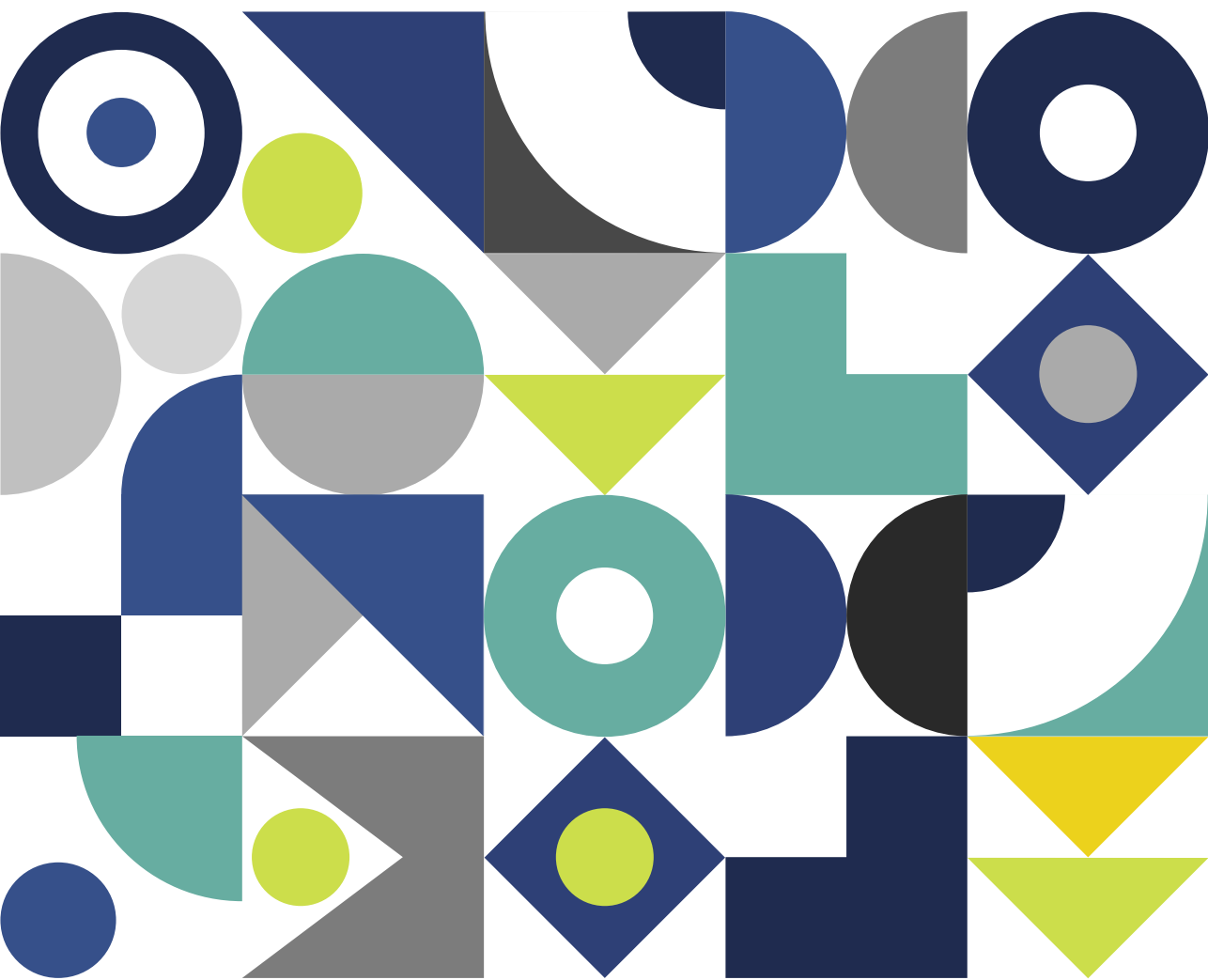


CURRO

ANNUAL INTEGRATED REPORT 2020



#Learners2Leaders

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GENERAL INFORMATION

Please note that some images used in this document were taken prior to the COVID-19 pandemic.

66 153

Number of learners



76

Number of campuses



178

Number of schools



3 651

Number of teachers



18

Learner/teacher ratio



6 245

Number of employees



719 526

Building size (m²)



548

Land size (ha)



Figures as at 28 February 2021



#Learners2Leaders: Curro DigiEd Delft



ABOUT THIS REPORT

ABOUT THIS REPORT

Introduction

This is the 2020 annual integrated report ('the report') of Curro Holdings Limited ('Curro'), which is published for the year ended 31 December 2020 and presents an overview of the strategy, activities, practices, progress, financial and salient non-financial information of the company.

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

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

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

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

Frameworks and assurance

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

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

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

Approval of the 2020 annual integrated report

The Curro board of directors acknowledges its responsibility to ensure the integrity of this report, believes it addresses the material aspects of the business, and is a fair representation of the integrated performance of the group. The board has therefore approved the 2020 annual integrated report for publication.

On behalf of the board



SL Botha
Chairperson of the board



AJF Greyling
Chief Executive Officer

'Learning isn't a way of reaching one's potential but rather a way of developing it.'

– ANDERS ERICSSON

#Learners2Leaders



ORGANISATIONAL OVERVIEW

ORGANISATIONAL OVERVIEW

Profile of Curro Holdings Ltd

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

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

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

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

As of 28 February 2021, Curro is located across 76 campuses (178 schools). It has 66 153 learners and 6 245 employees, of which 3 651 are teachers.

In 2020 Curro extended its product offering from eight school models to nine. With the introduction of Curro Online, Curro continues to widen access to quality independent school education.

Key highlights of Curro's journey since inception can be found on pages 18 and 19 of this report. The group offers a variety of ancillary services that vary between schools and include boarding, aftercare, cafeterias, school transport and activity centres.

School models

Curro's nine schooling models consist of Curro Castle Nursery Schools, Curro Schools, Curro Academy Schools, Curro Select Schools, Curro Assisted Learning, Curro DigiEd Schools, Curro Private College, Meridian Schools and Curro Online.



ORGANISATIONAL OVERVIEW

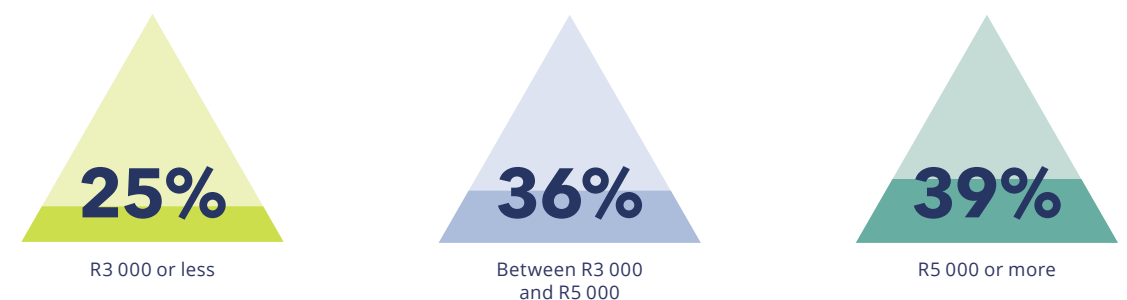
2.1 General

Schooling model	Maximum class size	Average monthly school fees	Product offering
Curro Castle Nursery Schools	Class size is dependent on the age groups of the children, however a maximum of 25 children per class is prescribed	R4 700	Curro Castles are nursery schools that offer nursery school children a Curro-specific, carefully designed and unique curriculum with the early learning and development areas ('ELDAs') in mind. Free-standing Castles accommodate children from age three years (Group 3) to Grade R, and Castles that form part of a full campus accommodate children from three years (Group 3) to five years old (Group 5). Some of these nursery schools have facilities that can accommodate up to 300 children.
Curro Schools	25 learners	R5 200	Curro Schools accommodate learners from age three years (Group 3) to Grade 12. They are co-ed and some schools are parallel medium (Afrikaans and English) from Group 4 to Grade 9, and dual medium from Grade 10 to Grade 12. At the end of Grade 12 the Independent Examinations Board ('IEB') examination is written. Curro Schools offer an enriched curriculum for academic excellence, with balanced sports and cultural activities. These schools have excellent facilities and offer all the extramural activities one would expect to find at an independent school.
Curro Academy Schools	35 learners	R2 600 to R3 800	Curro Academy Schools accommodate learners from age five years (Grade RR) to Grade 12, and some Academy Schools also include a Curro Castle for nursery school children. Academy Schools are co-ed and single medium (English), and write the National Senior Certificate ('NSC') examination at the end of Grade 12. This cost-sensitive model ensures the lowest possible school fees without compromising academic standards and the Curro curriculum. Focused sports and cultural activities are offered.
Curro Select Schools	25 learners	R3 200 to R6 700	Curro Select Schools are schools that have been acquired by Curro Holdings and offer superior facilities and a rich heritage. Although owned by Curro Holdings, these schools retain their original well-established identities and ethos. Select Schools accommodate learners from age three months to Grade 12, at the end of which the IEB or Cambridge examination is written. The medium of instruction and learning is English, producing sound academic and extramural results.
Curro Assisted Learning	Small, focused classes	R5 900	Curro's Assisted Learning schools provide high-quality academic intervention for learners from Grade 1 to Grade 12, at the end of which the NSC examination is written. The CAPS-aligned curriculum follows the same syllabus used in mainstream schools. Teaching styles and classes are structured and adapted to suit the individual needs of learners, assisting them to develop and grow holistically. The schools focus on the specialised education of every learner and strives to prepare them for a successful academic outcome, while encouraging every individual to attain their personal goals.
Curro DigiEd Schools	Mostly class-independent	R1 750 to R2 400	Curro's DigiEd Schools provide a progressive, technologically advanced and innovative education for learners from Grades 8 to 10 (higher grades phasing in annually). Making use of the modern and technology-rich learning space, learners will write their NSC examination at the end of Grade 12. With the aid of leading international e-learning tools, the curriculum is enhanced with a project-based deep-learning programme that has an emphasis on Science, Mathematics and Technology.

Schooling model	Maximum class size	Average monthly school fees	Product offering
Curro Private College	Class-dependent	R4 300 to R4 500	Curro Private College offers extended opportunities to learners from Grade 10, who will go on to write the National Certificate Vocational ('NCV') examination at the end of Grade 12. The NCV is a high-standard, skills-focused qualification with learners completing an NCV Level 2, 3 and 4. This qualification allows learners with a Grade 9 pass to focus their studies in the areas of Process Instrumentation, Finance, Economics and Accounting, Engineering and Related Design, Information Technology and Computer Sciences and Electrical Infrastructure Construction (school-dependent). The NCV is a valuable qualification that not only equips learners with the knowledge required in their area of specialisation, but also provides them with valuable skills and workplace experience.
Meridian Schools	35 learners	R2 300 to R3 000	Meridian Schools accommodate learners from age five years (Grade RR) to Grade 12, and one Meridian school also includes a nursery school for nursery school children. Meridian Schools are co-ed and single medium (English), and write the NSC examination at the end of Grade 12. This cost-sensitive model ensures the lowest possible school fees without compromising academic standards and the Curro curriculum. Focused sports and cultural activities are offered. Meridian Schools are managed by Curro Holdings as part of a joint venture with Old Mutual and the Public Investment Corporation.
Curro Online	25 learners	R3 975	Curro Online is an easy-to-follow online learning programme presented by dedicated teachers. It accommodates learners from Grade 4 to Grade 10 (higher grades phasing in annually) with teacher-guided education from home using online mediums while still getting the best possible quality online education. All live lessons and support materials are included in the school fees, along with all required software licences. Curro's modern online approach and small class sizes provide learners with an inherent sense of independence and responsibility, while preparing them for the workplace of the future.

Segmentation of monthly fees paid

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



ORGANISATIONAL OVERVIEW

2.1 General

Curro's ethos and values

Four key principles inform Curro's value system.

They are:

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

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

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

Curriculum approach

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

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

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

Academic performance

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

Curro is very proud of the Grade 12 pass rate achieved for the past 20 years. In 2020, a very challenging academic year for the Class of 2020, a total of 2 716 (2019: 2 423) learners wrote the Grade 12 examinations (IEB, NSC or Cambridge, as relevant). An excellent performance was achieved with 2 653 (2019: 2 344) learners who passed. This is a 98% (2019: 97%) pass rate.

For the 2020 academic year, Curro's IEB schools had an overall pass rate of 99,5% for its Grade 12 learners. The results showed that 85,8% of learners achieved university exemption and 10,7% an A average. The number of candidates with an average of C or above was pleasing at 70,5%.

The Grade 12 pass rate for all Curro's NSC schools in 2020 was 95,0% and 85,9% of candidates achieved university or diploma exemptions.

Refer to the tables on the following page for more details on academic performance in 2020, including statistics on university and diploma exemptions and the percentage of learners who achieved distinctions and an average of more than 60%.

Academic results

IEB	Number of learners	Pass rate	University exemption	Learners with an A average	Average > 60%
2020	1 525	99,5%	85,8%	10,7%	70,5%
2019	1 358	99,5%	85,3%	9,8%	70,0%
2018	1 196	99,7%	88,1%	11,5%	73,2%

IEB: Independent Examinations Board

NSC*	Number of learners	Pass rate	University or diploma exemption	Learners with an A average	Average > 60%
2020	1 058	95,0%	85,9%	2,5%	38,9%
2019	932	92,4%	78,6%	1,6%	33,2%
2018	876	92,6%	81,1%	2,2%	31,7%

*Meridian and Curro Academy schools

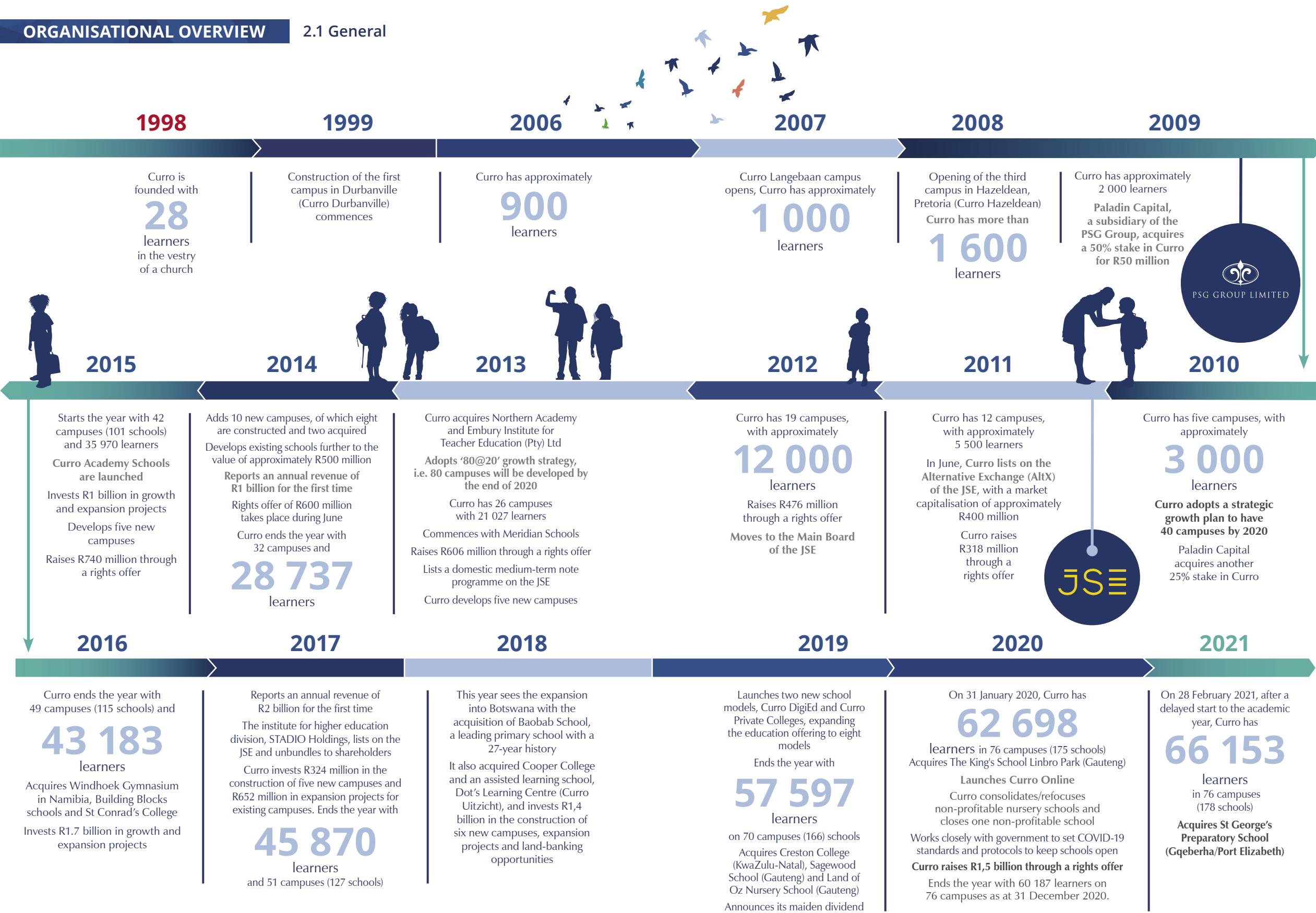
NSC: National Senior Certificate

Cambridge**	Number of learners	Pass rate	University exemption	Learners with an A average	Average > 60%
2020	133	99,3%	60,2%	15,8%	43,6%
2019	133	99,2%	45,9%	19,6%	86,3%
2018	124	100%	70,9%	14,5%	49,2%

** Windhoek Gymnasium

ORGANISATIONAL OVERVIEW

2.1 General



1998

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

1999

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

2006

Curro has approximately **900** learners

2007

Curro Langebaan campus opens, Curro has approximately **1 000** learners

2008

Opening of the third campus in Hazeldean, Pretoria (Curro Hazeldean) Curro has more than **1 600** learners

2009

Curro has approximately 2 000 learners
Paladin Capital, a subsidiary of the PSG Group, acquires a 50% stake in Curro for R50 million



2015

Starts the year with 42 campuses (101 schools) and 35 970 learners
Curro Academy Schools are launched
Invests R1 billion in growth and expansion projects
Develops five new campuses
Raises R740 million through a rights offer

2014

Adds 10 new campuses, of which eight are constructed and two acquired
Develops existing schools further to the value of approximately R500 million
Reports an annual revenue of **R1 billion for the first time**
Rights offer of R600 million takes place during June
Curro ends the year with 32 campuses and **28 737** learners

2013

Curro acquires Northern Academy and Embury Institute for Teacher Education (Pty) Ltd
Adopts '80@20' growth strategy, i.e. 80 campuses will be developed by the end of 2020
Curro has 26 campuses with 21 027 learners
Commences with Meridian Schools
Raises R606 million through a rights offer
Lists a domestic medium-term note programme on the JSE
Curro develops five new campuses

2012

Curro has 19 campuses, with approximately **12 000** learners
Raises R476 million through a rights offer
Moves to the Main Board of the JSE

2011

Curro has 12 campuses, with approximately 5 500 learners
In June, Curro lists on the Alternative Exchange (AltX) of the JSE, with a market capitalisation of approximately R400 million
Curro raises R318 million through a rights offer

2010

Curro has five campuses, with approximately **3 000** learners
Curro adopts a strategic growth plan to have 40 campuses by 2020
Paladin Capital acquires another 25% stake in Curro



2016

Curro ends the year with 49 campuses (115 schools) and **43 183** learners
Acquires Windhoek Gymnasium in Namibia, Building Blocks schools and St Conrad's College
Invests R1.7 billion in growth and expansion projects

2017

Reports an annual revenue of R2 billion for the first time
The institute for higher education division, STADIO Holdings, lists on the JSE and unbundles to shareholders
Curro invests R324 million in the construction of five new campuses and R652 million in expansion projects for existing campuses. Ends the year with **45 870** learners and 51 campuses (127 schools)

2018

This year sees the expansion into Botswana with the acquisition of Baobab School, a leading primary school with a 27-year history
It also acquired Cooper College and an assisted learning school, Dot's Learning Centre (Curro Uitzicht), and invests R1,4 billion in the construction of six new campuses, expansion projects and land-banking opportunities

2019

Launches two new school models, Curro DigiEd and Curro Private Colleges, expanding the education offering to eight models
Ends the year with **57 597** learners
on 70 campuses (166) schools
Acquires Creston College (KwaZulu-Natal), Sagewood School (Gauteng) and Land of Oz Nursery School (Gauteng)
Announces its maiden dividend

2020

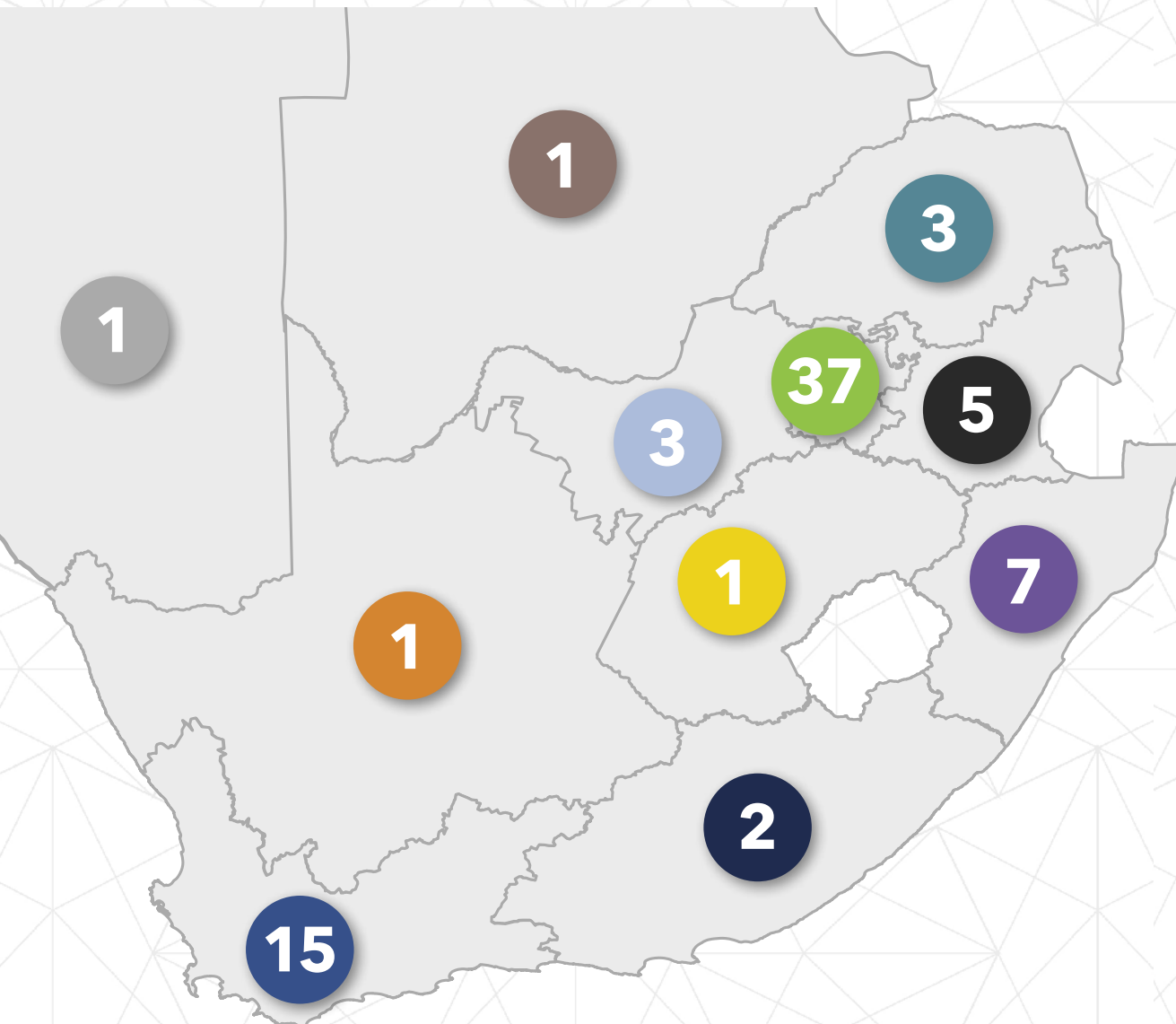
On 31 January 2020, Curro has **62 698** learners in 76 campuses (175 schools)
Acquires The King's School Linbro Park (Gauteng)
Launches Curro Online
Curro consolidates/refocuses non-profitable nursery schools and closes one non-profitable school
Works closely with government to set COVID-19 standards and protocols to keep schools open
Curro raises **R1,5 billion through a rights offer**
Ends the year with 60 187 learners on 76 campuses as at 31 December 2020.

2021

On 28 February 2021, after a delayed start to the academic year, Curro has **66 153** learners in 76 campuses (178 schools)
Acquires St George's Preparatory School (Gqeberha/Port Elizabeth)

ORGANISATIONAL OVERVIEW

2.2 Geographic footprint by campus (February 2021)

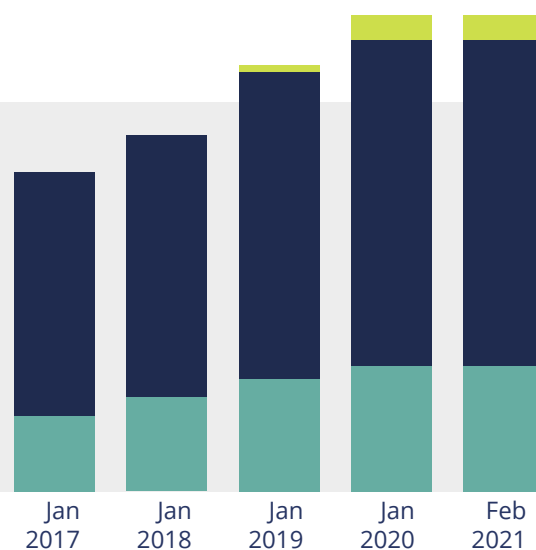


Botswana	Baobab School	1	Gauteng	37
Eastern Cape	Curro Westbrook St George's Preparatory School	2	Cooper College (Johannesburg North)	
Free State	Curro Bloemfontein	1	Curro Academy Clayville	
KwaZulu-Natal	Creston College (Port Shepstone)	7	Curro Academy Mamelodi	
	Curro Heritage House (Durban)		Curro Academy Parkdene (Boksburg)	
	Curro Hillcrest		Curro Academy Pretoria	
	Curro Mount Richmore (Ballito)		Curro Academy Protea Glen	
	Grantleigh (Empangeni)		Curro Academy Riverside	
	Meridian Newcastle St Dominics Newcastle		Curro Academy Savanna City	
Limpopo	Curro Heuwelkruin (Polokwane)	3	Curro Academy Soshanguve	
	Northern Academy I (Polokwane)		Curro Academy The Blyde	
	Northern Academy II (Polokwane)		Curro Academy Wilgeheuwel	
Mpumalanga	Curro Bankenveld (Emalahleni)	5	Curro Aurora (Randburg)	
	Curro Nelspruit		Curro Castle Bryanston	
	Curro Secunda		Curro Douglasdale	
	Meridian Karino (Nelspruit)		Curro Edenvale	
	Curro Academy Mbombela		Curro Hazeldean (Pretoria)	
North West	Curro Academy Mahikeng	3	Curro College Hazeldean (Pretoria East)	
	Curro Klerksdorp		Curro Helderwyk (Brakpan)	
	Meridian Rustenburg		Curro Jewel City	
Northern Cape	Curro Kathu	1	Curro Krugersdorp	
Western Cape	Curro Academy Sandown (Table View)	15	Curro Midrand Halfway Gardens	
	Curro Brackenfell		Curro Midrand Sagewood	
	Curro Burgundy		Curro New Road	
	Curro Century City (Cape Town)		Curro Oakdene	
	Curro Delft		Curro Rivonia	
	Curro Durbanville		Curro Roodeplaatt	
	Curro Foreshore (Cape Town CBD)		Curro Serengeti (Kempton Park)	
	Curro George		Curro Thatchfield (Centurion)	
	Curro Hermanus		Curro Vanderbijlpark	
	Curro Langebaan		Curro Waterfall	
	Curro Mossel Bay		Land of Oz (Fourways)	
	Curro Rosen Castle (Tyger Valley)		Land of Oz (Chartwell)	
	Curro Sitari (Somerset West)		Meridian Cosmo City	
	Curro Uitzicht (Durbanville)		Northriding College (Roodepoort)	
	Meridian Pinehurst (Kraaifontein)		The King's School Linbro Park	
Namibia	Windhoek Gymnasium	1	Waterstone College (Johannesburg South)	
			Woodhill College (Pretoria)	

ORGANISATIONAL OVERVIEW

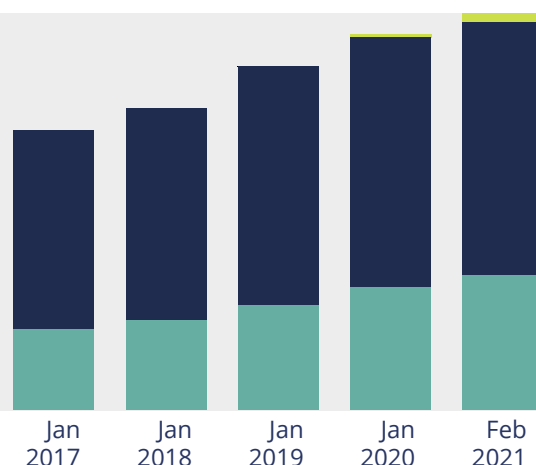
2.3 Key statistics

Number of campuses



	Jan 2017	Jan 2018	Jan 2019	Jan 2020	Feb 2021
Institute for higher education	3	-	-	-	-
Meridian and Curro Academy Schools	12	15	18	20	20
Curro, Curro Castle Nursery Schools, Curro Select Schools and other	39	42	49	52	52
DigiEd Schools	-	-	1	4	4
Total	54	57	68	76	76

Number of learners

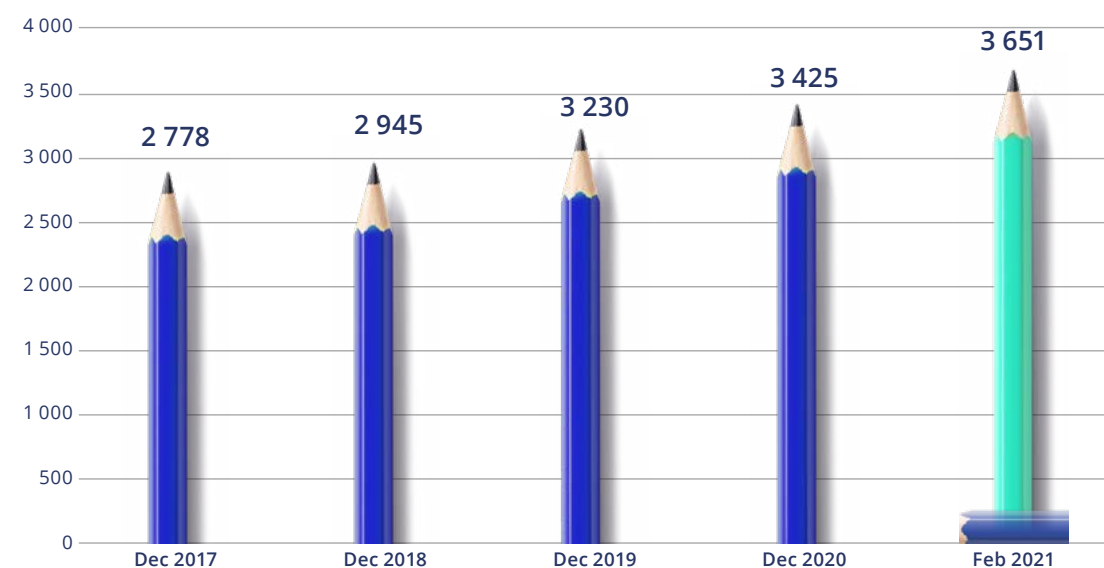


	Jan 2017	Jan 2018	Jan 2019	Jan 2020	Feb 2021
Institute for higher education	978	-	-	-	-
Meridian and Curro Academy Schools	13 453	14 975	17 512	20 379	22 405
Curro, Curro Castle Nursery Schools, Curro Select Schools and other	33 158	35 258	39 721	41 792	42 337
DigiEd Schools	-	-	43	527	1 411
Total	47 589	50 233	57 276	62 698	66 153

Learner demographics – 2020



Number of teachers



ORGANISATIONAL OVERVIEW

2.4 Group financial performance review

Key performance indicators for the years ended 31 December

	2014	2015	2016	2017	2018	2019	YOY growth	2020	CAGR
Profitability									
Revenue (R million)	1 001	1 384	1 714	2 098	2 496	2 944	5%	3 094	21%
Employee costs (R million)	550	738	936	1 107	1 290	1 569	-	1 567	19%
EBITDA (R million)	191	292	377	472	627	693	(1%)	686	24%
Recurring profit attributable to ordinary shareholders (R million)	55	98	172	209	248	212	(16%)	179	22%
Recurring headline earnings per share (cents)	17.2	28.3	43.9	48.1	60.1	50.0*	(24%)	38.0	14%
EBITDA margin	19%	21%	22%	23%	25%	24%		22%	
Statement of financial position									
Total assets (R million)	4 073	5 079	7 321	8 085	9 165	10 485	6%	11 114	18%
Interest-bearing liabilities (R million)	1 399	1 583	1 624	2 342	2 853	3 680	(21%)	2 894	13%
Equity (R million)	2 211	3 081	4 964	4 996	5 272	5 416	25%	6 766	20%
Net asset value per share (cents)	679	865	1 222	1 213	1 277	1 312	(14%)	1 132	9%
Capital investment (R million)									
Current campuses	651	626	571	652	590	910		635	
New campuses	482	369	649	472	534	209		12	
Acquisitions	172	15	266	12	369	127		3	
STADIO Holdings	-	20	214	56	(120)	-		-	
Total capital investment	1 305	1 030	1 700	1 192	1 373	1 246**		650	

* Adjusted for the bonus element contained in the rights issue.

** Figure adjusted from R1 285 million previously reported to exclude the other investing activities, which represent the net flows into money market funds during the year.

'Children must be taught how to think, not what to think.'

— MARGARET MEAD

VALUE ADDED

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

Value distribution (R million)

2020

2019



Distributed to employees

70%
1 539*

64%
1 538*



Distributed to providers of capital

15%
321

12%
279



Value reinvested

9%
189

9%
229

Value distribution (R million)

2020

2019



Distributed to social responsibility

6%
142

5%
117



Distributed to government

5%
102

3%
88



Value retained

-5%
-108

7%
174

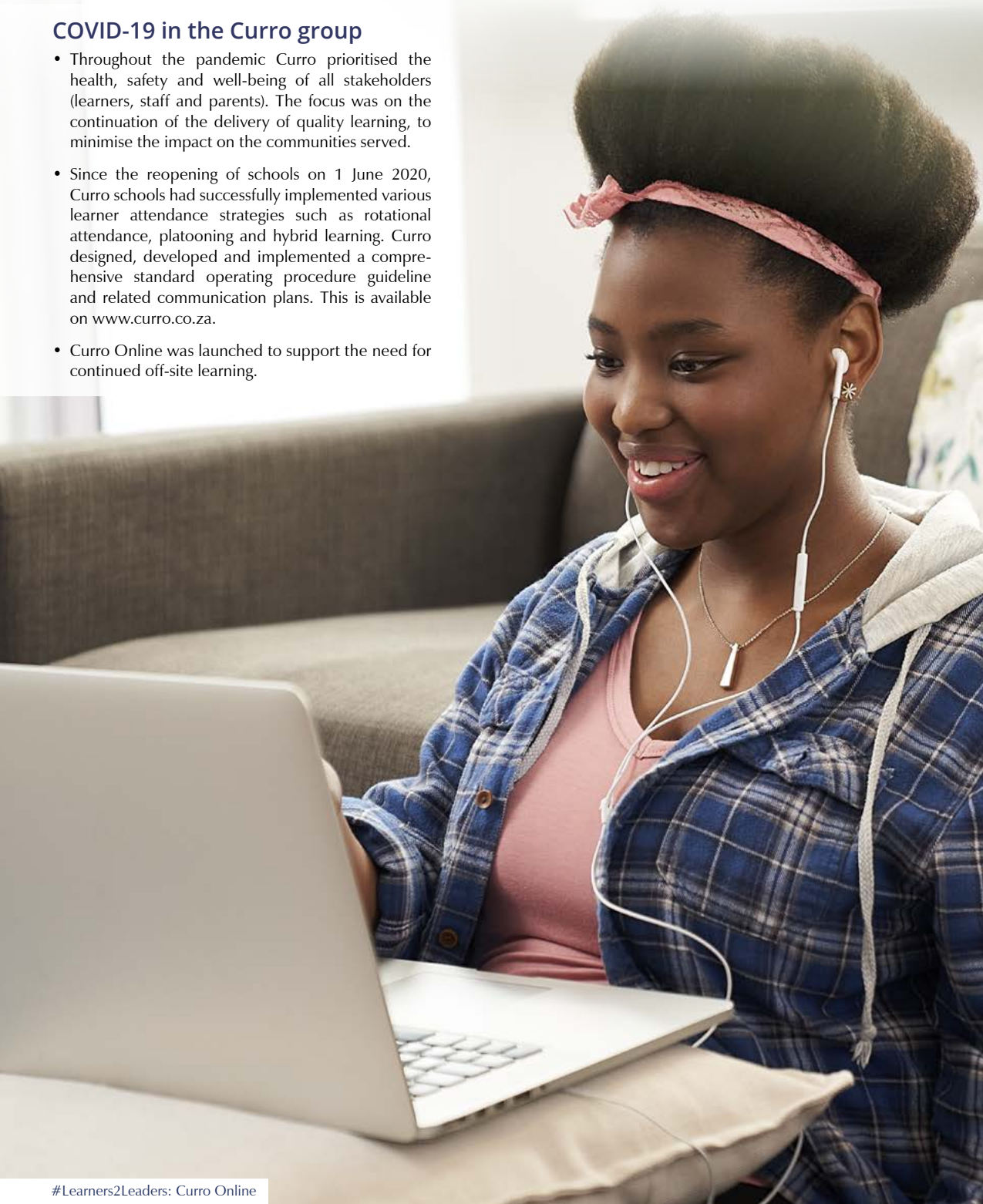
* Excludes Skills Development Levy ('SDL') and Unemployment Insurance Fund ('UIF') contributions that are included in figures relating to 'Distributed to government'.

ORGANISATIONAL OVERVIEW

2.5 Group highlights 2020

COVID-19 in the Curro group

- Throughout the pandemic Curro prioritised the health, safety and well-being of all stakeholders (learners, staff and parents). The focus was on the continuation of the delivery of quality learning, to minimise the impact on the communities served.
- Since the reopening of schools on 1 June 2020, Curro schools had successfully implemented various learner attendance strategies such as rotational attendance, platooning and hybrid learning. Curro designed, developed and implemented a comprehensive standard operating procedure guideline and related communication plans. This is available on www.curro.co.za.
- Curro Online was launched to support the need for continued off-site learning.



#Learners2Leaders: Curro Online



Curriculum

- Despite lockdown, Curro continued teaching and learning due to an ongoing investment in IT integration and training. The group managed to deliver the full curriculum, per grade, despite the impact of the pandemic.
- The group developed a unique subject-orientated digital curriculum platform, where teachers have access to subject-specific digital material. This also enables Curro to switch to hybrid or remote learning when required. A bridging programme was developed to address specific learning gaps identified, with a specific focus on languages and Mathematics, and Robotics was introduced at Meridian and Academy Schools.
- Curro included STEAMD skills sets into the Technology curriculum. This includes 3D printing, laser cutting, electronic robots and drones.
- Curro achieved exceptional results in IEB and NSC matric examinations, with a 99,5% pass rate at its IEB schools, achieved under very challenging circumstances. Assisted Learning, Academy and Meridian Schools across 11 campuses nationally, achieved a 95,0% pass rate.

Business operations

- Learner numbers grew by 10% from 60 187 learners on 31 December 2020 (Dec 2019: 57 597) to 66 153 on 28 February 2021.
- During lockdown support was offered to parents severely affected by the COVID-19 lockdown by means of discounts. The Curro Relief Fund assisted ±3 000 families before closing in August 2020.
- Curro launched Curro Online during lockdown. All tuition was offered online to learners from Grades 4 to 10. Hybrid learning remained in place throughout lockdown across all Curro schools.
- Curro acquired The King's School Linbro Park in 2020.
- Since the reopening of the business environment, Curro continued construction to ensure capacity for the new school year.
- Staff and learner well-being in 2020 assumed top priority and various strategies were implemented to keep in contact with the management, staff and learners at each campus. Additional staff support was put in place with the Momentum Employee Assistance Programme.
- Curro's technology utilisation ensured it was one of the largest technology networks in southern Africa. Where required, connectivity was arranged for parents and learners via cost-effective data billback packages with no significant security breaches.

Sport and culture

- For 22 exceptionally talented young Curro Create performers, long hours of rehearsals paid off, as the show-stopping Curro Create musical production, *From Broadway to Bird Street*, was nominated for a prestigious kykNET Fiësta Award. This musical was recognised in the Best music-driven production: theatre category.
- Curro Chess made history in 2020 by hosting the biggest schools' online chess tournament in South Africa with 340 learners participating.

ORGANISATIONAL OVERVIEW 2.5 Group highlights 2020

Community outreach

Every year, Curro schools (staff, learners and parents) donate their time, energy and resources towards a number of community outreach projects. Even with 2020 being a year of extraordinary challenges, Curro did not disappoint.

Although lockdown did hamper the number of projects that were planned, Curro schools still found ways to give selflessly to the benefit of others who need assistance.

During 2020, Curro schools participated in several community outreach projects. These included, but were not limited to:

- Assist several healthcare organisations around the country by offering the services of their 3D printers, as well as their staff, to aid in the printing of protective face shields for medical workers fighting against COVID-19.
- Recycling initiatives to save the environment and to raise funds for those in need.
- Celebrating Nelson Mandela Day by giving their time and donations at various events. This also included a virtual fun run supported by Curro Sport.
- Collecting and distributing food, clothing and other essential items to various non-profit organisations and communities in need, from orphanages to children with learning challenges to care centres for the elderly.
- Special Christmas and stationery collections.
- Collecting and distributing supplies for animal welfare organisations.
- Environmental projects such as area clean-ups.

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



Curro Academy Mbomela
Food and supplies for a local non-profit centre for children with learning challenges



Curro Academy Mamelodi
Uniform drive at a neighbouring school



Staff at Helen Joseph Hospital in Johannesburg wearing protective face shields produced by local Curro schools.



Curro Mount Richmore
Collection drive for a local orphanage



Creston College
Animal food and blanket donations for the local SPCA



Waterstone College
Collection of supplies for healthcare workers



Curro Uitzicht
Collection of recycling for wheelchairs for learners in need



Windhoek Gymnasium
General supplies and food for a Walvis Bay community in need



ORGANISATIONAL OVERVIEW

2.5 Group highlights 2020



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

The Ruta Sechaba Foundation grew to over 600 learners in the 2020 academic year and had close to 60 candidates who wrote the Grade 12 final year examination; all the candidates passed this examination and achieved over 100 subject distinctions. The BD pass rate (university entrance qualification) stands at 87%, with only five candidates passing with a diploma.

In 2020 the Ruta Sechaba Foundation partnered with KFC and their KFC Ikusasa Lethu ('our future') scholarship programme. These scholarships are for the 2021 academic year and are awarded to deserving learners whose parents work for a KFC restaurant and to children who are Add Hope beneficiaries across South Africa. KFC identified 27 deserving learners and will cover 100% of the costs.

Jones & Wagener has committed to adding four new learners to its list in 2021. The company also committed to funding up to R100 000 of the 2021 university fees for two beneficiaries currently completing their Grade 12 year at Meridian Newcastle and Northern Academy.

Capitec increased its beneficiary list to 37 in 2021 from 16 learners in 2020. In addition, donors PSG, Absa, Reatile, and the Alexandra Education Committee have all pledged their support to the foundation for 2021.

Each year Curro follows the progress of their Ruta Sechaba candidates who continue to impress and inspire with their excellence. Curro is particularly proud of the Grade 12 candidates who achieved exceptional results in the 2020 academic year. Three candidates in particular are featured:



Vuyo Kwakweni

from Curro Century City matriculated with five distinctions and has been accepted to the University of Toronto at the Faculty of Arts and Science. Vuyo is not only very studious, but she is also an avid poet who received the Adjudicator's Award in the Curro Create Monologue Festival in 2020.

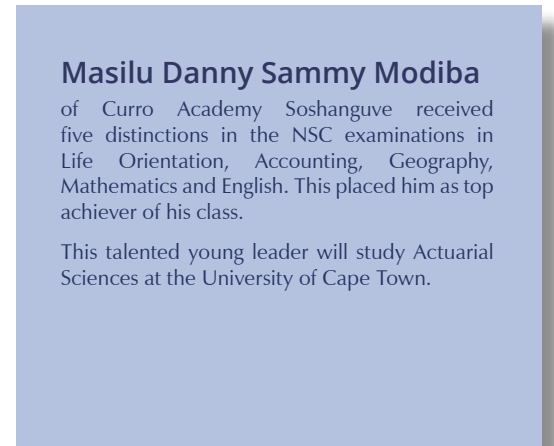


Elona Fikani

was one of Curro Durbanville's top five academic achievers of 2020 and passed the matric IEB examinations with seven distinctions.

As an aspiring CA(SA), he has already been offered a training contract at Deloitte, a leading global provider of audit and assurance, consulting, tax and related services. In the words of their national recruitment leader, this learner is 'most definitely a different thinker'. He will commence his studies in accounting at the University of Stellenbosch this year.

Elona is an all rounder who also played rugby and took part in athletics.



Masilu Danny Sammy Modiba

of Curro Academy Soshanguve received five distinctions in the NSC examinations in Life Orientation, Accounting, Geography, Mathematics and English. This placed him as top achiever of his class.

This talented young leader will study Actuarial Sciences at the University of Cape Town.



'The wind does not break a tree that bends'

— SUKUMA PROVERB (AFRICA)

ORGANISATIONAL OVERVIEW

2.6 Curro's investment case



#Learners2Leaders: Curro Sport

Why invest in Curro?

1. Profound impact on our future

Curro believes that the purpose of education is to empower all learners and staff to achieve their full potential as individuals and members of society. This is reflected in its brand promise, in which the company promises that it will provide 'Quality education for future leaders'. The business has grown significantly over the last decade in this noble quest.

2. Strong demand and potential for the product

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

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

Curro estimates that there is still potential for an additional 0.9 million learners to attend independent schools, implying that up to 600 new independent school campuses of 1 500 learners each may need to be established. This does not consider future population and economic growth.

3. Competitive advantages

Learners are usually loyal to the schools they attend, and Curro has developed significant competitive advantages, with the most notable being:

- The development of a trusted brand with a track record of academic excellence since 1998.
- Models for quality independent schooling at the different price levels.
- A robust and seamless digital tuition offering, with proven success during the recent lockdown regulations when schools were closed and/or contact-teaching was limited.
- Efficient campus design, development and funding methodology.
- A maturing portfolio of schools, with the majority being cash generative. The start-up phase of a new school requires substantial financing given the high fixed cost component, and it may take up to five years to generate free cash flow.
- A holistic offering in terms of curriculum, culture and sport.

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

- A school is a very predictable business. Once enrolled, a large proportion of learners will attend the same school throughout their school career.
- Schools are very cash generative, with a predominance of annuity income. School fees are paid annually or monthly.
- Costs are mainly fixed and predictable for a year and for future years, with salaries and facility costs (municipal rates, electricity and water) comprising approximately 75% of expenses.
- Schools are operationally geared; therefore the majority of costs are fixed or semi-fixed, which means that with every additional learner a larger proportion of revenue will have an impact on profit. This positive operating leverage will be a key driver of future profitability as schools gradually trade closer to their capacity.

5. Curro is the market leader

As of 28 February 2021, Curro had 66 153 learners – roughly double the number of school learners than the second biggest for-profit independent school group.

- Curro has 76 campuses with 178 schools, which broadly achieved its goal to have 80 campuses going into 2021.
- Globally, Curro is among the 10 largest for-profit school groups based on learner numbers.
- Curro has invested more than R10 billion in facilities over the past seven years.
- Curro's potential market increases as a result of its range of products across different price categories.
- Curro provides independent schooling for as low as R1 750 per month, which compares very favourably with former model C government schools.
- More than 61% of Curro's learners on average pay less than R5 000 per month for schooling, with 25% paying less than R3 000 per month.

6. Significant skills and experience

- Curro has a specialist and experienced management team with a proven track record of value creation.
- Curro's in-house design and project management team has, over the years, developed a standard costing approach that is meaningfully more cost effective than that of comparable projects in the sector. This enables Curro to charge lower school fees to generate similar returns on investment than other players in the industry.
- Curro invests significant resources in developing 21st-century teaching methodologies that adapt to the way children learn in our society today.
- Development of curriculum support materials that are used in all its schools.

7. Disciplined capital allocation and geared for growth

- Curro's market share represents only approximately 3.7% of the total current market.
- Curro currently utilises 51% in J-Curve for 2020 of eventual capacity, implying a revenue growth potential of 73% (based on 90% of eventual capacity filled), with relatively lower (compared to historical) requirements for additional capital investment or increased operational expenses. This will accelerate margin and yield for the business.
- Curro has a strong, supportive shareholder of reference, shareholders and funders who are supportive of its growth aspirations.
- The company will not develop new greenfield schools, unless the business case is compelling. Acquisitions will be considered only when they complement the current offering. Curro will focus on existing capacity in the foreseeable future and fill up the present schools.

Market information

Global indicators

UNESCO statistics for 2018 indicate that South Africa remains far behind in terms of global averages for enrolment in private institutions.

	Percentage of enrolment in pre-primary education in private institutions (%)	Percentage of enrolment in primary education in private institutions (%)	Percentage of enrolment in secondary education in private institutions (%)
South Africa	6	5	5
World	36	19	27
Lower middle-income countries	26	27	40
Middle-income countries	35	20	29

Localised market information	Number of learners (million)	As % of total
Total number of learners in South Africa ¹	17.6	–
Total number of learners in school in South Africa (Grades R to 12) ²	13.0	
Assumed midpoint of number of learners who can afford some form of independent schooling	1.5 ³	10% – 14%
Number of learners in independent schools in South Africa	0.6 ²	5%
A possible additional market potential (midpoint)	0.9	7%

References

¹ Ages 3 to 18 UNESCO.

² "School Realities 2019" Department of Basic Education (www.education.gov.za)

³ Number of learners who can afford some form of independent schooling based

• on the number of taxpayers earning > R350 000 per annum (88% between ages 25 and 55 years) – 1.3 million (Ref: SARS) and

• Number of medical aid beneficiaries aged 5 to 18 years – 1.8 million (Ref: JP Morgan)

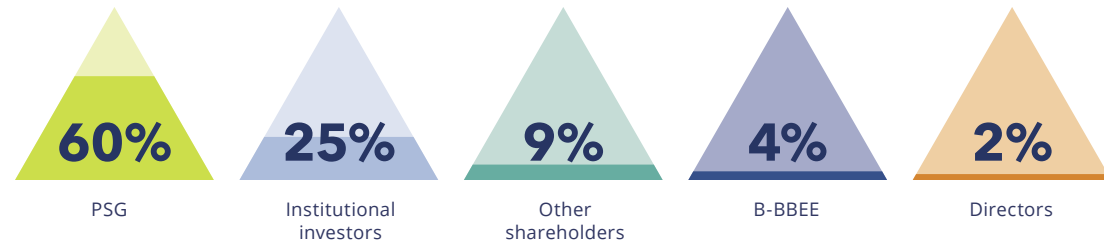
ORGANISATIONAL OVERVIEW

2.7 Shareholder statistics

Share price history
Curro Holdings Limited (COH)



Shareholder structure*



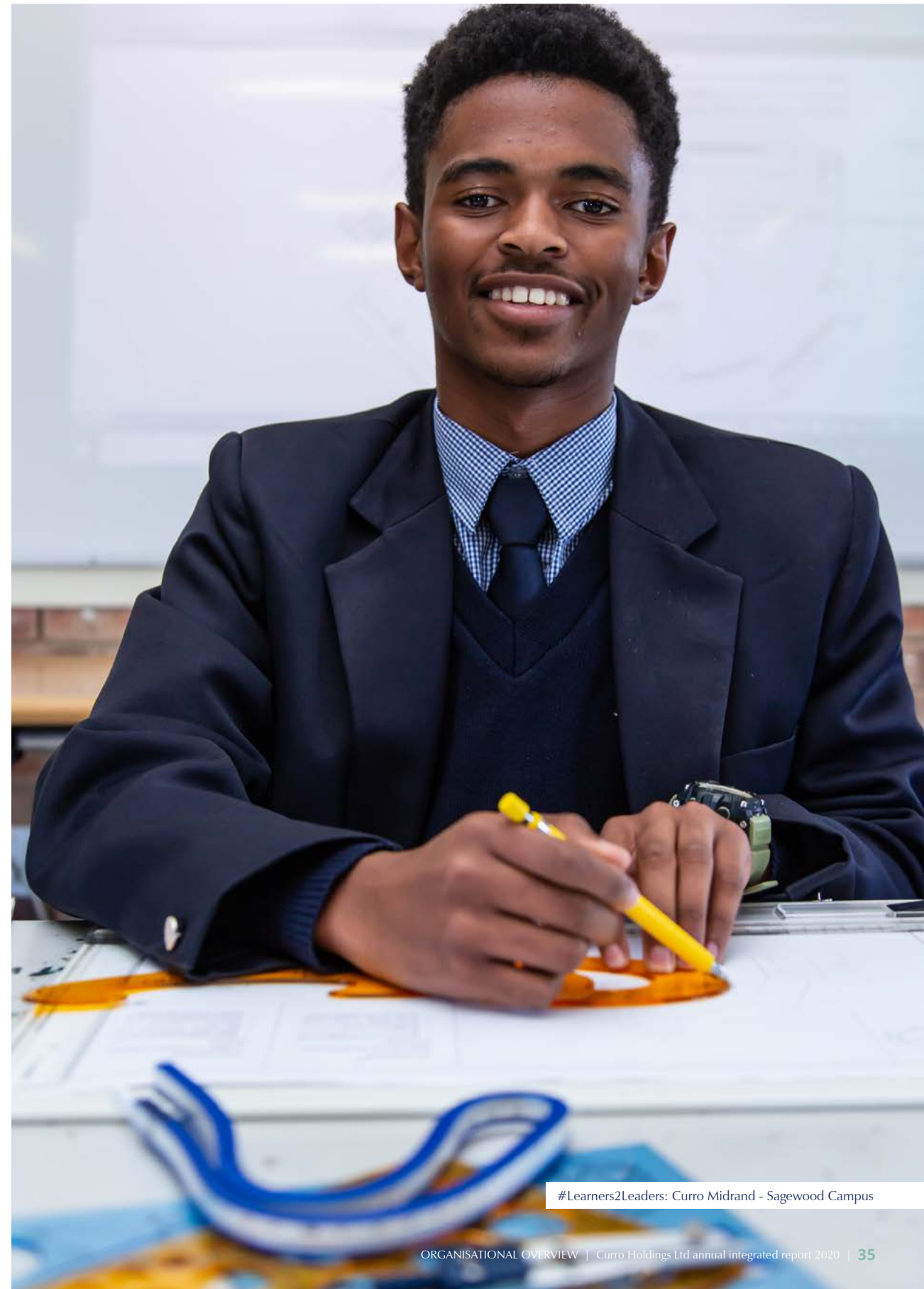
* As at 31 December 2020

Listing information

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

Stock exchange performance

For the years ended 31 December	2013	2014	2015	2016	2017	2018	2019	2020
Market price – high (cents)	2 955	3 095	5 999	5 800	5 092	4 373	2 923	1 839
Market price – low (cents)	1 379	2 405	2 715	3 500	3 387	2 251	1 581	469
Market price – close (cents)	2 780	2 900	5 779	5 020	4 240	2 551	1 770	948
Market price – average (cents)	1 902	2 679	3 788	4 339	4 319	3 057	2 221	999
Volume of shares traded (million)	22	26	39	98	107	71	62	125
Value of shares traded (R million)	425	709	1 485	4 162	4 523	2 207	1 354	1 167
Volume/weighted average number of shares (%)	8	8	11	25	26	17	15	27
Market capitalisation (R million)	8 195	9 442	20 623	20 439	17 473	10 512	7 294	5 669
Price earnings ratio at year end	216	171	205	114	88	42	23	19



#Learners2Leaders: Curro Midrand - Sagewood Campus

ORGANISATIONAL OVERVIEW

2.8 The capitals

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

INPUTS

ACTIVITIES

OUTPUTS

OUTCOMES



Financial capital

Curro's financial inputs come from:

- Equity financing
- Internally generated cash flows
- Debt funding

The group uses its financial capital to:

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

Curro has shareholders' equity of R6.8 billion with net debt of R2.5 billion.

During the 2020 financial year the group generated cash flow from operations of R514 million, raised R1.5 billion in a successful rights offer and repaid R1.1 billion of debt.

Net finance costs to providers of capital was R223 million.

Curro has 76 campuses (January 2020: 76 campuses) and 178 schools (January 2020: 175 schools).

The group acquired one campus and closed one campus.

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



Productive/manufactured capital

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

In 2020 Curro invested:

- R635 million in existing campuses
- R12 million in new campuses and land banking
- R3 million in an acquisition

Investment in the development of the curriculum amounted to R21 million.

Curro has R10.3 billion of non-current assets, with replacement and market values which are estimated to be between R2.0 billion and R2.5 billion higher, respectively.

Curro has 76 campuses across southern Africa. These campuses are currently operating at 69% of built capacity and 51% of eventual capacity.

The quality and uniqueness of its campuses, continuous design and development of its curriculum and the holistic learner-centric offering (in terms of the balance between academics, sport and culture) are key differentiators for Curro's business. The group is focussed on the ongoing development thereof.

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



Human capital

Human capital inputs are as follows:

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

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

- Continuous professional development
- The provision of appropriate remuneration, incentives and an employee retention scheme
- Internship programmes for various occupations, including IT, marketing and teaching
- Continuous development of a culture of strength-based leadership in all Curro schools through ongoing development coaching initiatives
- Keeping its employees safe and healthy by ensuring that its facilities comply with the Occupational Health and Safety Act, No. 85 of 1993, as amended ('OHASA') and other regulations inter alia COVID-19 requirements and restrictions.

As at 28 February 2021, Curro had 6 245 employees, which included 3 651 teachers. The number of employees increased by an average of 11% per year since 2014, mainly due to organic and acquisitive growth.

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

During the 2020 financial year, Curro invested R1 567 million in the remuneration of its employees which included a share incentive scheme to incentivise and retain key employees and management.

Curro registered 70 interns in education for teaching courses, from higher certificates and diplomas to BEd degrees.

A total of 47 members of the senior management team were registered for the Postgraduate Diploma in Business Administration.

Curro's teachers are the primary interface with its learners and parents, and their motivation and competence are key determinants of the group's future success and sustainability.

The outcome of the efforts of Curro's human capital investment is seen in the local and international success of the growing alumni base and was particularly evident in the seamless implementation of a robust digital offering during the sudden national lockdown and subsequent restrictions in 2020.

The Curro Curriculum Management and Delivery ('CCMD') division ensures that Curro's teachers receive continuous training and development. Through STADIO Higher Education, teachers can continue their tertiary education, which is sponsored by Curro.

The investment in human capital has a positive impact on Curro's productive capital and nurtures its intellectual capital.

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

The remuneration policy and implementation reports are contained on pages 84 to 98.

ORGANISATIONAL OVERVIEW

2.8 The capitals

INPUTS

ACTIVITIES

OUTPUTS

OUTCOMES



Intellectual capital

Curro's intellectual capital includes its:

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

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

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

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

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

The skills of Curro's management team allows it to take advantage of growth opportunities. The executive management team collectively has more than 70 years' experience and a significant knowledge base in selecting, developing and managing schools.

The company's commitment to best-practice corporate governance strengthens Curro's brand and reputation. The credibility of the Curro brand is invaluable and Curro relies on its employees to represent and protect the brand.

Curro demonstrated its entrepreneurial flair and intellectual capital in the rapid deployment of online and digital offerings in 2020 to deliver high-quality education despite the national lockdown restrictions.



Social and relationship capital

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

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

Through its focus on responsible marketing practices in the group and aligned with its responsible marketing policy, every school has at least one upliftment project relevant to the community in which the school is located.

These projects help to educate its learners and staff to be responsible corporate citizens. Projects typically involve the learners, parents, employees and, where relevant, the companies that sponsor projects. Curro also contributes financially to these projects.

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

Curro contributed R142 million to corporate social investment and bursaries for the year ended 31 December 2020.

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

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

Curro's marketing and communication activities reflect respect for the relationship between school, parent and child, with due care taken in terms of imaging and references to individual learners, their parents and other stakeholders in Curro's environment.

Marketing elements are designed to be appropriate and consistent to appeal to parents and potential learners; they emphasise the benefits of Curro's offerings across all their pricing models, including the academic offer and local campus design, without exaggeration and false promises.

The company places significant value on the goodwill created between itself and its involvement in the surrounding communities, as it aims to create longstanding relationships in these areas.



Natural capital

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

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

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

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

Carbon emission
Curro is committed to integrating climate-related issues with its business strategy and submitted the company's second CDP response in 2020.

Energy usage
Energy-efficient lighting and motion sensors have been introduced at all schools.

Schools have installed or are in the process of installing electricity usage meters. Electricity tariff optimisation for all schools was initiated in 2020.

Water
Schools have installed or are in the process of installing water usage measuring devices. Water and sewerage tariff optimisation for all schools was initiated in 2020.

Carbon emissions
Curro submitted the second CDP response and received a C score.

In 2019 Curro established an environmental, social and corporate governance ('ESG') programme to identify and mitigate risks and in 2020 the first annual risk rating review was conducted by an international risk rating agency.

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

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

Carbon emissions
Curro expects an increase in tons of CO2 (tCO2) year-on-year as the scope of the reporting boundary increases due to factors such as new acquisitions and the inclusion of new greenfield schools in the reporting boundary.

In 2019, baseline metrics were established to assess future progress. These metrics include tCO2 per learner, tCO2 per m², and tCO2 per Full-time Employee ('FTE'). In 2020, an improvement was reported for all of the above metrics, this was due to more schools being included in the reporting boundary which resulted in additional m², learners and employees per tCO2.

Reporting on these targets will continue to be supported by the installation of smart utility meters on all school campuses, the use of digital platforms to manage and assess business travel, the continued development and implementation of energy-efficient and low-carbon energy solutions, improved data capturing and reporting, and the continued use of electronic devices in classrooms.

In 2020, Curro was the first company in Africa to enter a sustainability linked loan, tied to ESG performance indicators. Curro managed to improve their overall risk rating and rank first, in terms of ESG risk management, amongst its peers.

ORGANISATIONAL OVERVIEW

2.9 Stakeholder engagement

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

Stakeholders

Clients (learners and parents)	Daily engagement takes place between teachers and learners, who are regarded as the primary stakeholders in the group. This is done by utilising various teaching methods and communication programmes, all in line with 21st-century teaching and learning methodologies. During the COVID-19 pandemic Curro adjusted engagement programmes to align with stakeholder needs. A corporate communication programme exists for parents and learners, which includes updates that are school-specific and directly related to the Curro curriculum, as well as its sports and culture activities. In addition, schools are encouraged to establish parent advisory committees ('PACs'). These committees ensure the maximum engagement between the group and its learners, parents and/or guardians (collectively referred to as Curro's clients).
Regulators	Engagement with regulators takes place in the formalised education management structure. Dedicated Curro staff communicate and engage with the regulators, including the Department of Basic Education, Umalusi (the council for quality assurance in education and training), the IEB, town councils and municipalities.
Investors and funders	The chief executive officer ('CEO') and chief financial officer ('CFO') engage continuously with investment communities and shareholders. Formal engagements take place annually and a programme exists in terms of which investors and funders are invited to visit schools on a prearranged basis.
Employees	Engagement with this stakeholder group is covered on page 36 of this report under human capital.
Communities	Curro actively engages with and supports the communities in which it operates. This is evidenced by its contribution of R142 million to corporate social investment and bursaries for 2020. The Ruta Sechaba Foundation continues to grow from strength to strength. Refer to pages 30 and 31 for information on Ruta Sechaba.

Current issues and responses

Areas of interest	Stakeholder	Curro's response
What is Curro's expansion strategy?	Shareholders and analysts	<p>Potential for expansion in South Africa remains given the demand for quality education and Curro's ability to provide this at value-for-money prices. Curro's primary focus will be on filling existing school capacity. During September 2020, Curro raised R1.5 billion in a successful rights offer to further bolster its balance sheet. The proceeds of the rights offer was used to repay R1.1 billion of debt, with the balance available for potential acquisition opportunities.</p> <p>Curro is focused on investing capital in the business (existing schools) for expansion, whilst acquisitions should be yield-enhancing and will therefore be centred on attractive entry multiples. Curro understands the fundamentals of South Africa well from business, economic and cultural perspectives, which enables it to make a success of new acquisitions.</p>
Does Curro comply with the prerequisites of the Curriculum Assessment Policy Statements ('CAPS') on teacher-learner ratios and the criteria of sound school governance, leadership and management?	Umalusi	<p>Curro has a close relationship with Umalusi and the concept of excellence in schools is non-negotiable. Curro strives to attain all its objectives, has its schools accredited with Umalusi, and reports to Umalusi on areas that still need to be developed in the group's newly built schools.</p> <p>Due to COVID-19 and lockdown, no new accreditation processes were started, or site visits conducted during 2020.</p> <p>Meridian Karino and Meridian Newcastle are awaiting full accreditation during 2021 (postponed from 2020). Curro Secunda, Curro Century City and Curro Mount Richmore are in the process of applying for extensions to grades up to Grade 12 and 15 schools will commence their accreditation process in 2021.</p> <p>All schools who submitted post-monitoring reports during 2020 were reviewed and were compliant for the continuance of their accreditation. All site verification visits will be online and virtual visits during 2021. Umalusi is currently providing training on how to submit and prepare for the virtual site visits.</p>
Is the general quality of Curro's infrastructure in line with industrial standards?	Municipalities	<p>Curro's professional infrastructure development team meets regularly with the local municipalities to discuss the impact of its development of campuses on the local environment, and mutual planning takes place on a continuous basis.</p> <p>This attitude is reinforced by complying with local authorities' building requirements (including approved building plans) and ensuring that occupancy certificates are in place for all Curro buildings.</p> <p>Curro is committed to integrating climate-related issues with its business strategy. In response to the carbon disclosure project ('CDP'), Curro intends to report on its carbon-emission forecast by installing smart utility meters at all campuses.</p> <p>Curro further strengthened the focus on its infrastructure by appointing Bernardt van der Linde as dedicated chief operating officer ('COO'). He is responsible for planning and managing infrastructure requirements.</p>
What is Curro's policy regarding a suitable debt/equity ratio?	Funders	<p>The current debt/equity ratio is 36% net debt to equity. The group's medium-term approach to debt is conservative in the current economic circumstances. Capital investment greater than the free cash generated from operations will be funded by debt in the foreseeable future as Curro expands capacity and pursues growth opportunities.</p>

ORGANISATIONAL OVERVIEW

2.9 Stakeholder engagement

Areas of interest	Stakeholder	Curro's response
What is Curro's debt structure?	Shareholders and analysts	<p>During September 2020, Curro raised R1.5 billion in a successful rights offer to further bolster its balance sheet. Curro used a portion of the proceeds from its rights offer to repay R1.1 billion of debt, which resulted in finance cost savings in the final quarter of 2020.</p> <p>The primary objective for Curro remains increased capacity utilisation of its existing facilities. Expansions will be paid for by free cash flow and limited additional loan funding.</p> <p>With a predictable business model, learner numbers in January/February give a fairly accurate indication of cash flows for the year, so that capital investments can be carefully considered for that year.</p> <p>The business is capable of deferring replacement capex and delaying expansion capex relative to learner growth, which will allow it to use operational cash-flow generation to reduce debt.</p>
Complying with key covenants: <ul style="list-style-type: none"> • Interest service coverage ratio of 1.75 times (excluding Meridian debt) • Loan to value ratio of at least 1.3 times 	Funders	<p>Curro complied with its covenants for the 2020 year.</p> <p>As at 31 December 2020:</p> <ul style="list-style-type: none"> • Curro's interest service coverage ratio stood at 2.87 times. • The loan to value ratio was 2.8 times (gross debt) and 3.3 times (net debt).
Is my child receiving quality education?	Parents	<p>This area of interest is addressed through the written curriculum that is taught by qualified teachers (accredited with the South African Council for Educators) who are continuously developed through a combination of Embury's Institute for Higher Education and the CCMD division, which is under the strong leadership of experienced teachers. Curro has a system of standardised testing throughout its schools to ensure aligned quality in educational delivery and to provide it with the opportunity to ensure excellence for all learners under its care.</p> <p>Along with offering an innovative and relevant curriculum, it also offers the rapidly increasing impact of Curro Create (focused on its arts and culture offering) and the expansion of Curro Sport, which is available to all learners from Grade 4.</p> <p>All academic programmes were adjusted in 2020 to ensure that learning continued, despite the pandemic. Curro Create and Curro Sport were adjusted to provide online arts, culture and sports programmes during 2020, delivering on its brand promise of holistic development.</p> <p>Various other measures, such as Curro's brand, its long-standing track record and its excellent matric results, also support confidence in its quality service offering.</p>
Are we receiving a written curriculum that is still relevant?	Learners	<p>Curro's CCMD division conducts ongoing research into curriculum innovation. Best practices are communicated to Curro employees regularly and they are trained to implement new written curricula.</p> <p>In 2020 the group launched Curro Online, its first online school that offers a flexible yet structured online education model. The Curro Online model is a natural progression of Curro's tech-focused DigiEd schooling model (launched in 2019) which incorporates a strong focus on Mathematics, Science, Coding and Robotics.</p>

Areas of interest	Stakeholder	Curro's response
Are we receiving a written curriculum that is still relevant? (continued)	Learners	<p>Curro Online is not a home-schooling model, where parents need to take on the responsibility of teaching and continuous supervision. It is a learn-from-home online model that is aligned with Curro's enhanced CAPS curriculum. The model's online material is created and taught by Curro teachers. There is a structured timetable in place for the learner that needs structure, as well as the option to be flexible for those who work well at their own pace.</p> <p>To ensure relevance, Curro Private College offers the NCV as an alternative to the NSC. Curro expanded its NCV offering further in 2020 to include three campuses (Rivonia, Midrand and Roodeplaat).</p>
What can Curro do to ensure a safe and stable working environment?	Teachers	<p>Curro has various security protocols that endeavour to keep its campuses safe. The focus in 2020 was on ensuring that COVID-19 protocols were in place as prescribed by the relevant government departments. An internal management structure continues to monitor and report relevant COVID-19 statistics as required and responds rapidly to it.</p> <p>The group protects its teachers' rights by means of service contracts, which are regulated by labour law. Curro believes in continuous professional development in order to enhance every employee's chances of getting promoted.</p>
Does Curro's supplier application process provide everyone with a fair chance?	Suppliers	<p>The group utilises four main contractors to build its schools. Every supplier in South Africa and abroad is welcome to approach Curro to be considered for future contracts. A rigorous tender process is in place to ensure fairness in contract allocation.</p>
Do all Curro schools comply with the prerequisites of local government?	Departments of education	<p>Independent schools must be registered with the local departments of education. These departments have specific criteria and Curro adheres to these criteria. The process of registering an independent school takes time and in many cases the operator must first construct an appropriate building and appoint qualified teachers before the registration process can be concluded.</p>
Is the company committed to transformation?	Government	<p>Curro is committed to employing and developing a skills base that represents the demographic profile of its learner base, of which 76% was black and 24% was white for 2020. The company has an employment equity plan on which it reports annually. Refer to page 59 for employee statistics. The company has a social, ethics and transformation committee that oversees transformation in the organisation. The report from the social, ethics and transformation committee chairperson can be found on page 58 of this report.</p>
Is Curro JSE-compliant?	JSE Limited	<p>Curro's JSE Equity and Debt sponsor and corporate advisor, PSG Capital, monitors its compliance regularly in order to help ensure compliance with the JSE Listings Requirements. In accordance with the JSE Listings Requirements, the board submits its annual compliance certificate timeously.</p>
How does Curro protect its organisation from the communication of incorrect facts?	Media	<p>Where possible, Curro provides statements to the media so that any doubt regarding the accuracy of reporting is minimised. Curro has an open relationship with the media and provides updates whenever it communicates financial and academic results.</p> <p>All other media enquiries are handled efficiently through a centralised email address (engage@curro.co.za), to which all media enquiries can be channelled for response.</p>

ORGANISATIONAL OVERVIEW

2.9 Stakeholder engagement

Areas of interest	Stakeholder	Curro's response
How does Curro keep its stakeholders informed?	All stakeholder groups	The company believes in the transparent, concise and timely dissemination of relevant information to all stakeholders. Internal and external communication programmes were ramped up in 2020, to align with stakeholder needs for information during the pandemic. The regulatory requirements regarding the dissemination of information are observed. In addition, reputational risks relating to published information regarding the business are managed and continuously reduced to ensure that the Curro image and brand are protected.
What are Curro's policy and principles regarding remuneration?	Shareholders	Curro has provided details regarding its remuneration policy and implementation report on pages 84 to 98.
What will the future development pace of Curro be?	Shareholders and analysts	Curro communicated its aim of having 80 campuses in operation by 2021, and reached 76 campuses in January 2021. In future, Curro will prioritise increasing capacity utilisation at existing schools. Judicious greenfields in high-growing areas and attractive acquisitions will still be considered albeit at a slower pace than in the past. There is no specific set target on the number of new campuses for the foreseeable future, but the business is focused on enhancing its yield to shareholders.
Why are Curro's clients coming to them?	Parents	Curro's clients are looking for quality, balanced education by a recognised brand in a safe and secure environment that is convenient overall at a value-for-money price.
How sustainable are school fee increases?	Shareholders, analysts and parents	Over the long term, school fees will trend towards inflation. Fees are, however, considered individually on a per school and per grade basis, depending on the facilities and investments made, competition and absolute levels of current fees. Curro believes that on average a short- to medium-term margin of 2% between inflation and school-fee increases can be maintained.
Will Curro achieve an acceptable return on capital invested?	Shareholders and analysts	Curro has a long-cycle business, where it can take a school between five and ten years to reach a utilisation of more than 80%, and substantial capital investment is required in the early stages ahead of eventual cashflows generated at capacity. At maturity Curro makes an average IRR of between 20% and 25%, or a yield (EBIT on replacement value) of 15% to 20%. Curro expects its yield to improve as its capacity utilisation of existing assets accelerate.
What is the size of the land bank?	Shareholders and analysts	Curro invested in land to the value of R12 million in 2020, and has total land banked at a cost of R204 million for future use.
What is the status on Meridian?	Shareholders and analysts	With the implementation of various strategies – both financial and operational – Meridian saw an increase in EBITDA margin from 17% in 2018 to 19% in 2019. With the impact of COVID-19 it was difficult to maintain or increase the 19% in 2020. Between December 2020 and February 2021, Meridian learner numbers had increased by 2%. This is encouraging for future growth and improved returns.

Areas of interest	Stakeholder	Curro's response
How does Curro address the risk of communicable diseases?	All employees and learners	Curro recognises the serious impact of any communicable disease. The company provides detailed communication to all stakeholders to inform and educate them on how to prevent anyone from contracting a disease (both internally and externally on relevant social media platforms). Contingency plans are in place to isolate and prevent further spread should a school be affected, and this would be done in collaboration with the South African Department of Health. Management review and implement best practice and regulated interventions and protocols.





ACCOUNTABILITY

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

Curro's primary leadership responsibility rests with its board of directors. For detailed information on the board's role, responsibilities and powers, and the length of service, refer to pages 74 to 82.

ACCOUNTABILITY

3.1 Board of directors

SL (Santie) Botha[◇]

BEcon; BEcon (Hons)

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

**ZL (KK) Combi***

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

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

KK Combi resigned as director effective 30 November 2020.

**AJF (Andries) Greyling[△]**

CA(SA)

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

JP (Cobus) Loubser[△]

CA(SA)

Cobus was appointed as an executive director and the CFO of Curro on 1 January 2021. He started his career at KPMG, served as the financial manager of Virgin Active SA for 4 years, and held the CFO position for 11 years at Holdsport Limited until it was acquired by Long4Life in 2017. He left his position as CEO of Long4Life's Sport and Recreation division at the end of 2020 to join Curro.

**TP (Themba) Baloyi***

MBA, Cost and Management Accounting (National Diploma)

Themba was appointed as an independent non-executive director to the Curro board from 1 November 2020. Themba studied Cost and Management Accounting and has an Executive MBA from Henley Business School (UK). Themba is an innovative and entrepreneurial business leader who founded Discovery Insure Limited ('Discovery Insure'), a short-term insurance company launched in 2011. The Discovery Insure work propelled him to win the 2018 CNBC Africa All Africa Business Leaders 'Entrepreneur of the Year Award'. Currently he serves as chairman on the board of Constantia Insurance Group Limited and is a board member of CalgroM3 Holdings, and the Allan Gray Orbis Foundation, amongst others.

**ZN (Nan) Mankai***

CA(SA); MBA

Nan was appointed as an independent non-executive director to the Curro board from 10 August 2018. She currently chairs the Curro audit and risk committee. Nan is at present a Senior Investment Manager at the Mineworkers Investment Company. Nan's experience has been in private equity and investment management, having worked for private equity funds and built on balance sheet portfolios for corporates. Her recent experience also includes involvement in project finance and infrastructure investment opportunities and overseeing the internal audit function. Nan has extensive experience in serving on boards and on audit and social and ethics committees.

ACCOUNTABILITY

3.1 Board of directors

**TBL (Tsholo) Molefe***

CTA; CA(SA)

Tsholo was appointed as an independent non-executive director to the Curro board from 1 May 2019. She served as the group chief financial officer of Telkom SA SOC Ltd, where she also served as deputy group CFO and group chief risk officer. Tsholo has been appointed as the group CFO of MTN with effect from 1 April 2021. Tsholo has a solid understanding of the corporate world and of financial strategy management, financial management practices, risk and controls, and reporting requirements pertaining to various industries.

**DM (Douglas) Ramaphosa***

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

Douglas has more than 35 years of business experience at an executive management and board level. He is currently chairman of IRCA (Pty) Ltd, serves on the Board of Curro, and is chairman and founder member of investment companies such as Mnotho Group and Chakula Wote Africa. Douglas served as a non-executive director for EnviroServ, Wildlife and Environment Society of South Africa ('WESSA'), STADIO and also served at a senior executive level for corporations including Altron, Transnet, ABSA and Anglo American. He was CEO of Bytes Healthcare Solutions, managing director of Bytes Specialised Solutions, and served on the boards of Anglo American (SA), Eskom Enterprises and was chairperson of Rotek Industries.

PJ (Piet) Mouton[§]

BCom (Mathematics)

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

**B (Bernardt) van der Linde^Δ**

CA(SA); CFA

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

Bernardt had resigned as director and CFO of Curro with effect from 31 December 2020 and was appointed as COO of Curro with effect from 1 January 2021.

**Dr CR (Chris) van der Merwe[§]**

B.Prim (Ed), US; B.Ed, UNISA; M.Ed (cum laude), US; D.Ed, US

Chris has extensive knowledge and experience in the independent school and tertiary sectors. He founded Curro in 1998 and in 2011, under his leadership, the company was listed on the JSE. Chris served as CEO until June 2017 when he stepped down, unbundled the Embury Institute for Higher Education, a teachers' college, from Curro and then listed STADIO, an independent provider of tertiary education on the JSE in October 2017. He served STADIO as CEO until the company delivered on the promises of its pre-listing statement and stepped down in March 2020. Dr Van der Merwe has subsequently served PSG and STADIO as a consultant, Education. He currently also serves on the boards of Curro and STADIO as a non-executive director.

**Prof. SWF (Sibongile) Muthwa***

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

Sibongile has international leadership and management experience in the non-government, development and public sectors, and also in academia. Currently she is the Vice-Chancellor of the Nelson Mandela University. Between 2004 and 2010 Sibongile served as the director general of the Eastern Cape Provincial Government. She is the current Chair of Universities South Africa (USAf), a membership organisation representing the 26 South African Public Universities. She also chairs the Ministerial Task Team on Sexual Harassment and Gender Based Violence and Harm in SA Universities; and is a member of the Human Resource Development Council of South Africa, and is the Vice-President of the Nelson Mandela Bay Business Chamber.



ACCOUNTABILITY



SANTIE BOTH

CHAIRPERSON OF THE BOARD

3.3 Chairperson's report

Learning continues

Globally 2020 was an unprecedented year. The education sector, where we hold the future of our country in the palm of our hand, was particularly hard hit as schools were challenged to think beyond the curriculum, and had to come up with innovative ways to ensure that learning continues.

Curro's investment in technology enabled a quick transition to a remote learning strategy and helped secure 2020's exceptional academic success. The academic year posed great uncertainty, but none of the year's challenges were greater than a full move towards the virtual classroom, in the matric learners' final school year, at relatively short notice. Curro's teachers and staff are to be commended for the professional dedication shown. Without the commitment of the staff and its parents' unwavering support, Curro simply would not have been able to show this level of academic success.

On behalf of the board, I congratulate Curro's Class of 2020 on their excellent results in a year full of unexpected challenges, all bravely met – their focus and dedication were to be admired. Curro achieved record-breaking results in IEB and NSC matric examinations, with a 99,5% pass rate at our IEB schools and the Assisted Learning, Academy and Meridian Schools, having achieved a 95,0% pass rate, despite the challenge of lockdown.

During the pandemic Curro further utilised its investment in technology to assist several healthcare organisations around the country by offering the services of their 3D printers, as well as their staff, to aid in the printing of protective face shields for medical workers fighting COVID-19.

Revenue increased by 5% from R2.9 billion in 2019 to R3.1 billion in 2020. Schools' EBITDA (earnings before interest, taxation, depreciation, amortisation and head office expenditure) increased by 1.4% from R873 million to R886 million. The group's EBITDA decreased by 1% from R693 million to R686 million.

Revenue was impacted by lower ancillary school income, which was lower than in 2019, and an increase in discounts granted from 7.2% of revenue to 10.9% of gross revenue.

The business' fixed costs, twinned with constrained revenue during the second and third quarters of 2020, resulted in negative operating leverage and a reduction in EBITDA margin to 22% in 2020 from 24% in 2019.

Variable costs were reduced as far as possible due to the national lockdown, without compromising academic excellence.

Thanks to PSG for underwriting the rights offer in 2020, which enabled Curro to eliminate pressure on future cash flow and its balance sheet. The rights offer raised R1.5 billion from its shareholders to fund future acquisitions and settle debt.

Curro identified several opportunities to expand organically and by acquisition. With this expansion, the focus on specific avenues became more apparent and the need arose to further strengthen the executive team.

Bernardt van der Linde, Curro's Chief Financial Officer (CFO) since 2011, was promoted to Chief Operating Officer (COO), where he will use his in-depth knowledge of the group to lead growth initiatives. Cobus Loubser, who headed up the Sport and Recreation division of Long4Life Ltd, was appointed as CFO of Curro Holdings as of January 2021.

In 2020 the board bid farewell to KK Combi, who has been a valued contributor to Curro since 2012. His broad knowledge and experience as an entrepreneur have been invaluable to the board and management of Curro.

We would like to welcome Themba Baloyi to the Board of Curro as from 1 November 2020. Themba is a co-founder of the investment company Sithega Holdings and founder of Discovery Insure, launched in 2011. Themba will lead the remuneration committee at Curro.

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

A special word of thanks to Curro's employees, clients, parents, learners and business partners for their support and commitment to the continued success of the group as we continue the journey.

Santie Botha
Chairperson of the Board

ACCOUNTABILITY

3.3 Chief executive officer's report

Delivering quality education

The announcement by the president in March 2020 that South Africa would go into a level 5 lockdown due to the global COVID-19 pandemic rocked the very foundations of the South African lifestyle and economy. Few emerged unscathed by June 2020 as lockdown levels were reduced and, importantly for Curro, schools were permitted to reopen under stringent conditions. Due to our strict compliance with legislation and safety processes, coupled with constructive and cordial engagement with government at crucial times, Curro has come through this global crisis with its quality educational offering to our country's children enhanced and intact.

Curro's 2020 strategic approach was the protection of all within its environment, from learners and teachers right through to administrative staff and parents. Our teachers became unwitting marketers for us by teaching throughout 2020, thereby ensuring that our curriculum milestones were met, and educational standards maintained, across all grades, at all schools; enabling our learners to move to their next grades as seamlessly as they would have done with physical classes.

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

Our Class of 2020, supported by an agile and committed team of teachers across the group were able to complete their entire curriculum and produce results of which we are truly proud. After the challenges of 2020, we are proud of our 1 525 learners who wrote the Independent Examinations Board (IEB) exams, with an exceptional 99,5% pass rate. Furthermore, the group's top 10 IEB achievers all passed with averages above 90%. Curro's Assisted Learning, Academy and Meridian Schools (across 11 campuses nationally) achieved a pass rate of 95,0%. A total of 1 058 learners completed the exams and all qualified for some kind of tertiary studies.

This year will see the first learners at Curro Private College Midrand completing their National Certificate Vocational

('NCV') Level 4 qualification, the equivalent of a matric. This skills-based NCV qualification serves as a powerful alternative to the National Senior Certificate ('NSC'). As a highly practical qualification, NCV equips high school learners (Grades 10 to 12) with a portfolio of career-specific skills. NCV Level 2 learners at Curro Rivonia secured a 100% pass rate, with 17 distinctions among the seven of them.

In the year under review headline earnings decreased by 32% from R253 million to R171 million while headline earnings per share decreased 39% from 59.9 cents to 36.4 cents. Recurring headline earnings and recurring headline earnings per share decreased by 16% from R212 million to R179 million and by 24% from 50.0 cents to 38.0 cents, respectively.


Despite the challenging conditions brought on by COVID-19 and a period whereby learners were mostly educated remotely, average learner numbers increased by 6%, from 57 597 in 2019 to 60 777 in 2020. Educational excellence is now more sought-after than ever before, which is why we noted a further increase in registered learners to 66 153 in February 2021.

Curro remains absolutely committed to its learners and their parents. We will continue to provide southern Africa with the quality education and high-performance standards expected. We will continue our advances in technology and the curriculum; our learners will be the leaders of the future – our focus is on fulfilling the expectations and value that a well-rounded education brings to those who place their trust in us.

Thank you for your support in challenging times.



Andries Greyling
Chief Executive Officer



**ANDRIES
GREYLING**
CHIEF EXECUTIVE OFFICER

ACCOUNTABILITY

3.4 Strategic review and operating context

Curro operates in a market sector with substantial potential for growth and profitability, which at the same time presents significant barriers to entry. Taking advantage of the growth potential in the group’s target market requires substantial investment and long-term planning. The business model is predictive and cash generative, with a strong annuity base. For more details regarding its competitive advantage and the market size and potential, refer to the Curro investment case section of this report on pages 32 and 33.

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

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

Theme	Priorities	Key performance indicators	Outcomes
Managing stakeholder value	<ul style="list-style-type: none"> Setting a firm business aim. Being a responsible corporate citizen. Creating a stable and inviting workplace. Communicating regularly with Curro’s key clients. Generating attractive returns for shareholders. 	<ul style="list-style-type: none"> Establishing 80 campuses as Curro moves into 2021. Offering as many bursaries to talented, less-privileged learners as Curro’s business model can sustain, and optimising the relationship with the Ruta Sechaba Foundation. Developing neat, inviting and cost-efficient school campuses. Releasing a variety of digital and other publications with messages relevant and suited to the needs of their key stakeholders. Establishing a PAC at every school. Increase in the share price and paying dividends. 	<ul style="list-style-type: none"> Curro started 2021 with 178 schools, compared to 177 schools at the end of 2020, across 76 campuses. In 2020, Curro offered school-level academic and sports bursaries to the value of R142 million. At the end of 2020, the Ruta Sechaba Foundation had just over 600 learners of which 58 completed Grade 12. The start of the 2021 academic year sees 581 learners receiving Ruta Sechaba scholarships. A significant investment was made in the further development and acquisition of existing campuses. Weekly, monthly and termly publications are distributed to stakeholders. Pursuant to the uncertainties brought about by the ongoing COVID-19 pandemic and in light of the recent rights issue concluded, the board has resolved to not pay a dividend in respect of the year under review in order to preserve cash and to deliberately use capital to fund Curro’s further expansion and growth prospects. The declaration of a dividend is suspended for this year and the board will re-evaluate Curro’s dividend policy at the end of this year.
Developing and maintaining a unique client service	<ul style="list-style-type: none"> Focusing on client relationships. Enhancing networking among parents, learners and teachers. Analysing annual client surveys. Providing appropriate supporting infrastructure to manage schools through information and technology systems. Effectively marketing and communicating Curro’s product to build brand awareness and a customer-centric positioning. 	<ul style="list-style-type: none"> Introducing open-door policies from executive heads and teachers to enhance accessibility. Holding regular conferences throughout the year. Conducting an annual survey among parents, learners and staff. Formulating an information and technology strategy based on the strategic direction of the group. Promoting prominent advertising actions relevant to each individual campus (includes online marketing and awareness and other forms of marketing and advertising). 	<ul style="list-style-type: none"> Client service remains a primary priority throughout the various touchpoints in the group. In addition to the identified key performance indicators mentioned, a centralised contact point (engage@curro.co.za) provides further client service support. Comprehensive staff training is conducted regularly to ensure excellence in customer service. The main information and technology focus area remains the proactive technological support of the Curro business case. Stakeholder service level agreements are aligned with the business objectives. Curro further developed its in-house school management system and improved its data warehouse.

Theme	Priorities	Key performance indicators	Outcomes
Driving sustainable growth	<ul style="list-style-type: none"> Basing Curro’s model on the concept of affordable independent-school education. Securing enough school-zoned erven for future developments. Setting realistic annual business targets. Conducting ongoing research regarding actionable acquisitions. Proactively securing sufficient financing. Attracting and retaining quality teachers and other key employees. 	<ul style="list-style-type: none"> Escalating school fees at 2% above consumer inflation per annum, taking the country’s annual inflation rate and the global and local economy into consideration. Using capital investment and an effective marketing strategy to expand existing schools to their maximum designed capacity. Maintaining and developing Curro’s two-tier approach: Curro schools at R5 000 per month on average and Curro Academies at R3 000 per month on average. Considering attractive acquisition opportunities. With consideration of the balance sheet, ensuring an appropriate funding strategy to fund this strategic objective. Ensuring an appropriate recruitment and reward strategy is in place. 	<ul style="list-style-type: none"> Fees increased by 3.4% on average at the beginning of 2021 (2020: 5.4%). In 2020 Curro managed to ensure alignment with its business plan. Key performance indicators have been taken into consideration. Curro launched Curro Online during 2020. Capacity utilisation decreased to 51%. One acquisition was made in 2020 and one in January 2021. During September 2020, Curro raised R1.5 billion in a successful rights offer to further bolster its balance sheet. The proceeds, after repaying R1.1 billion of debt, will be used for potential acquisition opportunities.
Transformation management	<ul style="list-style-type: none"> Ensuring that all Curro schools strive to become demographically representative. 	<ul style="list-style-type: none"> Being actively involved at school level to drive Curro’s transformation agenda. Delivering on a B-BBEE strategy and plan. Delivering on an approved employment equity plan. Being closely aligned with the public sector. Employing mechanisms at schools to promote a culture of open feedback and performing regular climate studies among employees at schools. 	<ul style="list-style-type: none"> Curro understands that education plays an important role in empowering individuals and redressing the inequalities of the past. As part of this commitment, in 2016 Curro approved the appointment of a transformation committee that advises and provides the board with appropriate recommendations via the social, ethics and human resources committee. In 2019 the transformation committee was fully incorporated into the social and ethics committee, and the new committee is now called the social, ethics and transformation committee. Refer to page 80 for more information pertaining to the committee and to pages 58 and 59 for more on the group’s transformation journey. Curro has established diversity and transformation committees to drive initiatives at school level. These committees meet on a termly basis and all chairpersons attended a one-day workshop to equip them with the necessary skills to successfully steer the committees. All committees are required to submit a transformation and diversity plan that outlines annual goals. These goals are assessed every year and solutions on how to remedy goals that may not have been achieved are put in place for the following year. In 2020 committees had to realign their strategies in line with the challenges posed by COVID-19.
Curriculum innovation	<ul style="list-style-type: none"> Conducting ongoing research and development to pursue best practices and to keep Curro’s service competitive. 	<ul style="list-style-type: none"> Ensuring that the CCMD division remains focused on literacy development, coding activities, tablet research, further development of Curro’s IT curricula, systemic testing of systems, Mathematics teaching methodologies, Science and Technology education, Engineering, and Entrepreneurship as subjects. 	<ul style="list-style-type: none"> In 2020 the primary focus was to ensure that learning continues via various remote and hybrid learning strategies. The research and development work concluded by the CCMD and Curro’s IT division over the years paid off and assisted in a seamless transition for the group, despite the challenges posed by COVID-19.

ACCOUNTABILITY

3.4 Strategic review and operating context

Transformation journey

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

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

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

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

Report of the social, ethics and transformation committee

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

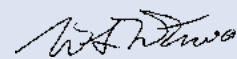
The committee comprises two independent non-executive directors and the chief executive officer, and its meetings are attended by appropriate members of management by invitation. The committee is chaired by an independent non-executive director.

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

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

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

The social, ethics and transformation committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act, and there were no instances of material non-compliance to disclose.



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

Employee statistics as at 31 December 2020

	Race						Total
	Black		White		Total		
	M	F	M	F	M	F	
Executive	2	1	5	1	7	2	9
Senior management	21	23	88	55	109	78	187
Middle management	33	69	82	283	115	352	467
Total management	56	93	175	339	231	432	663
Employee category %	8.4	14.0	26.4	51.1	34.8	65.2	100.0
Total management %	0.9	1.6	2.9	5.7	3.9	7.2	11.1
Skilled, technically and academically qualified employees	346	835	388	1 955	734	2 790	3 524
Semi-skilled and discretionary decision-making employees	149	674	35	251	184	925	1 109
Unskilled and defined decision-making employees	345	311	6	5	351	316	667
Total non-management	840	1 820	429	2 211	1 269	4 031	5 300
Employee category %	15.8	34.3	8.1	41.7	23.9	76.1	100
Total non-management %	93.8	95.1	71.0	86.7	84.6	90.3	88.9
Total employees	896	1 913	604	2 550	1 500	4 463	5 963
Total employees %	15.0	32.1	10.1	42.8	25.2	74.8	100.0

Employee statistics as at 31 December 2019

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

Notes:
M = Male
F = Female

ACCOUNTABILITY

3.5 Financial review

Items that are significant to the group's operations in 2020:

- Encouraging growth in learner numbers: Average learners were 6% higher in 2020 than for 2019, despite a reduction in learners during the second and third quarters of the year. Learners increased by a further 9% at the start of 2021.
- Revenue increased by 5% to R3.1 billion, but was weighed down by the effect of the pandemic and lockdown on tuition fees and other revenue streams, coupled with higher discounts to families in financial distress.
- Despite cost containment in response to the negative impact of the pandemic on revenue, EBITDA was 1% lower than 2019.
- Recurring headline earnings per share was 24% lower than last year, with headline earnings per share 39% lower than last year and earnings per share at a loss of 6.5 cents per share, compared to a profit of 48.0 cents per share in 2019.

In evaluating these results for 2020 and the decrease in profit from 2019, shareholders should consider the effect of large non-cash adjustments posted during this year and the base effect in the previous financial year.

- Curro recognised impairments of R207 million in 2020, net of tax. Impairments are added back for the calculation of headline earnings per share and accounts for the key difference between headline earnings per share and earnings per share.
- Earnings per share for the 2019 year included a bargain purchase gain of R27 million and an impairment of R85 million, net of tax.
- In addition, Curro's provision for expected credit losses, in other words the provision for bad debt, was R78 million higher than in the previous year, net of tax.
- Curro raised R1.5 billion in a successful rights offer in the second half of the year. The issue of additional shares in the rights offer had a dilutive effect on the calculation of earnings per share.

Key statistics

	2016	2017	2018	2019	YOY growth	2020	CAGR
Revenue (R million)	1 714	2 099	2 496	2 944	5%	3 094	16%
Schools' EBITDA (R million)	487	594	772	873	1%	886	16%
EBITDA (R million)	377	472	627	693	(1%)	686	16%
EBITDA margin (%)	22.0	22.5	25.1	23.5		22.2	–
Net interest expense (R million)	70	78	138	243	(8%)	223	34%
Recurring headline earnings – continuing ops (R million)	162	201	248	212	(16%)	179	3%
Recurring HEPS – continuing ops (cents)	41.8	49.0	60.1	50.0*	(24%)	38.0	(2%)
Capital investment (R million)	1 486	1 136	1 373	1 246**	(48%)	650	(19%)

* Adjusted for the bonus element contained in the rights issue.

** Figure adjusted from R1 285 million previously reported to exclude the other investing activities.

Simplified income statement (recurring basis)

	2016	2017	2018	2019	% change '19-'20	2020	CAGR
Net adjusted Revenue*	1 705	2 080	2 474	2 891	1%	2 931	15%
Expenses	(1 204)	(1 449)	(1 702)	(2 018)	1%	(2 031)	14%
Schools EBITDAR	500	631	772	873	3%	900	16%
Head office expenses	(110)	(121)	(145)	(174)	14%	(199)	16%
EBITDAR	390	510	627	699	–	701	16%
Depreciation	(106)	(131)	(154)	(189)	22%	(231)	22%
Adjusted net interest expenses and rental**	(70)	(78)	(140)	(223)	(5%)	(211)	32%
PBT	214	301	333	287	(10%)	259	5%
Tax	(45)	(75)	(91)	(76)	(7%)	(71)	12%
PAT	169	226	242	211	(11%)	188	3%
Minorities	4	11	6	1	–	(9)	
Attributable earnings	173	237	248	212	(16%)	179	1%

* Net of bad debt and collection costs

** Adjusted for Meridian Junior Debt

Key drivers for performance

Income	2016	2017	2018	2019	% change '19-'20	2020	CAGR
Gross average number of learners	42 343	45 870	51 305	57 597	6%	60 777	9%
Effective net number of learners*	39 102	42 172	47 467	51 490	(2%)	50 524	7%
Gross effective school fees (R million)	1 575	1 941	2 338	2 830	12%	3 177	19%
Discounts (R million)	(108)	(137)	(150)	(230)	64%	(377)	37%
Net bad debts and collection costs (R million)	(10)	(17)	(22)	(53)	200%	(159)	98%
Net school fees (R million)	1 457	1 788	2 166	2 547	4%	2 641	16%
Other income (R million)	248	293	308	344	(16%)	290	4%
Net adjusted revenue (R million)	1 705	2 080	2 474	2 891	1%	2 931	15%

* After effect of discounts and bad debts

Key measures	2016	2017	2018	2019	% change '19-'20	2020	CAGR
Gross average school fees per learner**	38 286	42 373	46 104	49 670	1%	50 185	7%
YOY increase in gross average school fees	10.9%	10.7%	8.8%	7.7%		1.0%	
Net average school fees per learner	35 409	39 019	42 715	44 529	(2%)	43 456	5%
Net adjusted average revenue per learner	40 263	45 353	48 229	50 525	(5%)	48 225	5%
Discounts and bad debts as % of school fees	7.7%	8.1%	7.5%	10.0%		16.9%	
Bad debts and collection costs as % of revenue	0.6%	0.8%	0.9%	1.8%		5.4%	

** Based on average learners for the year

Ancillary revenue (R million)	2016	2017	2018	2019	% change '19-'20	2020	CAGR
Other school services	143	159	180	211	(3%)	205	9%
Enrolment fees	41	45	45	49	–	49	5%
Other income	64	89	83	84	(57%)	36	(13%)
Total	248	293	308	344	(16%)	290	4%

Average learner numbers

	2016	2017	2018	2019	YOY	2020	YOY	28 Feb 2021	CAGR
Curro, Curro Select and other	29 675	31 471	34 870	38 588	3%	39 569	7%	42 387	7%
Curro Castle and assisted learning	760	914	1 278	1 535	(23%)	1 184	15%	1 361	12%
Curro Academy	2 110	3 810	5 844	8 281	27%	10 496	21%	12 713	43%
Meridian	9 798	9 675	9 313	9 193	4%	9 528	2%	9 692	–
	42 343	45 870	51 305	57 597	6%	60 777	9%	66 153	9%

The growth in learner numbers is still dominated by the growth in Academy learners. The Curro and Select schools experienced 3% of growth from 2019 to 2020 with strong growth in 2021. Overall, the growth from 2020 to 2021 is predominantly organic growth, with only one small acquisition added from 2021.

Fee increase

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

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

ACCOUNTABILITY

3.5 Financial review

For 2019 to 2020, school fees increased by an average of 5.4%. The nursery school fees were mostly adjusted at inflation. For 2020 to 2021 the average school fee increase was 3.4%, while five schools implemented an average reduction in school fees.

Management estimates that net fee revenue was negatively impacted by more than R200 million due to the effect of COVID-19.

Bursaries and discounts (learner retention and relief)

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

The total discount expense is normally made up of c45% granted to Curro employees' children attending Curro schools, and c25% granted to learners with merit bursaries for excellence in academic work, and for sport and culture. A further seven percent typically applies to sibling discounts. Short-term financial assistance is available, taking into consideration various factors.

In the wake of the negative impact of the COVID-19 pandemic, Curro extended additional discounts and relief to distressed accounts of R81 million.

Bad debts

Curro tolerated higher levels of overdue accounts to retain learners as far as possible in the past. Furthermore, the application of IFRS 9 – *Financial Instruments* has the effect that receivable balances and related provisions are retained longer on the balance sheet.

Gross receivables increased by 80% to R447 million at year-end, from R249 million at the end of 2019. Overdue debt was exacerbated by the impact of COVID-19 on our economy.

Curro responded to the threat of aging trade receivables and weaker collections by sophisticating and enhancing its debt collection processes. Furthermore, it adjusted the credit loss provision methodology to prudently recognise the risk that the full balance may not be collected. In terms of the revised provisioning policy, the full outstanding balance of each account is now allocated under its oldest aging category and is then provided for on a stepped basis.

Bad debts and collection costs as percentage of adjusted revenue increased from 1.8% to 5.4%.

Accounts receivable (R million)	2016	2017	2018	2019	% change '19-'20	2020	CAGR
Gross balance*	44	75	121	249	80%	447	79%
Provision*	(11)	(16)	(32)	(69)	213%	(215)	110%
Net accounts receivable	33	59	89	180	29%	232	63%
Provision as % of gross balance	25%	21%	26%	28%		48%	

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

Ancillary revenue

Ancillary revenue consists of the non-tuition fee revenue lines, being boarding school fees, aftercare, rentals, bus services and other incomes. This was particularly affected by the closure of schools in the second quarter due to the national lockdown restrictions and a reduction in activity generally during the year.

Ancillary revenue in the first quarter of 2020 was 25% higher than the first quarter of 2019 due to strong learner growth and higher activity levels, but these other income streams were 32% lower from April 2020 for the rest of the year, compared to the same nine-month period in 2019. Management estimates that the non-tuition ancillary revenue was negatively impacted by nearly R100 million due to COVID-19.

Investment returns

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

	2020			2018			2019			2020		
	Campuses	EBITDAR	Margin	Yield	EBITDAR	Margin	Yield	EBITDAR	Margin	Yield	Eventual capacity utilised	
Curro and Curro Select	45	672	34%	9.7%	724	32%	8.8%	747	32%	7.5%	55%	
Developed	27	391	34%	8.6%	421	32%	7.9%	437	33%	7.0%	49%	
Acquired	18	281	35%	11.6%	303	32%	10.5%	310	31%	8.3%	65%	
Curro Academy	13	52	27%	3.6%	82	28%	4.8%	103	27%	4.9%	39%	
Curro Castle	7	8	17%	1.9%	18	29%	3.5%	7	12%	0.2%	53%	
Meridian	7	57	21%	6.1%	64	22%	6.6%	58	20%	5.9%	71%	
Other school models	4	(1)			(7)			(12)			17%	
	76	788	32%	8.5%	881	30%	7.7%	903	29%	6.5%	51%	

In general, EBITDAR margins declined at all schools, which had a detrimental effect on the yield in conjunction with necessary capital investment. This was driven by the negative impact of the COVID-19 pandemic on revenue coupled with higher discounts and bad debts.

J-Curve table

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

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

The built capacity is based on the current number of classrooms multiplied by the practical capacity for those classrooms (i.e. realistic occupation and not maximum occupation). For Curro Select and Curro traditional schools the practical capacity was based on 23 learners, and for Academy and Meridian schools on 28 learners.

The eventual capacity is based on the current plus additional possible classrooms on the campus. In certain instances the eventual capacity will probably not be met. Eventual capacities may therefore be reduced for these campuses in the future.



#Learners2Leaders: St George's Preparatory

ACCOUNTABILITY

3.5 Financial review

J-CURVE (UNAUDITED)

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

	Campuses		Schools		Average learner numbers		Growth		Schools' EBITDA (R million)		Growth		Schools' EBITDA margin		Built capacity utilised		Eventual capacity utilised		
	2020	2021	2020	2021	2019	2020	18/19	19/20	2019	2020	18/19	19/20	2019	2020	2019	2020	2019	2020	
Developed	52	121	35 902	38 333	13%	7%	13%	7%	527	533	14%	1%	30%	28%	65%	64%	46%	45%	
2009 and before*	4	9	4 143	4 116	7%	(1%)	7%	(1%)	73	84	14%	15%	31%	35%	85%	85%	74%	73%	
2010	2	6	2 213	2 229	1%	1%	1%	1%	43	43	10%	—	36%	34%	75%	75%	55%	56%	
2011	5	15	4 440	4 218	7%	(5%)	7%	(5%)	71	79	9%	10%	31%	33%	63%	60%	53%	50%	
2012	2	6	1 889	1 940	(4%)	3%	(4%)	3%	27	23	(21%)	(14%)	26%	22%	72%	73%	56%	58%	
2013	4	12	6 341	6 262	(1%)	(1%)	(1%)	(1%)	126	130	(1%)	4%	39%	40%	73%	72%	63%	63%	
2014	4	9	2 371	2 338	10%	(1%)	10%	(1%)	19	16	12%	(18%)	20%	16%	57%	54%	48%	47%	
2015	8	19	6 517	6 645	5%	2%	5%	2%	65	50	25%	(23%)	26%	19%	65%	67%	49%	50%	
2016	4	8	1 952	1 631	16%	(16%)	16%	(16%)	46	25	24%	(46%)	37%	22%	50%	42%	37%	31%	
2017	3	8	3 143	3 600	26%	15%	26%	15%	54	65	42%	20%	38%	40%	91%	79%	51%	58%	
2018	4	8	1 137	1 331	77%	17%	77%	17%	9	1	—	(89%)	19%	2%	34%	40%	18%	21%	
2019	7	13	1 756	3 347	—	91%	—	91%	(6)	33	—	—	(11%)	25%	44%	74%	17%	32%	
2020	5	8	—	676	—	—	—	—	(16)	(16)	—	—	—	(73%)	—	25%	—	10%	
Acquired schools	24	56	21 695	22 444	14%	5%	14%	5%	354	370	9%	5%	30%	31%	80%	77%	67%	67%	
2012 and before	7	17	7 261	7 491	4%	3%	4%	3%	151	137	(1%)	(9%)	36%	33%	79%	77%	64%	66%	
2013**	2	2	3 670	3 709	(4%)	1%	(4%)	1%	30	32	—	6%	23%	27%	74%	75%	74%	75%	
2014	2	6	2 756	2 597	—	(6%)	—	(6%)	71	66	1%	(6%)	35%	35%	85%	80%	80%	75%	
2015 and 2016	5	14	4 940	5 128	19%	4%	19%	4%	56	77	20%	36%	24%	31%	87%	80%	65%	67%	
2018	3	6	1 899	1 960	6%	3%	6%	3%	39	47	63%	21%	36%	40%	83%	82%	63%	65%	
2019	4	8	1 169	1 181	—	1%	—	1%	7	13	—	86%	9%	13%	79%	69%	68%	60%	
2020	1	3	—	378	—	—	—	—	—	(2)	—	—	—	(9%)	—	55%	—	39%	
Non-recurring costs										(10)									
Property rental, royalties and other***										(8)									
Total	76	177	57 597	60 777	12%	6%	12%	6%	873	886	13%	1%	30%	29%	70%	69%	52%	51%	

Acquired schools indicate the year the school was incorporated into Curro. All acquired schools have been established for at least seven years.
 * 2009 and before schools have a maximum of 20 learners per class, which has a direct impact on the EBITDA. Other schools have a maximum of 25 learners for Curro and Select or 35 for Meridian and Academy schools.
 ** Learner number losses at Northern Academy.
 *** No rental expense pursuant to the adoption of IFRS 16 with effect from 1 January 2019.

Expenses

Curro has a relatively high fixed cost base with c75% of its expenses made up by salaries and property related facility costs. Operating costs (excluding salaries and depreciation) increased by 8% from last year. If the effect of facility costs is removed, operating costs decreased by 7% from last year, compared to average learner growth of 6% for the year.

Ultimately, the business could not reduce expenses enough in 2020 to maintain its operating margin in response to the estimated COVID-19-induced R300 million negative impact on revenue.

Curro's operating leverage will be a powerful driver of future profitability, relative to capacity utilisation.

Employee costs

	2016	2017	2018	2019	YOY	2020	CAGR
Teacher salaries (R million)			851	1 022	7%	1 097	
Other employees (R million)			347	431	(24%)	328	
Total school employee cost (R million)	849	1 029	1 198	1 453	(2%)	1 425	14%
Head office (R million)	69	78	92	116	22%	142	20%
Total employee cost (R million)	918	1 107	1 290	1 569	—	1 567	14%
Employee costs as % of revenue			52%	53%		51%	
Employee costs as % of total expenses			69%	70%		65%	
Number of teachers at end of period			2 945	3 230	6%	3 425	
Ave cost/teacher (R'000)			289	331	—	330	
Number of employees at end of period	4 806	5 369	5 628	6 076	(2%)	5 963	6%
Ave cost/employee (R'000)	191	218	235	268	(3%)	260	8%

Salaries are the largest expense for the business, at 65% of total expenses (2019: 70%). Quality teachers in the classroom remain the bedrock of Curro's product.

The staffing model and consequent salary costs for a year is largely determined by the number of learners enrolled at the beginning of the year. Teacher and support resources are constantly assessed to ensure that any under-utilisation is limited as far as possible. In a uniquely challenging year, Curro did not compromise on the educational offering to learners nor on the implementation of critical safety standards and protocols.

Changes in the total and average salary cost were due to the following factors:

- Salaries increased by an average of 3%, but increases for 2020 were suspended until October (normally effective in March annually);
- Temporary Employment Relief Scheme ('TERS') receipts from the Unemployment Insurance Fund ('UIF') in the second quarter of 2020 due to the COVID-19 pandemic;
- Non-academic costs were cut as far as possible and Curro retrenched approximately 500 employees in the second half of 2020;
- The appointment of more high school teachers at higher average salaries; and
- Activity normalised gradually in the second half of 2020 as more and more learners physically returned to schools, which increased staff and other costs accordingly.

ACCOUNTABILITY

3.5 Financial review

Other expenses

R million	2016	2017	2018	2019	YOY	2020	CAGR
Non discretionary	209	252	302	338	33%	447	21%
Facilities	120	145	177	207	37%	284	24%
Computer	22	24	29	33	30%	43	18%
Printing and stationery	23	27	28	30	(20%)	24	1%
Repairs and maintenance	12	14	17	21	17%	24	19%
Other non discretionary	32	42	51	47	54%	72	22%
Discretionary expenses	68	71	75	96	(23%)	75	2%
Sport and culture	14	14	16	25	(48%)	13	(2%)
Curriculum	24	25	26	24	0%	24	-
Marketing	10	10	11	18	(3%)	18	16%
Other discretionary	20	22	22	29	(31%)	20	-
Total	277	322	377	434	20%	522	17%
Other services expenses	74	81	94	107	(14%)	92	6%
	351	403	471	541	13%	614	15%

Expenses have been broadly grouped into three categories:

Non-discretionary

- Expenses are mostly overheads that have to be incurred and where discretion is limited.
- Facility costs consist of water, electricity and municipal rates and increased by 37%. Curro engages actively with municipalities to resolve disputes and expect that this expense will continue to increase by more than normal inflation.
- Computer expenses increased in line with the comprehensive rollout of online tuition during the national lockdown and subsequent restrictions on contact teaching.

Discretionary

- These are variable expenses and although discretionary, these expenses enhance the product.
- Significant cost savings were achieved in the second quarter of the year to contend with the closure of schools in the national lockdown and reduced extramural activity and ancillary revenue.

Other services expenses

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

Meridian business

Average learner numbers increased by 3.6% but revenue did not increase on the previous year due to lower ancillary income and higher discounts. Operating profit for the year under review was 9% lower than 2019.

In 2018 the gearing of the business was addressed by replacing expensive debt with mezzanine debt, and senior debt with junior debt (seen as equity). The reduction in debt resulted in the Meridian business being profitable since 2019.

	2016	2017	2018	2019	2020
Average Learner numbers	9 798	9 675	9 313	9 193	9 528
Revenue (R million)	275	271	274	289	289
EBITDA (R million)	51	43	46	56	51
Depreciation (R million)	(12)	(11)	(10)	(10)	(8)
EBIT (R million)	39	33	36	47	43
Net interest (R million)	(61)	(67)	(68)	(26)*	(16)*
PBT (R million)	(22)	(35)	(32)	18	27
Tax (R million)	6	10	15	(5)	(8)
Headline earnings (R million)	(16)	(25)	(17)	13	19
Equity and junior loans (R million)	40	8	413	413	413
Debt funding (R million)	564	620	249	230	216
Senior (JIBAR + 4%)	454	497	249	230	216
Mezzanine (JIBAR + 8%)	110	123	-	-	-
EBITDA margin	19%	16%	17%	19%	18%

* This excludes the amortisation of junior funding

Cash flow

R million	2016	2017	2018	2019	2020	YOY change
EBITDA	377	473	627	693	686	(1%)
Non-cash items	22	16	5	21	28	
Finance costs	(68)	(77)	(138)	(204)	(200)	
Taxation	(8)	(8)	(18)	(13)	(3)	
Working capital movements – operating	(4)	(27)	(10)	(23)	3	
Cash generated from operating activities	319	377	466	474	514	8%
Replacement of movables	(35)	(40)	(30)	(44)	(33)	
Other movables	(149)	(168)	(126)	(197)	(167)	
Expansion at existing campuses	(387)	(444)	(434)	(669)*	(435)	
Total investment – existing campuses	(571)	(652)	(590)	(910)	(635)	(30%)
New school investments	(524)	(324)	(416)	(185)	-	
Land banking	(125)	(148)	(118)	(24)	(12)	
Acquisitions	(266)	(12)	(369)	(127)	(3)	
Other investing activities	85	(64)	(78)	(46)	(271)	
Investment activities relating to STADIO	(214)	(56)	120	-	-	
Cash utilised in investing activities	(1 615)	(1 256)	(1 451)	(1 292)	(921)	(29%)
Cash generated from financing activities	1 771	744	506	741	491	(34%)
Net movement	475	(135)	(479)	(77)	84	
Opening balance	231	706	571	92	15	
Closing balance	706	571	92	15	99	

* Figure adjusted to exclude the other investing activities

Despite the challenging year, cash from operating activities increased by 8% to R514 million, which fully covered normal expansion capital expenditure at existing campuses.

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

Curro reduced its planned capex for 2020 to conserve cash in response to the negative impact of the COVID-19 pandemic. It invested R650 million in the business compared to an initial budget of R1.0 billion.

Investment in expansion projects for existing campuses will continue to be a significant item every year because campuses are built in phases. Additional classrooms and certain specialised sports facilities (swimming pools and synthetic turf sports fields) will only be built as the school learner numbers grow. Our objective is to increase capacity utilisation at our existing facilities.

Curro plans to invest R1.1 billion in 2021, which includes the construction of an iconic new Durbanville High School campus at Phesantekraal, just outside Durbanville.

Other investing activities represent the net movement of cash into and out of money-market funds during the year to optimise the return on cash balances.

The low cash tax rate is the result of a 5% wear-and-tear allowance that is allowed by the Income Tax Act. Curro has a taxable loss of R484 million available for set-off against future taxable income.

ACCOUNTABILITY

3.5 Financial review

Capital structure and debt

Debt measures

	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20
Net debt (Dec) (R billion)					
Excluding Meridian	0.4	1.2	2.8	3.5	2.2
Including Meridian	0.9	1.8	2.6	3.7	2.5
Average net debt (R billion)					
Excluding Meridian	0.6	0.8	1.8	3.0	2.8
Including Meridian	1.2	1.4	2.2	3.2	3.1
Net debt/equity					
Excluding Meridian	7%	24%	50%	66%	30%
Including Meridian	19%	36%	53%	68%	36%
Interest Service Cover Ratio (ISCR)					
Excluding Meridian	5.7	5.6	4.1	2.5	2.9
Including Meridian	4.2	4.9	3.3	2.3	2.6
Ave net debt/EBITDA					
Excluding Meridian	1.3	1.4	3.1	4.6	4.4
Including Meridian	2.4	2.3	3.5	4.7	4.5

Debt

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

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

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

R million	2016	2017	2018	2019	% change '19-'20	2020	CAGR
Net Debt	1 310	1 822	2 795	3 692	(32%)	2 520	18%
EBITDA	377	473	627	693	(1%)	686	16%
Debt/EBITDA (trailing)	3.5	3.9	4.5	5.3		3.7	
Adjusted Debt/Ebitda (trailing)*	2.7	3.0	3.5	4.2		2.9	
EBITDA (following year)	473	627	693	686			
Debt/EBITDA (forward)	2.8	2.9	4.0	5.4			

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

- During April 2020, Curro obtained three-year bullet funding of R1 billion to refinance R838 million of existing debt at an interest rate 30 basis points lower than before.
- During July 2020, GCR Ratings affirmed Curro's national scale issuer credit ratings of BBB+^(ZA) and A2^(ZA), for the long term and short term respectively, with a stable outlook.
- Curro used a portion of the proceeds from its rights offer to repay R1.1 billion of debt, which resulted in finance cost savings in the final quarter of 2020.
- Curro will consider refinancing all debt within three years of maturity at lower rates.

Debt maturity profile

R million	2021	2022	2023	2024	2025
Meridian	24	26	28	30	33
Curro	12	224	459	1 659	9

Rights offer

During September 2020, Curro raised R1.5 billion in a successful rights offer to further bolster its balance sheet. As a result of the rights offer, the company had 597 961 595 shares in issue at year-end compared to 412 087 989 shares at the end of the previous financial year.

Impairments

Under International Financial Reporting Standards, Curro must perform impairment tests on its cash generating units, being its schools. Accordingly, management predicts future cashflows per school, based on the business plans for each school. The future cashflows is then discounted back to a present value at Curro's weighted average cost of capital of 13.74%.

If the present value is lower than the carrying value of the school, the book value of the school must be reduced, and an impairment expense is recognised in the income statement.

Curro has a total non-cash and non-headline impairment expense for 2020 of R265 million before tax (2019: R104 million), relating to eight campuses and two plots of land.

The impairment charges relate to lower-yielding school assets, being schools which simply have lower expected yields over the medium-term than Curro's weighted cost of capital.

Impairment charges are included in the calculation of earnings per share but are added back for purposes of the calculation of headline earnings per share and accordingly accounts for the key difference between HEPS and EPS.

In aggregate, Curro recognised impairments in 2019 and 2020 of R369 million. The remaining carrying value of these assets is 598 million.

Dividends

Pursuant to the uncertainties brought about by the ongoing COVID-19 pandemic and in light of the recent rights issue concluded, the board has resolved to not pay a dividend in respect of the year under review. This was done to preserve cash and to deliberately use capital to fund Curro's further expansion and growth prospects.

The declaration of a dividend is suspended for this year and the board will re-evaluate Curro's dividend policy at the end of 2021.

Key focus areas

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

- Achieve improvements in operating margin and return on funds employed (yield).
- Improve the debt-collection process in line with the overall intention to gain and retain learners.
- Refine the learner/teacher model, specifically pertaining to the high school.
- Improve the collection and integration of data in order to improve decision-making.

Outlook

Curro has significant operating leverage, which will be a powerful driver of future profitability. The business achieved record enrollments at the beginning of 2021 and is financially in a strong position to expand its business by focusing on increasing capacity utilisation and improving efficiencies.

ACCOUNTABILITY

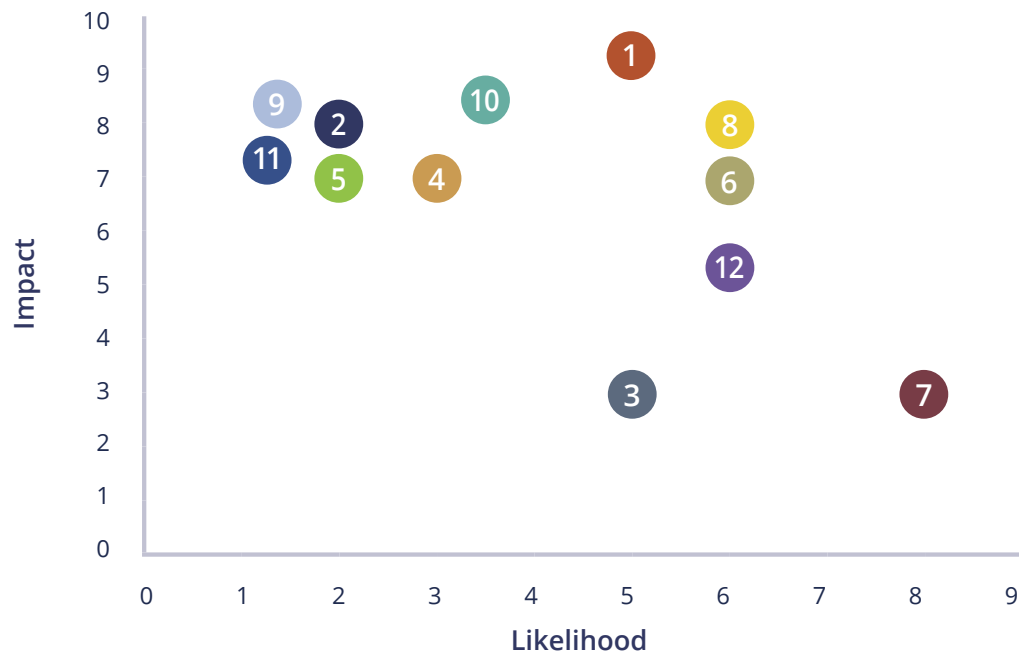
3.6 Risk management review

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

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

The board is of the opinion that the risk management system, together with the internal control environment, is effective and commensurate with the size and nature of the business. Compliance risk is monitored in the risk reporting that is submitted to the audit and risk committee and the board to ensure that appropriate action is taken by management to mitigate these risks. The monitoring and management of compliance with legislation and the compliance management of schools reside under the dedicated operational business managers, the curriculum management team for the primary and high schools (for compliance at school level), and the head of corporate development. For construction-related matters, the head of facilities reports on a regular basis to the Chief Operating Officer, which is in charge of the monitoring and management process. The executive directors and senior managers are responsible for the compliance of the areas identified in the different departments of the business. There were no major non-compliance incidents resulting in significant fines or prosecution during the year ended 31 December 2020.

Risk matrix



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

Indicator	Risk	Responses
1	Reputational risk The most significant risk for Curro is damage to its reputation as a result of an event or a series of events.	Curro focuses on providing quality in all its domains. The main areas that may be affected by reputational risks are: <ul style="list-style-type: none"> • Safety and security • Academic quality • Stakeholder communication • Transformation Policies, procedures and the close monitoring of the results are a priority for the board and management of Curro. Active engagement to understand and address risks mitigates this risk further.
2	Curriculum risk Changes in the curriculum and the implementation thereof.	Curro schools have the benefit of curriculum experts who guide teachers in curriculum planning to maintain an ideal balance between the written and the received curriculum. This ideal balance motivates teachers, because they can invest more time in teaching than in curriculum planning. Curro has also complemented the required government curriculum with additional learning areas that are considered relevant international best practice.
3	Investment risk <ul style="list-style-type: none"> • A campus is not placed in an appropriate location and therefore does not grow as anticipated. • Overpaying for an acquisition. 	<ul style="list-style-type: none"> • As a result of the demand for education, the market still offers significant growth opportunities. • Proper qualitative and quantitative due diligence, encompassing, inter alia, population trends, access routes and land assessments, ensures that the appropriate sites are selected. • Acquisitions are carefully considered to ensure that the area still offers growth opportunities, and that the ethos of the target market is aligned with that of Curro. • As the portfolio of schools expands, the impact of the incorrect location of a single school will decrease. • Curro recognised impairments of lower-yielding school assets.
4	Financial risk <ul style="list-style-type: none"> • Accurate historical and forecasted management information. • Investment and expense management. 	The expanding network of schools has necessitated ongoing investment in systems that are continually developing. A robust budgeting process is followed for capital and expense management, which is continually monitored. A 10-year forward-growth plan is also maintained for each school, and performance is monitored against this. Management is incentivised to outperform the set targets.
5	Cash flow and funding risk The availability of financial resources to meet operational requirements and expand the network of schools.	Curro is a profitable company that can comfortably meet its day-to-day financial requirements. For expansion, Curro has over the past couple of years diversified its sources of funding from a single commercial bank to a combination of multiple commercial banking relationships. Funding is also received from development finance institutions. As a listed company, Curro has the further option to raise capital from the equity markets, which is supported by a strong shareholder of reference. The company raised R1.5 billion in a successful rights offer during the year to bolster its balance sheet and repaid R1.1 billion of debt.
6	Information technology risk Curro is continually becoming more dependent on connected technology, which has exponentially increased with the introduction of handheld electronic devices for a large number of its learners. High availability of infrastructure, which includes the basic supply of electricity, is therefore imperative.	Curro has built a nationwide area network with industry leaders in the field. Access is well-managed and controlled. Curro is implementing the best practice for the security risks of handheld electronic devices in order to further protect its information. Alternative forms of electricity are now a key priority in the design of new campuses and Curro has already addressed current sites that have experienced issues with power supply in the past.

ACCOUNTABILITY

3.6 Risk management review

Indicator	Risk	Responses
7	Human resources risk <ul style="list-style-type: none"> Recruiting the right skilled and experienced teachers. Competitive employee remuneration. Managing a growing workforce. 	<p>Curro believes it has a good employee value proposition that includes a good working environment, market-related remuneration packages (including medical aid and company contributions to retirement funds) and school fee discounts.</p> <p>All executive heads are experienced leaders. They receive human resource management support from Curro's contracted service provider and its own human resources department.</p> <p>Curro places a lot of emphasis on the development of its teachers, who are developed through in-service training and through STADIO Higher Education. STADIO Higher Education also provides newly qualified teachers, whom Curro considers for appointment in its recruitment process.</p>
8	Economic risk Clients cannot afford to keep their children enrolled at the school.	<ul style="list-style-type: none"> In general, Curro's clients believe in the value of a good, quality education. Curro's experience is that parents' spend is reprioritised to ensure that their children receive a quality education. Curro aims to provide a value-for-money service, and market share is gained by parents looking to save money by trading down from premium brand schools. The Meridian, Curro Academy and DigiEd schooling models have school fees that are affordable in terms of independent schooling norms and can be compared to those of government schools. Curro expanded and sophisticated its debt collection processes in response to aging accounts. In addition, Curro revised its methodology to provide for expected credit losses quicker on aging accounts.
9	Safety risk Facilities and other factors in the environment that can be harmful to Curro's learners and employees.	<ul style="list-style-type: none"> Keeping safety in mind in the planning stages. Consulting with health and safety professionals and adhering to the authorities' building standards for public buildings, which will also include a fire certificate. Policies are in place requiring appropriate conduct, duty and care by employees. Schools are fenced off, with entrances controlled by security guards. Health and safety audits are conducted annually by independent service providers.
10	Water risk Water usage at schools and municipal water supply to schools that run dry.	<ul style="list-style-type: none"> Water-saving/-usage awareness campaigns are run at schools. Schools have installed or are in the process of installing water measurement devices. The information will be used to carry out risk assessments to identify and quantify water usage and related risks. Water-harvesting and -storage facilities are installed or in the process of being installed at schools. This will be used for toilet flushing, fields/gardens and cleaning.
11	IT security and governance Increasing number of cyberattacks and continuous improvement of Curro's digital quotient.	<ul style="list-style-type: none"> As data and technology are becoming increasingly relevant to the business, IT management, including IT risk management and monitoring, is overseen by the IT audit and risk committee. Annual cyber and security audits were conducted and the necessary mechanisms implemented. Continuous efforts are made to assess and improve data security and governance. A number of training initiatives were conducted at all schools to ensure users are equipped with the necessary skills across digital platforms and to ensure responsible use of data and sharing of information.
12	The impact of COVID-19 Prevent infections at our schools and the impact of the government lockdown and restrictions on the economy.	<ul style="list-style-type: none"> Reviewed various regulations carefully and developed benchmark Standard Operating Procedures ('SOPs'), which is strictly followed by all schools. Regular monitoring of the implementation of SOPs and careful tracking of infection risks. Curro is well-equipped to switch seamlessly to remote teaching in the event of school closures or restrictions on contact vis-à-vis a national lockdown or personal circumstances.



ACCOUNTABILITY

3.7 Corporate governance

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

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

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

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

Board leadership

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

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

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

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

The board believes it fulfilled its responsibilities during the 2020 financial year and continues its endeavours to lead Curro ethically and effectively towards enhancing Curro to continue to be seen as a responsible corporate citizen. Furthermore, the board is satisfied that the identified risks are appropriately monitored and mitigated (refer to pages 70 to 72), and that the risk management system, together with the internal control environment, is effective and commensurate with the size and nature of the business.

Composition of board, appointment process and induction

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

- To ensure that 50% of non-executive directors are female by 2022. As at 31 December 2020 this was 50% (four out of eight non-executive directors).
- To ensure that 60% of non-executive directors are black by 2022. As at 31 December 2020 this was 62.5% (five out of eight non-executive directors).

All new appointments to the board are made in terms of a formal and transparent process and are considered to be a matter for the board as a whole. Nominations for the board are considered by the remuneration and nominations committee, which makes recommendations to the board.

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

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

Themba Baloyi was appointed to the board as an independent non-executive director effective 1 November 2020. KK Combi resigned as director effective 30 November 2020. Bernardt van der Linde resigned as director and Chief Financial Officer ('CFO') of Curro with effect from 31 December 2020 and had been appointed as Chief Operating Officer ('COO') with effect from 1 January 2021. Cobus Loubser has succeeded Bernardt as director and CFO of Curro with effect from 1 January 2021.

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

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

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

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

The two executive directors are the CEO and CFO.

Abbreviated curricula vitae of the individual directors on the board are contained on pages 48 to 51 of this report.

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

An induction programme for non-executive directors assists newly appointed directors with an accelerated onboarding process, enabling them to add value to the board in a relatively short period of time. The programme includes relevant information on the group, school visits and induction sessions, to the extent required, with the chairperson of the board, CEO, CFO, company secretary, sponsor and/or chairpersons of board committees and/or relevant members of management, depending on the board committees to which the individual is appointed.

Board performance

The board's performance is informed by the quality of the corporate governance of the company, including how the company progresses towards achieving the board-approved vision and strategy. Refer to pages 84 to 98 for details on how the performance of executive directors is measured.

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

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

The board evaluates its performance and that of its committees through a self-evaluation process. Due to challenges related to COVID-19 and changes in the board composition, the board evaluation has been postponed to 2021. The results are submitted to the chairperson of the board and, anonymously, to the board. The findings are discussed at the first board meeting after the process has been concluded and appropriate actions are agreed on to ensure the continued development and effectiveness and improvement of the board as a whole, of the chairperson, and of the board committees.



#Learners2Leaders: Windhoek Gymnasium

ACCOUNTABILITY

3.7 Corporate governance

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

Name of director	Age ²	Classification: independent non-executive / non-executive / executive	Period since appointment
Santie Botha ¹ (appointed on 09/07/2012)	56	Independent non-executive	8 years
Andries Greyling (appointed on 01/02/2007)	51	Executive – CEO	14 years
KK Combi ³ (appointed on 17/08/2012)	69	Independent non-executive	8 years
Nan Mankai ¹ (appointed on 10/08/2018)	40	Independent non-executive	2 years
Piet Mouton (appointed on 01/07/2009)	44	Non-executive	11 years
Prof. Sibongile Muthwa (appointed on 01/05/2013)	58	Independent non-executive	8 years
Douglas Ramaphosa (appointed on 26/01/2018)	64	Independent non-executive	3 years
Bernardt van der Linde ⁴ (appointed on 01/07/2009)	43	Executive – CFO	11 years
Dr Chris van der Merwe (appointed on 30/12/1998)	58	Non-executive	22 years (founder)
Tsholo Molefe ¹ (appointed on 01/05/2019)	52	Independent non-executive	2 years
Themba Baloyi (appointed on 01/11/2020)	44	Independent non-executive	6 months
Cobus Loubser (appointed on 01/01/2021)	44	Executive – CFO	4 months

¹ Retirement by rotation: up for re-election/confirmation of appointment, refer to the notice of AGM (only relevant for non-executive directors). Refer to pages 48 to 51 of this report for the abbreviated curricula vitae.

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

³ KK Combi has resigned as director with effect from 30 November 2020.

⁴ Bernardt van der Linde has resigned as director with effect from 31 December 2020.

Attendance at board and committee meetings by members

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

¹ Appointed to board on 01/11/2020 and as chairperson and member of remuneration and nominations committee and as member of audit and risk committee with effect from 30/11/2020.

² Resigned on 30/11/2020.

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

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

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

Conflicts of interest

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

Ethics

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

Governance framework and delegation of powers and responsibilities

Corporate governance framework

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

The composition of the board committees has been determined by the board to ensure that the skills and experience of the directors are utilised appropriately for the effective functioning of the board committees. The chairpersons of the board and the committees determine which invitees are requested to attend meetings in order to provide additional insight and to assist discussions at these meetings. The board committees meet in accordance with their mandates, which are reviewed annually. Conflicts of interest are generally dealt with by board committees in the same manner as that of the board (refer to details thereof indicated in the respective section above.)

The Curro directors have confirmed that, to the best of their knowledge, Curro i) complied with the provisions of the Companies Act, and ii) operated in accordance with its memorandum of incorporation, during the year under review.

Refer to the following table for a summary of the composition of the board committees, the number of meetings, their roles and responsibilities, a statement on the achievement of objectives for 2020 and key focus areas for 2021.



ACCOUNTABILITY

3.7 Corporate governance

Committee name (membership based on legislation)	Number of meetings (minimum requirement)	Committee members (and changes during the year/post-year-end)	Committee members attendance at meetings – 2020
Audit and risk committee (consists of three independent non-executive directors)	Twice per annum	<ul style="list-style-type: none"> Nan Mankai (chairperson) Tsholo Molefe Sibongile Muthwa (resigned effective 24 February 2020) KK Combi (resigned effective 30 November 2020) Themba Baloyi (appointed effective 30 November 2020) Douglas Ramaphosa (appointed effective 1 May 2021) <p>Refer to pages 48 to 51 for member profiles.</p> <p>Prof. Sibongile Muthwa resigned as member of the committee with effect from 24 February 2020. KK Combi resigned as member of the committee with effect from 30 November 2020. Themba Baloyi became a member of the committee from 30 November 2020. Douglas Ramaphosa will become a member of the committee from 1 May 2021.</p> <p>Invitees:</p> <ul style="list-style-type: none"> Remaining board members External auditors Internal auditors Holding company's financial director Financial managers 	Two meetings were held and all those who were members at the time of each meeting attended.

Charter – summary of role and responsibilities

Ensure that the appointment of the auditor is presented and included as a resolution at the AGM pursuant to section 61(8) of the Companies Act.

Review and approve for recommendation to shareholders:

- Appointment of external auditors, the audit strategy and audit fees.

Review and approve for recommendation to the board:

- Audited financial results and statements and interim financial results.
- Changes to risk appetite.
- The arrangements for ensuring the integrity of information for internal decision-making, underpinned by the formal delegation-of-authority limits and framework.
- Curro's going-concern status.

Review and approve:

- Use of the external auditors for non-audit services and fees in order to ensure their independence is retained.
- Annually, the appropriateness of the expertise and the experience of the CFO and finance function of Curro as contemplated in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements.
- Any material changes to the group's finance function.
- A process and system of risk management, and management's risk assessments (inter alia, strategic, financial, technology, health, safety, environment and compliance risks) that have been performed.
- Internal auditors appointed, their risk-based combined assurance plan and fees (outsourced providers are used), and progress to achieve the plan and outcome of audits completed.

Oversight of:

- Assurance functions of the group, i.e. external auditor, internal auditors, finance function, information and technology governance, compliance governance and risk management.
- Ensuring that the appropriate financial reporting procedures exist and are operating.
- Risk management-related matters – refer to pages 70 to 72.
- IT governance – refer to pages 38 and 39 for more detail.

IT governance:

- Review whether Curro's IT is aligned with the performance and sustainability objectives of Curro and whether the IT assets are managed effectively.
- Maintain oversight of IT risks and controls, business continuity, business resilience, data recovery, IT security and data privacy, and ethical use and management of information. In reviewing these, ensure an integrated approach is followed with linkage to company-wide risk management and strategic alignment.
- Monitor and evaluate significant IT expenditure.

Compliance governance:

- Compliance risk is monitored in the risk reporting and in internal audit reports that are submitted to the audit and risk committee and the board so as to ensure that appropriate action is taken by management to mitigate these risks.
- Management is responsible for ensuring compliance with legislation.

Satisfy itself:

- That the external auditor is independent of Curro, as set out in Section 94(8) of the Companies Act, and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements.

2020 performance and 2021 key focus areas

2020 performance:
The committee fulfilled its role in accordance with its charter as summarised for the year ended 31 December 2020.

Refer to pages 6 and 7 of the audited financial statements ('AFS') published at www.curro.co.za for the audit and risk committee report.

The internal auditors include within their internal audit assessments a written statement on the effectiveness of the internal controls. For the year ended 31 December 2020 this was noted as 'satisfactory'.

The external auditors have issued an unmodified audit opinion.

Compliance governance:

- A policy has been implemented for reporting to the committee and board on updates and changes to legislation, thereby enhancing the compliance governance of the company.

2021 key focus areas:

- Continuing to fulfil the committee's mandate.

ACCOUNTABILITY

3.7 Corporate governance

Committee name (membership based on legislation)	Number of meetings (minimum requirement)	Committee members (and changes during the year/post-year-end)	Committee members attendance at meetings – 2020
<p>Social, ethics and transformation committee</p> <p>(consists of three members, two of whom are independent non-executive directors, and one executive director)</p>	Once per annum	<ul style="list-style-type: none"> Sibongile Muthwa (chairperson) Douglas Ramaphosa Bernardt van der Linde (resigned effective 24/02/2020) Andries Greyling (appointed effective 24/02/2020) <p>Refer to pages 48 to 51 for member profiles.</p> <p>Invitees:</p> <ul style="list-style-type: none"> Andries Greyling (until appointment as member on 24/02/2020) Nan Mankai (independent non-executive director) Mari Lategan (Executive: Marketing and Communication) Beverley Bennett (Executive: Human Resources) Phakamisa Ndzamela (Executive: Strategic Relations) 	Two meetings were held and all those who were members at the time of each meeting attended, except Bernardt van der Linde who tendered an apology for the meeting of 23 February 2020.
<p>Remuneration and nominations committee</p> <p>(consists of three non-executive directors, two of whom are independent)</p>	Twice per annum	<ul style="list-style-type: none"> KK Combi (chairperson) (resigned effective 30 November 2020) Santie Botha Piet Mouton Themba Baloyi (appointed as chairperson effective 30 November 2020) <p>Refer to pages 48 to 51 for member profiles.</p> <p>Invitees:</p> <ul style="list-style-type: none"> Andries Greyling Bernardt van der Linde (on an ad hoc basis) 	Two meetings were held and all those who were members at the time of each meeting attended.

Charter – summary of role and responsibilities

2020 performance and 2021 key focus areas

Review and approve for recommendation to the board:

- Curro's B-BBEE strategy, plans and transformation targets.

Review and approve:

- Policies relating to the social and ethics mandate (inter alia, codes of ethics, whistle-blowing, corporate citizenship policies, anti-bribery and corruption, environment, health and safety, transformation).
- King IV register for publication on Curro's website.

Oversight of:

- Curro's performance in the context of legislative requirements that have a social and economic impact, for example the Broad-Based Black Economic Empowerment Act.
- Monitoring of consumer and stakeholder relationships.
- Monitoring of compliance with legislative requirements as they pertain to the environment, health, public safety, labour and ethical practices.
- Monitoring of Curro's responsible citizenship and ethics management practices.
- Application of King IV.
- Compliance with the requirements of regulation 43 of the Companies Regulations (2011) in terms of the Companies Act.

2020 performance:

- Progress made in terms of Curro's transformation plan.
- Reviewing Curro's application of King IV and approving the disclosure register.
- Improved social support for bursary recipients and provided guidance to them on tertiary-education opportunities.
- Implemented an ethics line.

2021 key focus areas:

- Developing creative employment value offerings to make Curro an employer of choice and retain staff.
- Evaluating the B-BBEE compliance certificate and determining the way forward.
- Ensuring continued adherence to health and safety protocols during lockdown.

Review and approve:

- The remuneration policy, remuneration implementation report and levels of authority.
- Executive directors and exco members' remuneration and performance measures. Refer to pages 84 to 98 for the remuneration policy and implementation report.
- Proposed new LTI share-scheme model, monitored share-option awards, loans of participants.

Review and approve for recommendation to the board and shareholders:

- Recommendation of changes to the trust deed of the share incentive scheme.
- Non-executive directors' fees and changes thereto.

Oversight of:

- Appropriate succession plans at executive level.
- Organisational leadership organogram.
- Reviewing and approving for recommendation to the board, changes to the composition of the board and its committees.

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3.7 Corporate governance

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

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

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

Company secretary

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

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

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

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

The certificate that the company secretary is required to issue in terms of section 88(2)(e) of the Companies Act is on page 5 of the 2020 audited financial statements of the company which is available for download on Curro's website at www.curro.co.za.



ACCOUNTABILITY

3.8 Remuneration reports

Chairperson's letter

Dear Shareholders and other Stakeholders

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

The remuneration and nominations committee of Curro Holdings Limited ('remcom') fulfils the role of governing remuneration-related matters, as delegated to it by the board of directors. The remcom consisted of KK Combi (independent non-executive director and chairperson of the remcom until his resignation as director on 30 November 2020), Santie Botha (independent non-executive chairperson of the board), Piet Mouton (non-executive director) and Themba Baloyi (independent non-executive director since 1 November 2020 and chairperson of remcom from 30 November 2020).

The CEO, Andries Greyling, and the CFO, Bernardt van der Linde up to 31 December 2020 and Cobus Loubser from 1 January 2021, attend meetings of the remcom by invitation, as and when required. The CEO and CFO recuse themselves from the meeting when a conflict of interest arises or when they are requested to do so. Curro's company secretary in an acting capacity, Ruan Botha, is also the secretary of the committee.

The remcom is governed by its charter, which is reviewed annually by the committee and the board of directors. The committee has met twice for the financial year ending 31 December 2020, and has fulfilled its responsibilities as set out in its charter and as further described in the remuneration policy.

At the Curro AGM held on 1 July 2020, the remuneration policy received an 87.11% vote in favour thereof (with 12.89% against), and the implementation report received a 90.80% vote in favour thereof (with 9.20% against). As the non-binding advisory votes were passed by the requisite majorities, no further engagement with shareholders was required.

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

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

Since listing ten years ago Curro has made significant progress in building the premier and largest 'for profit' private school business in South Africa. From a remcom perspective we know that management have largely been successful in executing their mandate to organically build the business of significant scale. However, the Long-term Incentive ('LTI') scheme has not successfully achieved the key principle that great management should be rewarded and in time become co-owners in the business. A strong culture of accountable co-ownership drives long-term thinking with consistent high performance and is a retention mechanism of great quality management.

The shortcomings of the LTI scheme is a combination of a couple of issues, the most notable was the steep increase in the share price post listing and then the steady decline to current levels. The issue was further compounded by the fact that Curro provided loans to assist management to pay the strike price and the applicable income tax on vesting dates. The intention was good, but the outcome did not meet the intention. The effect of these two issues was that management lost out on the value they had created within the company on options that have vested in the past and the existing unvested options were also out of the money, given that the options are fully-priced options.

We acknowledge that this is not a unique position in corporate South Africa. However, shareholders have entrusted significant capital to management, even more so after the latest rights issue, and it is key that the remcom ensures that the alignment between management and shareholders is optimally structured and served by effective LTI schemes that rewards management for performance and retains scarce skills and experience.

The remcom embarked on a process to engage with various stakeholders and taking cognisance of the latest views on LTI schemes. As a result, it resolved to reduce the use of the current LTI ('Old LTI') by amending the Old LTI and decreasing the number of shares utilised by the Old LTI and adopt a new LTI ('New LTI') incorporating the key principles set out below with the aim of addressing the issues identified by the remcom.

The proposed New LTI will, subject to being adopted, primarily be used for executives and key managers. The proposed New LTI differs from the Old LTI in the following key respects:

- I) whereas the Old LTI is a 'fully-priced options' scheme, the New LTI is a 'nil-priced option' scheme, this mitigates the risk that participants in the New LTI scheme are prejudiced by market volatility in the share price beyond their control;
- II) the New LTI provides for revised and new performance conditions;
- III) the New LTI implements a new basis of determining the number of options available to be allocated on an annual basis;
- IV) the New LTI significantly reduces the number of people who qualify for options under the New LTI;
- V) the New LTI requires that the vesting of a portion of future options be subject to participants retaining a minimum level of previously vested options; and
- VI) the New LTI includes malus and clawback provisions [to align the scheme with market-related practices].

The changes proposed above, being the adoption of a New LTI scheme and reducing options available under the Old LTI scheme by amending the Old LTI scheme, is subject to the approval of at least 75% of shareholders at a shareholders meeting. Accordingly, this will be voted on at Curro's next AGM, to be held on 22 June 2021, before it can be implemented.

Furthermore in accordance with its charter, the remcom made the following additional key decisions during 2020:

- a) Determined the key performance indicators of the short-term incentives ('STIs') for the 2021 financial year;
- b) Reviewed performance against the 2020 key performance areas and approved STIs for executive directors and exco members;
- c) Reviewed and approved salary increases for the executive directors, exco members and the acting company secretary;
- d) Reviewed non-executive directors' fees for submission to the shareholders at the AGM;
- e) Reviewed the composition of the board and board committees and made recommendations for changes thereto to the board for approval;
- f) Reviewed the succession plan for key management; and
- g) Reviewed the committee's charter.

Refer to the corporate governance report on pages 74 to 82 for more details on the committee's functioning.

The remcom has confidence that:

- It was objective and independent when it reviewed the remuneration policy;
- The policy approved in 2020 achieved its stated objectives;
- The committee remained objective and independent when it approved the remuneration of executives and the rest of the company as a whole; and
- The company's independent advisers were independent and objective in the services they rendered during the year under review.

The focus areas for 2021 include:

- Continuing to implement best-practice protocols in accordance with principles set out in this policy.
- Implement the performance conditions determined to be appropriate for the LTI scheme and Curro's business model.

The committee trusts that the Curro remuneration policy and implementation report supports the long-term business strategy of the company and recommends that shareholders support the resolutions of the 2021 AGM.



Themba Baloyi

Chairperson: Remuneration and Nominations Committee

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3.8 Remuneration reports

2021 Remuneration policy

1. Introduction

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

Curro wishes to increase access to independent-school education across southern Africa. Staff are an instrumental component in achieving that goal, and accordingly, fair and equitable remuneration remains a key focus area for Curro. On 31 December 2020 there were 5 963 employees, of whom 191 employees related to head office. Total remuneration represented 51% (2019: 53%) of revenue generated and 65% (2019: 70%) of operating expenses respectively.

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

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

Curro's remuneration policy consists of three components:

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

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

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

Refer to the corporate governance report on pages 74 to 82 for details on the remcom's composition, purpose, role, mandate, meetings held and attendance thereat.

2. Remuneration mix

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

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

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

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

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

3. Fair and responsible remuneration

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

The steps taken in this regard include:

- Enhancements in cost of and access to the provident fund and medical aid over the previous two years.
- Assistance with school fees provided for employees whose children attend Curro schools.
- Ensuring that the lowest-paid employees receive remuneration above the minimum wage level.
- Curro has embarked on a skills development and training drive to train and upskill staff across the Curro group.

4. Total-cost-to-company package

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

Curro makes use of the following external remuneration benchmarks:

School employees (about 97% of total employees)

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

Head office employees (about 3% of total employees)

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

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



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ACCOUNTABILITY

3.8 Remuneration reports

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

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

5. Short-term incentives ('STIs')

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

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

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

The following targets and weighting will be applicable to STIs in 2021:

STI targets (equal weighting)*

- Achieve growth in recurring HEPS of at least 18% from the previous year
- Increase EBITDA margin (as percentage of turnover) by 1.0% from the previous year
- Achieve at least 7.0% growth in organic average net learner numbers from 2021 to 2022
- Personal KPIs

* Above subject to an increase in HEPS

Bonus weighting per executive

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

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

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

For management to achieve the recurring HEPS target, in addition to reducing the leaver ratio for learners, it will have to focus on reducing costs, the collection of school fees in order to reduce bad debts, and viable capital investments which yield sufficient returns to offset higher depreciation and interest expenses relative to earnings.

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



ACCOUNTABILITY

3.8 Remuneration reports

6. Long-term incentives ('LTI')

Introduction

As stated in the chairperson of the remcom's letter, the company intends to change the LTI scheme during 2021. Curro will have two schemes in place going forward. For ease of reference, we will refer to the previous scheme as the *Old LTI scheme* and the newly implemented incentive scheme will be referred to as the *New LTI scheme*.

Curro knows that the retention of key skills in the group is important for the sustainability of the group and that LTIs assist in doing so. Furthermore, LTIs align the interests of participants with the medium- to long-term strategic objectives of the company. At the same time, they illustrate Curro's commitment and loyalty towards the participants.

Curro's LTIs consist of two share option schemes. A key feature of Curro's current share option scheme is that participants will only benefit if there is long-term share price appreciation, which should ultimately depend on sustained growth in headline earnings per share as a result of Curro's business and management activities.

All management who qualify to partake in the New LTI scheme have waived their rights in terms of the Old LTI scheme should the New LTI scheme be approved by shareholders. However, there are employees who will not be eligible to receive options under the New LTI scheme and they will continue to hold options in terms of the old LTI scheme and same would remain in place until the Old LTI scheme then comes to an end in September 2024, whereafter the Old LTI scheme will be terminated.

6.1 The Old LTI scheme

6.1.1 Background

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

- Allow the board to determine and set performance measures that will apply to the vesting of options awarded in terms of the share incentive scheme.
- Allow the company to settle exercised options on a net equity basis, by way of cash payments, or through the issue and allotment of ordinary shares in the company.
- Grant the board the discretion to determine that options that have been awarded by the company will lapse, where the board determines, in its sole discretion, that the participant is guilty of misconduct or poor performance.
- Increase the required loan cover ratio applicable to loans made by the company to participants in the share incentive scheme from 130% to 200%. Going forward no new loan funding will be made available, and all options will be net equity settled, i.e. they will be settled after deducting the strike price and the employee income tax (PAYE).



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6.1.2 Awards

Share options are awarded annually at the discretion of the remcom. The number of share options to be awarded is calculated on the basis of the respective employees' base salary and a multiple of between one time and seven times applied thereto, depending on the employee's seniority and level of responsibility assumed in the organisation, and subject to their performance. In determining the top-up calculations for the annual share option award, the value of unvested past share option awards is taken into account.

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

6.1.3 Vesting

Options vest in 25% tranches on the second, third, fourth and fifth anniversaries of the award date.

Awards made before 2019:

There are no vesting conditions for options issued before 2019.

Awards made in 2019:

Awards made in 2019 were subject to achieving a minimum EBIT margin as a vesting condition, as set out below:

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

* Significant acquisitions might be excluded from this measure.

In addition, shares awarded to employees up to 2019 were at the market options, so without share price appreciation, which will only coincide with long-term value creation, management will derive no benefit from the LTI.

6.1.4 Loan funding

Until 2017, Curro provided loans to assist management to pay the strike price and the applicable income tax on vesting dates, as permitted by the share incentive trust deed. Subsequently, no new loan funding was made available and all options are to be net equity settled. At 31 December 2020 the remaining loan balance was R0.3 million (2019: R9 million).

6.1.5 Forfeiture of unvested shares

The executive directors and other executives agreed to forfeit all of their 4 038 250 remaining unvested share options awarded in terms of the Old LTI, subject to the New LTI being approved by shareholders and implemented, with new awards made in terms thereof.

6.2 The New LTI scheme

6.2.1 Introduction

The proposed New LTI scheme are nil-paid options, which means that there is no strike price, and the current market price has no impact on the number of nil-paid options allocated to key executive management.

6.2.2 Awards

Every year a fixed number of options will be made available to only the key executive management of Curro and selected other individuals who are regarded as potential candidates for succession planning of key executive management. The allocation of options will be a process between the key executive management and the remcom.

The number of nil-paid options which will be allocated on or about 30 June 2021 is 0.833% of the number of shares in issue at the date. The number of shares made available in each of the following years will be reduced gradually so that, over the long term and subject to the shares in issue, the figure reaches 0.5%, when it will be fixed.

It is the intention of the remcom and the board to repurchase such number of shares in the future for vested awards to ensure there is limited or no dilution for shareholders given the vesting of options. Market conditions will naturally be taken into account in this regard.

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3.8 Remuneration reports

6.2.3 Vesting

Options will vest in 25% tranches, with the first tranche vesting on 31 March 2023 and the third, fourth and fifth anniversaries of this date.

The options will be subject to the following performance conditions:

- Growth in recurring HEPS above aggregate of GDP growth % and CPI %;
- Ongoing improvement in Return on Capital Employed ('RoCE') over the vesting period; and
- Achievement of individual key performance criteria.

In order for participants to benefit, they have to meet their performance criteria and retain a meaningful portion of the vested shares over time. The performance conditions are weighted and will be measured as set out below:

Performance conditions for 2020 award	1) Growth in recurring HEPS	2) Annual increase in RoCE Note 1	3) Individual key performance criteria
Weighting:	60%	20%	20%
Minimum hurdle before any vesting:	GDP growth % + CPI % for preceding year	Prior year RoCE	To be determined by management and the remcom, depending on seniority.
Performance required for full vesting:	Proportionate (linear) vesting up to full vesting at 4% above minimum hurdle.	Proportionate (linear) vesting up to full vesting at absolute 0.3% above hurdle.	
Vesting subject to other conditions:		- Net Debt: EBITDA ratio to be maintained below 3.5x - RoCE in vesting year must be above RoCE in the base year when options were awarded, regardless of increase on immediately preceding year.	Subject to achieving like-for-like learner growth and achievement of personal KPIs.

Note 1 – Calculation of RoCE:

The RoCE is calculated by dividing the normalised EBIT by the average capital employed for the year. The average capital employed for each year is calculated by taking the total assets for the year, less cash balances and less all non-interest bearing liabilities; with the average being the aggregate of opening and closing balances above divided by two.



#Learners2Leaders: Curro Sagewood

Illustrative example

The table below demonstrates different potential outcomes as examples relative to the performance conditions for a tranche of 10 000 options that are due to vest under the New LTI scheme. The option shares are weighted per performance condition and potential vesting scenarios are displayed, i.e. –

- Growth in recurring HEPS of 9%, being 3% above the example hurdle rate of 6% for that year, means that 4 500 of the 6 000 options will vest; and
- A RoCE of 5.6% in 2021, being an improvement of 0.2% on the 2020-base year, means that 1 333 of the 2 000 potential options will vest.

Growth in recurring HEPS			Improvement in Return on Capital Employed ('RoCE')			Personal KPIs	Total options	
Maximum options that can vest in this tranche:	6 000		Maximum options that can vest in this tranche:	2 000		Maximum options that can vest in this tranche:	2 000	10 000
Example: GDP growth	2%		RoCE in 2020	5.4%				
CPI	4%							
Minimum hurdle for year	6%							
Growth scenarios	Above/ (below) hurdle	Total vesting	RoCE scenarios	Above/ (below) hurdle	Total vesting	Scenarios:		
5.0%	-1%	NIL	4.0%	-1.4%	NIL	Acceptable performance and learner growth	2 000	
6.0%	0%	NIL	5.4%	0.0%	NIL			
7.0%	1%	1 500	5.5%	0.1%	667			
8.0%	2%	3 000	5.6%	0.2%	1 333			
9.0%	3%	4 500	5.7%	0.3%	2 000	Weak performance and no learner growth	NIL	
10.0%	4%	6 000	5.8%	0.4%	2 000			
15.0%	9%	6 000	8.0%	2.6%	2 000			

6.2.4 Retention

As a further qualifying vesting condition, participants have to retain a minimum number of shares:

- For the second 25% of a specific tranche to vest an employee needs to have retained 80% of the shares received from the first vesting;
- For the third 25% of a specific tranche to vest an employee needs to have retained 70% of the shares received from the first and second vestings; and
- For the fourth 25% of a specific tranche to vest an employee needs to have retained 60% of the shares received from the first, second and third vestings.

In all instances a minimum of 60% of shares received from the scheme needs to be retained for any option vesting to qualify over and above the specific tranche requirements. Such shares may not be encumbered at a bank and may not form part of a collar or similar type of transaction.

Options will vest on the net equity basis and are exercisable within 6 months of the award dates, which is envisaged to be in March annually.

6.3 Limits

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

ACCOUNTABILITY

3.8 Remuneration reports

Below is a summary of the shares already utilised up to December 2020 and the proposed New LTI:

	Number of shares	Portion utilised	As % of shares in issue
For all participants			
Maximum approved limit of the Old LTI	29 354 954	100%	4.91%
Previously vested Old LTI	12 134 652	41.4%	2.03%
Current unvested Old LTI	10 404 100	35.4%	1.74%
Unvested Old LTI to be forfeited by executives, subject to adoption of the New LTI	(4 038 250)	(13.8%)	(0.68%)
Cumulative utilised Old LTI	18 500 502	63.0%	3.09%
Unutilised to remain available in Old LTI	499 498	1.7%	0.08%
Total estimated utilisation of Old LTI	19 000 000	64.7%	3.17%
Remaining headroom in Old LTI#	10 354 954	35.3%	1.73%
Total maximum utilisation that might be required to New LTI until 2030	30 210 000		5.05%
Additional headroom required*	19 855 046		3.32%
Total potential utilisation for Old and New LTI	49 210 000		8.22%
Per individual participant			
Previously vested Old LTI	1 511 274	39%	0.25%
Current unvested Old LTI	567 175	15%	0.09%
Cumulative utilised Old LTI	2 228 299	58%	0.37%
Maximum approved limit	3 870 990	100%	0.65%
Remaining headroom	1 642 691		0.27%
Total maximum that might be required to New LTI until 2030**	12 084 000		2.02%
Additional headroom required*	10 441 309		1.75%
Total potential utilisation for Old and New LTI	14 312 299		2.39%

* Exclude unvested options under Old LTI that might lapse

** Assumed to be 40% of total maximum that might be required under New LTI

Maximum approved limit to be reduced to 19 million shares in the Old LTI, subject to adoption of the New LTI. The remaining headroom will thus be cancelled.

6.4 Termination of service

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

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

This is consistent between the Old and New LTI schemes.

7. Executive contracts

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

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

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

8. Non-executive directors' fees

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

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

Refer to page 11 of the notice of AGM for details on the proposed fees for 2021, as set out below. Refer to the implementation report for the details on the non-executive directors' remuneration paid in the 2020 financial year.

The proposed fees for non-executive directors increase by 4% (after being unchanged since 1 July 2019) and are as follows:

Non-executive directors' fees (excluding value-added tax)	Annual fee 2021
Board	
Chairperson of the board	R572 000
Board members	R260 000
Chairpersons of the board committees	
Audit and risk committee	R156 000
Remuneration and nominations committee	R104 000
Social, ethics and transformation committee	R104 000
Members of board committees	
Audit and risk committee	R83 200
Remuneration and nominations committee	R83 200
Social, ethics and transformation committee	R52 000

Notes:

1. Fees are paid for services rendered as non-executive directors and are not based on meetings attended.

2. Value-added tax (VAT) is payable thereon if the non-executive director is VAT registered.

9. Shareholder non-binding advisory votes

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

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

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

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

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

ACCOUNTABILITY

3.8 Remuneration reports

Implementation report for the year ended 31 December 2020

Human capital is a critical component of Curro's business success, as their people are key to the quality of education that they provide through their schools. Curro has 5 963 employees, and approximately 65% of operating expenses consist of remuneration for employees.

The remcom believes it has achieved its objectives set out in the remuneration policy for 2019 and 2020. There were no material deviations from the remuneration policy.

1. Summary

	2018	2019	2020
Total remuneration			
Total number of employees	5 628	6 076	5 963
Guaranteed pay and company contributions	1 264	1 541	1 510
Short-term incentive	10	6	29
IFRS2 share-based payments expense	16	22	28
Total remuneration* (R million)	1 290	1 569	1 567
As percentage of revenue	52%	53%	51%
Remuneration of prescribed officers and executive committee			
Number of employees	11	11	9
Guaranteed pay (R million)	19	23	17
Short-term incentive (R million)	6	3	9
IFRS2 share-based payments expense (R million)	6	7	7
Total of guaranteed and short-term incentive (R million)	31	33	33
Short-term incentive as percentage of guaranteed pay	32%	13%	53%
Total of guaranteed pay as percentage of revenue	1.2%	1.1%	1.1%
Total of guaranteed pay as percentage of EBITDA	4.9%	4.8%	4.8%

Notes

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

2. Single total figure remuneration for executives

Executive	Basic salary	Expense allowance	Pension contributions paid	Bonuses ¹	Gains on exercising of options	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2020						
AJF Greyling	2 779	108	83	2 134	–	5 104
JP Loubser ²	517	12	15	–	–	544
B van der Linde ³	2 158	101	65	1 273	–	3 597
	5 454	221	163	3 407	–	9 245

1. Based on performance for the 2019 financial year.

2. Appointed as director and Chief Financial Officer from 1 January 2021, employed from 1 November 2020.

3. Resigned as director effective 31 December 2020 and appointed as Chief Operating Officer.

Executive	Basic salary	Expense allowances	Pension contributions paid	Bonuses*	Gains on exercising of options	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2019						
AJF Greyling	2 518	102	83	2 400	31	5 145
HG Louw**	543	111	44	1 192	21	1 911
B van der Linde	1 950	95	108	1 343	26	3 522
	5 011	308	246	4 935	78	10 578

* Based on performance for the 2018 financial year.

** Resigned effective 1 May 2019.

3. Total-cost-to-company packages

Staff salaries have historically been increased with effect from 1 March each year. For the 2020 year, the general annual salary increase was 3.5%, but only from 1 October 2020 (normally effective from 1 March annually). With the exception of where there were changes in responsibilities, the increases for executives were in line with those for the rest of the staff.

4. Short-term incentives

STIs are paid annually in February or March following the financial and academic results of the prior year and the learner enrolments for the following financial year. The March 2021 amount paid to the exco was R5.9 million (2020: R9.6 million), which was the bonus pool approved by the remcom in February 2021.

The remcom's approval process for STIs considered a review of the exco's achievement against the 2020 key performance indicators that were approved for that year in February 2020 and reviewed in February 2021 (once reviewed and/or audited information was available), relative to the disruptive effect of the COVID-19 pandemic on the business and the dilutive effect of the rights offers on earnings per share.

Under the circumstances, executives did not meet all the key performance indicators that had been set for the 2020 financial year, particularly with regards to growth in recurring HEPS and growth in yield. Details can be found below.

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

The STIs for the individuals as set out in the 2020 remuneration policy for the 2020 financial year that were paid in March 2021 and that was included in the 2020 financial statements were as follows:

Exco STI targets and results 2020

Financial and learner numbers	Allocation if target met	Minimum 0%	Target 25%	Stretch 40%	Actual achieved	Allocated bonus
Organic growth in learner numbers	25%	5.0%	7.0%	9.0%	8.8%	25.0%
Qualifying learner numbers 2021					66 153	
Qualifying average learner numbers 2020					60 777	
Increase yield by 0.5%	25%	0.2%	0.5%	0.7%	(0.9%)	0.0%
Yield for 2020					6.8%	
Yield for 2019					7.7%	
Recurring HEPS growth	25%	6.0%	20.0%	40.0%	(24.0%)	0.0%
Recurring HEPS (cents)		53.0	60.0	70.0	38.0	
	75.0%					25.0%

	CEO	CFO	Other Exco
Total personal KPIs	15.0%	15.0%	15.0%
Group targets achieved	25.0%	25.0%	25.0%
Total bonus	40.0%	40.0%	40.0%
Bonus weighting per executive (% of yearly salary)	100.0%	80.0%	60.0%
Bonus percentage	40.0%	32.0%	24.0%

5. Long-term incentives (R million)

	2018	2019	2020
Realised gains on vesting (all participants)	9	1	0
Realised gains on vesting (prescribed officers and exco)	3	0**	0
Outstanding loans to participants*	22	9	0***

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

** Rounded to million, actual amount is R121 152

*** Rounded to million, actual amount is R346 896

No new share awards were made to directors during 2020, in lieu of the proposed change from the Old LTI to the New LTI, subject to shareholders' approval at the AGM. The executive directors and other executives agreed to forfeit all the share options awarded in terms of the Old LTI, subject to the New LTI being approved by shareholders and implemented, with new awards made in terms thereof. The forfeited options will then be cancelled.

ACCOUNTABILITY

3.8 Remuneration reports

Details of share awards to executive directors in terms of the Old LTI are set out in the table below:

Director	Share options award date	Final option vesting date	Exercise price per share option (Rand)*	Opening balance of share options awarded at 1 January 2020	Number of share options vested during the year	Number of share options to be forfeited #	Closing balance of share options as at 31 December 2020	Gain on vesting of options**	Gains on unvested share options as at 31 December 2020***
								R'000	R'000
CR van der Merwe	2015/09/29	2020/09/29	29.01	49 300	(49 300)	–	–	–	–
	2016/09/29	2021/09/29	36.21	70 100	(35 050)	–	35 050	–	–
				119 400	(84 350)	–	35 050	–	–
AJF Greyling	2015/09/29	2020/09/29	29.01	30 150	(30 150)	–	–	–	–
	2016/09/29	2021/09/29	36.21	47 900	(23 950)	(23 950)	–	–	–
	2017/09/29	2022/09/29	37.53	205 275	(68 425)	(136 850)	–	–	–
	2018/09/29	2023/09/29	30.54	109 300	(27 325)	(81 975)	–	–	–
	2019/09/29	2024/09/29	19.81	474 400	–	(474 400)	–	–	–
			867 025	(149 850)	(717 175)	–	–	–	–
B van der Linde	2015/09/29	2020/09/29	29.01	21 175	(21 175)	–	–	–	–
	2016/09/29	2021/09/29	36.21	33 600	(16 800)	(16 800)	–	–	–
	2017/09/29	2022/09/29	37.53	125 775	(41 925)	(83 850)	–	–	–
	2018/09/29	2023/09/29	30.54	96 500	(24 125)	(72 375)	–	–	–
	2019/09/29	2024/09/29	19.81	297 500	–	(297 500)	–	–	–
			574 550	(104 025)	(470 525)	–	–	–	–
			1 560 975	(338 225)	(1 187 700)	35 050	–	–	–

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

** There were no gains on the exercise of options during the year.

*** The unrealised in the money amount was calculated by multiplying the unvested number of shares by the market price of the share at 31 December 2020 being R9.48.

The options which will be forfeited by the executive directors, subject to the approval of the New LTI by shareholders as proposed and the implementation thereof (also refer to 6.1.5 under the remuneration policy above).

6. Non-executive directors' fees

	2018	2019	2020
Remuneration (R'000)	2 083	3 037	3 164
Growth	33%	46%	4.2%

The fees paid to non-executive directors in the 2020 financial year included the following:

Name	2019 R'000	2020 R'000
SL Botha	630	630
ZL Combi	430	394
ZN Mankai	417	480
TBL Molefe	220	330
PJ Mouton	330	330
SWF Muthwa	430	363
TP Baloyi	–	57
DM Ramaphosa	330	330
CR van der Merwe	250	250
	3 037	3 164



#Learners2Leaders: Curro Sagewood



SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

CURRO HOLDINGS LIMITED

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Commentary

Overview

The COVID-19 pandemic had a severe impact on our lives during 2020 and challenged Curro to keep learners, staff and parent communities safe whilst continuing to provide high-quality education in the markets we serve. Our teachers and staff responded valiantly, and we honour them for their passion, dedication and creativity in the course of a very turbulent time. Curro's lower earnings for the year ended 31 December 2020 is disappointing but overall, the results were satisfactory under the circumstances and Curro's educational offering has flourished.

A great start before the COVID-19 pandemic

For the first quarter of 2020, being the three months ended March 2020, Curro traded above expectation in terms of learner number growth and fee collections. Learner numbers grew by 9% from December 2019 to January 2020 and fee collections were 24% higher compared to the corresponding period in the prior year.

The advent of the COVID-19 pandemic led to the temporary closure of schools from 18 March 2020 until 1 June 2020, when a phased return of learners began. During the lockdown, schooling was facilitated by means of remote learning. While learner numbers in primary and high schools were negatively impacted, nursery schools in particular saw a decline in learner numbers due to it not being a compulsory phase of schooling in terms of legislation.

Lockdown regulations were gradually relaxed during 2020 and Curro concluded its academic year successfully as a result of well-organised digital and safe physical channels.

Results for the year

Curro's average learner numbers increased by 6% to 60 777 learners (2019: 57 597 average learners) and revenue increased by 5% to R3 094 million (2019: R2 944 million) for the year under review.

Tuition fees increased by 12.0% since last year due to the growth in learners, coupled with the annual inflationary fee increase. However, revenue growth was weighed down by lower ancillary school income and higher discounts granted, from 7.2% of revenue to 10.9% of gross revenue in the year under review. The higher discounts included one-off COVID-19-related discounts amounting to R81 million (representing 2.3% of gross revenue). We estimate that the pandemic had a negative impact on net revenue of approximately R300 million.

Schools' EBITDA (earnings before interest, taxation, depreciation, amortisation and head office expenditure) increased by 1.4% to R886 million (2019: R873 million) for the year under review, while EBITDA (after head office expenditure) declined by 1.0% to R686 million (2019: R693 million).

The business has a relatively high fixed cost base and the decline in revenue during the second and third quarters of the year resulted in negative operating leverage and a reduction in the EBITDA margin to 22% (2019: 24%). While variable costs were reduced as far as possible during the national lockdown, expected credit losses unfortunately increased to R146 million (2019: R37 million). Curro enhanced its debt collection processes and adjusted its credit loss provision methodology.

The increase in depreciation and amortisation is mainly due to curriculum and IT development costs, as well as new premises leased and accounted for under IFRS 16 Leases.

Headline earnings and headline earnings per share ('HEPS') decreased by 32% from R253 million to R171 million and by 39% from 59.9 cents to 36.4 cents, respectively.

Recurring headline earnings and recurring headline earnings per share ('RHEPS') decreased by 15.6% to R179 million (2019: R212 million) and by 24.0% to 38.0 cents (2019: 50.0 cents), respectively.

The significant non-headline impairment of property, plant and equipment, intangibles and goodwill during the year under review contributed to the decrease in earnings per share ('EPS') from a profit of 48.0 cents in the previous year to a loss of 6.5 cents for the current year.

In evaluating these results, shareholders should take the following matters into account:

- HEPS for the previous corresponding period included a non-recurring tax reversal (a profit) of R53 million and the current reporting period includes a non-recurring acquisition cost of R8 million (net of tax) which accounts for the key differences between RHEPS and HEPS;
- Curro recognised impairments of R207 million (net of tax) in the 2020 financial year, relating to lower-yielding school assets. These impairment charges are included in the calculation of EPS but are added back for purposes of the calculation of HEPS, and accordingly accounts for the key difference between HEPS and EPS; and
- EPS for the prior year included a bargain purchase gain of R27 million and an impairment charge of R85 million (net of tax).

CURRO HOLDINGS LIMITED

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Curro Online

Curro is committed to making quality education more accessible to learners in southern Africa and has therefore developed and launched an online school in the midst of the pandemic which provides remote teaching and learning for learners from Grade 4 to Grade 10. Curro currently has more than 600 learners enrolled in Curro Online.

Investments and expansion

Curro invested a further R650 million in the business during the year under review, mainly in respect of the completion of projects already started in 2019 to expand capacity and replace moveable assets. Curro has reduced its exposure to nursery schools, where the market remains subdued, by converting certain of its nursery schools to primary schools and assisted learning facilities.

The primary objective for Curro remains increased capacity utilisation of its existing facilities.

Balance sheet and funding

During April 2020, Curro obtained three-year bullet funding of R1 billion to refinance R838 million of existing debt at an interest rate 30 basis points lower than before.

During July 2020, GCR Ratings affirmed Curro's national scale issuer credit ratings of BBB+^(ZA) and A2^(ZA), for the long term and short term respectively, with a stable outlook.

During September 2020, Curro raised R1.5 billion in a successful rights offer to further bolster its balance sheet. As a result of the rights offer, the company had 597 961 595 shares in issue at year-end compared to 412 087 989 shares at the end of the previous financial year.

Curro used a portion of the proceeds from its rights offer to repay R1.1 billion of debt, which resulted in finance cost savings in the final quarter of 2020.

Pursuant to the uncertainties brought about by the ongoing COVID-19 pandemic and in light of the recent rights issue concluded, the board has resolved to not pay a dividend in respect of the year under review in order to preserve cash and to deliberately use capital to fund Curro's further expansion and growth prospects. The declaration of a dividend is suspended for this year and the board will re-evaluate Curro's dividend policy at the end of this year.

Changes to the board of directors

The following changes to directors occurred during the year under review and subsequent thereto:

- Themba Baloyi was appointed as independent non-executive director with effect from 1 November 2020;
- KK Combi resigned as non-executive director on 30 November 2020;
- Bernardt van der Linde resigned as the Chief Financial Officer and executive director on 31 December 2020 but continues to serve as the Chief Operating Officer; and
- Cobus Loubser was appointed as Chief Financial Officer and executive director with effect from 1 January 2021.

The Board sincerely thanks KK and Bernardt for their long-standing service and valued contribution and wishes Themba and Cobus all the best for the future.

Prospects

As at 28 February 2021, Curro had 66 153 learners enrolled for the 2021 year, representing a 9% increase on the 60 777 average learners in 2020. We are pleased to see new registrations continuing.

The company's business model has proven resilient to date, underpinned by its robust offering and its strong financial position following the rights offer in 2020. We remain committed to provide quality education to all our learners into the future.

On behalf of the board



SL Botha
Chairperson

17 March 2021



AJF Greyling
Chief Executive Officer

CURRO HOLDINGS LIMITED

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KEY RATIOS (UNAUDITED)

	31 Dec 2018	31 Dec 2019	31 Dec 2020	28 Feb 2021
Number of campuses	58	70	76	76
Number of schools	139	166	177	178
Average number of learners	51 305	57 597	60 777	66 153*
Average number of learners per campus	885	823	800	870
Number of employees	5 628	6 076	5 963	6 245
Number of teachers	2 945	3 230	3 425	3 651
Learner/teacher ratio	17	18	18	18
Building size (m ²)	656 081	700 946	713 084	
Land size (ha)	514	536	536	
Capital invested (R million)	1 373	1 246**	650	
– Existing campuses (R million)	590	910	635	
New	549	878	602	
Replacement	41	32	33	
– New campuses (R million)	534	209	12	
– Acquisitions (R million)	369	127	3	
– Stadio (R million)	(120)	–	–	

* Registered learners as at 28 February 2021 (not the average).

** Figure adjusted from R1 285 million previously reported to exclude the other investing activities.



#Learners2Leaders: Northern Academy

CURRO HOLDINGS LIMITED

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SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% Change	Audited 31 Dec 2020 R million	Audited 31 Dec 2019 R million
Revenue from contracts with customers (note 4)	5%	3 094	2 944
Employee costs	–	(1 567)	(1 569)
Expected credit losses on financial assets	295%	(146)	(37)
Other expenses	8%	(695)	(645)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(1%)	686	693
– Schools' EBITDA	1%	886	873
– Head office's EBITDA	11%	(200)	(180)
Depreciation and amortisation	24%	(231)	(187)
Earnings before interest and taxation (EBIT)	(10%)	455	506
Interest income	56%	56	36
Profit on sale of property, plant and equipment	n/a	–	2
Gain on bargain purchase	n/a	–	27
Impairment of property, plant and equipment	140%	(250)	(104)
Impairment of goodwill	n/a	(9)	–
Impairment of intangible assets	n/a	(6)	–
Finance costs	–	(279)	(279)
(Loss) / profit before taxation	n/a	(33)	188
Taxation	900%	(10)	(1)
(Loss) / profit for the year	n/a	(43)	187
Other comprehensive (loss) / income:			
Net fair value loss on cash flow hedges	415%	(67)	(13)
Exchange differences on translating foreign operation	n/a	2	–
Total comprehensive (loss) / income for the year	n/a	(108)	174
(Loss) / profit attributable to:			
Owners of the parent	n/a	(31)	202
Non-controlling interest	(20%)	(12)	(15)
	n/a	(43)	187
Total comprehensive (loss) / income attributable to:			
Owners of the parent	n/a	(96)	189
Non-controlling interest	(20%)	(12)	(15)
	n/a	(108)	174

CURRO HOLDINGS LIMITED

Summary consolidated financial statements
for the year ended 31 December 2020

	% Change	Audited 31 Dec 2020 R million	Audited 31 Dec 2019 R million
Reconciliation of headline and recurring headline earnings:			
Earnings attributable to owners of the parent		(31)	202
Adjusted for:			
Profit on sale of property, plant and equipment		–	(2)
Gain on bargain purchase		–	(27)
Impairment of property, plant and equipment		250	104
Impairment of goodwill		9	–
Impairment of intangible assets		6	–
Non-controlling interest		(5)	(6)
Taxation		(58)	(18)
Headline earnings	(32%)	171	253
Reversal of deferred tax liability		–	(53)
Retrenchment cost		–	10
Acquisition cost on business combinations		11	–
Other		–	5
Taxation		(3)	(3)
Recurring headline earnings	(16%)	179	212
EBITDA margin		22%	24%
Schools' EBITDA margin		29%	30%
Earnings per share (cents)			
– Basic	n/a	(6.5)	48.0*
– Diluted	n/a	(6.5)	48.0*
Headline earnings per share (cents)			
– Basic	(39%)	36.4	59.9*
– Diluted	(39%)	36.4	59.9*
Recurring headline earnings per share (cents)	(24%)	38.0	50.0*
Number of shares in issue (millions)			
– Basic		598.0	412.1
– Diluted		598.0	412.1
Weighted average number of shares in issue (millions)			
– Basic		471.0	420.0*
– Diluted		471.0	420.0*

* Adjusted for the bonus element contained in the rights issue.

CURRO HOLDINGS LIMITED

Summary consolidated financial statements
for the year ended 31 December 2020

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 31 Dec 2020 R million	Audited 31 Dec 2019 R million
ASSETS		
Non-current assets	10 286	9 913
Property, plant and equipment	9 120	8 870
Right-of-use assets	319	200
Goodwill	561	565
Other intangible assets	271	265
Other financial assets	7	5
Deferred tax assets	8	8
Current assets	814	529
Inventories	17	14
Current tax receivable	3	2
Other financial assets	27	34
Trade receivables (note 5)	232	180
Other receivables	102	128
Investment in money market funds	334	57
Cash and cash equivalents	99	114
Non-current assets held for sale	14	43
Total assets	11 114	10 485
EQUITY		
Equity attributable to owners of the parent	6 768	5 405
Share capital (note 6)	6 205	4 733
Other reserves	(65)	(4)
Retained earnings	628	676
Non-controlling interest	(2)	11
Total equity	6 766	5 416
LIABILITIES		
Non-current liabilities	3 781	4 446
Other financial liabilities at amortised cost	2 774	3 653
Other financial liabilities at fair value (note 7)	120	27
Deferred tax liabilities	551	557
Lease liabilities	323	195
Contract liabilities	13	14
Current liabilities	567	623
Other financial liabilities at amortised cost	59	84
Current tax payable	1	1
Lease liabilities	33	20
Trade and other payables	206	186
Contract liabilities (mainly prepaid school fees)	227	214
Development and acquisitions payables	41	19
Bank overdraft	–	99
Total liabilities	4 348	5 069
Total equity and liabilities	11 114	10 485
Net asset value per share (cents)	1 132	1 312

CURRO HOLDINGS LIMITED

Summary consolidated financial statements
for the year ended 31 December 2020

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited 31 Dec 2020 R million	Audited 31 Dec 2019 R million
Balance at the beginning of the year	5 416	5 272
Total comprehensive (loss) / income	(96)	189
Rights issue	1 473	–
Dividends paid	(42)	(49)
Non-controlling interest	(12)	(23)
Other	27	27
Balance at the end of the year	6 766	5 416

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	%	Audited 31 Dec 2020 R million	Audited Restated* 31 Dec 2019 R million
	Change		
Cash flows from operating activities			
Cash generated from operations	–	714	714
Tax paid	(77%)	(3)	(13)
Net finance cost	(2%)	(200)	(204)
Working capital movements – operations	n/a	3	(23)
Net cash generated from operating activities	8%	514	474
Cash flows from investing activities			
Purchase of property, plant and equipment	(41%)	(632)	(1 069)
Sale of property, plant and equipment	433%	48	9
Purchase of intangible assets	(2%)	(55)	(56)
Business combinations (note 8)	(98%)	(2)	(123)
Development and acquisition investment	29%	(9)	(7)
Other investing activities	489%	(271)	(46)
Net cash utilised in investing activities	(29%)	(921)	(1 292)
Cash flows from financing activities			
Proceeds from shares issued pursuant to rights issue	n/a	1 500	–
Transaction cost pertaining to rights issue	n/a	(27)	–
Proceeds from other financial liabilities	(32%)	1 150	1 701
Repayment of other financial liabilities	129%	(2 083)	(908)
Dividends paid to company shareholders	(14%)	(42)	(49)
Principal elements of lease payments	133%	(7)	(3)
Net cash generated from financing activities	(34%)	491	741
Cash and cash equivalents movement for the year	n/a	84	(77)
Cash and cash equivalents at the beginning of the year**	(84%)	15	92
Cash and cash equivalents at the end of the year** ^	560%	99	15

* Restated to align with the annual financial statements (refer to note 9).

** Includes cash and cash equivalents and the bank overdraft on the statement of financial position.

^ Curro has additional liquid resources amounting to R334m (2019: R57m) available in the form of its money market investments.

CURRO HOLDINGS LIMITED

Summary consolidated financial statements
for the year ended 31 December 2020

SUMMARY CONSOLIDATED SEGMENTAL REPORT

	% Change	Audited 31 Dec 2020 R million	Audited 31 Dec 2019 R million
Average learners for the year	6%	60 777	57 597
– Curro	6%	51 249	48 404
– Meridian	4%	9 528	9 193
Revenue	5%	3 094	2 944
– Curro	6%	2 805	2 655
– Meridian	–	289	289
Schools' EBITDA	1%	886	873
– Curro	2%	828	809
– Meridian	(9%)	58	64
Net head office expenditure	11%	(200)	(180)
– Curro	12%	(193)	(172)
– Meridian	(12%)	(7)	(8)
EBITDA margin		22%	24%
– Curro		23%	24%
– Meridian		18%	19%
Recurring headline earnings	(16%)	179	212
– Curro	11%	204	230
– Meridian**	39%	(25)	(18)
Recurring headline earnings per share (cents)	(24%)	38.0	50.0*
– Curro	(23%)	41.5	54.3*
– Meridian**	(19%)	(3.5)	(4.3)*
Earnings per share (cents)	n/a	(6.5)	48.0*
– Curro	n/a	(1.6)	54.9*
– Meridian	(29%)	(4.9)	(6.9)*
Total assets	6%	11 114	10 485
– Curro	6%	10 402	9 791
– Meridian	3%	712	694
Total liabilities	(14%)	4 348	5 069
– Curro	(18%)	3 621	4 396
– Meridian	8%	727	673
Net asset value per share (cents)	(14%)	1 132	1 312

* Adjusted for the bonus element contained in the rights issue.

** Included in the Meridian results is an interest charge of R49m (2019: R43m) to shareholders in proportion to their shareholding.

CURRO HOLDINGS LIMITED

Summary consolidated financial statements
for the year ended 31 December 2020

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

These summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited ('JSE') for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS') and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which these summary consolidated financial statements were derived are in terms of IFRS and are consistent, except as detailed in note 3 below, with those accounting policies applied in the preparation of the previous consolidated annual financial statements. The summary consolidated results have been prepared internally under the supervision of the Chief Financial Officer, JP Loubser, CA(SA).

2. AUDIT OPINION

These summary consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office and on the website, together with the financial statements identified in the respective auditor's reports.

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

3. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2019 except for the amendments to The Conceptual Framework for Financial Reporting, IAS1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in accounting Estimates and Errors and IFRS 3 Business Combinations. For a full list of standards and interpretations that have been applied, we refer you to our 31 December 2020 annual financial statements.



#Learners2Leaders: Curro Create

CURRO HOLDINGS LIMITED

Summary consolidated financial statements
for the year ended 31 December 2020

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	31 Dec 2020 R million	31 Dec 2019 R million
Included in revenue from contracts with customers:		
Registration and tuition fees	3 226	2 880
Other income	34	67
Recovery income	47	42
Hostel fees	67	65
Aftercare fees	56	76
Bus income	35	35
Rental income	4	7
Subsidy income	2	2
Discounts granted	(377)	(230)
Personnel	(83)	(74)
Bursaries	(73)	(63)
Enrolments	(6)	(1)
COVID-19	(81)	–
Other*	(134)	(92)
	3 094	2 944

* Other discounts mainly comprise of discretionary discounts, financial assistance and Ruta Sechaba Bursaries.

5. TRADE AND OTHER RECEIVABLES

	31 Dec 2020 R million	31 Dec 2019 R million
Gross receivables	447	249
Expected credit loss provision	(215)	(69)
Net trade receivables	232	180

6. SHARE CAPITAL

The authorised ordinary share capital was increased from 600 million to 800 million no par value shares during the year under review.

Effective 7 September 2020, 185.9 million shares were issued by way of a partially underwritten non-renounceable rights offer at a subscription price of R8.07 per Rights Offer Share, in the ratio of 45.10532 rights offer shares for every 100 ordinary shares.

7. CASH FLOW HEDGES

	31 Dec 2020 R million	31 Dec 2019 R million
Fixed-for-variable interest rate swap liabilities	120	27

The interest rate swap agreements are valued at the present value of the estimated future cash flows based on observable yield curves, representing a Level 2 fair value measurement for financial reporting purposes.

CURRO HOLDINGS LIMITED

Summary consolidated financial statements
for the year ended 31 December 2020

8. BUSINESS COMBINATIONS

Effective 1 January 2020, Curro acquired the entire business operations and properties of The King's School Linbro Park in Gauteng, South Africa for a total purchase consideration of R34 million combined.

	R million
The following assets and liabilities were recognised:	
Property, plant and equipment	38
Intangible assets	1
Trade and other receivables	2
Cash and cash equivalents	1
Deferred tax liability	(10)
Trade and other payables	(3)
Total identifiable net assets	29
Goodwill	5
	34
Purchase consideration	
Cash paid	3
Outstanding purchase consideration payable	31
	34
Net cash outflow on acquisition	
Cash paid	(3)
Cash and cash equivalents acquired	1
	(2)

9. RECLASSIFICATION OF PRIOR YEAR FIGURES

Deferred/contingent purchase consideration paid pursuant to business combinations entered into and development payables were previously incorrectly classified as operating cash flows, which have been reclassified as investing cash flows in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Such reclassifications had no impact on previously reported assets, liabilities, equity or profitability; however, it had the following impact on the summary consolidated statement of cash flows:

	Previously reported R million	Change R million	Now reported R million
Impact on the summary consolidated statement of cash flows for the year ended 31 December 2019			
Cash flows from operating activities			
Working capital movements – investments	(7)	7	–
Cash flows from investing activities			
Development and acquisition investment	–	(7)	(7)

CURRO HOLDINGS LIMITED

Summary consolidated financial statements
for the year ended 31 December 2020

STATUTORY AND ADMINISTRATION

Directors: SL Botha** (Chairperson), TP Baloyi**, AJF Greyling (CEO), ZN Mankai**, TBL Molefe**, PJ Mouton*, SWF Muthwa**, DM Ramaphosa**, JP Loubser (CFO), CR van der Merwe*

* Non-executive

** Independent non-executive

Registered office: 38 Oxford Street, Durbanville, Cape Town, 7550

Transfer secretaries: Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

Corporate adviser and JSE Equity and Debt sponsor: PSG Capital

Independent joint JSE Equity sponsor: UBS South Africa

Company secretary: R Botha

Curro Holdings Limited

Incorporated in the Republic of South Africa

Registration number: 1998/025801/06

JSE share code: COH

Company code: BICAP

ISIN: ZAE000156253

('Curro' or 'the company' or 'the group')

Announcement date: 17 March 2021



#Learners2Leaders: Curro Savanna City

CURRO HOLDINGS LIMITED

Summary consolidated financial statements
for the year ended 31 December 2020

Independent auditor's report on the summary consolidated financial statements

To the Shareholders of Curro Holdings Limited

Opinion

The summary consolidated financial statements of Curro Holdings Limited, set out on pages 102 to 114 of the Annual Integrated Report 2020, which comprise the summary consolidated statement of financial position as at 31 December 2020, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Curro Holdings Limited for the year ended 31 December 2020.

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

Summary Consolidated Financial Statements

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

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 15 March 2021. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

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

Auditor's Responsibility

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Dawid de Jager

Registered Auditor

Stellenbosch

23 April 2021

ANNEXURE A A brief history

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

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

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

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

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

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

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

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

In May 2013 a rights offer and private placement to the value of R661 million took place to enable Curro to expand

its existing schools and to develop new schools in Ballito (KwaZulu-Natal) and Port Elizabeth (Eastern Cape). A Curro Castle was also established in George (Western Cape).

In 2013 Curro, through Capmac (Campus and Property Management Company (Pty) Ltd), acquired Northern Academy (Limpopo), a school in Polokwane with approximately 4 000 learners, 2 500 of whom resided in the school boarding facilities. Meridian Karino (Nelspruit, Mpumalanga) was also developed through Capmac. Curro and Old Mutual, through the Financial Sector Charter Fund, provided another R188 million (collectively referred to as the Meridian joint venture) in capital for the future development of Meridian school properties.

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

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

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

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

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

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

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

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

As at 31 December 2016, the group had 43 183 learners enrolled. The group developed an additional seven campuses

during the year, resulting in the group currently having 115 schools (49 campuses). The new schools to the value of R920 million that were added included Waterfall Primary School (Gauteng), Curro Century City High School (Western Cape), Curro Krugersdorp High School (Gauteng), Curro Rivonia Castle and Primary School (Gauteng), Curro Academy Wilgeheuwel Primary and High School (Gauteng), Curro Academy Clayville Primary School (Gauteng), and Curro Academy Pretoria Primary and High School (Gauteng). The group also added a tertiary-education campus in Waterfall Estate (Gauteng).

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

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

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

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

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

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

R603 million was invested in the expansion of existing campuses, which included significant expansions at Curro Roodeplaat, Curro Academy Wilgeheuwel, Windhoek Gymnasium (Namibia), Curro Midrand (previously Building Blocks), and Curro Heritage House (previously Curro Embury).

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

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

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

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

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

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

The group ends the year with 60 187 learners at 31 December 2021.

The unprecedented rise and spread of the COVID-19 pandemic had a negative effect on the performance of the Curro group resulting in the group reviewing their non-profitable nursery schools and closing one non-profitable school.

During this time Curro worked closely with the South African government to set COVID-19 standards and protocols in order to keep its schools open.

Due to the immediate need to maintain the delivery of Curro's educational offering during the South African lockdown, the group implemented remote learning and provided assistance to learners where there was limited infrastructure. During the 2020 lockdown, Curro's first, fully online offering, Curro Online, was launched.

Curro raised R1,5 billion through a rights offer.

On 28 February 2021, after a delayed start to the academic year, Curro learner numbers stood at 66 153 learners across 76 campuses (178 schools), as it had incorporated St George's Preparatory School (Qqeberha/Port Elizabeth) in January 2021.

GLOSSARY

Abbreviation	Description
AFS	Audited financial statements
AGM	Annual general meeting
B-BBEE	Broad-based black economic empowerment
Board	Governing body or the board of directors of Curro Holdings Limited
Capmac	Campus and Property Management Company (Proprietary) Limited
CAPS	Curriculum Assessment Policy Statements
CCMD	Curro Curriculum Management and Delivery
CEO	Chief executive officer
CFO	Chief financial officer
Companies Act	Companies Act, No.71 of 2008, as amended
Company	Curro Holdings Limited, an organisation registered as a public company and listed on the JSE Limited with registration number 1998/025801/06
COO	Chief operating officer
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Exco	Executive committee
Group	Curro Holdings Limited and its subsidiaries
HEPS	Headline earnings per share
HR	Human resources function
IEB	Independent Examinations Board
IFRS	International Financial Reporting Standards
ISCR	Interest Service Cover Ratio
IT	Information and technology and/or information technology and systems
JSE	JSE Limited
King IV	King IV Report on Corporate Governance™ for South Africa, 2016. Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.
Land banking Ltd	The acquisition of land for the purpose of developing schools Limited
LTI	Long-term incentive
Meridian	In July 2012, Curro, the Public Investment Corporation (PIC) and Old Mutual, through the Schools Fund (SEIFSA), provided R440 million in capital for the development of a group of Meridian schools to accommodate approximately 20 000 learners. In 2017, Curro and Old Mutual, through the Financial Sector Charter Fund (FSC Fund), provided another R188 million in capital for the future development of Meridian school properties. Capmac owns the properties, and the schools owned by Meridian Operations Company (RF) NPC are managed by Curro. In the report, reference to Meridian relates to this ring-fenced venture, the main purpose of which is to provide affordable quality education. Curro owns 65% of the equity of Capmac.
MOI	Memorandum of incorporation
NCV	National Certificate Vocational
NSC	National Senior Certificate
OHASA	Occupational Health and Safety Act No 85 of 1993, as amended
Old Mutual	Old Mutual Life Assurance Company South Africa Ltd
PAC	Parent Advisory Committee
PAT	Profit after tax
PIC	Public Investment Corporation
Pty (Ltd)	Proprietary Limited
SEIFSA or Schools Fund	Schools and Education Investment Impact Fund of South Africa
SENS	Stock Exchange News Service of the JSE
STEAMD	Science, Technology, Engineering, Arts, Mathematics and Design
STI	Short-term incentive
TCTC	Total-cost-to-company
Umalusi	The Umalusi Council for Quality Assurance in General and Further Education and Training

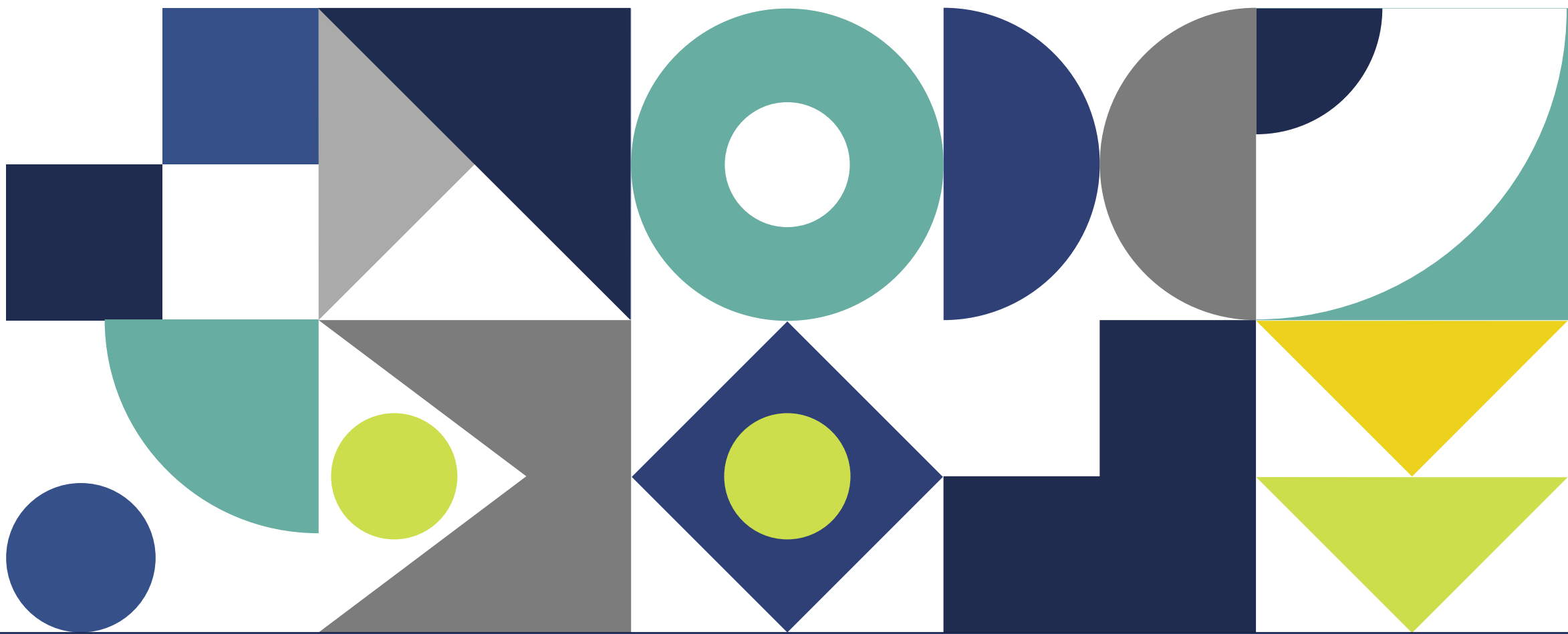
GENERAL INFORMATION

Curro Holdings Limited

(Registration number 1998/025801/06)

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Independent schools and education services
Directors	<p>Executive</p> <p>Mr AJF Greyling Mr JP Loubser</p> <p>Non-executive</p> <p>Mr PJ Mouton Dr CR van der Merwe</p> <p>Independent non-executive</p> <p>Ms SL Botha (chairperson) Mr TP Baloyi Ms ZN Mankai Ms TBL Molefe Prof. SWF Muthwa Mr DM Ramaphosa</p>
Registered office and business address	38 Oxford Street Durbanville Cape Town South Africa 7550
Postal address	PO Box 2436 Durbanville Cape Town South Africa 7551
Holding company	PSG Financial Services Ltd, incorporated in South Africa
Ultimate holding company	PSG Group Ltd, incorporated in South Africa
Bankers	Absa Bank Ltd First National Bank Ltd Standard Bank of South Africa Ltd
Auditor	PricewaterhouseCoopers Inc.
Curro's company secretary in an acting capacity	Mr RW Botha
Company registration number	1998/025801/06
Tax reference number	9159/070/02/9
JSE Equity and Debt sponsor and corporate advisor	PSG Capital (Pty) Ltd 1st floor, Ou Kollege Building 35 Kerk Street, Stellenbosch, 7600 (PO Box 7403, Stellenbosch, 7599, South Africa) and 2nd floor, Building 3 11 Alice Lane, Sandhurst, Sandton, 2196 (PO Box 650957, Benmore, 2010, South Africa)
Independent Joint JSE Equity sponsor	UBS South Africa (Pty) Ltd



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