Basic earnings per share was based on earnings of R202 million (2018: R248 million) and a weighted average number of ordinary shares of 412 million (2018: 412 million).

	Group 2019 R million	2018 R million
Basic earnings		
Profit or loss for the year attributable to equity holders of the parent	**202**	248
Diluted earnings per share	**49,0**	59,8

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 2019 R million	2018 R million
Diluted earnings		
Profit or loss for the year attributable to equity holders of the parent	**202**	248

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.

	Group 2019 R million	2018 R million
Weighted average number of ordinary shares used in the calculation of basic earnings per share ('million)	**412**	412
Shares deemed to be issued for no consideration in respect of:		
- Share options incentive plan ('million)	**-**	1
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ('million)	**412**	413
Headline earnings per share	**61,1**	60,1
Diluted headline earnings per share	**61,1**	60,0

Reconciliation between earnings and headline earnings

	Group 2019 R million	2018 R million
Basic earnings	**202**	248
Adjusted for:		
(Profit) loss on disposal of property, plant and equipment	**(1)**	-
Gross amount	**(2)**	-
Tax effect	**1**	-
Loss on impairment	**79**	-
Gross amount	**104**	-
Non-controlling interest	**(6)**	
Tax effect	**(19)**	-
Gain on bargain purchase	**(27)**	-
Headline earnings	**253**	248

Notes to the consolidated and separate financial statements

29. Earnings per share (continue)

	Group 2019 R million	Group 2018 R million
Reconciliation between diluted earnings and diluted headline earnings		
Diluted earnings	**202**	248
Adjusted for:		
(Profit) loss on disposal of property, plant and equipment	**(1)**	-
Gross amount	**(2)**	-
Tax effect	**1**	-
Loss on impairment	**79**	-
Gross amount	**104**	-
Non-controlling interest	**(6)**	
Tax effect	**(19)**	-
Gain on bargain purchase	**(27)**	-
Diluted headline earnings	**253**	248
Recurring headline earnings per share	**51,0**	60,1
Reconciliation between headline earnings and recurring headline earnings		
Headline earnings	**253**	248
Adjusted for:		
Deferred tax derecognition	**(53)**	-
Retrenchment cost	**7**	-
Gross amount	**10**	-
Tax effect	**(3)**	-
Other	**5**	
Recurring headline earnings	**212**	248

30. Cash generated from operations

	Group 2019 R million	Group 2018 R million	Company 2019 R million	Company 2018 R million
Profit before taxation	**188**	333	**143**	162
Adjustments for:				
Depreciation and amortisation	**187**	154	**171**	138
Net profit on disposal of property, plant and equipment	**(2)**	-	**(3)**	-
Loss from equity accounted investments	**-**	1	**-**	-
Dividends received	**-**	-	**(2)**	(1)
Interest received	**(36)**	(55)	**(68)**	(82)
Finance costs	**279**	193	**223**	134
Impairment of investments	**-**	-	**-**	113
Impairment on property, plant and equipment	**104**	-	**82**	-
(Loss) / Profit on sale of associate	**-**	-	**-**	(4)
Share based payment expense	**22**	16	**22**	16
Gain on bargain purchase	**(27)**	-	**(27)**	-
Expected credit losses on group loans	**-**	-	**35**	-
Net settlement of share based payment	**-**	(10)	**-**	(10)
Changes in working capital:				
(Increase) decrease in inventories	**(7)**	(1)	**(5)**	(1)
(Increase) decrease in trade and other receivables	**(71)**	(123)	**(39)**	(95)
Increase (decrease) in trade and other payables	**29**	(41)	**(24)**	(25)
Increase in contract liabilities	**18**	76	**28**	54
	684	543	**536**	399

31. Business combinations

Group - 2019

	Sagewood School R million	Creston College R million	Land of Oz & Irvcor R million	Total R million
Business combinations				
Property, plant and equipment	75	52	24	151
Intangible assets	-	-	1	1
Inventories	-	1	-	1
Trade and other receivables	1	-	1	2
Cash and cash equivalents	1	2	1	4
Deferred tax liability	(20)	(14)	(6)	(40)
Trade and other payables	(2)	(1)	(2)	(5)
Total identifiable net assets	55	40	19	114
Goodwill	32	-	13	45
Gain on bargain purchase	-	(27)		(27)
	87	13	32	132
Consideration paid				
Cash	(87)	(13)	(27)	(127)
Outstanding consideration payable	-	-	(5)	(5)
	(87)	(13)	(32)	(132)
Net cash outflow on acquisition				
Cash consideration paid	(87)	(13)	(27)	(127)
Cash acquired	1	2	1	4
	(86)	(11)	(26)	(123)

Company - 2019

	Sagewood School R million	Creston College R million	Land of Oz R million	Total R million
Business combinations				
Property, plant and equipment	75	52	3	130
Intangible assets	-	-	1	1
Inventories	-	1	-	1
Trade and other receivables	1	-	-	1
Cash and cash equivalents	1	2	1	4
Deferred tax liability	(20)	(14)	(1)	(35)
Trade and other payables	(2)	(1)	(2)	(5)
Total identifiable net assets	55	40	2	97
Goodwill	32	-	3	35
Gain on bargain purchase	-	(27)	-	(27)
	87	13	5	105
Consideration paid				
Cash	(87)	(13)	-	(100)
Outstanding consideration payable	-	-	(5)	(5)
	(87)	(13)	(5)	(105)
Net cash outflow on acquisition				
Cash consideration paid	(87)	(13)	-	(100)
Cash acquired	1	2	1	4
	(86)	(11)	1	(96)

31. Business combinations (continued)

Amounts are determined based on their acquisition date fair values. Acquired receivables are expected to be collected in full.

Goodwill from business combinations above is not deductible for income tax purposes.

There is no contingent consideration applicable in any of the business combinations.

Sagewood School

Effective 1 January 2019, the group acquired the entire business operations and properties of Sagewood School for a purchase consideration of R87 million in order to continue the expansion of the group. Sagewood is principally involved in the independent school industry in Johannesburg, Gauteng.

Goodwill of R32 million arising from the acquisition consists largely of, inter alia, the workforce, expected synergies, economies of scale and the school growth potential.

Since acquisition date the revenue and loss after tax recognised from this acquisition amounted to R26.7 million and R2.8 million respectively.

Creston College

Effective 1 January 2019, the group acquired the entire business operations and properties of Creston College for a purchase consideration of R13 million in order to continue the expansion of the group. Creston is principally involved in the independent school industry in Port Shepstone, KwaZulu-Natal.

Gain with bargain purchase of of R27 million arising from the acquisition was recognised. The bargain purchase is due to Curro being able to unlock value from the business which is not possible as a stand-alone school.

Since acquisition date the revenue and profit after tax recognised from this acquisition amounted to R27.0 million and R1.2 million respectively.

Land of Oz and Irvcor

Effective 1 October 2019, the group acquired the entire business operations of Land of Oz and 100% shareholding in Irvcor, the property holding company, for a purchase consideration of R32 million in order to continue the expansion of the group. Land of Oz is principally involved in the independent school industry in Gauteng.

Goodwill of R13.8 million arising from the acquisition was recognised.

Since acquisition date the revenue and profit after tax recognised from this acquisition amounted to R3.5 million and R0.3 million respectively. Had this subsidiary been consolidated for the entire period under review, the revenue and profit after tax would have been R12 million and R1 million respectively.

Business combinations occurring after the end of the reporting period

Curro, acquired the entire business operations and properties of Kings in Gauteng for a total purchase consideration of R44.3 million combined. This acquisition were effective on 1 January 2020.

32. Unbundling of subsidiaries

Waterstone College

Waterstone College (Pty) Ltd was a wholly owned subsidiary of Curro that was unbundled into Curro on 1 January 2019.
Curro bought all the assets and assumed the liabilities as part of the unbundling process. Property, plant and equipment to the value of R195.2 million were acquired in the process. The sale took place at net book value as the entity is under common control and there was no effect on the income statement.

Notes to the consolidated and separate financial statements

33. Reconciliation of liabilities arising from financing activities

	Other financial liabilities	Lease liabilities	Total
Group		R million	R million
Balance as at 31 December 2017	2 366	-	**2 366**
New loans	850	-	**850**
Repayments	(344)	-	**(344)**
Non cash movements:			
New instalment sale agreements	15	-	**15**
Interest accrued	6	-	**6**
Balance as at 31 December 2018	2 893	-	**2 893**
New loans	1 701	-	**1 701**
Repayments	(908)	(3)	**(911)**
Non cash movements:			
New lease liabilities recognised	-	208	**208**
New instalment sale agreements	14	-	**14**
Unwinding of debentures	7		**7**
Interest accrued	33	10	**43**
Transaction costs	(3)	-	**(3)**
Balance as at 31 December 2019	3 737	215	**3 952**

	Other financial liabilities	Lease liabilities	Total
Company		R million	R million
Balance as at 31 December 2017	1 712	-	**1 712**
New loans	850	-	**850**
Repayments	(52)	-	**(52)**
Non cash movements:			
New instalment sale agreements	15	-	**15**
Interest accrued	7	-	**7**
Balance as at 31 December 2018	2 532	-	**2 532**
New loans	1 690	-	**1 690**
Repayments	(882)	(3)	**(885)**
Non cash movements:			
New lease liabilities recognised	-	208	**208**
New instalment sale agreements	14	-	**14**
Loan transfer with unbundling	5	-	**5**
Interest accrued	11	10	**21**
Transaction costs	(3)	-	**(3)**
Balance as at 31 December 2019	3 367	215	**3 582**

34. Taxation paid

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Balance at beginning of the year	**1**	2	**1**	1
Current tax for the year recognised in profit or loss	**(13)**	(19)	**-**	-
Balance at end of the year	**(1)**	(1)	**(1)**	(1)
	(13)	(18)	**-**	-

Notes to the consolidated and separate financial statements

35. Related parties

Relationships

Ultimate holding company	PSG Group Ltd
Holding company	PSG Financial Services Ltd
Fellow subsidiary	GRIT Procurement Solutions (Pty) Ltd
Subsidiaries	Refer note 8

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Related party balances				
Loan accounts - owing (to) by related parties				
Campus and Property Management Company (Pty) Ltd	**-**	-	**249**	221
Curro Holdings Limited Share Incentive Trust	**-**	-	**9**	22
Curro Financial Services (Pty) Ltd	**-**	-	**2**	-
Brandburry 13 (Pty) Ltd	**13**	11	**-**	11
Sheerprops 129 (Pty) Ltd	**-**	-	**-**	(1)
Woodhill College Property Holdings (Pty) Ltd	**-**	-	**77**	60
Curro Funding Company (Pty) Ltd	**-**	-	**12**	-
Curro Education Botswana (Pty) Ltd	**-**	-	**81**	88
Curro Education Namibia (Pty) Ltd	**-**	-	**20**	-
Cooper College (Pty) Ltd	**-**	-	**(7)**	-
Magic Beings Creche (Pty) Ltd	**-**	-	**(5)**	-
Northriding College (Pty) Ltd	**-**	-	**5**	-
Amounts included in trade and other receivables regarding related parties				
Campus and Property Management Company (Pty) Ltd	**-**	-	**9**	3
Lilac Moon Trade and Investments 189 (Pty) Ltd	**-**	-	**11**	-
Meridian Operations Company (RF) NPC	**-**	-	**2**	1
Northriding College (Pty) Ltd	**-**	-	**1**	-
Woodhill College Property Holdings (Pty) Ltd	**-**	-	**1**	2
Waterstone College (Pty) Ltd	**-**	-	**-**	48
Amounts included in trade and other payables regarding related parties				
GRIT Procurement Solutions (Pty) Ltd	**(24)**	(13)	**(21)**	(12)
Related party transactions				
Purchases from related parties				
GRIT Procurement Solutions (Pty) Ltd	**124**	141	**116**	136
Administration fees paid to (received) from related parties				
PSG Corporate Services (Pty) Ltd	**3**	2	**3**	2

Notes to the consolidated and separate financial statements

35. Related Parties (continued)

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Interest (received from) paid to related parties				
Campus and Property Management Company (Pty) Ltd	**-**	-	**(28)**	(9)
Curro Holdings Limited Share Incentive Trust	**-**	-	**(1)**	(3)
Curro Education Namibia (Pty) Ltd	**-**	-	**(1)**	(12)
Plot One Hundred Bush Hill (Pty) Ltd	**-**	-	**-**	(2)
Woodhill College Property Holdings (Pty) Ltd	**-**	-	**(7)**	(7)
Management fees received from related parties				
Campus and Property Management Company (Pty) Ltd	**-**	-	**(5)**	(8)
Meridian Operations Company (RF) NPC	**-**	-	**(2)**	(2)
Rent paid to (received from) related parties				
Woodhill College Property Holdings (Pty) Ltd	**-**	-	**18**	15
Compensation to directors and other key management				
Short-term employee benefits (refer note 37)	**6**	9	**6**	9

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.

36. Commitments and guarantees

Authorised future capital commitments

	Group		Company	
	2019	2018	**2019**	2018
	R million	R million	**R million**	R million
Authorised and contracted	200	712	200	710
Authorised, but not yet contracted	800	1 785	753	1 770
	1 000	**2 497**	**953**	**2 480**

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

Guarantees

Guarantees were provided in favour of City of Tshwane and Ethekwini Municipality of R1.4 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.

Notes to the consolidated and separate financial statements

37. Directors' and prescribed officers' emoluments

Executive

2019	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	**2 518**	**102**	**94**	**2 400**	**31**	**5 145**
HG Louw*	**543**	**111**	**44**	**1 192**	**21**	**1 911**
B van der Linde	**1 950**	**95**	**108**	**1 343**	**26**	**3 522**
	5 011	**308**	**246**	**4 935**	**78**	**10 578**

* Resigned effective 1 May 2019.

2018	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	2 351	119	133	700	1 083	4 386
HG Louw*	1 554	261	140	-	817	2 772
B van der Linde	1 852	91	120	500	807	3 370
	5 757	471	393	1 200	2 707	10 528

Non-executive

	Directors' fees 2019 R'000	Other fees 2018 R'000	Directors' fees 2018 R'000
SL Botha	**725**	-	494
ZL Combi	**495**	-	280
ZN Mankai	**417**	-	120
T Molefe	**253**	-	-
PJ Mouton	**380**	-	214
SWF Muthwa	**430**	-	280
B Petersen	**-**	-	267
D Ramaphosa	**330**	-	214
C van der Merwe	**288**	390	214
	3 318	390	2 083

Prescribed officers

2018	Basic salary R'000	Pension contributions paid R'000	Bonuses R'000	Gains on exercise of options R'000	Total R'000
IWM Isdale	1 170	-	-	-	1 170

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 29 February 2020 is R12.4 million (2019: R11.6 million), of which 30% is deferred for a period of 12 months subject to him remaining in PSGCS's employment, malus/claw back provisions and him meeting non-financial personal key performance objectives. PJ Mouton's gain on vesting of PSG Group Ltd share options during April 2019 amounted to R34.9 million (2019: during July 2018 amounted to R33.3 million).

Notes to the consolidated and separate financial statements

38. Categories of financial instruments

Categories of financial Group - 2019	Note(s)	Financial assets at fair value through profit or loss R million	Financial assets at amortised cost R million	Financial liabilities at fair value through profit or loss R million	Financial liabilities at amortised cost R million	Total R million
Assets						
Non-current assets						
Other financial assets	10	**5**	**-**	**-**	**-**	**5**
Current assets						
Other financial assets	10	**-**	**34**	**-**	**-**	**34**
Trade and other receivables	14	**-**	**236**	**-**	**-**	**236**
Cash and cash equivalents	15	**-**	**114**	**-**	**-**	**114**
Investment in money market funds	15	**57**	**-**	**-**	**-**	**57**
		57	**384**	**-**	**-**	**441**
Liabilities						
Non-current liabilities						
Other financial liabilities at amortised cost	19	**-**	**-**	**-**	**3 653**	**3 653**
Other financial liabilities at fair value through profit or loss	19	**-**	**-**	**27**	**-**	**27**
		-	**-**	**27**	**3 653**	**3 680**
Current liabilities						
Other financial liabilities	19	**-**	**-**	**-**	**84**	**84**
Trade and other payables	21	**-**	**-**	**-**	**202**	**202**
Overdraft	22	**-**	**-**	**-**	**99**	**99**
		-	**-**	**-**	**385**	**385**

Group - 2018

	Note(s)	Financial assets at fair value through profit or loss R million	Financial assets at amortised cost R million	Financial liabilities at fair value through profit or loss R million	Financial liabilities at amortised cost R million	Total R million
Assets						
Non-current assets						
Other financial assets	10	2	12	-	-	14
Current assets						
Other financial assets	10	-	21	-	-	21
Trade and other receivables	14	-	104	-	-	104
Cash and cash equivalents	15	-	170	-	-	170
Investment in money market funds	15	15	-	-	-	15
		15	295	-	-	310
Liabilities						
Non-current liabilities						
Other financial liabilities at amortised cost	19	-	-	-	2 844	2 844
Other financial liabilities at fair value through profit or loss	19	-	-	9	-	9
		-	-	9	2 844	2 853
Current liabilities						
Other financial liabilities	19	-	-	-	49	49
Trade and other payables	21	-	-	-	164	164
Overdraft	22	-	-	-	78	78
		-	-	-	291	291

Notes to the consolidated and separate financial statements

38. Categories of financial instruments (continued)

Categories of financial instruments Company - 2019	Note(s)	Financial assets at fair value through profit or loss R million	Financial assets at amortised cost R million	Financial liabilities at fair value through profit or loss R million	Financial liabilities at amortised cost R million	Total R million
Assets						
Non-current assets						
Loans to group companies	9	**-**	**240**	**-**	**-**	**240**
Other financial assets	10	**5**	**-**	**-**	**-**	**5**
		5	**240**	**-**	**-**	**245**
Current assets						
Loans to group companies	9	**-**	**178**	**-**	**-**	**178**
Other financial assets	10	**-**	**11**	**-**	**-**	**11**
Trade and other receivables	14	**-**	**208**	**-**	**-**	**208**
Cash and cash equivalents	15	**-**	**68**	**-**	**-**	**68**
Investment in money market funds	15	**54**	**-**	**-**	**-**	**54**
		54	**465**	**-**	**-**	**519**
Liabilities						
Non-current liabilities						
Other financial liabilities at amortised cost	19	**-**	**-**	**-**	**3 302**	**3 302**
Other financial liabilities at fair value through profit or loss	19	**-**	**-**	**27**	**-**	**27**
		-	**-**	**27**	**3 302**	**3 329**
Current liabilities						
Loans to group companies	9	**-**	**-**	**-**	**12**	**12**
Other financial liabilities	19	**-**	**-**	**-**	**65**	**65**
Trade and other payables	21	**-**	**-**	**-**	**173**	**173**
		-	**-**	**-**	**250**	**250**
Company - 2018						
Assets						
Non-current assets						
Loans to group companies	9	-	228	-	-	228
Other financial assets	10	2	-	-	-	2
		2	228	-	-	230
Current assets						
Loans to group companies	9	-	162	-	-	162
Other financial assets	10	-	11	-	-	11
Trade and other receivables	14	-	130	-	-	130
Cash and cash equivalents	15	-	123	-	-	123
		-	426	-	-	426
Liabilities						
Non-current liabilities						
Other financial liabilities at amortised cost	19	-	-	-	2 505	2 505
Other financial liabilities at fair value through profit or loss	19	-	-	9		9
		-	-	9	2 505	2 514
Current liabilities						
Other financial liabilities	19	-	-	-	27	27
Trade and other payables	21	-	-	-	140	140
		-	-	-	167	167

Notes to the consolidated and separate financial statements

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, 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 2019 and 2018 respectively was as follows:

		Group		Company	
		2019	2018	**2019**	2018
		R million	R million	**R million**	R million
Total borrowings					
Loans from related parties	9	**-**	-	**12**	-
Other financial liabilities	19	**3 737**	2 893	**3 367**	2 531
Overdraft	22	**99**	78	**-**	-
		3 836	2 971	**3 379**	2 531
Less: Cash	15	**170**	185	**122**	123
Net debt		**3 666**	2 786	**3 257**	2 408
Total equity		**5 416**	5 272	**5 004**	4 956
Total capital		**9 082**	8 058	**8 261**	7 364
Gearing ratio		**68%**	53%	**65%**	49%

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 following table 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.

At year end, the group’s current liabilities exceed the current assets as evident from the statement of financial position. However, the group has sufficient undrawn facilities, as set out in note 15.3, to address the shortfall.

Notes to the consolidated and separate financial statements

39. Risk management (continued)
Liquidity risk (continued)

Group

At 31 December 2019	Less than 1 year R million	Between 2 and 5 years R million	Over 5 years R million
Assets			
Other financial assets	**34**	**5**	**-**
Cash and cash equivalents	**114**	**-**	**-**
Investment in money market funds	**57**	**-**	**-**
Trade and other receivables	**280**	**-**	**-**
Liabilities			
Borrowings	**(403)**	**(4 300)**	**(494)**
Trade and other payables	**(205)**	**-**	**-**
Lease liabilities	**(20)**	**(92)**	**(30 477)**
Overdraft	**(99)**	**-**	**-**
At 31 December 2018			
Assets			
Other financial assets	21	14	-
Cash and cash equivalents	170	-	-
Investment in money market funds	15	-	-
Trade and other receivables	208	-	-
Liabilities			
Borrowings	(49)	(2 776)	(378)
Trade and other payables	(169)	-	-
Overdraft	(78)	-	-

Company

At 31 December 2019	Less than 1 year R million	Between 2 and 5 years R million	Over 5 years R million
Assets			
Other financial assets	**11**	**5**	**-**
Loans to subsidiaries	**178**	**240**	**-**
Trade and other receivables	**239**	**-**	**-**
Cash and cash equivalents	**68**	**-**	**-**
Investment in money market funds	**54**	**-**	**-**
Liabilities			
Borrowings	**(360)**	**(4 120)**	**(83)**
Loans from subsidiaries	**(12)**	**-**	**-**
Trade and other payables	**(174)**	**-**	**-**
Lease liabilities	**(20)**	**(92)**	**(30 477)**
At 31 December 2018			
Assets			
Other financial assets	11	2	-
Loans to subsidiaries	161	-	-
Trade and other receivables	211	-	-
Cash and cash equivalents	123	-	-
Liabilities			
Borrowings	(27)	(2 437)	(77)
Trade and other payables	(140)	-	-

39. Risk management (continued)

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 R25 million (2018: R23 million) for the group and R22 million (2018: R17 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 R2,5 billion and R2,2 billion respectively (2018: R2.2 billion and R1.8 billion respectively), after taking into consideration the notional amounts of the interest rate hedge of R1.2 billion (2018: R725 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 2019, 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	
	2019	2018	**2019**	2018
Financial instrument	**R million**	R million	**R million**	R million
Other financial assets	**39**	35	**16**	13
Loans to group companies	**-**	-	**418**	390
Cash	**114**	170	**68**	123
Investment in money market funds	**57**	15	**54**	-
Trade receivables	**308**	235	**265**	236

Notes to the consolidated and separate financial statements

39. Risk management (continued)

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 and Botswana operations, which have a 1:1 and 1:0.76 respectively, Rand exchange rate and as such have an immaterial foreign currency risk.

At year end the effect of the Botswana foreign currency conversion was insignificant as the exchange rate was in line with the rate at the end of the prior year.

40. Fair value information

Levels of fair value measurements

Refer to accounting policy 1.2 for details of the fair value measurement.

Recurring fair value measurements

		Group		Company	
	Note(s)	**2019 R million**	2018 R million	**2019 R million**	2018 R million
Assets					
Financial assets at fair value through profit or loss					
Investment in money market - Level 1	15	**57**	15	**54**	-
Investment in SA SME Fund - Level 3	10	**5**	2	**5**	2
Liabilities					
Financial liabilities at fair value through profit or loss - held for trading					
Interest rate swaps - Level 2	19	**27**	9	**27**	9

Valuation techniques used to derive level 1 fair values

The fair value of the investment in money market funds is based on quoted market prices.

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.

Valuation techniques used to derive level 3 fair values

The fair value of the investment in SA SME Fund approximates carrying value.

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 31 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

Notes to the consolidated and separate financial statements

43. Changes in accounting policies

The group and company's accounting policies changed due to the mandatory adoption of IFRS 16 Leases which became effective 1 January 2019. The transition was done with the modified retrospective approach where the right-of-use asset equal the lease liability, without restating comparative figures.

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements.

On adoption of IFRS 16, the group and company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principle of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 11.8%.

The group and company has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the group and company relied in its assessment made applying IAS 17.

	Group R million	Company R million
Measurement of lease liabilities		
Operating lease commitments disclosed as at 31 December 2018	**384**	384
Add: Adjustments relating to changes in the index or rate affecting fixed payments	**46 460**	46 460
(Less): Low-value leases not recognised as a liability	**(3)**	(3)
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(46 653)**	(46 653)
	188	188
Adjustments recognised in the statement of financial position on 1 January 2019		
The change in accounting policy affected the following items in the statement of financial position on 1 January 2019		
Increase in right-of-use assets	**188**	188
Increase in lease liabilities	**188**	188

44. Non-current assets held for sale

A decision was taken at the end of the year to sell land in Midrand.

An impairment of R33 million was recognised on the land to measure the asset at the fair value less cost to sell of R43 million.

Shareholder analysis

Range of shareholding

Range of shareholding	Number of shares held in range 2019	%	Number of shares held in range 2018	%
1 to 500	**968 217**	**0,2%**	1 152 551	0,3%
501 to 1 000	**1 460 753**	**0,4%**	1 748 416	0,4%
1 001 to 5 000	**8 790 080**	**2,1%**	10 387 064	2,5%
5 001 to 10 000	**6 108 311**	**1,5%**	6 839 234	1,7%
10 001 and over	**394 760 628**	**95,8%**	391 960 724	95,1%
	412 087 989	**100,0%**	412 087 989	100,0%

Public and non-public shareholding	Number of shares held 2019	%	Number of shares held 2018	%
PSG Financial Services Ltd	**228 210 051**	**55,4%**	228 210 051	55,4%
Directors	**6 967 870**	**1,7%**	7 433 185	1,8%
Total non-public shareholding	**235 177 921**	**57,1%**	235 643 236	57,3%
Total public shareholding	**176 910 068**	**42,9%**	176 444 753	42,7%
	412 087 989	**100,0%**	412 087 989	100,0%

Number of public and non-public shareholders	Number of shareholders 2019	%	Number of shareholders 2018	%
Non-public	**5**	**0,0%**	7	0,0%
Public	**13 830**	**100,0%**	15 687	100,0%
	13 835	**100,0%**	15 694	100,0%

Individual shareholders holding more than 5%	Number of shares held 2019	%	Number of shares held 2018	%
PSG Financial Services Ltd	**228 210 051**	**55,4%**	228 210 051	55,4%
Coronation Ltd	**23 496 990**	**5,7%**	25 090 249	6,1%
Public Investment Corporation	**23 936 503**	**5,8%**	22 012 618	5,3%
Dipeo Capital (RF) (Pty) Ltd	**21 414 497**	**5,2%**	21 414 497	5,2%
	297 058 041	**72,1%**	296 727 415	72,0%