CURRO

Curro Holdings Limited

Integrated annual report for the year ended 31 December 2013

Contents

Overview

2013 Highlights

↑ **80%**
REVENUE

↑ **114%**
EBITDA

↑ **87%**
HEPS

2014 Highlights

Number of schools ↑ by
19% to **31** schools

Learner numbers ↑ by
26% to **27 263**

10 new school developments

Integrated annual report 2013

Curro Mount Richmore, Ballito, KwaZulu-Natal. Opened in January 2014.

Curro Castle George. Opened in January 2014.

Curro Hillcrest, KwaZulu-Natal, was acquired by Curro in 2012.

With this integrated annual report Curro aims to provide the background, current status and insight into the future of its business.

In preparing this integrated annual report, Curro took cognisance of and applied the principles contained in the JSE Ltd (JSE) Listings Requirements, International Financial Reporting Standards and the Companies Act No 71 of 2008, as amended.

An independent audit of the group's annual financial statements was performed by Deloitte & Touche. The remainder of this integrated annual report has not been subjected to independent audit or review. Information reported, other than that mentioned above, is derived from the group's own internal records and from information available in the public domain.

This integrated annual report contains certain forward-looking statements which relates to the financial position and results of the operations of Curro. Although good care was taken to make these forward-looking statements realistic, note should be taken that it has not been audited and there could be factors which might influence these results.

The Board of directors is responsible for the preparation of this integrated annual report. The Board confirms that it has applied its collective mind to the content of the report and believes the report reflects a balanced and fair view of the performance and prospects of Curro and addresses all material issues.

SL Botha
Chairperson of the board

Dr CR van der Merwe
Chief Executive Officer

Curro's journey since inception

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

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

2006
- Curro has approximately 900 learners
- Construction of the second campus in Langebaan (Curro Langebaan)

2007
- Curro Langebaan campus opens
- Curro has approximately 1 100 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 stake in Curro for R50 million

2010
- Curro has five campuses with approximately 3 000 learners
- Curro adopts a strategic growth plan to have 40 schools by 2020
- Paladin Capital acquires another 25% stake in Curro

2011
- Curro has 12 campuses with approximately 5 500 learners
- In June, Curro lists on the Alternative Exchange (AltX) of the JSE with a market capitalisation of approximately R400 million
- Curro raised R318 million through a rights offer

2012
- Curro has 19 campuses with approximately 12 000 learners
- Raised R476 million through a rights offer
- Moved to the main board of the JSE
- Market capitalisation exceeding R4 billion

2013
- Curro acquires Northern Academy and Embury Institute for Teacher Education (Pty) Ltd
- Adoption of "80 @ 20" growth strategy, i.e. 80 schools will be developed by 2020
- Curro has 26 campuses with 21 027 learners
- Raised R606 million through a rights offer
- Listed a R2 billion domestic medium-term note programme on the JSE
- Curro developed five new schools
- Market capitalisation exceeding R8 billion

2014
- Curro started the year with 31 campuses and 27 263 learners
- Curro plans to develop 10 new schools
- Further develop existing campuses to a value of approximately R500 million
- Purchase approximately 20 land sites for future schools
- Consider acquisitions of schools that fit our business profile
- Plan to raise R590 million through a rights offer

The word Curro is Latin, meaning I RUN and can be interpreted as follows:
I learn at my own learning pace and according to my own aptitude, attitude and talents.

Group performance overview

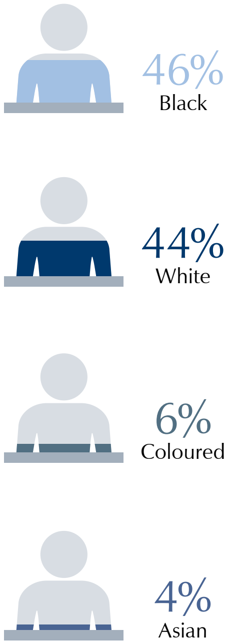
Key performance indicators

For the years ended 31 December	2009	2010	2011	2012	**2013**
Profitability					
Revenue (R'000)	48 550	75 603	170 334	365 749	**659 128**
Salaries (R'000)	31 114	48 016	118 251	222 309	**385 566**
EBITDA (R'000)	8 860	12 800	10 481	53 214	**113 668**
Profit attributable to ordinary shareholders (R'000)	1 794	5 233	(7 404)	14 677	**37 049**
Earnings per share (cents)	2.2	6.5	(6.2)	7.1	**13.2**
Statement of financial position					
Total assets (R'000)	115 995	243 311	597 412	1 483 699	**2 633 747**
Interest bearing liabilities (R'000)	56 602	159 272	168 123	346 044	**817 230**
Equity (R'000)	52 453	57 688	369 773	861 718	**1 563 379**
Net asset value per share (cents)	65.6	71.7	229.4	358.2	**529.2**
Capital investment (Rm)					
– Current campuses		13	80	223	**602**
– New campuses		114	175	237	**242**
– Acquisitions		1	73	322	**232**
Total capital investment		128	328	782	**1 076**
Share statistics					
Market price (cents)					
– High			1 215	2 049	**2 955**
– Low			530	985	**1 379**
– Closing			1 200	1 635	**2 780**
– Average			766	1 414	**1 902**
Volume of shares traded ('000)			10 086	13 258	**21 874**
Value of shares traded (R'000)			80 462	193 138	**424 636**
Volume/weighted average number of shares (%)			14.5	6.2	**7.8**
Market capitalisation (Rm)			1 934	3 931	**8 195**

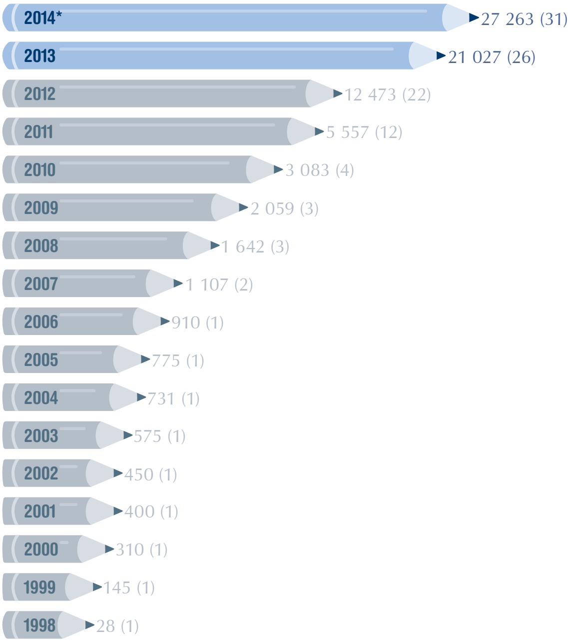
2013 Academic results

IEB		NSC
380	Number of learners	632
100%	Pass rate	92%
79%	University exemption	56%
1.1	Average number of A's per learner	0.6
65%	Average	56%
68%	Average > 60%	49%
56% / 62%	Maths (taken & average)	49% / 48%

Learner demographics



Learner numbers (campuses)



* As at 31 January 2014

Other key ratios

	2011	2012	2013	2014*
Number of schools	12	22	**26**	**31**
Number of learners	5 557	12 473	**21 027**	**27 263**
Number of learners per school	463	567	**809**	**879**
Number of staff	654	1 630	**2 378**	**2 811**
Number of educators	446	1 151	**1 593**	**1 868**
Learner/educator ratio	12	11	**13**	**15**
Building size (m^2)	75 000	169 024	**261 004**	**264 441**
Land size (ha)	107	153	**188**	**223**

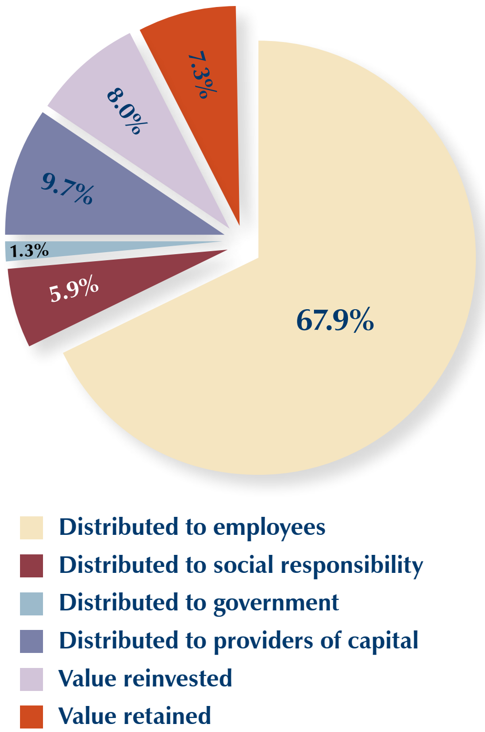
* As at 31 January 2014

Group performance overview *(continued)*

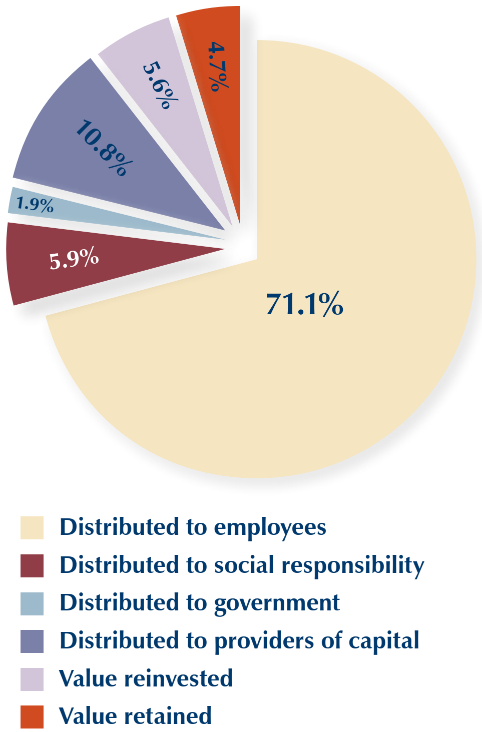
Value added statement

For the years ended 31 December	2013 R'000	2013 %	2012 R'000	2012 %
Revenue	**659 128**		365 749	
Net cost of providing services	**(95 682)**		(54 758)	
Wealth created by trading operations	**563 446**	**99.2**	310 991	99.5
Investment income	**4 802**	**0.8**	1 502	0.5
Total wealth created	**568 248**	**100.0**	312 493	100.0
Value distribution:				
Distributed to employees				
Remuneration and benefits	**385 566**	**67.9**	222 309	71.1
Distributed to social responsibility				
Corporate social investment and bursaries	**33 649**	**5.9**	18 426	5.9
Distributed to government				
Income tax	**7 117**	**1.3**	5 820	1.9
Distributed to providers of capital				
Finance costs	**55 029**	**9.7**	**33 660**	**10.8**
Value reinvested				
Depreciation, amortisation and impairments	**36 966**	**6.5**	17 848	5.7
Deferred tax	**8 467**	**1.5**	(247)	(0.1)
Total value reinvested	**45 433**	**8.0**	17 601	5.6
Value retained				
Retained income	**41 454**	**7.3**	14 677	4.7
Total wealth distributed and retained	**568 248**	**100.0**	312 493	100.0

Value distribution 2013



Value distribution 2012



Curro continues the individualised approach of matching learners to book levels and guided reading and writing.

Curro is very aware that, at the end of their school careers, learners must excel in the matric examination to ensure access to tertiary education and to be eligible for selection for certain areas of study.

Education is one of the cornerstones of society, providing the main strategic thrust to long-term South African development.

The business

Curro provides independent school education to learners from three months of age to grade 12. The group also owns and manages a private institute for teacher training.

Ancillary services offered include aftercare centres, cafeterias, bus services and boarding facilities.

There are currently 31 campuses with 27 263 learners in the group.

Vision

Curro's vision is to make independent school education accessible to a wider group of learners throughout South Africa, reaching 80 schools by 2020 and accommodating 90 000 learners.

Curro's values

Curro's values remain unchanged since inception. As a group of concerned, dedicated and experienced educators, four key components were identified that had to inform the value-system.

They are:

- Child friendliness
- Positive discipline
- Christian ethos
- Creative thinking

Curro sees the written curriculum as the mainstay of its offering, and if the taught curriculum can be received by learners according to the intentions of the written curriculum, successful learning takes place.

For too long many schools have neglected the importance of dynamic curriculum development and, in many cases, placed too much focus on the achievement of sports results.

Through these values Curro creates a balanced educational space in which many co-curricular activities, such as sport and culture, can be enjoyed by learners while not losing sight of the essence of a school, namely successful learning.

Curro nursery schools create safe environments where children are encouraged to develop academically, socially, emotionally, physically and spiritually.

Brands/lines of business

To achieve the vision, Curro, the original brand, was divided into six brands, or lines of business. These are:

- Curro
- Select
- Curro Academy
- Meridian
- Curro Castle
- Embury Institute for Teacher Education

Curro is our original brand and refers to a typical combined (learners from grades R to 12) independent school, in which we offer class sizes of 25 learners (maximum). We teach in english only or a parallel-medium fashion, which means we have separate English and Afrikaans classes from grades R to 9, and where applicable a dual medium approach from grades 10 to 12. On these campuses we offer a wide variety of subject choices and co-curricular activities. A typical campus can accommodate 1 200 to 2 000 learners. The facilities are of a high standard. Where learner numbers of 1 400 are reached, parents can expect indoor swimming pools and AstroTurf fields. Refer to the table on page 11 for information on school fees. The grade 12 learners write the Independent Examination Board (IEB) examination.

Schools which have been acquired by Curro are reflected in our **Select** category. Some schools, such as Woodhill College, have brands of their own and as previously reported, these schools have proven sets of standards including values and traditions. Our promise to the parents of these schools was that we would keep these standards and traditions and as such, we retain these schools in our Select category, although the term "Select" as such is not to be regarded as a brand.

The **Curro Academy** brand encompasses independent schools which have a key focus on quality education at classroom level. Classes have a maximum of 35 learners. These schools are also combined schools, catering for learners from grades R to 12. A fully-developed campus can accommodate between 1 500 and 4 000 learners. Refer to the table on page 11 for information on school fees. In some cases the class sizes might increase to 50 with the utilisation of class assistants, resulting in an educator to learner ratio of below 35 learners per group. In these schools we can only offer some co-curricular activities as the sport facilities are restricted to one or two play fields. Learners in these schools write the National Senior Certificate (NSC) examination at the end of grade 12. These schools are, in some cases, supported by boarding facilities, which can accommodate up to 50% of the total number of learners.

Meridian is a brand similar to that of Curro Academy and accommodates learners from grades R to 12. Classes accommodate up to 35 learners and these schools write the NSC examination at the end of grade 12. Subject choices are focused at these schools, which are single medium (English). Co-curricular activities are offered, but limited to an appropriate variety. Meridian schools are highly affordable. Refer to the table on page 11 for information on school fees. A fully developed campus will accommodate 1 500 to 4 000 learners. Boarding facilities are a feature of most of these schools. The properties of Meridian schools are funded, to a large extent, by the Schools and Education Investment Impact Fund of South Africa (Schools Fund or Seiifsa), and the brand is owned by Campus and Property Management Company (Pty) Ltd (Capmac) of which Curro owns 65%. Capmac has the mandate to develop another three Meridian school properties.

The **Curro Castle** brand encompasses our nursery schools which accommodate learners from three months to five years old. These nursery schools have facilities which accommodate up to 400 learners. Curro has written its own curriculum for nursery schools. This curriculum is developed in such a manner that it assists in developing a child's physical, social and emotional being, whilst also providing a practical framework for both adult-facilitated and self-directed learning, laying the foundation for a child before going to primary school. Refer to the table below for information on school fees.

The **Embury Institute for Teacher Education (Pty) Ltd** (teacher training college) is a registered and accredited educator training college which provides both full-time degrees and short-course training and development for educators, under the auspices of the University of South Africa (Unisa). It was acquired by Curro at the beginning of 2013 and will contribute in terms of both internal and external educator development. We envisage developing two additional campuses.

Quality control

Curro established the Curro Centre for Educational Excellence (CCEE) to:

- Develop and apply latest trends in curriculum standards and dissemination.
- Monitor quality of academic standards and ensure standardisation across campuses.
- Provide advice on educational and related matters to the executive heads, operational heads, subject heads and educators at the schools.
- Identify and develop master educators and further centres and standards of excellence in subjects, with the primary focus on mathematics, science and technology.

IEB examinations have been accepted at all Curro schools and have been in effect since 2012, with the exception of Meridian schools, where we use the NSC examination. The IEB examination comes at an additional cost which is not viable within the financial structure for low fee schools. However, efforts are made to achieve high assessment standards through our internal tests and examinations, contributing to the development of a well-rounded learner at our low fee schools.

We have confidence in the IEB examination because of several reasons:

- Their educators are well trained and passionate about this examination.
- Far fewer learners write the IEB than the NSC which means that the focus on accurate moderation and marking of the papers can be more intensive.
- The questions which are included in an IEB paper, compel learners to apply a wide variety of thinking skills at various levels of cognition.
- We have reason to believe that learners who successfully complete the IEB are also logical and practical thinkers and doers, competencies which, without doubt, will bring them closer to realities in the world of work.
- The IEB also prepares the grade 12 learners to be more mature and well-rounded university students.

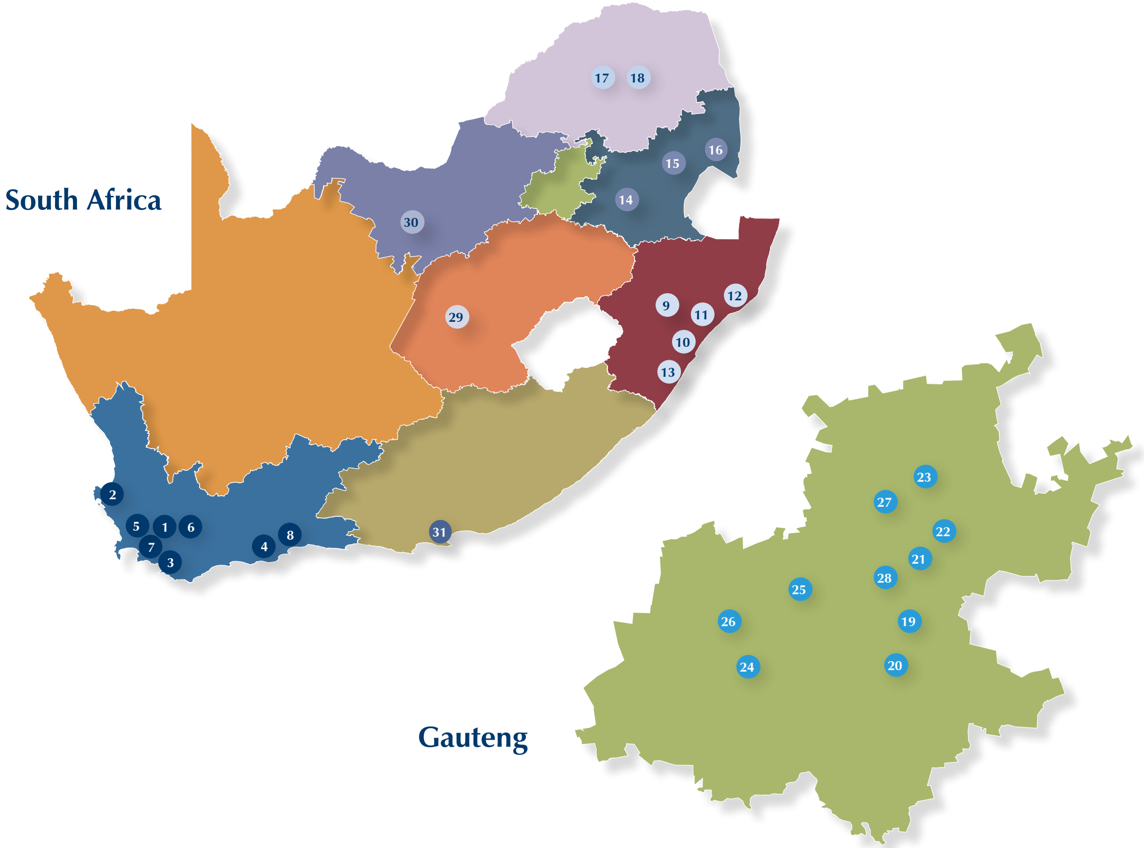
The significance of the IEB's independence is to provide an alternative voice on curriculum and assessment matters, to contribute positively to debate on educational issues and to provide an approach that ensures that independent schools are accommodated in respect of their needs and desires within the South African framework, for the greater good of our country. The IEB sees itself as a partner in the education system of our country, supporting that which needs to be supported with whatever we have to contribute, and questioning that which needs to be questioned. As our history would suggest, the IEB supports democratic principles and the rational voice in education.

With the acquisition of the teacher training college, Curro has strengthened and complemented the CCEE and vice versa in:

- Curriculum innovation and development
- Educational research
- Professional development of educators

Curro business overview summary				
Tertiary/Higher education	**Teacher training college: Detail of courses, training programmes and fee structure can be found on www.eite.ac.za**			
Grades R to 12	**Meridian schools** School fees range from approximately R1 000 to R1 500 per month	**Curro Academies** School fees range from approximately R1 300 to R1 700 per month	**Curro schools** School fees range from approximately R2 000 to R4 200 per month	**Select category: Independent schools** School fees range from approximately R4 500 to R6 200 per month
Group 1 (3 months) to Group 5 (5 years)	**Curro Castle** School fees range from approximately from R1 800 to R2 550 per month			

Operational overview: Schools



Western Cape

1. Curro Durbanville
2. Curro Langebaan
3. Curro Hermanus
4. Curro Mossel Bay
5. Curro Century City
6. Meridian Pinehurst (Kraaifontein)
7. Rosen Castle Tyger Valley
8. Curro Castle George

KwaZulu-Natal

9. Curro Hillcrest Christian Academy
10. Embury College (Durban)
11. Curro Mount Richmore (Ballito)
12. Grantleigh
13. Embury Institute for Teacher Training (Durban)

Mpumalanga

14. Curro Bankenveld (Witbank)
15. Curro Nelspruit
16. Meridian Karino (Nelspruit)

Limpopo

17. Curro Heuwelkruin (Polokwane)
18. Meridian Northern Academy (Polokwane)

Gauteng

19. Curro Serengeti Academy (Kempton Park)
20. Curro Helderwyk (Brakpan)
21. Curro Hazeldean (Pretoria)
22. Curro College Hazeldean (Pretoria)
23. Curro Roodeplaat
24. Curro Aurora (Randburg)
25. Curro Thatchfield (Centurion)
26. Curro Krugersdorp
27. Meridian Pretoria
28. Woodhill College (Pretoria)

Free State

29. Curro Bloemfontein

North West

30. Meridian Rustenburg

Eastern Cape

31. Curro Westbrook (Port Elizabeth)

Playgrounds are carefully designed and equipped with state-of-the-art play structures that provide an educational touch to playground games.

Brief history

Curro was established in 1998. Chris, Curro's current Chief Executive Officer, initially envisioned the establishment of a small independent school which was intended to accommodate only an intermediate school phase (grade 4 to grade 7) in a converted house.

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

In 2004, Senior Advocate Fef le Roux (Curro's chairman from 2009 to March 2013), purchased 30% of the company's shares. In 2005, Educor, a subsidiary of Naspers, acquired 25% of Curro's shares. With this support, the company entered into a business vision of establishing 20 Curro schools nationwide. When Naspers disposed of Educor in 2006, a pre-emptive right triggered the repurchase of the 25% by the founders of the company, Fef le Roux and two of his colleagues at the Cape Bar. At that stage the company had three established schools.

In 2009, PSG approached Curro to become a 50% partner through their subsidiary, Paladin Capital and at the beginning of 2010, with the adoption of the development plan to have 40 schools by 2020 with the capital investment that this entails, Paladin Capital increased its shareholding to 75%.

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

A second 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, Embury College and Rosen Castle. Rosen Castle laid the foundation to develop nursery schools under the Curro Castle brand.

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

In July 2012, Curro, the Public Investment Corporation (PIC) and the Old Mutual Investment Group of South Africa (Omigsa), through the Schools Fund, 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 third rights offer and private placement took place to the value of R661 million to enable Curro to expand at existing schools and the development of new schools in Ballito (KwaZulu-Natal), Port Elizabeth (Eastern Cape), a Curro Castle in George (Western Cape) and the acquisition of Grantleigh (KwaZulu-Natal).

In 2013 Curro, through Capmac, acquired Northern Academy, a school in Polokwane with approximately 4 000 learners of which 2 500 reside in the school boarding facilities. Also through Capmac, Meridian Karino (Nelspruit) was developed. Curro and Omigsa, through the Financial Sector Charter Fund (FSC Fund), provided another R188 million capital for future development of Meridian school properties.

An amount of R150 million in 5-year bonds through a JSE listed domestic medium-term note programme took place in 2013. The year 2013 ended on a high note with 21 027 learners and five new schools constructed.

As of January 2014, Curro had 31 campuses accommodating 27 263 learners.

Achievements in 2013

Academic results

In 2013, 382 Curro learners achieved a 100% pass rate in the IEB examinations, of which 79% gained university exemption with an average number of A's being 1.1 A's per learner.

Curro has a consistent focus on mathematics and physical science. Targets are set at all our schools to increase learner participation and academic results in these subjects, with approximately 60% of learners taking mathematics as a subject and achieving an average of 60%.

The Meridian schools improved their results remarkably when 632 learners wrote the NSC and achieved a 92% pass rate. 56% of learners obtained university exemption and it is our goal that approximately 80% of learners obtain university exemption in the future.

Curriculum

Curro works very hard to create facilities and opportunities for learners to participate and achieve on both the sports field and the cultural terrain as we view education as a holistic process. However, the learning process inside classrooms remains Curro's core business and to ensure that this offering is of premium quality, the following have been implemented:

- Curro is in the process of revising all the national South African curriculum documentation to ensure that it corresponds with world-class curricula and is in line with the latest educational research. This process was completed by the end of 2013 (grades R to 9) and we also developed a written curriculum for the nursery schools. This curriculum will prepare learners for their grade R year so that they can blend into the more formal school phases easily, with far less stress.
- In the Further Education and Training (FET) Phase (grades 10 to 12), Curro works closely with the IEB to ensure that standards are above the IEB requirements. Curro enjoyed a 100% pass rate at the end of 2013 with a majority of subject averages above that of IEB schools nationally.
- Curro also developed a robotics curriculum for grades R to 6 during 2013, which will be extended to grade 9 by 2014. Robotics is acknowledged in the international arena of "best practice" in education as a tool that stimulates cognitive development and fosters an interest in the STEM (science, technology, engineering and mathematics) subjects and related careers.
- More than 6 000 learners will use tablets as educational media in 2014. E-learning materials are downloaded on all these devices to bring the method of learning in line with 21st century technology.

Learners are encouraged to explore and express their individuality within acceptable limits.

- Curro is committed to quality assurance and believes that learner achievement is the best indicator of excellence in teaching and learning. Grades 3, 6 and 9 learners are tested annually with internal systemic tests in mathematics and home language. Systemic tests reveal the level at which learners attained the expected competencies at the end of grades 3, 6 and 9. Learners wrote the International Benchmarking Tests (IBT) of the IEB in grades 4, 5, 6 and 9 and these results were made available to parents.
- Curro has appointed inter-Curro subject heads to coordinate the contact and cooperation of educators between Curro schools. This exciting development promises to contribute hugely to Curro being the leaders in quality education in South Africa.
- To ensure high staff morale and the professional development of educators, Curro offers educators and curriculum leaders ongoing training and, to this end, a curriculum conference was once again presented to create networking and learning opportunities for educators.

The overall philosophy, in terms of school management, remains appointing and retaining the most skilled people as executive heads at school level and supporting them with appropriate resources.

In terms of school monitoring and support, capacity has been extended. Whereas in the past the Chief Operating Officer had all the schools directly under his management, as of January 2013, three regional heads were appointed and drawn from serving executive heads. This group is responsible for advising, managing and monitoring all the areas of school management for their allocated schools with their functions being comparable to those of circuit managers/school inspectors in the state school sector.

Continued focus will be placed on the management of efficiencies, with the growing network of schools leading to a greater body of knowledge, where processes leading to greater efficiencies and savings can be identified and applied at all schools.

Management is continuously looking at the key school functions and evaluating where value can be maximised by the centralisation of functions. Key centralised functions are the information technology (IT) network and support, back office accounting and curriculum development through the CCEE. Academic quality control is done by our regional heads (internally) and Umalusi (externally).

Debtors' control was traditionally entirely centralised. Since 2012 this function was decentralised to school level, which makes more sense in terms of customer relations and the ability to provide face-to-face contact for account queries.


Curro is committed to develop relevant curricula for education in South Africa by embracing the 21st century skills learners need in their daily lives.

Information technology and systems

Information Technology (IT) is important in two areas of the business, namely: the educating of learners and the administration of the network of schools.

IT, as part of the education process, is becoming more relevant. All Curro schools have IT labs where appropriate classes are presented. IT labs are equipped with Sun Oracle terminal systems which are more cost-effective to maintain over the medium- to long-term, easier to integrate with the Curro network and are energy-saving.

In terms of IT as administrative support, Curro invests capital and effort to ensure that appropriate systems are in place to effectively monitor the schools. The aim is to increase automation of processes to ensure that educators spend more of their time teaching and that the number of administrative personnel is kept to a minimum. Educators' computer literacy was improved in 2013.

As part of the administration service, IT is strategically positioned to use technology to increase transparency of information to parents.

The reliability of Curro's IT system is challenged because of the lack of fixed-line telecommunication infrastructures at the urban edges where Curro generally develops new schools. Micro-wave technology helped Curro stabilise the internet in these remote areas. Curro is continuously working to finding cost-effective, reliable wireless alternatives and is strategically positioned to be able to migrate to cloud-based technology, which is dependent on the stability of the wireless environment.

Curro's purpose and strategy

Curro believes that the purpose of education is to empower every person to achieve their potential as individuals and members of society. Education is one of the cornerstones of society, providing the main strategic thrust to long-term South African development.

South African education has seen many transformations since 1994 and despite the substantial allocation of the national budget to education, the demand for quality schools and educators remains insatiable.

Government is progressing in creating equal opportunities for all our learners, but still faces many challenges specifically in terms of providing education at an acceptable standard. It is understandable that efforts are targeted at the most needy where the situation is the most dire. This creates a vacuum in terms of facilities and standards at the lower to middle end of the market and for new campuses in the more affluent areas requiring private sector participation. Article 29 of the South African Constitution enshrines and protects this role of independent schools to fulfil their role in this regard.

Against this background, it is clear that Curro could develop a large number of independent schools across South Africa. The development of every independent school creates open spaces in state schools for new enrolments. In addition, this saves the state the capital outlay of between R50 million and R80 million to erect a school, with running costs for a mature school of more than R30 million per annum.

The joint venture with the Schools Fund and its respective investors will accelerate the access to quality schooling and play a supportive role for government in addressing the educational needs of South Africa in the lower-income market under the brand of Meridian schools. We aim to add another three Meridian schools to our group. More schools, similar to Meridian schools, will be developed within the Curro Academy brand.

Curro will expand its group of independent schools by means of new developments and acquisitions. This strategy will not only support the public sector, but will also supply parents with additional options for their children's education. Curro believes that independent schools will increasingly improve educational standards which will lead to the further development of the South African population, which in turn will contribute meaningfully to the enhancement of economic growth.

Targets for 2014

Commercial aim

Curro had a vision of 40 schools with 45 000 learners by 2020 at listing, but doubled that with the announcement of the "80 @ 20" strategy, meaning the target of 80 schools by 2020. If the group delivers its promise of 10 new schools in 2014, it will have more than 40 campuses by the end of 2014, five years ahead of the 2012 pre-listing statement.

Developments

Curro plans to add new Curro schools in Brackenfell, Kathu, Monaghan and Secunda. Meridian schools are planned in Cosmo City and Newcastle. Curro Academies are planned for in Mahikeng and Soshanguve. Two Curro Castles are planned for Somerset West and Johannesburg. Grantleigh will be incorporated into the group from early 2014.

Curro also expects to look at purchasing (land bank) up to 20 sites for the development of schools in 2015 and 2016.

Acquisitions

Acquisitions remain a focus for Curro in 2014.

Curriculum

We shall continue to align our written curriculum by selecting relevant curriculum material, especially in the form of e-books.

We shall also continue with our systemic internal-testing for learners in grades 3, 6 and 9 so that Curro can responsibly state that the competencies of learners in all the learning areas are aligned with first world countries.

The CCEE will continue with the implementation of our robotics curriculum to develop technological and science-based skills and thinking patterns among learners.

Our educators (grades 7 to 9) will once again receive in-service training in literacy and mathematics to align the latest relevant curriculum innovations with the new Curriculum and Assessment Policy Statement (Caps). Our grade 12 educators will be informed about the latest Caps prerequisites.

Leadership development will once again be seen as priority among grade and phase heads during a special curriculum conference.

Although we are confident that our e-learning approach will succeed, we remain humble because we realise that this is a new space for all of us in which we should apply best efforts in order to learn and grow continuously.

Staff

We set ourselves the following targets:

- Continue with efforts to transform the work place into an environment which motivates staff members to give their best at all times.
- Continuous development to ensure premium staff knowledge and competency.
- Implementation of recognition programmes to reward extraordinary achievements.

Systems

We shall also continue to:

- Stabilise the company's network by further developing its firewalls.
- Implement rules for every user in order to increase the efficiency of active directories.
- Develop Curro's digital library.
- Continue to enhance computer literacy skills of Curro's educators.

The education landscape in South Africa:

	Government	Independent	Curro group (31 Jan 2014)
Number of schools	24 365	1 486	31
Number of learners	11 804 066	479 809	27 263
Number of educators	390 074	30 534	1 868

(Source: 2011 School Realities report, www.education.gov.za)

There are more than 12 million learners in the official South African school system. Registered independent school learners comprise less than 6% of the total. Globally this average is at about 16%. Of the 24 365 schools, there are 5 145 ex-model C schools with 2 million learners.

Success factors for the business

Curro's business model originated from the fact that the state could no longer supply sufficient schools in the more affluent areas. The model is simple to understand, with high barriers to entry which include:

- The availability of suitable affordable land with the need for high, upfront capital investment.
- The necessity for working capital investment until the school reaches a break-even mark.
- A tight time line to construct a school.

Curro develops, acquires and manages independent schools in South Africa and provides educator training.

Curro manages the entire process of the establishment of a new campus. From the identification of the area and acquisition of the land, to the overseeing of the building process. In-house skills management ensures that capital is spent as effectively as possible, in order to keep school fees as competitive as possible and achieving a return for shareholders.

The development costs for each campus varies from approximately R50 million to R80 million. Curro schools normally reach break-even by the third year. This can be expedited when a smaller neighbouring school is incorporated to reach a certain critical mass of learners at a faster rate. A margin of at least 35% in earnings before interest, tax, depreciation and amortisation (EBITDA) is aimed for at maturity.

Curro also acquires profitable established independent schools with their own campuses. Many well-known independent schools belong to their founding members. At a certain stage, a need arises to sell these schools, because running a school requires intensive management effort, which becomes beneficial to the buyer and seller. The seller as the owner can retire, and the buyer can ensure a sustainable future for the school/s and expand its market.

The intent is to develop schools at an accelerated pace (about seven schools per year) and to acquire other independent schools as the opportunity arises. This growth pace means more schools initially operating in the lower bracket of learner capacity 0% to 25% as it usually takes a new school four to seven years to reach targeted EBITDA margins. Refer to page 32 for EBITDA margin statistics.

For the Meridian schools, Curro entered into a relationship with Seiifsa and the FSC Fund with its investors being the PIC and Omigsa. Total funding to date of R628 million on acceptable terms was provided to develop Meridian schools across the country.

The acquisition of the Northern Academy school, with approximately 4 000 learners and 2 500 boarding residents, provides systems, processes and other intellectual capital for the successful rollout of Meridian schools.

Curro decided to place a separate focus on childcare. With the prevalence of households where both parents are working, there is a demand for a credible facility where children can be cared for and educated in a safe, stimulating environment.

There is a large enough market for Curro to develop a series of schools which will make independent school education accessible to many parents, while creating a lucrative business with good returns for investors.

The Curro business is sustainable in terms of development. Curro has ample opportunities to enlarge its business very aggressively over the foreseeable future. Furthermore, Curro has the ability to phase its expansion if the enrolments do not materialise according to forecasts. Should this happen, Curro will be in a position to fill existing schools only and not spend any more capital on new developments, keeping the business profitable and sustainable.

Management team

Executive directors	
Dr Chris van der Merwe	Chief Executive Officer (CEO)
Andries Greyling	Chief Operating Officer (COO)
Bernardt van der Linde	Chief Financial Officer (CFO)
Hennie Louw	Chief Investment Officer (CIO)

Other key functionaries are:	
Stoffel Goosen	Regional head
Dawie van Emmenis	Regional head
André Pollard	Regional head
Shawn Thomson	Regional head
Alta Greeff	Head of CCEE
Jaco Kotze	Operational manager
Barend Weideman	IT manager
Divan Hartshorne	Financial manager
Malcolm Law	Business development

Human resource function (HR) vests with the COO, who is assisted by a subcontracted service provider and supported by the regional heads to ensure adherence to policies.

Our Company Secretary is Ronell van Rensburg.

Dividend policy

Established schools provide for sound cash generation. Curro currently uses cash generated to expand existing and establish new campuses. No dividend was declared in 2013.

Legislative framework

Our schools continously strive to fully comply with government's requirements. According to law, an independent school must comply with:

- The local authority's building requirements, which include approved building plans.
- An engineer's certificate, fire certificate and ultimately, an occupancy certificate.
- Employ educators with relevant qualifications who are registered with the South African Council for Educators.
- Registration of the school with the provincial department of education.
- Comply for accreditation with Umalusi, the official body that oversees the quality of education in South Africa.
- Follow the National Curriculum Statement and write either the NSC grade 12 examination or that of the IEB.

A comprehensive IT curriculum, incorporating knowledge, cloud technology and skills for the latest software, enables learners to become responsible Internet users.

Risks and responses

Risk	Mitigation
Reputational risk	
The most significant risk for Curro is that reputation is damaged as a result of an event or events.	Curro focuses on providing quality in all its domains. Main areas that might be affected by reputational risks are: • Safety and security • Academic quality Policies, procedures and the close monitoring of the operational results are a priority for the board and management of Curro.
Curriculum risk	
South Africa has a history of ongoing curriculum change since 2004. Curriculum change is a positive phenomenon as long as it contributes to quality learning and teaching. Unfortunately outcomes-based education was implemented in a way that placed pressure on South African educators, because it created administrative burdens.	Curro schools have the advantage of curriculum experts who guide educators in curriculum planning to maintain an ideal balance between the written curriculum and the received curriculum. This ideal balance motivates educators, because they can invest more time in teaching than in curriculum planning. Curro has also complimented the required state curriculum with additional learning areas that is considered relevant international best practice.
Investment risk	
A campus is not placed in an appropriate location and therefore does not grow as anticipated. Overpaying for an acquisition.	As a result of the demand, for which the government is not able to deliver entirely, the market still offers significant growth opportunities. It is ensured that the appropriate sites are selected through performing proper qualitative and quantitative due diligence encompassing inter alia population trends, access routes and land assessments. Acquisitions are carefully considered to ensure that the area still offers growth opportunities and the ethos of the target is aligned with that of Curro.
Financial risk	
Accurate historical and forecasted management information. Investment and expense management.	The expanding network of schools has necessitated ongoing investment in systems which are continually developing. A robust budgeting process is followed for capital and expense management which is continually monitored. There is also a 10-year forward growth plan for every school. Management is incentivised to outperform the set targets.
Cash flow and funding risk	
The availability of financial resources to meet operational requirements and expand its 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 bank to multiple commercial bank relationships, funding from development finance institutions and a domestic medium-term note programme (Bonds). As a listed company Curro has the option to raise capital from the equity markets.

Risk	Mitigation
Information technology risk	
Curro is continually becoming more dependent on connected technology which has exponentially increased with the introduction of handheld devices for a large number of its learners. High availability infrastructure is therefore becoming imperative, which includes the basic supply of electricity.	Curro has built a national wide area network with industry leaders in the field. Access is well managed and controlled. We are implementing the best practice for the security risks of hand held devices in order to further protect our information. Alternative forms of electricity are now a key priority with the design of a new campus and we have already addressed current sites that have experienced issues with power supply in the past.
Human resources risk	
Recruiting the right skilled and experienced educators. Managing an increasing workforce.	Curro believes it provides a good working environment. All executive heads are experienced leaders. They receive human resource management support from our contracted service provider and regional heads. Curro places a lot of emphasis on the development of our educators who are developed through in-service training and also through our teacher training college. The teacher training college also provides newly-qualified educators which Curro considers in its recruitment process.
Economic risk	
Clients cannot afford to keep their children enrolled at the school.	In general, our clients believe in the value of a good quality education. Curro experiences that parents' spend is reprioritised to ensure that children receive quality education. Curro aims to provide a value-for-money service and market share is gained by parents looking to save money by trading down from high-end schools. The Meridian and Curro Academy models have school fees that are affordable in independent schooling and comparative to that of the state school fee paying schools.
Safety risk	
Facilities and other factors in the environment that can be harmful to our learners.	Keeping safety in mind at the planning stages. Consulting with health and safety professionals and adherence with the authorities' building standards for public buildings, which will also include a fire certificate. Policies are in place requiring appropriate conduct, duty and care by employees. Schools are fenced off with controlled entrance through security guards.

Board of directors and leadership

SL Botha (Santie)
BEcon and BEcon (Hons)

Santie is currently the Chancellor of Nelson Mandela Metropolitan University. She serves as a non-executive director on the boards of Liberty Holdings, Tiger Brands and Telkom and as chairperson of Famous Brands. Previously she was an executive director at Absa Bank (1996 to 2003) and the executive director of marketing at MTN from 2003 until the end of 2010. In 2010, Santie received the South African Business Woman of the Year Award.

Dr CR van der Merwe (Chris)
BPrim (Ed), Med (Cum laude), PhD in Education

Chris has a BPrim (Ed) and a Doctor in Education degrees at the University of Stellenbosch. He has broad knowledge and is highly experienced in the independent school sector. Chris was one of the four finalist in the exceptional category of the World Entrepreneur Competition held by Ernst & Young in November 2013. He is the founder of Curro. Curro developed from a school (based in a church) with 28 learners to a JSE listed company with 31 campuses accommodating 27 263 learners. Today, Chris is the CEO of Curro.

ZL Combi (KK)
Diploma in Public Relations

KK is a non-executive director of Curro. After completing his tertiary education at Damelin College, where he studied public relations, KK worked at Old Mutual Life Insurance Company Limited for a year where he was awarded salesman of the year. He then opened a self service café in Gugulethu followed by his first service station in Gugulethu. He developed Nyanga Junction as well as the Ultra City Engen 24 One Stop in King William's Town. In 1995, he started Master Currency (Pty) Ltd (Master Currency), where he was chairman until 2006. In 2006, KK became executive chairman of Thembeka Capital Ltd (Thembeka), swopping his stake in Master Currency for a stake in Thembeka. KK is a member of the Institute of Directors and is a director of various listed and unlisted companies, including PSG Group Ltd and Pioneer Food Group Ltd (Chairman).

PJ Mouton (Piet)
BComm (Maths)

Piet is the Chief Executive Officer of the PSG Group Ltd and serves as a non-executive director on the boards of various PSG Group Ltd companies including Capitec Bank Holdings Ltd and PSG Konsult Ltd. He has been active in the investment and financial services industry since 1999.

Dr SWF Muthwa (Sibongile)
BA (Social Works), BA (Hons)(Social Works), Master in Social Policy and Planning (University of London), PhD in Philosophy (University of London)

Sibongile holds a Doctor of Philosophy degree from the School of Oriental and African Studies, University of London, a Masters degree in Development Policy and Planning from the London School of Economics and Political Science, as well as a BA (Social Works), and BA Honours in Social Works degrees earned at Universities of Fort Hare and Wits. Sibongile has international business experience, especially in development and public sector institutions including in academia. Currently she is the Deputy Vice Chancellor: Institutional Support at the Nelson Mandela Metropolitan University. She currently serves on the boards of Seriti Institute, Women in Dialogue Trust and the University Sports Company. Between 2004 and 2010 Sibongile served as the Director General of the Eastern Cape Provincial Government.

B van der Linde (Bernardt)
CA(SA), CFA

Bernardt is a qualified chartered accountant and a CFA Charterholder. He completed his articles and remained as manager in the Financial Services (Banking) division of PricewaterhouseCoopers Inc. until 2005. Thereafter he joined Finweek as writer and head of companies and markets. Bernardt joined PSG in 2007 where he was, inter alia, part of the executive team at Paladin (now PSG Private Equity). He joined Curro as CFO on a full-time basis at the beginning of 2011.

B Petersen (Barend)
CA(SA)

Barend is a chartered accountant with broad international business experience in mining, finance, auditing, the oil industry, energy, government relations, business turnarounds, corporate recovery, consulting and corporate governance.

Barend is the executive chairman of De Beers Consolidated Mines, the chairman of the Environment, Community, Health and Safety Committee of the De Beers Group of Companies and a director of Ponahalo, the black empowerment partner of De Beers Consolidated Mines. He is a director of several companies, including being non-executive director of Anglo American South Africa Ltd, Alexander Forbes Group Ltd and Investment Solutions Holdings Ltd. Barend is the chairman of Sizwe Business Recoveries (Pty) Ltd which he founded in 1997.

AJF Greyling (Andries)
CA(SA)

Andries obtained his BComm Accounting degree at RAU (now University of Johannesburg) and thereafter qualified as chartered accountant. He was an audit manager at KPMG. Thereafter he worked at Sasko (a division of Pioneer Foods), Distell and PricewaterhouseCoopers. In 2000, he joined Media24's ICG (brand names include Intec, Damelin) as financial director where after he was promoted to financial director of Educor. In 2006, Educor bought a 25% stake in Curro, where Andries, with Chris, compiled the expanded business plan upon which Curro's current growth strategy is based. In 2007, when Naspers disposed of Educor including Curro, Andries acquired a stake in Curro and joined the company as financial director. Today, Andries is the COO of Curro.

HG Louw (Hennie)
CA(SA)

Hennie has a BAcc degree at the University of Stellenbosch, followed by a CTA and BComm (Accounting) (Hons) at RAU (University of Johannesburg) in Johannesburg. He completed his articles at Deloitte and obtained his CA(SA) qualification. Hennie lectured in Auditing at the University of the Western Cape. In 1996, Hennie joined Hospiplan, a group that developed private hospitals across South Africa, as group financial director. In 1998 he joined Media 24's ICG as managing director and was the group managing director of Educor from 2004 to 2007. After working in the venture capital industry as an investment manager for Mark Shuttleworth's venture capital firm HBD, Hennie joined Curro in 2010 as manager of new business. Today, Hennie is the CIO of Curro.

Company Secretary
R van Rensburg (Ronell)
BCom (Accounting), FCIS

Ronell is a qualified company secretary and FCIS Charterholder with over 12 years' experience in this arena. She has experience as corporate company secretary having been the company secretary of the Mercantile Banking group (2006 to 2009), JSE listed at the time, and of Power Technologies (one of the subsidiaries of the JSE listed Altron Group) and simultaneously being assistant company secretary to the Group Secretary of Altron (2004 to 2006). She also has six years experience in the provision of outsourced professional company secretarial and corporate governance services in the listed and unlisted environment. Ronell is a member of the Institute of Directors.

"The group now has a national footprint, with both urban and semi-urban schools."

Dear Stakeholders

Environment

The group delivered outstanding results for the period under review despite a subdued macro-economic environment, where both consumer sentiment and spending declined, due to general economic uncertainty in the country, as well as a continued erosion of disposable income.

Results

2013 has been an exceptional year in both financial performance as well as education results considering Curro's short history. Revenue increased by 80% to R659.1 million (2012: R365.7 million) while profit before tax increased 173% to R55.3 million (2012: R20.2 million), exceeding expectations. Headline earnings per share grew by an impressive 87% to 13.1 cents per share (2012: 7.0 cents per share).

Since Curro's listing on the JSE AltX in June 2011, the business has grown in leaps and bounds. The number of learners has increased more than a hundred-fold to 27 263 and the number of schools has grown more than ten-fold to 31. The group now has a national footprint, with both urban and semi-urban schools.

Our efforts to satisfy our stakeholders were once again recognised by both the financial market as well as our loyal customers. The Curro brand is now recognised and established as a trusted, quality brand which delivers top quality education. This can be seen in the matric results of 2013 with average pass rates of 100% (IEB) and 92% (NSC).

Leadership

Human capital is considered a core corporate asset at Curro, with the calibre of our people a key ingredient of our success. Our highly respected and experienced executive team, under the guidance and leadership of Dr Chris van der Merwe, is passionate about what they do and deliver. Succession planning features high on the agenda and we have a well-trained, experienced and motivated workforce which gives us a clear competitive advantage in the market.

To achieve balanced learning, Curro also places emphasis on sport and culture. Value-added programmes are regarded as an integral part of learning and development.

Directorate

At the end of March 2013, Advocate Fef le Roux retired as Chairman of the board. Fef played a definitive role in the establishment of Curro and I would like to thank him for the significant contribution he made during this time.

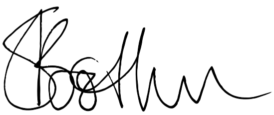
Dr Sibongile Muthwa, Deputy Vice Chancellor at the Nelson Mandela Metropolitan University in Port Elizabeth, joined the board on 1 May 2013. Sibongile comes with a wealth of knowledge and experience in the education sector. The board welcomes Sibongile and we look forward to her continued contribution.

Appreciation

The board is highly appreciative of the exceptional leadership of the Chief Executive Officer, Dr Chris van der Merwe, and the extraordinary effort of our executive management and all our staff.

I would like to acknowledge and thank all our staff, educators, suppliers, customers, learners and business partners for exceeding the high standards that we set in our business.

Finally, to our institutional and individual shareholders, I would like to give you the assurance that we will continue to strive to reward your confidence in the Curro investment proposition.



Santie Botha
Chairperson of the board

> Over the last three years I have seen how the solid leadership of our Exco, executive heads and educators added value to our brand.

I am extremely positive about Curro's progress towards the achievement of its aim to have 80 schools by 2020. By then, Curro will accommodate approximately 90 000 learners. We note that the company's business model has proven to be viable as many schools operate at more than 60% of their capacity. When a school attains 75% and more of its capacity, some rather attractive EBITDA margins are achieved. Eventually all Curro's envisaged 80 schools are expected to reach capacity in excess of 75%, resulting in good returns.

Curro on listing promised the market place 40 schools by 2020, accommodating 45 000 learners. Six new campuses were added during 2013, resulting in a total of 31 campuses, with 27 263 learners. Our target for 2014 is to develop 10 new schools, which may result in Curro reaching more than 40 schools by January 2015. To reach 80 schools by 2020, Curro needs to develop approximately seven schools per annum, taking into account that we usually acquire a school or two a year. Curro also plans to acquire approximately 20 sites in 2014 for future development.

A brand is very important when parents are looking to enroll their children at a school. Curro's track record over the past 16 years, the national footprint of schools and the listing on the JSE has enhanced the company's profile. The Curro brand must continue to embody quality, sustainability and value for money. Parents find reassurance in the Curro brand and all schools are unified there under.

We distinguish between the following brands:

Curro is our traditional combined independent school with a maximum of 25 learners per class, very attractive facilities and a wide variety of co-curricular activities.

Curro Academy is our combined independent school where the focus is primarily at classroom level with a restricted range of subject choices offered. Co-curricular activities and sports facilities are also kept to a minimum.

Curro Castle is our nursery schools catering for young ones from age three months to five year olds. Top facilities are offered and a dedicated written curriculum prepares the children for the more formal years of study.

For detailed information on these brands, including fee structures, refer to page 10 to 11.

Human resources remain our biggest asset…

Over the last three years I have seen how the solid leadership of our executive committee, executive heads and educators added value to our brand.

I would like to thank the executives of Curro, Andries Greyling, Bernardt van der Linde and Hennie Louw for their solid leadership and management efforts. Deciding where to develop schools is critical and to execute these decisions and ensure that campuses open on time, requires persistence and detailed knowledge of the independent school sector and how it operates. These leaders form the heartbeat of our company and I am extremely proud of them.

Our schools are closely monitored by our regional heads, André Pollard, Dawie van Emmenis, Shawn Thomson and Stoffel Goosen. They ensure quality education and act as mentors for our executive heads. This is considered a crucial function within Curro and I thank them for the sterling job which they have performed thus far.

Since my previous report, we have appointed Ronell van Rensburg as our Company Secretary. She is highly knowledgeable and has made a tremendous impact on our company in terms of compliance with the JSE's Listings Requirements and the Companies Act.

The CCEE focuses on curriculum design and dissemination, meaning that the written curriculum is continuously assessed according to relevance, progression, depth of study, etc. New curriculum content means that educators need to be trained and re-trained on an ongoing basis and we thank Alta Greeff and her team for taking care of curriculum innovation. Projects like focusing on literacy development amongst our grades 1 to 3 learners, our robotics curriculum, the development of our own IT curriculum and the application of tablets and e-books ensure that our learners are using today's methods for today's challenges.

Whilst the CCEE focuses on in-service training, our teacher training college finds meaning in training new, aspirant educators. Johan Human is an experienced teacher training college director. The next two training facilities will be developed under his auspices. Interesting ventures, such as a method to train educators by means of distance learning, are currently being assessed.

This was Santie Botha's first year as Chairperson of Curro. Her experience of the wider corporate world assisted us in aligning Curro with typical successful listed companies. Shareholders can be assured that the Curro board is chaired by a well-experienced corporate specialist. More importantly, Santie has a passion for quality education. It is a privilege to work with such a dynamic business leader.

I would like to thank PSG's business leadership for the immense role they have played in empowering us for the huge tasks we face daily. Without their support Curro would not have been in the position to strive towards our 80 @ 2020 vision. In this regard I want to mention Piet Mouton, CEO of PSG, who has spent many hours supporting me in the successful running of the business. The Chairman of the PSG Group, Jannie Mouton, motivates us by his very positive orientation towards our business model and this inspires us a lot.

To our executive heads and educators who so diligently deliver our product on a daily basis: they are the face of our company. To guide a school and to teach are undoubtedly of the toughest challenges that I have encountered in my career. With these words I want to express our deepest appreciation for all their efforts…

Thank you

Dr Chris van der Merwe
Chief Executive Officer

"For 2014 we are looking at a total of R1.4 billion of capital investments."

Introduction

Considering the amount of seed capital required to establish a new school, it remains an incredible achievement that Dr Chris van der Merwe and his co-founders of Curro managed to establish three independent schools with the development of a fourth before PSG invested into Curro during 2009. At that stage, the retained income was less than R1 million with bank financing touching at R50 million.

With the R50 million share capital injection that PSG made, the financiers agreed to relieve Chris and his team from their personal suretyships. The witnessing of the relief that it brought to ex-teachers who invested all their state pension into this venture when they were in their late forties, has left a lasting impression on me.

I'm impressed that their perseverance has not only created substantially more personal wealth than would have been possible in the state sector, but also lay the foundations of what Curro is today. A company that is positively impacting South Africa.

Investment, funding and rights offer

Whereas those pioneers blazed a trail into unknown territory at that stage, today independent school education is very topical with growing interest from the private sector. This interest has led to an even more aggressive growth plan for Curro.

The single most important impediment to growth is developable (i.e. zoned and serviced) land at reasonable prices. Therefore Curro has earmarked R270 million in capital to invest in up to 20 sites (land bank) that will only be developed after 2014.

In addition, R500 million will be invested into expanding capacity at our existing 31 campuses. R450 million is earmarked for 10 new schools. Furthermore, acquisitions are always in the offing.

For 2014 we are looking at a total of R1.4 billion of capital investments.

Curro hopes to raise up to R1 billion in debt mainly through the bond and bank market. This will bring Curro closer to the limits of its debt covenants. To counter this, Curro will raise R580 million (after share issue costs) in the equity market. Although there is definitely demand from the market to increase this amount it will come at the expense of a lazier balance sheet and inhibit returns to shareholders somewhat. Management will rather approach shareholders for capital more regularly as required (as has been the case in the past).

In the end we believe there is now a significant window of opportunity to invest and that the more capital we utilise over the short term, our market share will increase and be able to return capital sooner through dividends from additional returns generated.

Capital structure and debt

It is important for the readers of the annual financial statements to understand the difference between the Curro business and the Meridian business.

In 2012, Curro concluded a joint venture with Seiifsa and Omigsa. Thereby an initial R440 million was approved for the vehicle of which 70% comprised of senior funding, 15% of mezzanine funding and 15% of junior funding. Curro has contributed R42.9 million (65%) of the junior funding for a 65% stake in Capmac. Capmac's funding and operations are ring-fenced from Curro's other operations. Subsequent to year-end a further R188 million was approved by the investors in the vehicle in the same portion as before. At year-end total drawdown was R372 million of which R328 million is consolidated.

Debt at Curro comprised of:

	Amount (Rm)
Revolving credit facility	130
Issued bonds	150
Development Bank of South Africa	150
Instalment sale agreements	58
Other	8
Total Curro debt	**496**

	Debt (Rm)	Gearing (Debt/Equity)
Curro debt	496	32%
Meridian debt	328	
Total consolidated debt	**824**	**53%**

For debt funding into Curro, funders exclude the Meridian debts and results of operations when measuring the covenants.

The key covenants are:

- Interest Service Cover Ratio (Curro EBITDA/Interest on Curro debt) of 1.75 times.
- Properties/debt of 1.3 times.

Whereas the current debt/equity ratio for Curro business is at 32% this should increase to about 60% at the end of the 2014 year and the aim is to increase that ratio to at least 100% in the near future and up to 150% over the longer term. This will be wholly dependent on the rate at which the learner capacity can be filled. The quicker the cash flows from the schools increase, the greater is Curro's ability to service debt and utilise its debt and funding mechanisms efficiently. Cash flows from schools are very predictable over the long term and therefore is able to service a lot of debt.

As Curro's debt funding requirements will also increase to well over R2 billion in the medium term, it was decided to embark on a corporate bond programme in 2013. This first placement was a 5-year secured bond of R150 million that was eight times oversubscribed and in the end distributed between four significant investors in the South African bond markets at a rate of Jibar +275bps.

It is desirable to have funding mature at terms as long as possible, as the capital is invested in an asset that takes more than 3 years to start delivering returns and up to 10 years to reach its potential. Funding from the Development Bank of South Africa (DBSA) with a 15-year tenor is therefore ideal. Dependent on the trade-off between the tenor and pricing, Curro would ideally like to increase its term on its bond funding from 5 years to more than 10 years over the medium term.

Credit rating

As part of the bond process, Curro was pleased to achieve an investment grade rating of BBB- as an inaugural rating from Global Credit Ratings. The specific bond issue was also rated and with the relative large pool of security available the note was rated at A-.

Curro believes that its increase in profitability will lead to an improved corporate rating and therefore lower rates.

Schools performance

The most important factor to understand Curro's business is firstly, there is quite a significant J-curve whereby new schools are ordinarily not profitable within the first one to three years of existence. Secondly, profitability is very much operationally geared. More than 60% of a school's profit will come from the last 30% of learners.

The two major factors that enhances returns are accelerated occupation of capacity and to balance that with appropriate school fees. These two factors overshadow capital investment and cost-cutting.

	2012			
% of eventual capacity (Table 1)	Number of schools	Number of learners	EBITDA R'000	EBITDA margin
0 to 25	5	1 316	(6 234)	(20%)
25 to 50	6	3 107	9 510	12%
50 to 75	5	3 590	32 465	27%
75 to 100	6	4 460	43 129	35%
	22	12 473	78 870	22%
Brands (Table 2)				
Curro	19	11 072	72 900	20%
Meridian	3	1 401	5 970	35%
	22	12 473	78 870	22%

	2013			
% of eventual capacity (Table 1)	**Number of schools**	**Number of learners**	**EBITDA R'000**	**EBITDA margin**
0 to 25	**7**	**2 668**	**(2 653)**	**(4%)**
25 to 50	**6**	**4 017**	**24 094**	**21%**
50 to 75	**8**	**6 119**	**43 553**	**21%**
75 to 100	**5**	**8 223**	**89 994**	**38%**
	26	**21 027**	**154 988**	**25%**
Brands (Table 2)				
Curro	**22**	**14 638**	**120 733**	**22%**
Meridian	**4**	**6 389**	**34 255**	**32%**
	26	**21 027**	**154 988**	**25%**

Table 1:
Indicates the profitability measured in terms of its current capacity. Schools that are below 25% of capacity are loss making and that schools improve their EBITDA to well over the target of 35% once occupancy is higher than 75%. It should be noted that Embury school was in the 75% to 100% bracket in 2012 but as a result of plans to increase its capacity in future, it has moved back to the 50% to 75% bracket.

Table 2:
Indicates the split between the Curro and Meridian schools. The EBITDA margin of Curro schools should continue its growth path to more than 35% as the occupancy levels increase and the portion of new to existing schools drops and therefore the J-curve effect of new schools relative to the larger pool of existing schools will reduce. Meridian on the other hand comprised of schools that were at capacity in 2012 but with the aggressive growth plans, the EBITDA margin will drop over the short- to medium-term but pick up again as schools will fill up over time.

First year (Table 3)	2012 Number of schools	Number of learners	EBITDA R'000	EBITDA margin
2012	2	582	(699)	(5%)
2011	6	2 164	(2 788)	(5%)
2010	2	1 290	5 953	15%
2009	12	8 437	76 404	31%
	22	12 473	78 870	22%
Origin (Table 4)				
Acquired	10	5 125	54 745	34%
Developed	12	7 348	24 125	12%
	22	12 473	78 870	22%

First year (Table 3)	2013 Number of schools	Number of learners	EBITDA R'000	EBITDA margin
2013	**4**	**2 016**	**10 944**	**19%**
2012	**2**	**1 002**	**2 034**	**7%**
2011	**6**	**2 962**	**6 848**	**8%**
2010	**2**	**1 636**	**8 152**	**17%**
2009	**12**	**13 411**	**127 010**	**32%**
	26	**21 027**	**154 988**	**25%**
Origin (Table 4)				
Acquired	**10**	**10 300**	**103 044**	**35%**
Developed	**16**	**10 727**	**51 944**	**16%**
	26	**21 027**	**154 988**	**25%**

Table 3:
This table provides a good look into the profitability relative to the age of a school. For example there were two schools that opened in 2012. They made a combined EBITDA loss of R699 000 for the 2012 year. In 2013 those same two schools increased their EBITDA to R2.034 million and a margin of 7%.

A fortunate anomaly can be picked up in the four new schools that opened in 2013 with a combined EBITDA of R10.9 million. This was mainly due to the success of the Curro Thatchfield campus that opened with approximately 800 learners and was therefore quite profitable from the outset.

Table 4:
Detailing the split between acquired schools that ordinarily has a higher occupancy rate and therefore higher EBITDA margins versus the own developed schools of which 14 is younger than four years which will have lower but growing EBITDA margins.

Results

Learner numbers increased by 69%, revenue increased in line with learner numbers and increases in school fees with 80% to R659 million. EBITDA increased with 114% to R114 million as a result of increased capacity utilisation and incorporation of profitable schools. Headline earnings per share increased by 87% to 13.1 cents.

For the 2013 year there has been an increase in learner numbers of 30% (excluding any potential acquisitions). Revenue should again increase in excess of that percentage followed by EBITDA. However, interest expenses in the income statement will increase significantly in the current year mainly because a large chunk of interest on the 2013 capital expansion of R844 million was capitalised in the 2013 year but will be expensed in the 2014 year.

Bad debts

As a result of focus and an incentive programme for bursars, outstanding debtors balances have decreased from 18 days in December 2012 to six days in 2013. Bad debts provided and written off was 0.9% of turnover versus 1.2% for the previous year.

Investment in associate

At the beginning of October 2013, Curro obtained a 40% stake in Professional Sourcing and Procurement Assist (Pty) Ltd (PSPA) which supplies clothes and other school related products to our learners and our schools. This part of the business has an important relationship with our clients and although Curro would not want to divert focus from its school operations, it was felt important that equality be obtained in the said company.

Systems

In order to effectively manage the growing number of schools, Curro has consistently been investing into appropriate systems across the board. For financial management Curro uses the following systems predominantly:

Accounting system	This will be upgraded in the current year.
Spend management	Web based that provides a complete audit trail from the inception to the approval and payment of an expense.
Forecasting programme	Curro runs a rolling 10-year plan for each school that consolidates into a master plan. This forecasting platform is also used for the consideration of new projects. There will be further development to integrate this forecasting platform with historical data and improve scenario analyses.
Database queries	This programme enables management to instantly query financial and non-financial databases and draw up desired relationships. This functionality will be developed into formal dashboards in the current year.

First and foremost, thank you to our clients for their support and feedback. Also to the support of our shareholders and the efforts of my colleagues.

Bernardt van der Linde
Chief Financial Officer

Curro aspires to tradition, pride and a sense of belonging.

Employees

Robotics enhances critical thinking, problem-solving and creativity.

The biggest challenge for a fast growing company, like Curro, is to attract and retain quality personnel in the education industry. Employing qualified, skilled employees with a desire to educate and a love for children, is a Curro pre-requisite.

The number of Curro employees as at 31 January 2014 was 2 811 (2012: 1 630) reflecting an increase of 1 181 employees (or 72% increase) mainly as a result of the acquisitive and organic growth.

Recruitment and talent management

Curro's core values and stable working environment ensure that we attract top quality employees. Recruitment is aligned to specific job requirements and competencies.

It is essential for Curro to create a consistent and sustainable stream of applicants, both experienced and newly qualified. Various initiatives to recruit through conventional and progressive means are followed. During 2013 Curro acquired a teacher training college. The main focus of the teacher training college is to introduce newly-qualified educators to the education industry. Annually, the teacher training college also assists Curro in mentoring and supplying top candidates.

Each school is managed as a separate business unit and the appointment of the executive head is crucial. The executive head is responsible and accountable for the day-to-day management of the school for which he/she is appointed. The services of an accredited recruitment company are used to ensure top quality candidates are selected.

Employee relations

The CCEE and HR are responsible for the learning and development of the employees of the schools across the group.

Employee relationship management is effective and managed in conjunction with the various operational processes in the organisation. Communication forums, representing all employees, have been established and are active in each school. HR monitors these forums to ensure the timeous addressing of concerns.

Remuneration

To stay competitive with independent and public competitors, Curro has to offer competitive cost to company remuneration packages. In 2011 Curro started with the introduction of fringe benefits, for example maternity leave and tertiary study benefits. Improvements to the conditions of employment will continuously be implemented after evaluating the cost impact on the business.

Across all levels, remuneration and incentives are based on performance against the performance indicators and performance objectives.

The remuneration of the senior management is linked to Curro's performance and the performance of the individual and consists of bonuses and the participation in the Curro Holdings Limited Share Incentive Scheme.

Employment equity

Curro complies with the requirements of the Employment Equity Act No 55 of 1998 as amended (EE Act). Plans and reports are submitted annually. Employment equity meetings are conducted quarterly as prescribed by the Act and involves all levels in the organisation. Management throughout the organisation understands the requirements in terms of implementing and developing these strategies. Stakeholder participation is encouraged and monitored on an ongoing basis to meet not only the requirements of the relevant legislation, but also the expectation of the various stakeholders. As can be seen in the following tables Curro's employee profile has improved from the prior year.

Permanent employment statistics as at 31 December 2012

	Race								Total		
	African		Indian		Coloured		White				
	M	F	M	F	M	F	M	F	M	F	Total
Executive	–	–	–	–	–	–	4	–	4	–	4
Senior and middle management	–	–	–	1	–	1	58	51	58	53	111
Total management	–	–	–	1	–	1	62	51	62	53	115
Employee category %	0.0%	0.0%	0.0%	0.9%	0.0%	0.9%	53.9%	44.3%	53.9%	46.1%	100.0%
Total management %	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	3.8%	3.1%	3.8%	3.3%	7.1%
Skilled technical and academically qualified employees	34	31	8	12	7	25	119	798	167	867	1 033
Semi-skilled and discretionary decision-making employees	32	75	1	4	3	27	12	130	49	236	285
Unskilled and defined decision-making employees	66	85	–	1	9	15	–	21	75	122	197
Total non-management	132	191	9	18	19	66	131	949	291	1 224	1 515
Employee category %	8.7%	12.6%	0.6%	1.2%	1.3%	4.4%	8.6%	62.7%	19.2%	80.8%	100%
Total non-management %	8.1%	11.7%	0.5%	1.1%	1.2%	4.0%	8.0%	58.2%	17.8%	75.1%	92.9%
Total employees	132	191	9	19	19	67	193	1 000	353	1 277	1 630
Total employees %	8.1%	11.7%	0.5%	1.2%	1.2%	4.1%	11.8%	61.4%	21.6%	78.4%	100.0%

Permanent employment statistics as at 31 December 2013

	Race								Total		
	African		Indian		Coloured		White				
	M	F	M	F	M	F	M	F	M	F	Total
Executive	–	–	–	–	–	–	4	–	4	–	4
Senior and middle management	3	–	1	1	1	–	61	75	66	76	142
Total management	3	–	1	1	1	–	65	75	70	76	146
Employee category %	2.1%	0.0%	0.7%	0.7%	0.7%	0.0%	44.5%	51.4%	47.9%	52.1%	100.0%
Total management %	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	3.1%	2.9%	3.2%	6.1%
Skilled technical and academically qualified employees	33	43	6	12	3	18	184	1 014	227	1 087	1 314
Semi-skilled and discretionary decision-making employees	50	166	–	5	2	49	24	252	76	472	548
Unskilled and defined decision-making employees	132	177	3	2	15	12	15	24	164	215	379
Total non-management	215	385	9	19	20	79	223	1 291	467	1 774	2 241
Employee category %	9.6%	17.2%	0.4%	0.9%	0.9%	3.5%	10.0%	57.6%	20.8%	79.2%	100.0%
Total non-management %	9.0%	16.1%	0.4%	0.8%	0.8%	3.3%	9.4%	54.1%	19.6%	74.3%	93.9%
Total employees	218	385	10	20	21	79	288	1 366	537	1 850	2 387
Total employees %	9.1%	16.1%	0.4%	0.8%	0.9%	3.3%	12.1%	57.2%	22.5%	77.5%	100.0%

Skills training and development

Curro applies 21st century teaching techniques in the classrooms. To achieve this, employees continuously need to be coached and trained in these techniques. The CCEE is responsible for training the employees. Training of new techniques is performed with the educator in the classroom, being in-service training. Various workshops and seminars were presented by subject specialists to the educational employees throughout the year. An annual curriculum conference is held in July where relevant topics are addressed.

New requirements stipulate that all professional employees will be required to obtain a minimum number of points for attending and undergoing continuous professional development. The CCEE in conjunction with our teacher training college are in the process of developing various courses that will be registered with the relevant professional educational bodies. These courses will be relevant and practical and will assist Curro employees to continuously develop their skills.

Leadership development has been identified as one of the priorities and various interventions support this element.

Development programmes exist for employees from historically disadvantaged backgrounds.

Approximately 1% of Curro's annual revenue is set aside for training and development (2013: R6.5 million).

Performance management

Performance management at senior management levels was introduced during 2012/2013 to support a culture of high performance and to increase efficiency and delivery against key performance criteria. During 2014 performance management will be extended to all levels in Curro.

Succession planning

A succession plan for executive leadership exists. A succession management programme was put in place and is used to accelerate the development of the managers within the Curro group.

Employees in scarce skill subjects (i.e. mathematics, science and english) remain a strategic risk and continuously receives management attention.

HIV/AIDS

A policy on HIV/AIDs based on the core principals of non-discrimination and confidentiality exists. Curro uses the environment to educate students with regard to the disease. The HIV/AIDS risk has been assessed to be relatively low and no cases were reported during the year under review.

Health and safety

Curro is compliant with the Occupational Health and Safety Act No 85 of 1993 as amended (Ohasa). Various health and safety audits are performed by an external health and safety officer. Audits ensure that each school is compliant with Ohasa as well as Curro's internal health and safety policies. Various pro-active training are conducted throughout the year. Health and safety will remain a focus area within Curro and we are proud that no serious incidents occurred during the year under review.

Corporate social investment

Each school is committed to promoting sustainable development in its community. Each school has a relevant uplifting programme educating our learners to be compassionate citizens in addressing the inequalities of the past. Learners, parents and employees are all involved in the school's programme and various substantial donations were made to communities in 2013.

Value distributed to social responsibility during the year under review was R33.649 million (2012: R18.426 million).

Environment

Although the impact of our operations on the environment is relatively low, we continuously focus to minimise the negative effect on the environment.

New energy-saving techniques is implemented when constructing a new school. At older schools energy savings are introduced in the form of motion sensors and energy-efficient lights. In 2009 Curro decided to use terminals in our computer laboratories and not PC's or laptops. This contributed to a material reduction in power consumption.

Our learners are continuously receiving education in environmental issues to ensure they become responsible citizens.

Sport plays an integral role in the holistic education of a learner. Principles taught and values reinforced include sportsmanship, discipline and responsibility – as an individual and team member.

Corporate governance

Curro Century City opened in January 2013. It is Curro's first city school, emphasis is placed on academics and culture, without neglecting sport.

Curro and its board are committed to practising good corporate governance standards in all areas of the business. In doing so, Curro believes that sustainable shareholder value will be created. The practices and policies in adhering to these standards are based on, inter alia, the Companies Act, the JSE Listings Requirements and the King Code of Governance Principles for South Africa 2009 (King III).

The company has complied, as far as practical and in all material respects, with principles contained in King III since listing. The board of directors does not consider application of all the principles contained within King III appropriate for Curro. Where specific principles of King III have not been applied, explanations for these are contained within this section of the annual report. The Curro register of compliance with the King III principles is available at www.curro.co.za.

Board of directors

The board is key to the company's corporate governance system and is ultimately accountable and responsible for the key governance process and the performance and affairs of the company. The board monitors and ensures that the company operates ethically and conforms to the standards of corporate governance set for Curro. It also ensures that the internal controls, both operational and financial, are adequate and that the financial accounts, through effective internal controls, accurately and objectively reflect the company's business.

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

- Approve the strategic intent and monitor performance against achievement thereof.
- Review and approve financial reports, budgets and business plans.
- Approve annual and interim financial reports.
- Review risk management strategies and ensure internal controls and compliance policies are in place.
- Advise on corporate finance in conjunction with the company's sponsor.
- Consider the company's employment equity and make recommendations.
- Advise on stakeholder communication and governance issues.
- Make material investment, disinvestment and refinancing or restructuring decisions.
- Make recommendations to shareholders on non-executive directors' remuneration.
- Review and approve amendments to share incentive schemes with the recommendation of the remuneration committee.
- Appoint new directors (executive and non-executive) and ensure appropriate orientation and induction of new directors.
- Define clear areas of responsibility at board and board committee level to ensure appropriately limited individual decision-making ability.
- Determine and approve amendments to the group's treasury policy.

Board appointments

Appointments to the board are made in terms of clear policy by which recommendations are made by fellow board members with the input of other significant stakeholders, on the basis of the needs of the company and the set of skills/experience that such appointee can bring to the table. The board takes cognisance of these factors before making any such appointment. There is no nomination committee as the entire board takes responsibility for its appointments. All new appointments to the board are therefore made in terms of a formal and transparent process and are considered to be a matter for the board as a whole.

In terms of Curro's memorandum of incorporation (MOI) all newly appointed directors should retire and offer themselves for re-election by shareholders at the first annual general meeting (AGM) following their appointment. Curro's MOI also requires that one third of the non-executive directors of Curro, as well as non-executive directors having served three years, retire by rotation and offer themselves for re-election by shareholders at the AGM. The executive directors are employed in terms of formal employment agreements.

Board composition

The composition of the board comprises executive and sufficient non-executive directors, the majority of the non-executive directors being independent. Accordingly, Curro has a fully functional unitary board, comprising of executive and non-executive directors, which leads and controls the company. Currently there are four executive directors and five non-executive directors, of whom four are considered to be independent.

The Curro board is chaired by Santie Botha, an independent non-executive director. The chairperson of the board is responsible, inter alia, for ensuring the integrity and effectiveness of the board's governance processes. As Santie Botha is an independent non-executive chairperson she will negate the requirements for a lead independent director.

The four executive directors consist of a CEO, CFO, COO and CIO. Abbreviated curriculum vitae of the individual directors on the board are contained on pages 22 to 25.

The composition of the board ensures that no individual has unfettered powers of decision-making and authority, and as a result there is a clear division of responsibilities at board and board committee level to ensure a balance of power and authority.

Northern Academy College in Polokwane, completed at the beginning of 2014

Changes to the board during the year are disclosed in the directors' report on page 55.

Delegation of powers

The board has appointed an audit and risk committee, remuneration committee and social and ethics committee to assist it with its performance of duties, the mandates of these committees so defined in their charters. More detail on these committees is found under the board committees section of this report.

The board's governance and management functions are linked through the CEO, Dr Chris van der Merwe, who is tasked with the running of the business and the implementation of the policies and strategies adopted by the board. The board has also empowered the Curro executive committee to perform the required functions necessary for implementing the strategic direction set by the board as well as 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, while simultaneously still retaining effective control of the company.

The board meets quarterly and in addition thereto has an annual strategic session. Refer to annexure A on page 44 for the number of board meetings held and detail of attendance thereat.

Board committees

Annexure A on page 44 details the number of meetings held by the board committees and the attendance thereat.

Audit and risk committee

The audit and risk committee is combined and primarily responsible for overseeing the company's financial reporting process on behalf of the board. The audit and risk committee sets the principles for the annual appointment and evaluation of the external auditors, the audit plan and audit fees, as well as the use of external auditors for non-audit services. The audit and risk committee, on an annual basis, considers and satisfies itself as to the appropriateness of the expertise and experience of the CFO of the company. In addition, risks are identified through the input of management and external audit. This committee oversees these risks through the feedback on processes in place to monitor or manage the risks. The audit and risk committee plays an oversight role with regards to the internal control environment. The audit and risk committee has approved the outsourcing of the internal audit function and has approved a three-year risk-based internal audit plan. The audit and risk committee assists the board with its information technology governance.

No breakdown or significant breach in internal financial controls occurred during the year and the audit and risk committee is satisfied with the said environment. There were no extraordinary risks taken or any losses suffered as a result of the occurrence of a risk that could have been managed.

Also refer to the report from the audit and risk committee on page 51.

The audit and risk committee comprises only of independent, non-executive directors, being Barend Petersen (Chairman), KK Combi and Dr Sibongile Muthwa as its elected members. Following the passing of Prof Merlyn Mehl, Santie Botha was appointed as a member of the audit and risk committee on a temporary basis until such time as Dr Sibongile Muthwa was appointed on 1 May 2013.

Remuneration committee

The remuneration committee is primarily responsible for reviewing and approving executive directors' remuneration. The remuneration committee assists the board in reviewing non-executive directors' remuneration recommendations. The remuneration committee is mandated to deal with matters relating to the Curro Holdings Limited Share Incentive Trust on its behalf. The remuneration committee was reconstituted during the year and consists of non-executive directors, the majority being independent. The committee members are Piet Mouton (Chairman), Santie Botha and KK Combi. The remuneration committee meets at least once a year.

Social and ethics committee

The social and ethics committee is primarily responsible for ensuring Curro's good corporate citizenship. The social and ethics committee also monitors compliance with social and economic impact legislative requirements affecting Curro for example the broad-based black economic empowerment act. The social and ethics committee is responsible to monitor consumer relationships, reviewing the Curro code of ethics, legislative impact requirements as it pertains to the environment, health, public safety and labour.

The social and ethics committee comprises three directors one of which is a non-executive director, being Piet Mouton (Chairman), Bernardt van der Linde and Dr Chris van der Merwe.

Executive committee

The executive committee is the key executive decision-making forum of Curro. The executive committee is primarily responsible for general executive control and management of the activities and business of Curro and its subsidiaries and also assists the CEO to implement the strategy set by the board. In so doing, the executive committee monitors business success and the operational, financial and educational performance of the group. The executive committee considers for recommendation to the board, which investments in schools and land are to be made. The executive committee reviews budgets, business plans, and strategic intent for recommendation to the board. The executive committee considers material and high risks affecting the business performance and ensuring appropriate action is taken to address these.

Communication

The company believes in clear, transparent, concise and timely dissemination of relevant information to all stakeholders. The board strives to provide its stakeholders, government, regulatory bodies, industry analysts, prospective investors and the media with relevant and accurate information. In this connection, the regulatory requirements regarding the dissemination of information are strictly observed. In addition thereto reputation risks relating to information published on the business is managed to ensure the image and brand of Curro is protected.

Management of risks

Curro is not considered to be in a high risk environment. The main potential risks are safety of learners and staff, the completing of the building of campuses' first phase in time as well as academic quality. For both these major risks as well as other identified risks, the board is comfortable that it is appropriately monitored and managed.

Information technology is an important business component and the board and the audit and risk committee receive specific feedback on the status of information technology throughout the group.

Adherence to principles contained within King III: Areas where Curro decided not to apply the principles of King III which, the relevance thereof is annually re-assessed, are:	
The induction of and ongoing training and development of directors should be conducted through formal processes	The nature of the business does not warrant a formal induction process yet. New directors will have unlimited access to the company's resources in order to familiarise themselves with all matters related to the company.
Sustainability reporting and disclosure should be integrated with the company's financial reporting	Due to the nature of its business (i.e. education on annuity basis and inherent soft impact on the environment), Curro will not produce a separate sustainability report for the time being.
Sustainability reporting and disclosure should be independently assured	Due to the nature of its business (i.e. education on annuity basis and inherent soft impact on the environment), Curro will not produce a separate sustainability report for the time being.
Areas that Curro needs to consider improving adherence to the principles contained within King III are:	
The evaluation of the board, its committees and the individual directors should be performed every year	A process suitable to the nature and size of the Curro's business to be implemented.
Internal audit should follow a risk-based approach to its plan	During the year under review this was not in place but has improved prior to the date of publication of this integrated annual report with the appointment of the internal auditor (outsourced) and the approval of a three-year risk-based internal audit plan.
Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	During the year this principle had not been applied fully but should be fully applied in 2014.

Dealing in securities

A formal policy to manage and monitor dealings in securities of Curro by directors and specific employees (so identified by the CEO), exists and is administered by the Company Secretary.

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. Either the CEO or the CFO is mandated to authorise clearance to employees so identified, to trade in Curro securities. No trading is allowed during prohibited periods in terms of the JSE's Listings Requirements. Director trading (including directors of major subsidiary companies) as well as that of the Company Secretary and any of their associates are published on the JSE's SENS in accordance with the JSE's Listings Requirements.

Company secretary

Ronell van Rensburg, Curro's recently board approved and appointed Company Secretary, plays a pivotal role in the continuing effectiveness of the board and ensures that the board has access to the information they require for decision-making. The board is satisfied with the competence, qualification and experience of the Company Secretary. Refer to page 25 for abbreviated curriculum vitae of the Company Secretary. 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 to make the board aware of any failure to comply with Curro's MOI, the Companies Act and related corporate governance policies of Curro. Board members have unlimited access to the Company Secretary. The board members also have access to legal and other expertise, when required and at the cost of the company through the Company Secretary. The Company Secretary is responsible for liaison with the Companies and Intellectual Property Commission and the JSE.

The Company Secretary is not a director nor related to any of the directors, and the board is satisfied that an arm's length relationship between the board and Company Secretary exists. The Company Secretary has to date maintained a professional relationship with the directors, giving direction on good governance and independent advice as and when required.

Since appointed in October 2013, the Company Secretary has assisted the board in its review of board and board committee charters, ensuring the appropriate governance reporting structure has been formalised with a year planner adopted for effective functioning thereof. Governance focus areas which will receive attention in 2014 include inter alia: review the delegation of authority levels of Curro, ensuring an appropriate board evaluation process is adopted and ensure the review of Curro's corporate policies and the policies at school level.

The certificate that the Company Secretary is required to issue in terms of section 88(2)(e) of the Companies Act is on page 49.

Annexure A:

Board and Board Committee meetings for the year ended 31 December 2013: number of meetings and attendance thereat.

Name of director	Board: Quarterly	Audit and risk committee: Bi-annually	Remuneration committee: Annually	Social and ethics committee: Annually
Santie Botha	4/4 (C)	2/2 (M/Invitee)*	1/1 (M)	n/a
KK Combi	4/4	2/2 (M)	1/1 (M)	n/a
Andries Greyling	4/4	2/2 (I)	n/a	n/a
Fef le Roux (resigned on 31/3/2013)	1/1	1/1 (I)	n/a	n/a
Hennie Louw	4/4	2/2 (I)	n/a	n/a
Piet Mouton	4/4	2/2 (I)	1/1 (M) & (C)	1/1 (M) & (C)
Dr Sibongile Muthwa (appointed 1/5/2013)	3/3	1/1 (M)	n/a	n/a
Barend Petersen	3 /4	2/2 (M) & (C)	n/a	n/a
Bernardt van der Linde	4/4	2/2 (I)	n/a	1/1 (M)
Dr Chris van der Merwe	4/4	2/2 (I)	1/1 (I)	1/1 (M)

(M) = Committee member (I) = Invitee (C) = Chairman/Chairperson

n/a = not a member of the committee nor invited

* Since Dr Sibongile Muthwa was appointed to the board, Santie Botha resigned as an audit and risk committee member and Dr Sibongile Muthwa was appointed in her stead.

The Independent Examinations Board's examination tests learners' understanding of how and why specific knowledge is applied.

Contents

Curro Heuwelkruin in Polokwane was established in 2011. This English and Afrikaans co-ed school offers education to learners from 2 years to grade 12.

Directors’ responsibilities and approval, preparation of annual financial statements and certificate by secretary

The directors are required in terms of the Companies Act 71 of 2008, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS) and the Companies Act. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE and the requirements of the Companies Act of South Africa. The report has been prepared using accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the consolidated and separate cash flow forecast for the year to 31 December 2014 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently reviewing and reporting on the consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the group’s external auditor and their report is presented on page 50.

The consolidated and separate audited annual financial statements set out on pages 51 to 107, which have been prepared on the going concern basis, were approved by the directors on 18 March 2014 and were signed on their behalf by:

SL Botha
Chairperson of the board

Dr CR van der Merwe
Chief Executive Officer

Durbanville
18 March 2014

Preparation of financial statements

The consolidated and separate annual financial statements of Curro Holdings Ltd for the year ended 31 December 2013 have been prepared internally and supervised by the Chief Financial Officer, B van der Linde CA(SA), CFA.

Company secretary's certificate

In terms of section 88 (2)(e) of the Companies Act 71 of 2008, as amended, I certify to the best of my knowledge that the company has lodged with the Commissioner all such returns and notices as are required by the Companies Act, and that all such returns and notices are true, correct and up to date.

R van Rensburg
Company Secretary

Durbanville
18 March 2014

Independent auditor's report

To the shareholders of Curro Holdings Ltd

We have audited the consolidated and separate annual financial statements of Curro Holdings Ltd set out on pages 57 to 107 which comprise the consolidated and separate statements of financial position as at 31 December 2013, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Curro Holdings Ltd as at 31 December 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements by the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2013, we have read the directors' report, the audit and risk committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate annual financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: MA van Wyk
Partner

18 March 2014

Audit and risk committee report

This report is provided by the audit and risk committee, appointed in respect of the 2013 financial year of Curro Holdings Ltd and its subsidiaries.

1. Membership

The members of the committee consist solely of independent non-executive directors. The committee is satisfied that the members are financially literate and have the requisite financial skills and experience to perform their duties in terms of the Companies Act.

The current members are B Petersen (Chairman), ZL Combi and Dr SWF Muthwa. The Company Secretary is the secretary of the committee.

2. Purpose

The purpose of the committee is to:

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

3. Meetings

The committee held two scheduled meetings during 2013 which meetings were attended by all members of the committee.

4. Internal audit

The internal audit function was outsourced during October 2013 reporting to the committee.

5. External auditor

The committee has nominated Deloitte & Touche as the independent auditor and Michael van Wyk as the designated partner, who is a registered independent auditor, for appointment of the 2013 audit.

The committee satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act 71 of 2008, as amended, and as per the standards stipulated by the auditing profession.

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

The committee has considered and approved all non-audit services provided by the external auditor and their fees so as to ensure the independence of the external auditor is maintained.

6. Audited annual financial statements

Following the review of the audited annual financial statements' the committee recommend board approval thereof.

7. Accounting practices and internal control

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

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

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

8. Evaluation of the Chief Financial Officer

As required, by the JSE Listings Requirement 3.84 (h), the committee has assessed and is satisfied with the expertise and experience of the group Chief Financial Officer.

9. Complaints and/or concerns

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

On behalf of the committee

B Petersen
Chairman

Durbanville
18 March 2014

Directors' report

The directors submit their report for the year ended 31 December 2013.

1. Incorporation

The company was incorporated on 30 December 1998 and obtained its certificate to commence business on the same day.

2. Review of activities

Overview

Curro Holdings Ltd (Curro) business model revolves around the development, acquisition and management of independent schools throughout South Africa. The model makes provision for pre-school learners from the age of three months to Grade 12.

Curro listed on the AltX during 2011 and transferred to the main board of the JSE during 2012. On listing, the company had 5 557 learners in 12 schools. In the pre-listing statement the company envisaged that by the end of 2013 it would have 17 schools with 9 594 learners. To date the group has grown to 31 schools accommodating 27 263 learners and a teacher's college accommodating approximately 800 students.

Curro has grown to now be the largest for profit independent school group in South Africa. It has achieved this through: Good academic results combined with excellence in sport and cultural activities, support from its clients for the value for money offering, dedication from its teachers to provide a quality service and capital from its shareholders and funders to develop and acquire schools.

Curro serves clients in segments incorporating Curro Original schools, Curro Academy schools, Meridian schools and Curro Castles. These schools are augmented by the Embury Institute for Teacher Education. The institute also offers short course training to teachers in the public and private sectors.

Develop and acquire

During 2013, in addition to expansion at existing campuses, Curro developed two new Curro schools in Ballito (KwaZulu-Natal) and Port Elizabeth (Eastern Cape), one new Meridian school in Karino (Nelspruit), one additional Meridian campus in Polokwane and a new Curro Castle in George (Western Cape). Curro has also acquired the following independent schools and teacher training centre:

- Northern Academy – a school with approximately 4 500 learners, with effect from 1 April 2013;
- Embury Institute for Teacher Education – a teacher college with approximately 800 students, with effect from 1 January 2013; and
- Grantleigh – a school with approximately 700 learners, with effect from 1 January 2014.

For the 2014 year, Curro aims to develop 10 new schools and there will also be expansion projects at approximately 7 existing campuses across the group. To ensure a constant supply of developable school sites for after 2014, Curro is looking to land-bank approximately 20 sites during 2014.

Results

Revenue has increased by 80% to R659 million and EBITDA 114% to R114 million for the year ended 31 December 2013. This was due to organic growth in existing schools as well as the acquisition of profitable schools. The increasing occupation rates at our schools meant that the EBITDA margin has increased from 15% to 17% for this financial year.

Headline earnings per share of 13.1 cents and basic earnings per share of 13.2 cents were realised compared to 7.0 and 7.1 cents per share respectively in the previous year.

Net profit of the group was R40 million (2012: R15 million), after taxation of R16 million (2012: R6 million).

The operating results and state of affairs of the company are fully set out in the attached audited annual financial statements and do not in our opinion require any further comment.

Statement of financial position and funding

During 2013 Curro invested more than R1 billion mainly for development, expansion and acquisition of schools as disclosed. Apart from R106 million in cash generated from operating activities, additional funding was also obtained from the following sources:

- A R606 million rights offer;
- A R56 million specific issue of shares for cash;
- R397 million of available funding of which R306 million has been drawn down from the Schools and Education Investment Impact Fund of South Africa, ring-fenced for the Meridian schools;
- R150 million in 15-year funding from the Development Bank of South Africa;
- R150 million in 5-year bonds through a Domestic Medium-Term Note Programme. The offer was 8 times oversubscribed; and
- A R250 million 18-month revolving credit facility. At year-end R130 million was drawn on this facility.

For the 2014 year, Curro will:

- Raise up to R1 billion in bond or long-term bank funding.

3. Events after the reporting period

Subsequent to year-end, the following transactions took place:

- Effective 1 January 2014, Curro acquired the business operations and properties of Grantleigh, an independent school situated on the north coast of KwaZulu-Natal, for a consideration of R30 million.
- On 18 February 2014 the company announced that it intends to raise R589 million by way of an underwritten renounceable rights offer of 29.5 million new Curro ordinary shares to qualifying shareholders at a subscription price of 2 000 cents per rights offer share, in the ratio of 1 rights offer share for every 10 Curro ordinary shares held on the rights offer record date.

There are no other significant events that have occurred since 31 December 2013 that require disclosure in the annual financial statements. The events above do not affect the current financial period.

4. Authorised and issued share capital

Effective 10 May 2013, 50.5 million ordinary shares were issued through a 21 for 100 rights offer at 1 200 cents per share. On 29 May 2013, 2.8 million ordinary shares were issued to Investec Asset Management (Pty) Ltd through a specific issue at 1 975 cents per share.

Total share issue costs of R9.4 million were offset against the raised capital.

Also refer to note 3 above regarding events after the reporting period affecting share capital.

5. Non-current assets

The company and group incurred significant capital expenditure as part of its expansion plans.

Capital additions for the group amounted to R874 million (2012: R452 million) while additions through business combinations amounted to R83 million (2012: R243 million).

Capital additions for the company amounted to R615 million (2012: R421 million) while additions through business combinations amounted to R55 million (2012: R98 million).

6. Dividends

No dividends were declared or paid to shareholders during the year.

7. Directors

The directors of the company during the year and to date of this report are as follows:

Name	Changes
SL Botha (Chairperson)	
Dr CR van der Merwe	
AJF Greyling	
HG Louw	
B van der Linde	
ZL Combi	
PJ Mouton	
Dr SWF Muthwa	Appointed 1 May 2013
B Petersen	
Adv JA le Roux	Resigned 31 March 2013
Prof MC Mehl	Deceased 30 January 2013

All directors are South African citizens.

8. Secretary

AJF Greyling resigned as secretary of the company on 30 September 2013 and R van Rensburg was appointed in his stead on 1 October 2013.

The secretary of the company is R van Rensburg of:

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

9. Holding company

The company's holding company is PSG Financial Services Ltd incorporated in South Africa.

10. Ultimate holding company

The company's ultimate holding company is PSG Group Ltd incorporated in South Africa.

11. Auditor

Deloitte & Touche will continue in office in accordance with section 90 of the Companies Act 71 of 2008, as amended.

12. Shareholding of directors

The shareholding of directors, excluding the participation in the share incentive scheme, in the issued share capital of the company as at 31 December 2013 was as follows:

	2013				2012	
Director	**Direct**	**Indirect**	**Number**	**%**	Number	%
Dr CR van der Merwe	**–**	**4 300 250**	**4 300 250**	**1.46**	4 225 000	1.76
PJ Mouton	**–**	**1 584 929**	**1 584 929**	**0.54**	1 309 858	0.54
AJF Greyling	**–**	**810 001**	**810 001**	**0.27**	810 000	0.34
B van der Linde	**107 749**	**–**	**107 749**	**0.04**	4 465	–
SL Botha	**100 000**	**–**	**100 000**	**0.03**	–	–
HG Louw	**–**	**–**	**–**	**–**	3 900	–
	207 749	**6 695 180**	**6 902 929**	**2.34**	6 353 223	2.64

There have been no changes in the shareholding of directors between 1 January 2014 and the date of this report.

13. Going concern

The annual financial statements and group annual financial statements set out on pages 57 to 107 have been prepared on the going concern basis since the directors have every reason to believe the company and group have adequate resources in place to continue in operation for the foreseeable future.

14. Sponsor

PSG Capital (Pty) Ltd acts as sponsor for the group, providing advice on the interpretation and compliance with the Listings Requirements of the JSE Ltd (JSE) and reviewing notices required in terms of the company's MOI and the Companies Act 71 of 2008, as amended.

15. Report of the audit and risk committee

The report of the audit and risk committee, as required in terms of section 94(7)(f) of the Companies Act 71 of 2008, is set out on pages 51 to 52 of the consolidated and separate audited annual financial statements.

16. Corporate governance

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

17. Special resolutions

The following special resolutions were passed by subsidiaries of the company during the financial year:

Aurora College (Pty) Ltd, Dream Park Village (Pty) Ltd, Embury Institute for Teacher Education (Pty) Ltd, Plot One Hundred Bush Hill (Pty) Ltd, Stratland Developments (Pty) Ltd and Woodhill College (Pty) Ltd

Special resolutions effective during the 2013 financial year for purposes of sections 44 and 45 of the Companies Act 71 of 2008, as amended, the companies are hereby authorised to grant any direct or indirect financial assistance as contemplated in such sections of the Companies Act to any person or to any one or more related or interrelated companies or corporations of the companies and/or to any one or more members of such related or interrelated companies or corporations on such terms and conditions as the board of directors deems fit.

Meridian Operation Company NPC (RF)

Special resolution effective 10 January 2013 authorising a name change from Meridian Community Academy NPC (RF) to Meridian Operations Company NPC (RF).

Statements of financial position
as at 31 December 2013

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**R'000**	R'000	**R'000**	R'000
Assets					
Non-current assets					
Property, plant and equipment	3	**2 131 811**	1 209 758	**1 586 259**	980 555
Goodwill	4	**271 748**	148 861	**46 111**	46 111
Intangible assets	5	**97 607**	67 560	**29 114**	30 119
Investments in and loans to subsidiaries and associates	6, 7, 8	**12 680**	–	**281 829**	228 623
Other loans	9	**2 328**	–	**–**	–
		2 516 174	1 426 179	**1 943 313**	1 285 408
Current assets					
Inventories	11	**6 817**	–	**–**	–
Loans to related parties	8	**–**	–	**133 546**	35 357
Current tax receivable		**1 592**	1 288	**1 435**	169
Trade and other receivables	12	**30 231**	27 728	**21 360**	19 031
Cash and cash equivalents	13	**78 933**	28 504	**53 192**	18 231
		117 573	57 520	**209 533**	72 788
Total assets		**2 633 747**	1 483 699	**2 152 846**	1 358 196
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	14	**1 500 671**	843 710	**1 500 671**	843 710
Reserves	15, 16	**7 310**	4 065	**7 310**	4 065
Retained income (accumulated loss)		**52 218**	13 436	**9 627**	(11 824)
		1 560 199	861 211	**1 517 608**	835 951
Non-controlling interest		**3 179**	507	**–**	–
		1 563 378	861 718	**1 517 608**	835 951
Liabilities					
Non-current liabilities					
Loans and other financial liabilities	17	**755 145**	236 243	**421 389**	195 609
Deferred tax	10	**119 281**	84 329	**39 792**	34 259
		874 426	320 572	**461 181**	229 868
Current liabilities					
Loans from related parties	8	**–**	5 033	**448**	19 155
Loans and other financial liabilities	17	**69 885**	125 275	**69 885**	123 940
Current tax payable		**1 173**	2 216	**658**	4
Trade and other payables	18	**124 885**	94 345	**103 066**	74 791
Bank overdraft	13	**–**	74 540	**–**	74 487
		195 943	301 409	**174 057**	292 377
Total liabilities		**1 070 369**	621 981	**635 238**	522 245
Total equity and liabilities		**2 633 747**	1 483 699	**2 152 846**	1 358 196

Statements of comprehensive income
for the year ended 31 December 2013

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Revenue*	19	**659 128**	365 749	**464 760**	264 075
Operating expenses		**(545 460)**	(312 535)	**(499 078)**	(235 822)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**113 668**	53 214	**(34 318)**	28 253
Depreciation and amortisation		**(36 966)**	(17 848)	**(28 695)**	(14 785)
Earnings before interest and taxation (EBIT)	20	**76 702**	35 366	**(63 013)**	13 468
Investment revenue	21	**3 802**	1 502	**98 228**	1 017
Share of profits of associates		**1 000**	–	**–**	–
Finance costs	22	**(26 199)**	(16 618)	**(12 107)**	(16 010)
Profit/(loss) before taxation		**55 305**	20 250	**23 108**	(1 525)
Taxation	23	**(15 584)**	(5 573)	**(5 533)**	(1 233)
Profit/(loss) for the year		**39 721**	14 677	**17 575**	(2 758)
Other comprehensive income:					
Net fair value loss on cash flow hedge	26	**(489)**	–	**(489)**	–
Total comprehensive income/(loss)		**39 232**	14 677	**17 086**	(2 758)
Profit/(loss) attributable to:					
Owners of the parent		**37 049**	15 104	**17 575**	(2 758)
Non-controlling interest		**2 672**	(427)	**–**	–
		39 721	14 677	**17 575**	(2 758)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**36 560**	15 104	**17 086**	(2 758)
Non-controlling interest		**2 672**	(427)	**–**	–
		39 232	14 677	**17 086**	(2 758)
Earnings per share (cents)					
– Basic	27	**13.2**	7.1		
– Diluted	27	**13.1**	7.0		
Headline earnings per share (cents)					
– Basic	27	**13.1**	7.0		
– Diluted	27	**13.0**	7.0		

Note:

* A reallocation of R9.863 million (group) and R22.348 million (company) was done between revenue and other income to align prior year disclosure with current year disclosure.

Statements of changes in equity

for the year ended 31 December 2013

	Share capital R'000	Hedging reserve R'000	Share-based payment reserve R'000	Total reserves R'000	Retained income/ (accumu-lated loss) R'000	Total attributable to equity holders of the group/ company R'000	Non-controlling interest R'000	Total equity R'000
Group								
Balance at 1 January 2012	369 788	–	720	720	(734)	369 774	–	369 774
Changes in equity								
Total comprehensive income for the year	–	–	–	–	15 104	15 104	(427)	14 677
Issue of shares	475 632	–	–	–	–	475 632	–	475 632
Share issue costs	(1 710)	–	–	–	–	(1 710)	–	(1 710)
Recognition of share-based payments	–	–	3 345	3 345	–	3 345	–	3 345
Changes in ownership interest – control not lost	–	–	–	–	(934)	(934)	934	–
Total changes	473 922	–	3 345	3 345	14 170	491 437	507	491 944
Balance at 31 December 2012	**843 710**	**–**	**4 065**	**4 065**	**13 436**	**861 211**	**507**	**861 718**
Changes in equity								
Total comprehensive income for the year	**–**	**(489)**	**–**	**(489)**	**37 049**	**36 560**	**2 672**	**39 232**
Issue of shares	**666 405**	**–**	**–**	**–**	**–**	**666 405**	**–**	**666 405**
Share issue costs	**(9 444)**	**–**	**–**	**–**	**–**	**(9 444)**	**–**	**(9 444)**
Recognition of share-based payments	**–**	**–**	**5 467**	**5 467**	**–**	**5 467**	**–**	**5 467**
Exercise of share options	**–**	**–**	**(1 733)**	**(1 733)**	**1 733**	**–**	**–**	**–**
Total changes	**656 961**	**(489)**	**3 734**	**3 245**	**38 782**	**698 988**	**2 672**	**701 660**
Balance at 31 December 2013	**1 500 671**	**(489)**	**7 799**	**7 310**	**52 218**	**1 560 199**	**3 179**	**1 563 378**

	Share capital R'000	Hedging reserve R'000	Share-based payment reserve R'000	Total reserves R'000	Retained income/ (accumu-lated loss) R'000	Total equity R'000
Company						
Balance at 1 January 2012	369 788	–	720	720	(9 066)	361 442
Changes in equity						
Total comprehensive loss for the year	–	–	–	–	(2 758)	(2 758)
Issue of shares	475 632	–	–	–	–	475 632
Share issue costs	(1 710)	–	–	–	–	(1 710)
Recognition of share-based payments	–	–	3 345	3 345	–	3 345
Total changes	473 922	–	3 345	3 345	(2 758)	474 509
Balance at 31 December 2012	**843 710**	**–**	**4 065**	**4 065**	**(11 824)**	**835 951**
Changes in equity						
Total comprehensive income for the year	**–**	**(489)**	**–**	**(489)**	**17 575**	**17 086**
Issue of shares	**666 405**	**–**	**–**	**–**	**–**	**666 405**
Share issue costs	**(9 444)**	**–**	**–**	**–**	**–**	**(9 444)**
Recognition of share-based payments	**–**	**–**	**5 467**	**5 467**	**–**	**5 467**
Exercise of share options	**–**	**–**	**(1 733)**	**(1 733)**	**1 733**	**–**
Business combinations	**–**	**–**	**–**	**–**	**2 143**	**2 143**
Total changes	**656 961**	**(489)**	**3 734**	**3 245**	**21 451**	**681 657**
Balance at 31 December 2013	**1 500 671**	**(489)**	**7 799**	**7 310**	**9 627**	**1 517 608**

Statements of cash flows

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Cash flows from operating activities					
Cash generated from operations	28	**136 152**	76 977	**45 277**	64 188
Interest income		**3 802**	1 502	**5 188**	1 017
Finance costs		**(26 199)**	(16 618)	**(12 107)**	(16 010)
Tax paid	29	**(8 181)**	(5 696)	**(2 157)**	(91)
Net cash generated from operating activities		**105 574**	56 165	**36 201**	49 104
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(874 396)**	(451 529)	**(615 496)**	(420 769)
Sale of property, plant and equipment	3	**4 358**	145	**39 115**	145
Expenditure on product development	5	**(1 771)**	(2 610)	**(1 771)**	(2 610)
Business combinations	30	**(148 740)**	(109 908)	**4 733**	(107 471)
Acquisition of subsidiaries	31	**(52 652)**	(163 005)	**(52 288)**	(182 685)
Loans advanced to group companies		**(5 447)**	–	**(123 106)**	(25 875)
Proceeds from loans from group companies		**–**	–	**12 802**	9 905
Movements in financial assets		**(2 328)**	–	**–**	–
Investment in associate		**(6 000)**	–	**(6 000)**	–
Net cash utilised in investing activities		**(1 086 976)**	(726 907)	**(742 011)**	(729 360)
Cash flows from financing activities					
Proceeds on share issue	14	**656 961**	473 923	**656 961**	473 923
Proceeds from loans and other financial liabilities		**454 443**	174 599	**163 330**	175 042
Repayment of loans from related party		**(5 033)**	(33 653)	**(5 033)**	(33 653)
Net cash from financing activities		**1 106 371**	614 869	**815 258**	615 312
Total cash and cash equivalents movement for the year		**124 969**	(55 873)	**109 448**	(64 944)
Cash and cash equivalents at the beginning of the year		**(46 036)**	9 837	**(56 256)**	8 688
Total cash and cash equivalents at the end of the year	13	**78 933**	(46 036)	**53 192**	(56 256)

Accounting policies

1. Presentation of audited annual financial statements

Curro is a public company incorporated in South Africa.

The address of the company's registered office and principal place of business are disclosed in the general information to the annual report.

The principal activities are the provision of independent school education within South Africa.

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

1.1 Consolidation

Basis of consolidation

The consolidated audited annual financial statements incorporate the audited annual financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated audited annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the audited annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

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

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

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

Business combinations

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

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

1.1 Consolidation *(continued)*

Business combinations *(continued)*

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

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

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

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

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

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

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

Business combinations under common control is accounted for at book values at acquisition date.

Investment in associates

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

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

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

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein.

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

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the group; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Average useful life
Land	Not depreciated
Buildings	75 to 90 years
Furniture and fixtures	6 years
Computer equipment	3 years/5 years
Motor vehicles	5 years
School equipment	5 years/6 years
Computer software	2 years
Premises equipment	5 years/6 years
Office equipment	6 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Where the residual amount of an asset exceeds its cost, no depreciation charge is recognised.

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

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

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

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

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

Item	Useful life
Learner enrolments	1 to 14 years
Trademarks	Indefinite
Curriculum material	6 years

1.4 Investments in and loans to subsidiaries and associates

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

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

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

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

1.5 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables; and
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

Subsequent measurement

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

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

Impairment of financial assets

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

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

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

Impairment losses are recognised in profit or loss.

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

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

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

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

1.5 Financial instruments *(continued)*

Loans to/(from) group companies

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

Loans to group companies are classified as loans and receivables.

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

Bank overdrafts and borrowings

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

Hedging activities

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

The group designates certain derivatives as either:

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

1.5 Financial instruments *(continued)*

Hedging activities *(continued)*

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 16.

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

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised to other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to other comprehensive income to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

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

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

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

1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- The initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- The parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

1.6 Tax *(continued)*

Deferred tax assets and liabilities *(continued)*

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- Is not a business combination; and
- At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- The temporary difference will reverse in the foreseeable future; and
- Taxable profit will be available against which the temporary difference can be utilised.

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

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

Tax expenses

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

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

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

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

1.7 Leases

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

Finance leases – lessee

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

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

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

Operating leases – lessee

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

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

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

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

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

1.9 Impairment of assets

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

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

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

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

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

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

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

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- Then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Share capital and equity

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

Share issue costs are deducted from raised capital.

1.11 Share-based payments

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

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

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

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

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, group accounts for those services as they are rendered by the counterparty during the vesting period (or on a straight-line basis over the vesting period).

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

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

1.12 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.14 Revenue

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

Sale of goods is recognised when goods are delivered and title has passed.

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

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

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

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

1.15 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

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

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Critical accounting judgements and key sources of estimation uncertainty

Judgements and estimates are continually re-evaluated and are based on historical experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions which have significant risk of causing material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below.

Useful lives and residual values

The estimated useful lives for property, plant and equipment are set out in note 1.2. Estimated useful lives and residual values are reviewed annually, taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the education industry where the assets are used.

Impairment of assets

Goodwill, intangible assets, property, plant and equipment and accounts receivable are assessed annually for impairment. These impairment calculations include the use of estimates of future cash flows as well as the determination of discount rates at which the cash flows are discounted.

Fair values in business combinations

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

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

Contingent liabilities

Management applies its judgement to the advice it receives from its attorneys, advocates and other advisers in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine whether the obligation is recognised as a liability or disclosed as a contingent liability.

Doubtful debt

Doubtful debt is provided on an individual account basis considering the likelihood of default of the account holder.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group and company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 7 Financial Instruments: Disclosure

Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set-off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set-off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.

The effective date of the amendment is for years beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements

New standard that replaces the consolidation requirements in SIC 12 Consolidation: Special Purpose Entities and IAS 21 Consolidated and Separate Financial Statements. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

The effective date of the standard is for years beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements

Consequential amendment as a result of IFRS 10. The amended standard now only deals with separate financial statements.

The effective date of the amendment is for years beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interest in Other Entities

New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

The effective date of the standard is for years beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

New guidance on fair value measurement and disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2013.

IAS 32 Financial Instruments: Presentation

Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set-off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set-off in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations.

Amendments further clarify that income tax on distributions to holders of an equity instrument and on transaction costs of an equity transaction should be accounted for in accordance with IAS 12.

The effective date of the amendments is for years beginning on or after 1 January 2013.

IAS 1 Presentation of Financial Statements

Clarification is provided on the requirements for comparative information. Specifically, if a retrospective restatement is made, a retrospective change in accounting policy or a reclassification, the statement of financial position at the beginning of the previous period is only required if the impact on the beginning of the previous period is material. Related notes are not required, other than disclosure of specified information.

The effective date of the amendment is for years beginning on or after 1 January 2013.

IAS 16 Property, Plant and Equipment

Amendments to the recognition and classification of servicing equipment.

The effective date of the amendment is for years beginning on or after 1 January 2013.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2014 or later periods:

IFRS 9 Financial Instruments

A revised version of IFRS 9 which:

- Introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss.
- Removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

The effective date of the amendments is for years beginning on or after 1 January 2014.

IAS 36 Impairment of Assets

The amendment brings the disclosures for impaired assets whose recoverable amount is fair value less cost to sell in line with the disclosure requirements of IFRS 12 Fair Value Measurements.

The effective date of the amendments is for years beginning on or after 1 January 2014.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with *Provisions, Contingent Liabilities* and *Contingent Assets* and those where the timing and amount of the levy is certain.

The Interpretation covers the accounting for outflows imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations.

The effective date of the standard is for years beginning on or after 1 January 2014.

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to:

- Provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement.
- Require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries.
- Require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

The effective date of the amendments is for years beginning on or after 1 January 2014.

3. Property, plant and equipment

Group R'000	2013 Cost	2013 Accumulated depreciation	2013 Carrying value	2012 Cost	2012 Accumulated depreciation	2012 Carrying value
Land and buildings	**1 971 432**	**(1 126)**	**1 970 306**	1 114 664	(112)	1 114 552
Furniture and fixtures	**75 182**	**(16 853)**	**58 329**	43 805	(6 693)	37 112
Computer equipment	**70 971**	**(24 794)**	**46 177**	32 656	(9 189)	23 467
Motor vehicles	**35 483**	**(8 294)**	**27 189**	20 596	(3 779)	16 817
School equipment	**25 411**	**(6 154)**	**19 257**	13 158	(2 553)	10 605
Computer software	**8 840**	**(5 099)**	**3 741**	4 193	(2 650)	1 543
Premises equipment	**8 498**	**(3 992)**	**4 506**	4 624	(902)	3 722
Office equipment	**5 168**	**(2 862)**	**2 306**	3 145	(1 205)	1 940
	2 200 985	**(69 174)**	**2 131 811**	1 236 841	(27 083)	1 209 758

Company R'000	2013 Cost	2013 Accumulated depreciation	2013 Carrying value	2012 Cost	2012 Accumulated depreciation	2012 Carrying value
Land and buildings	**1 450 768**	**(112)**	**1 450 656**	901 076	(44)	901 032
Furniture and fixtures	**60 020**	**(13 170)**	**46 850**	37 423	(7 643)	29 780
Computer equipment	**60 026**	**(21 718)**	**38 308**	26 547	(6 587)	19 960
Motor vehicles	**31 817**	**(7 506)**	**24 311**	17 725	(2 727)	14 998
School equipment	**22 485**	**(4 819)**	**17 666**	11 405	(2 324)	9 081
Computer software	**8 477**	**(4 948)**	**3 529**	2 785	(1 478)	1 307
Premises equipment	**5 941**	**(2 356)**	**3 585**	4 907	(2 301)	2 606
Office equipment	**3 541**	**(2 187)**	**1 354**	2 945	(1 154)	1 791
	1 643 075	**(56 816)**	**1 586 259**	1 004 813	(24 258)	980 555

3. Property, plant and equipment *(continued)*

Reconciliation of property, plant and equipment:

Group – 2013 R'000	**Opening balance**	**Additions**	**Additions through business combinations**	**Disposals**	**Depreciation**	**Total**
Land and buildings	1 114 552	778 217	78 572	–	(1 035)	1 970 306
Furniture and fixtures	37 112	30 120	1 555	(3 961)	(6 497)	58 329
Computer equipment	23 467	33 451	1 366	–	(12 107)	46 177
Motor vehicles	16 817	14 124	238	(36)	(3 954)	27 189
School equipment	10 605	10 807	177	–	(2 332)	19 257
Computer software	1 543	4 692	7	–	(2 501)	3 741
Premises equipment	3 722	2 946	18	–	(2 180)	4 506
Office equipment	1 940	39	832	–	(505)	2 306
	1 209 758	874 396	82 765	(3 997)	(31 111)	2 131 811

Company – 2013 R'000	**Opening balance**	**Additions**	**Additions through business combinations**	**Disposals**	**Depreciation**	**Total**
Land and buildings	901 032	539 773	44 678	(34 799)	(28)	1 450 656
Furniture and fixtures	29 780	23 121	3 250	(3 961)	(5 340)	46 850
Computer equipment	19 960	25 752	3 188	–	(10 592)	38 308
Motor vehicles	14 998	10 924	1 982	(5)	(3 588)	24 311
School equipment	9 081	9 946	742	–	(2 103)	17 666
Computer software	1 307	4 175	453	–	(2 406)	3 529
Premises equipment	2 606	1 766	559	–	(1 346)	3 585
Office equipment	1 791	39	40	–	(516)	1 354
	980 555	615 496	54 892	(38 765)	(25 919)	1 586 259

	Group		**Company**	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Pledged as security				
Carrying value of assets pledged as security (refer note 17):				
Land and buildings	**1 951 559**	472 456	**1 450 768**	284 127
Furniture and fixtures	**21 178**	9 936	**11 205**	9 936
Computer equipment	**27 341**	11 143	**20 091**	11 143
Motor vehicles	**27 189**	17 627	**24 311**	17 627
Premises equipment	**2 597**	171	**938**	171
Office equipment	**2 108**	1 702	**1 338**	1 702
Borrowing costs capitalised				
Borrowing costs capitalised to qualifying assets	**28 830**	17 042	**21 688**	16 619
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	**10.8%**	12.4%	**11.4%**	12.4%

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

4. Goodwill

Group R'000	2013 Cost	2013 Accumulated impairment	2013 Carrying value	2012 Cost	2012 Accumulated impairment	2012 Carrying value
Goodwill	**271 925**	**(177)**	**271 748**	149 038	(177)	148 861

Company R'000	2013 Cost	2013 Accumulated impairment	2013 Carrying value	2012 Cost	2012 Accumulated impairment	2012 Carrying value
Goodwill	**46 288**	**(177)**	**46 111**	46 288	(177)	46 111

Reconciliation of goodwill:

Group – 2013 R'000	Opening balance	Additions through business combinations	Total
Goodwill	**148 861**	**122 887**	**271 748**

Company – 2013 R'000	Opening balance	Additions through business combinations	Total
Goodwill	**46 111**	**–**	**46 111**

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

When testing goodwill for impairment, the recoverable amounts of the cash-generating units, which is mostly represented by a school or campus, are determined using value-in-use calculations. The key assumptions for the value-in-use calculations are discount rates, growth rates and expected future cash flows. Management estimates discount rates using rates that reflect current market assumptions of the time value of money and the risks specific to the CGU. The growth rates are based on estimated growth in enrolment numbers.

The group and company prepare cash flow forecasts based on the CGU's budgeted results as approved by the board of directors and extrapolated cash flows for the following years based on the estimated growth rate.

As the group or company integrates acquired learners into existing campuses, the group or company aggregates the CGU's for the purposes of performing an impairment assessment.

4. Goodwill *(continued)*

Impairment tests for cash-generating units containing goodwill are based on the following assumptions:

Group Cash-generating unit	Discount rate 2013	Discount rate 2012	Forecast cash flows 2013	Forecast cash flows 2012	Goodwill 2013 R'000	Goodwill 2012 R'000
Curro schools	15% p.a	15% p.a	5 to 8 years, 10% growth rate	5 years, 10% growth rate	51 854	51 854
Aurora College	15% p.a	15% p.a	5 years, 10% growth rate	5 years, 10% growth rate	15 485	15 485
Woodhill College	15% p.a	15% p.a	5 years, 10% growth rate	5 years, 10% growth rate	59 191	59 191
Campus and Property Management Company (Pty) Ltd	15% p.a	15% p.a	5 to 11 years, 10% growth rate	5 years, 10% growth rate	107 502	22 331
Embury Institute for Teacher Education (Pty) Ltd	15% p.a	–	5 years, 10% growth rate	–	37 716	–
					271 748	148 861

Company Cash-generating unit	Discount rate 2013	Discount rate 2012	Forecast cash flows 2013	Forecast cash flows 2012	Goodwill 2013 R'000	Goodwill 2012 R'000
Curro schools	15% p.a	15% p.a	5 to 8 years, 10% growth rate	5 years, 10% growth rate	46 111	46 111
					46 111	46 111

Curro schools consist of the following: Durbanville, Langebaan, Hazeldean, Helderwyk, Hermanus, Serengeti, Nelspruit, Heuwelkruin, Embury, Hillcrest, Bloemfontein, Krugersdorp and Rosen Castle.

Aurora College, Woodhill College, Campus and Property Management Company (Pty) Ltd and Embury Institute for Teacher Education (Pty) Ltd represent the cash-generating units which have been assessed as significant by management in terms of IAS 36 paragraph 134.

All other cash-generating units have been represented in aggregate as required in terms of IAS 36 paragraph 135.

5. Intangible assets

Group R'000	2013 Cost/ valuation	2013 Accumulated amortisation	2013 Carrying value	2012 Cost/ valuation	2012 Accumulated amortisation	2012 Carrying value
Trademarks	**46 760**	**(199)**	**46 561**	18 555	(114)	18 441
Curriculum material	**4 381**	**(786)**	**3 595**	2 610	(58)	2 552
Learner enrolments	**57 055**	**(9 604)**	**47 451**	51 127	(4 560)	46 567
	108 196	**(10 589)**	**97 607**	72 292	(4 732)	67 560

Company R'000	2013 Cost/ valuation	2013 Accumulated amortisation	2013 Carrying value	2012 Cost/ valuation	2012 Accumulated amortisation	2012 Carrying value
Trademarks	**3 661**	**(145)**	**3 516**	3 661	(60)	3 601
Curriculum material	**4 381**	**(786)**	**3 595**	2 610	(58)	2 552
Learner enrolments	**26 330**	**(4 327)**	**22 003**	26 331	(2 365)	23 966
	34 372	**(5 258)**	**29 114**	32 602	(2 483)	30 119

Reconciliation of intangible assets:

Group – 2013 R'000	Opening balance	Additions through business combinations	Internally generated	Amortisation	Total
Trademarks	**18 441**	**28 205**	**–**	**(85)**	**46 561**
Curriculum material	**2 552**	**–**	**1 771**	**(728)**	**3 595**
Learner enrolments	**46 567**	**5 926**	**–**	**(5 042)**	**47 451**
	67 560	**34 131**	**1 771**	**(5 855)**	**97 607**

Company – 2013 R'000	Opening balance	Internally generated	Amortisation	Total
Trademarks	**3 601**	**–**	**(85)**	**3 516**
Curriculum material	**2 552**	**1 771**	**(728)**	**3 595**
Learner enrolments	**23 966**	**–**	**(1 963)**	**22 003**
	30 119	**1 771**	**(2 776)**	**29 114**

6. Investments in and loans to subsidiaries and associates

Name of company	% holding 2013	% holding 2012	Carrying amount 2013 R'000	Carrying amount 2012 R'000
Aurora College (Pty) Ltd	**100.00**	100.00	**–**	22 162
Campus and Property Management Company (Pty) Ltd	**65.00**	65.00	**–**	–
Curro Langebaan (Pty) Ltd	**100.00**	100.00	**–**	–
Dream Park Village (Pty) Ltd	**100.00**	–	**3 148**	–
Embury Institute for Teacher Education (Pty) Ltd	**100.00**	–	**58 603**	–
Meridian Operations Company NPC	**100.00**	100.00	**–**	–
Plot One Hundred Bush Hill (Pty) Ltd	**100.00**	100.00	**21 338**	21 338
Stratland Developments (Pty) Ltd	**100.00**	–	**1 965**	–
Woodhill College (Pty) Ltd	**100.00**	100.00	**–**	42 685
Woodhill College Property Holdings (Pty) Ltd	**100.00**	100.00	**140 000**	140 000
			225 054	226 185

The carrying amounts of subsidiaries are shown net of impairment losses. All subsidiaries are incorporated in the Republic of South Africa. Aurora College (Pty) Ltd and Woodhill College (Pty) Ltd were divisionalised into the company from 1 July 2013. Refer to note 31.

Loans to/(from) subsidiaries are shown separately in note 8.

7. Investments in associates

			Group		Company	
Name of company	% holding 2013	% holding 2012	Carrying amount 2013 R'000	Carrying amount 2012 R'000	Carrying amount 2013 R'000	Carrying amount 2012 R'000
Professional Sourcing and Procurement Assist (Pty) Ltd	**40.00**	–	**7 133**	–	**6 000**	–

8. Loans to/(from) related parties

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Subsidiaries				
Aurora College (Pty) Ltd The loans are interest free, unsecured and there are no fixed terms of repayment.	–	–	–	20 110
Campus and Property Management Company (Pty) Ltd The loan is interest free, unsecured and there are no fixed terms of repayment.	–	–	8 138	13 173
Campus and Property Management Company (Pty) Ltd The loan bears interest at rates ranging from 4% to 10% linked to three-month Jibar rate. The loan has a 15 year repayment term.	–	–	42 900	2 438
Campus and Property Management Company (Pty) Ltd The loan bears interest at three-month Jibar plus 8% per annum. Repayable within one month after year-end.	–	–	50 371	–
Dream Park Village (Pty) Ltd The loan is interest free, unsecured and there are no fixed terms of repayment.	–	–	3 181	–
Embury Institute for Teacher Education (Pty) Ltd The loan is interest free, unsecured and there are no fixed terms of repayment.	–	–	(448)	–
Meridian College Schools NPC The loan is interest free, unsecured and there are no fixed terms of repayment.	–	–	–	1 347
Plot One Hundred Bush Hill (Pty) Ltd The loan is interest free, unsecured and there are no fixed terms of repayment.	–	–	18 010	–
Stratland Developments (Pty) Ltd The loan is interest free, unsecured and there are no fixed terms of repayment.	–	–	901	–
Curro Holdings Limited Share Incentive Trust The secured loans, which are loans to employees, bear interest at the SARS fringe benefit rate, currently 6% and are repayable within three years from grant date.	–	–	2 328	–
Woodhill College (Pty) Ltd The loan is interest free, unsecured and there are no fixed terms of repayment.	–	–	–	(13 395)
Woodhill College Property Holdings (Pty) Ltd The loan is interest free, unsecured and there are no fixed terms of repayment.	–	–	52 945	–
	–	–	178 326	23 673

8. Loans to/(from) related parties *(continued)*

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Associate				
Professional Sourcing and Procurement Assist (Pty) Ltd The loan bears interest at prime and is repayable on 30 June 2015.	**5 547**	–	**5 547**	–
Other related parties				
PSG Corporate Services (Pty) Ltd The unsecured loan bears interest at the prime interest rate plus 4% per annum and has no fixed terms of repayment.	**–**	(5 033)	**–**	(5 033)
Non-current assets	**5 547**	–	**50 775**	2 438
Current assets	**–**	–	**133 546**	35 357
Current liabilities	**–**	(5 033)	**(448)**	(19 155)
	5 547	(5 033)	**183 873**	18 640

9. Other loans

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Loans and receivables				
Loans to directors, managers and employees The loans bear interest at the SARS fringe benefit rate, currently 6% and are repayable within three years from issue. The loans are granted in terms of Curro Share Incentive Trust trust deed for the acquisition of qualifying vested shares.	**2 328**	–	**–**	–
Non-current assets				
Loans and receivables	**2 328**	–	**–**	–

10. Deferred tax

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Deferred tax liability				
Fixed assets	**(144 128)**	(97 309)	**(76 015)**	(55 008)
Income received in advance	**10 908**	9 321	**10 908**	6 882
Provision for doubtful debts	**594**	822	**594**	714
Prepaid expenditure	**(2 610)**	(494)	**(1 836)**	(370)
Intangible assets	**(22 022)**	(17 717)	**(8 151)**	(7 525)
Tax losses available for set-off against future taxable income	**37 977**	21 048	**34 708**	21 048
	(119 281)	(84 329)	**(39 792)**	(34 259)
Reconciliation of deferred tax liability				
At the beginning of the year	**(84 329)**	(10 193)	**(34 259)**	(118)
Originating temporary difference on fixed assets	**(46 819)**	(76 069)	**(21 006)**	(40 774)
Originating temporary difference on income received in advance	**1 587**	5 134	**4 026**	3 213
Originating temporary difference on provision for doubtful debts	**(228)**	449	**(120)**	359
Originating temporary difference on prepaid expenditure	**(2 116)**	(278)	**(1 466)**	(182)
Originating temporary difference on intangible assets	**(4 305)**	(13 111)	**(626)**	(6 496)
Increase in tax losses available for set-off against future taxable income	**16 929**	9 737	**13 659**	9 737
Reversing temporary difference on operating lease liability	**–**	2	**–**	2
	(119 281)	(84 329)	**(39 792)**	(34 259)

Deferred tax rates

The deferred tax rate applied on the commercial property allowance and all other temporary differences is 28%.

11. Inventories

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Merchandise	**6 817**	–	**–**	–

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

12. Trade and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Gross receivables	**14 268**	22 532	**20 662**	18 852
Provision for impairment	**(2 489)**	(3 911)	**(2 080)**	(3 400)
Trade receivables	**11 779**	18 621	**18 582**	15 452
Employees costs in advance	**454**	–	**–**	–
Prepayments	**3 237**	3 475	**2 448**	3 008
Deposits	**3 174**	571	**201**	571
VAT	**11 473**	5 061	**–**	–
Other receivables	**114**	–	**129**	–
	30 231	27 728	**21 360**	19 031

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

Credit periods may vary widely based on special payment agreements reached with parents of learners but as standard all fees should be settled within 30 days.

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

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

Trade receivables past due but not impaired

Company
Trade receivables with renegotiated terms of payment or with acceptable payment history are not considered to be impaired. At 31 December 2013, R18.5 million (2012: R8.6 million) were past due but not impaired.

Group
Trade receivables with renegotiated terms of payment or with acceptable payment history are not considered to be impaired. At 31 December 2013, R9.3 million (2012: R10.2 million) were past due but not impaired.

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

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
1 month past due	**7 181**	3 830	**16 241**	3 090
2 months past due	**1 685**	1 957	**1 421**	1 706
3+ months past due	**404**	4 402	**809**	3 845
	9 270	10 189	**18 471**	8 641

Trade receivables impaired

Company
As at 31 December 2013, trade receivables of R2.1 million (2012: R3.4 million) were provided for.

Group
As at 31 December 2013, trade receivables of R2.5 million (2012: R3.9 million) were provided for.

Reconciliation of provision for impairment of trade and other receivables:

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Opening balance	**3 911**	1 779	**3 400**	1 693
Provision for impairment	**–**	2 132	**–**	1 707
Unused amounts reversed	**(1 422)**	–	**(1 320)**	–
	2 489	3 911	**2 080**	3 400

13. Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Cash and cash equivalents consist of:				
Bank balances	**78 933**	24 777	**53 192**	16 527
Cash on hand	**–**	3 569	**–**	1 546
Short-term deposits	**–**	60	**–**	60
Other cash and cash equivalents	**–**	98	**–**	98
Bank overdraft	**–**	(74 540)	**–**	(74 487)
	78 933	(46 036)	**53 192**	(56 256)
Current assets	**78 933**	28 504	**53 192**	18 231
Current liabilities	**–**	(74 540)	**–**	(74 487)
	78 933	(46 036)	**53 192**	(56 256)
Securities disclosed in note 17.				
The total amount of facilities available for future operating activities and commitments	**230 000**	90 900	**160 000**	90 900

14. Share capital

	Group		Company	
	2013	2012	**2013**	2012
Authorised				
400 000 000 (2012: 400 000 000) Ordinary shares with no par value				
Reconciliation of number of ordinary shares issued:				
Reported as at beginning of the year ('000)	**240 428**	161 214	**240 428**	161 214
Issue of shares ('000)	**54 366**	79 214	**54 366**	79 214
	294 794	240 428	**294 794**	240 428
Issued				
294 794 391 (2012: 240 428 326) Ordinary shares with no par value (R'000)	**1 500 671**	843 710	**1 500 671**	843 710

9% unissued shares are under the control of the board of directors who has the authority to issue and allot shares at its discretion.

15. Share-based payments

15.1 Details of the employee share option plan of the company

Curro has established a share incentive scheme for certain key members of management.

The following sets out key terms of the share-based payment arrangement which came into place in the prior and current year:

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

Options may be exercised at any time from the date of vesting to the date of their expiry.

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

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

The exercise price of options awarded are adjusted with a factor taking into consideration the effect of rights issues. This adjustment does not result in a incremental increase in fair value of the share options awarded.

15.2 Movements in share options during the year

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

	2013		2012	
	Number of options	**Weighted average exercise price R**	Number of options	Weighted average exercise price R
Outstanding at the beginning of the year	**5 241 592**	**8.02**	4 261 704	5.93
Granted during the year	**1 640 639**	**19.61**	979 888	17.10
Exercised during the year	**(1 076 117)**	**4.89**	–	–
Outstanding at the end of the year	**5 806 114**	**11.88**	5 241 592	8.02

The following reconciles the number of securities that may be utilised at the beginning and end of the year:

	2013	2012
	Number of shares	Number of shares
Available at the beginning of the year	**2 758 408**	3 738 296
Share options granted during the year	**(1 640 639)**	(979 888)
Available at the end of the year	**1 117 769**	2 758 408

15. Share-based payments *(continued)*

15.2 Movements in share options during the year *(continued)*

Details of share options granted to and exercised by directors:

Director	Opening balance of share options awarded at 1 January 2013	Number of share options awarded during the year	Number of share options exercised during the year	Strike price per share options awarded (Rand)	Exercise price per share option (Rand)	Date of share options granted	Closing balance of share options as at 31 December 2013
Dr CR van der Merwe	**843 167**	**–**	**(210 792)**	5.93	4.89	2011/09/29	**632 375**
	187 557	**–**	**–**	17.10	–	2012/09/29	**187 557**
	–	**401 575**	**–**	19.61	–	2013/09/29	**401 575**
	1 030 724	**401 575**	**(210 792)**				**1 221 507**
AJF Greyling	**720 914**	**–**	**(180 228)**	5.93	4.89	2011/09/29	**540 686**
	142 523	**–**	**–**	17.10	–	2012/09/29	**142 523**
	–	**237 198**	**–**	19.61	–	2013/09/29	**237 198**
	863 437	**237 198**	**(180 228)**				**920 407**
B van der Linde	**409 383**	**–**	**(102 346)**	5.93	4.89	2011/09/29	**307 037**
	95 226	**–**	**–**	17.10	–	2012/09/29	**95 226**
	–	**171 925**	**–**	19.61	–	2013/09/29	**171 925**
	504 609	**171 925**	**(102 346)**				**574 188**
HG Louw	**491 737**	**–**	**(122 934)**	5.93	4.89	2011/09/29	**368 803**
	99 546	**–**	**–**	17.10	–	2012/09/29	**99 546**
	–	**182 912**	**–**	19.61	–	2013/09/29	**182 912**
	591 283	**182 912**	**(122 934)**				**651 261**
	2 990 053	**993 610**	**(616 300)**				**3 367 363**

Vesting of shares occur as follows:	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

Vesting year	Number of options	Weighted average strike price
29 September 2014	1 310 399	6.91
29 September 2015	1 720 559	9.94
29 September 2016	1 720 552	9.94
29 September 2017	644 445	18.36
29 September 2018	410 159	19.61
	5 806 114	

15. Share-based payments *(continued)*

15.3 Share option expense for the year

Total expenses of R5.467 million related to equity-settled share-based payment transactions were recognised during the year.

15.4 Assumptions used in fair value

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

	2013	2012
Strike price (Rand)	**19.61**	17.10
Current share price (Rand)	**19.61**	17.10
Volatility	**32.2%**	54.3%
Risk free rate	**5.4%**	5.3%
Dividend yield	**0.0%**	0.0%
Fair value (Rand)	**6.04**	7.49

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

16. Hedging reserve

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

	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Opening balance	**–**	–	**–**	–
Recognition of fair value of hedge instrument	**(659)**	–	**(659)**	–
Movement through profit and loss	**170**	–	**170**	–
Closing balance	**(489)**	–	**(489)**	–

17. Loans and other financial liabilities

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
At fair value through profit or loss				
Interest rate swap Interest rate swap on a notional amount of R75 million with termination date of 26 November 2018 at a fixed interest rate of 7.49%.	**659**	–	**659**	–
Held at amortised cost				
ABSA Bank Ltd The secured loan bears interest at one month Jibar. Repayable during March 2015.	**50 120**	–	**50 120**	–
ABSA Bank Ltd The secured loans bear interest at rates varying from 7.55% to 9.50% per annum, payable in monthly instalments ranging from R75 270 to R453 699.	**–**	123 849	**–**	116 417
ABSA Bank Ltd – Instalment sale agreements The secured loans bear interest at various prime linked rates, payable in monthly instalments ranging from R1 105 to R115 800. Secured by fixed assets as disclosed in note 3.	**33 543**	29 578	**33 442**	29 373
Development Bank of South Africa The secured loan bears interest at 12.11% per annum, payable in six monthly instalments. Repayable during the period August 2015 to August 2028.	**150 000**	–	**150 000**	–
Debentures – Prepaid block The secured debentures are interest free and are repaid through set-off against annual school fees over period.	**10 570**	13 604	**2 908**	1 972
Debentures – Fixed fee The unsecured debenture is interest free in exchange for a fixed school fee of R17 000 per annum for 12 years. The capital is repayable on 27 August 2021.	**200**	200	**200**	200
Debentures – Interest set-off The debentures bear interest at prime plus 2.5% per annum, with the option to either capitalise the interest or have it set-off against school fees. The initial amount plus any capitalised interest is repayable on 27 August 2014.	**420**	423	**420**	423
Firstrand Bank Ltd The secured loan bears interst at prime plus 0.5% per annum, repayable in montly instalments over 10 years. Secured by land and buildings as disclosed in note 3.	**–**	60 000	**–**	60 000
Mnandi Property Developments (Pty) Ltd The secured loan is amortised at 13.81% and is repayable in monthly instalments over three years starting August 2011. Secured by land and buildings as disclosed in note 3.	**658**	1 670	**658**	1 670

17. Loans and other financial liabilities *(continued)*

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Held at amortised cost (continued)				
Old Mutual Assurance Group South Africa (Pty) Ltd The loan bears interest at various rates from 4% to 10% linked to three-month Jibar rate. The loan has a 15 year repayment term. Repayable during the period 2018 to 2027. Refer restrictive funding arrangement disclosure below.	**30 612**	2 121	**–**	–
Rabie Property Group (Pty) Ltd The secured loan is interest free, repayable February 2015.	**3 000**	–	**3 000**	–
Standard Bank of South Africa Ltd The secured loan bears interest at 6.84%, payable in full at the end of March 2015.	**80 000**	–	**80 000**	–
Standard Bank of South Africa Ltd The loan bears interest at 3.3% plus three-month Jibar rate, payable in full at the end of March 2013. Interest is serviced quaterly.	**–**	100 000	**–**	100 000
Standard Bank of South Africa Ltd – Instalment sale agreements The secured loan bears interest at 0.5% to 1% below prime, payable in monthly instalments ranging from R2 030 to R191 840. Secured by fixed assets as disclosed in note 3.	**24 315**	9 494	**24 315**	9 494
Schools and Education Investment Impact Fund of South Africa The loan bears interest at various rates from 4% to 10% linked to three-month Jibar rate. The loan has a 15-year repayment term. Refer restrictive funding arrangement disclosure below.	**297 045**	20 579	**–**	–
Senior Secured Floating Rate Notes (Stock code COH001) The notes bear interest at three-month Jibar plus 2.75%. The date of maturity is 26 November 2018.	**151 175**	–	**151 175**	–
Other loans The loan bears no interest and is not repayable within the next 12 months.	**401**	–	**401**	–
Transaction costs incurred Refer to the transaction costs incurred table below for the specific allocation.	**(7 688)**	–	**(6 024)**	–
Total loans held at amortised cost	**824 371**	361 518	**490 615**	319 549
	825 030	361 518	**491 274**	319 549

17. Loans and other financial liabilities *(continued)*

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Non-current liabilities				
Fair value through profit or loss	**527**	–	**527**	–
At amortised cost	**754 618**	236 243	**420 862**	195 609
	755 145	236 243	**421 389**	195 609
Current liabilities				
Fair value through profit or loss	**132**	–	**132**	–
At amortised cost	**69 753**	125 275	**69 753**	123 940
	69 885	125 275	**69 885**	123 940
	825 030	361 518	**491 274**	319 549
Transaction costs incurred				
ABSA Bank Ltd	**1 169**	–	**1 169**	–
Debentures	**1 183**	–	**1 183**	–
Old Mutual Assurance Group South Africa (Pty) Ltd	**166**	–	**–**	–
Senior Secured Floating Rate Notes	**2 875**	–	**2 875**	–
Schools and Education Investment Impact Fund of South Africa	**1 498**	–	**–**	–
Standard Bank of South Africa Ltd	**699**	–	**699**	–
Other	**98**	–	**98**	–
	7 688	–	**6 024**	–

Restrictive funding arrangements

The funding provided by the Schools and Education Investment Impact Fund of South Africa and Old Mutual Assurance Group South Africa (Pty) Ltd is subject to restrictive funding arrangements. The restrictive funding arrangements apply to the operations of Meridian Operations Company NPC (RF) and Campus and Property Management Company (Pty) Ltd, collectively referred to as the Meridian schools. Please refer to the terms and carrying values of funding disclosed above.

17. Loans and other financial liabilities *(continued)*

Securities

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

- All land and buildings are pledged as security. The full list of properties pledged as security is available for inspection at the registered offices of the company.
- The Schools and Education Investment Impact Fund of South Africa and Old Mutual Assurance Group South Africa (Pty) Ltd:
  As part of the fulfilment of the advance conditions of the facilities agreement Campus and Property Management Company (Pty) Ltd has ceded and pledged to the Meridian Security SPV (Pty) Ltd and as security for the company's obligations under the company indemnity, the company's right, title and interest in and to:
  - all amounts of any nature now or from time to time owing to the company by any person whatsoever including, but without limitation, any amounts owing to the company by any bank with whom the company maintains any bank account (including, without limitation, the advances account and the collections account), and any parent in terms of any learner admission contract, and Meridian Operations Company NPC (RF) under the working capital facility agreement, and by any approved insurer with whom the company maintains any required insurance;
  - each transaction document to which it is a party;
  - the working capital facility agreement and the working capital security; and
  - any property lease agreement held by it in respect of any school property or any boarding house property provided that such property lease agreement is capable of being ceded, and if the consent of the landlord under a property lease agreement is required for its cession, the company shall use commercially reasonable endeavours to obtain that consent.

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

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

Reconciliation between the total minimum lease payments and the present value of instalment sale agreements (finance leases):

Group – 2013 **R'000**	**Up to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Minimum lease payments	**21 906**	**44 664**	**–**	**66 570**
Finance cost	**(4 106)**	**(4 682)**	**–**	**(8 788)**
	17 800	**39 982**	**–**	**57 782**
Company – 2013 **R'000**				
Minimum lease payments	**21 815**	**44 648**	**–**	**66 463**
Finance cost	**(4 101)**	**(4 682)**	**–**	**(8 783)**
	17 714	**39 966**	**–**	**57 680**

Group – 2012 **R'000**	**Up to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Minimum lease payments	14 139	31 849	–	45 988
Finance cost	(2 983)	(3 933)	–	(6 916)
	11 156	27 916	–	39 072
Company – 2012 **R'000**				
Minimum lease payments	14 023	31 744	–	45 767
Finance cost	(2 972)	(3 928)	–	(6 900)
	11 051	27 816	–	38 867

18. Trade and other payables

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Accrued expenses	**19 900**	17 529	**17 510**	12 249
Trade payables	**25 172**	1 486	**27 059**	1 307
Income received in advance	**61 131**	34 864	**42 527**	24 575
VAT	**1 538**	–	**404**	–
Other payables	**12 314**	36 660	**12 314**	36 660
Entrance deposits	**4 830**	3 806	**3 252**	–
	124 885	94 345	**103 066**	74 791

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

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

19. Revenue

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Revenue	**659 128**	365 749	**464 760**	264 075
The amount of revenue consists of the following:				
Registration and tuition fees	**626 848**	370 894	**451 353**	253 154
Hostel fees	**26 819**	–	**–**	–
Aftercare fees	**21 741**	9 736	**18 370**	6 490
Discount granted	**(46 604)**	(25 707)	**(36 536)**	(18 067)
Subsidy income	**4 373**	–	**–**	–
Other income	**25 767**	9 863	**31 389**	22 348
Fundraising income	**184**	963	**184**	150
	659 128	365 749	**464 760**	264 075

A reallocation of R9.863 million (group) and R22.348 million (company) was done between revenue and other income to align prior year disclosure with current year disclosure.

20. Earnings before interest and taxation

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

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Operating lease charges				
Premises				
• Contractual amounts	**8 755**	2 542	**8 665**	1 226
Equipment				
• Contractual amounts	**8 465**	5 993	**7 650**	5 268
	17 220	8 535	**16 315**	6 494
Profit on sale of property, plant and equipment	**360**	125	**350**	125
Inter-group loans written off	**–**	–	**26 022**	–
Impairment of investment in subsidiaries	**–**	–	**59 734**	–
Amortisation of intangible assets	**5 855**	3 464	**2 776**	1 817
Depreciation of property, plant and equipment	**31 111**	14 340	**25 919**	12 924
Employee costs	**385 562**	223 160	**295 055**	167 230
Hedging gains or losses				
Ineffective portion of cash flow hedges	**170**	–	**170**	–

The impairment of the investment in the subsidiaries and the loan write off are a result of Woodhill College (Pty) Ltd and Aurora College (Pty) Ltd becoming dormant and no longer trading following the divisionalisation transactions. Refer to note 30.

21. Investment revenue

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Dividend revenue				
Subsidiaries	**–**	–	**93 040**	–
Interest revenue				
Bank	**3 052**	960	**1 971**	520
Interest charged on trade and other receivables	**750**	542	**1 542**	497
Related parties	**–**	–	**1 675**	–
	3 802	1 502	**5 188**	1 017
	3 802	1 502	**98 228**	1 017

22. Finance costs

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Related parties	**1 118**	574	**1 118**	574
Loans and other financial liabilities	**48 075**	31 479	**26 880**	30 450
Bank	**4 011**	1 594	**3 972**	1 594
Trade and other payables	**1 825**	13	**1 825**	11
Less: Interest capitalised	**(28 830)**	(17 042)	**(21 688)**	(16 619)
	26 199	16 618	**12 107**	16 010

The capitalisation rate used for the group and company during the period was 10.8% and 11.4% respectively (2012: 12.4% for the group and company) on general borrowings for capital projects.

Company
Total interest expense, calculated using the effective interest rate, on financial instruments not through profit or loss amounted to R21.688 million (R16.619 million).

Group
Total interest expense, calculated using the effective interest rate, on financial instruments not through profit or loss amounted to R28.830 million (2012: R17.042 million).

23. Taxation

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Major components of the tax expense				
Current				
Local income tax – current period	**5 494**	6 327	**–**	–
Local income tax – recognised in current tax for prior periods	**1 623**	(507)	**–**	–
	7 117	5 820	**–**	–
Deferred				
Originating and reversing temporary differences	**8 467**	(247)	**5 533**	1 233
	15 584	5 573	**5 533**	1 233

Reconciliation of the tax expense
Reconciliation between applicable tax rate and average effective tax rate:

	Group		Company	
	2013	2012	**2013**	2012
	%	%	**%**	%
Standard rate	**28.0**	28.0	**28.0**	28.0
Non-deductable expenditure	**172.5**	7.7	**412.8**	(185.9)
Non-taxable income	**(175.2)**	–	**(416.9)**	–
Prior year tax correction – deferred tax	**–**	(5.7)	**–**	232.0
Prior year tax correction – current	**2.9**	(2.5)	**–**	6.8
	28.2	27.5	**23.9**	80.9

Company
No provision has been made for 2013 normal tax as the company is in an assessed loss position. The estimated tax losses available for set off against future taxable income is R123.9 million (2012: R76.6 million).

24. Auditor's remuneration

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Audit fees				
Current year audit fees	**780**	599	**484**	384
Previous year under accrual	**107**	15	**107**	16
Assurance related services	**120**	–	**120**	–
	1 007	614	**711**	400

25. Operating lease

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Total of future minimum lease payments for each of the following periods:				
Premises				
Within 1 year	**4 362**	2 163	**–**	1 394
Within 2 to 5 years	**22 270**	823	**–**	–
Later than 5 years	**16 082**	–	**–**	–
	42 714	2 986	**–**	1 394
Equipment				
Within 1 year	**4 940**	2 375	**4 798**	1 703
Within 2 to 5 years	**11 331**	7 522	**10 904**	4 886
	16 271	9 897	**15 702**	6 589

26. Other comprehensive income

Components of other comprehensive income:

Group – 2013 R'000	Gross	Tax	Net
Effects of cash flow hedges			
Losses on cash flow hedges arising during the year	(489)	–	(489)

Company – 2013 R'000	Gross	Tax	Net
Effects of cash flow hedges			
Losses on cash flow hedges arising during the year	(489)	–	(489)

27. Earnings per share

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Basic earnings per share (cents)				
From continuing operations	**13.2**	7.1	**–**	–

Basic earnings per share was based on earnings of R37.049 million (2012: R15.104 million) and a weighted average number of ordinary shares of 281.2 million (2012: 213.0 million).

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Reconciliation of profit/(loss) to basic earnings/(loss):				
Profit/(loss) attributable to equity holders of the parent	**37 049**	15 104	**17 575**	(2 758)
Diluted earnings per share (cents)				
From continuing operations	**13.1**	7.0	**–**	–

Diluted earnings per share was based on earnings of R37.049 million (2012: R15.104 million earnings) and a weighted average number of ordinary shares of 283.5 million (2012: 215.5 million).

27. Earnings per share *(continued)*

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Reconciliation of basic earnings/(loss) to earnings used to determine diluted earnings/(loss) per share:				
Basic earnings/(loss)	**37 049**	15 104	**17 575**	(2 758)
Headline earnings and diluted headline earnings per share (cents)				
Headline earnings	**13.1**	7.0	–	–
Diluted headline earnings	**13.0**	7.0	–	–
Reconciliation between earnings/(loss) and headline earnings/(loss):				
Earnings/(loss) attributable to owners of the parent	**37 049**	15 104	**17 575**	(2 758)
Adjusted for:				
Profit on disposal of property, plant and equipment	**(360)**	(125)	**–**	–
Tax effect thereon	**101**	35	**–**	–
	36 790	15 014	**17 575**	(2 758)
Reconciliation between diluted earnings/(loss) and diluted headline earnings/(loss):				
Earnings/(loss) attributable to owners of the parent	**37 049**	15 104	**17 575**	(2 758)
Adjusted for:				
Profit on disposal of property, plant and equipment	**(360)**	(125)	**–**	–
Tax effect thereon	**101**	35	**–**	–
	36 790	15 014	**17 575**	(2 758)

28. Cash generated from operations

Profit/(loss) before taxation	**55 305**	20 250	**23 108**	(1 525)
Adjustments for:				
Depreciation and amortisation	**36 966**	17 848	**28 695**	14 785
Profit on sale of assets	**(360)**	(125)	**(350)**	(125)
Share of profits of associates	**(1 000)**	–	**–**	–
Realised profit from share of profits of associates	**(133)**	–	**–**	–
Dividends received	**–**	–	**(93 040)**	–
Interest received	**(3 802)**	(1 502)	**(5 188)**	(1 017)
Finance costs	**26 199**	16 618	**12 107**	16 010
Impairment loss	**–**	–	**59 734**	–
Movements in operating lease assets and accruals	**–**	(7)	**–**	(7)
Share-based payment charge expense	**5 467**	3 345	**5 467**	3 345
Loan write-off	**–**	–	**26 022**	–
Changes in working capital:				
Inventories	**(2 464)**	–	**–**	–
Decrease/(increase) in trade and other receivables	**4 119**	(12 876)	**302**	(5 590)
Increase/(decrease) in trade and other payables	**15 855**	33 426	**(11 580)**	38 312
	136 152	76 977	**45 277**	64 188

29. Tax paid

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Balance at the beginning of the year	**(928)**	(804)	**165**	74
Current tax for the year recognised in profit or loss	**(7 117)**	(5 820)	**–**	–
Adjustment in respect of businesses sold and acquired during the year	**283**	–	**(1 545)**	–
Balance at the end of the year	**(419)**	928	**(777)**	(165)
	(8 181)	(5 696)	**(2 157)**	(91)

30. Business combinations

Aggregated business combinations

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Fair value of assets and liabilities acquired				
Property, plant and equipment	**82 472**	98 483	**54 892**	98 043
Intangible assets	**11 586**	29 057	**–**	25 962
Intergroup loans receivable	**–**	–	**49 273**	–
Inventories	**2 336**	–	**–**	–
Trade and other receivables	**–**	1 104	**2 631**	1 104
Cash and cash equivalents	**1 086**	803	**4 733**	803
Loans and other financial liabilities	**–**	(679)	**(1 422)**	(679)
Deferred tax	**(24 899)**	(33 774)	**–**	(32 909)
Contingent liability	**–**	(3 262)	**–**	(3 262)
Current tax payable	**–**	–	**(1 545)**	–
Trade and other payables	**(7 926)**	(2 844)	**(39 667)**	(2 844)
Total identifiable net assets	**64 655**	88 888	**68 895**	86 218
Goodwill	**85 171**	50 386	**–**	28 056
	149 826	139 274	**68 895**	114 274
Consideration				
Cash	**(149 826)**	(110 711)	**–**	(108 274)
Liabilities assumed	**–**	(28 563)	**–**	(6 000)
Repayment of loan account	**–**	–	**(68 895)**	–
	(149 826)	(139 274)	**(68 895)**	(114 274)
Net cash outflow on acquisition				
Cash consideration paid	**(149 826)**	(110 711)	**–**	(108 274)
Cash acquired	**1 086**	803	**4 733**	803
	(148 740)	(109 908)	**4 733**	(107 471)

30. Business combinations *(continued)*

Business combination included in group figures only:

Northern Academy

On 1 April 2013 the group, through its subsidiary Capmac, acquired the properties and business operations of Die Noord Transvaalse Akademiese Trust, Northern Academy Primary NPC and Northern Academy Secondary NPC which resulted in the company obtaining control over Northern Academy Primary and Secondary schools. Northern Academy Primary and Secondary schools is principally involved in the independent school industry.

Goodwill of R85.171 million arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities. Intangible assets which did quality for separate recognition have been recognised in compliance with the requirements of IFRS 3.

Business combinations included in company figures only:

Woodhill College

Woodhill College (Pty) Ltd was divisionalised into Curro on 1 July 2013. As such this business combination is reflected in the company figures above, but is eliminated in the group figures as the subsidiary is already included in the consolidated figures. Property, plant and equipment to the value of R2.067 million were acquired in the process. The sale took place at net book value as the entity is under common control of Curro.

The assets of Woodhill College (Pty) Ltd were distributed to Curro as a liquidation distribution for purposes of section 47 of the Income Tax Act, No. 58 of 1962, as amended. Dividends *in specie* of R26.476 million and R11.789 million were declared by Woodhill College (Pty) Ltd to Curro to clear the inter-company loan account and distribute the assets and liabilities respectively.

Aurora College

Aurora College (Pty) Ltd was divisionalised into Curro on 1 July 2013. As such this business combination is reflected in the company figures above, but is eliminated in the group figures as the subsidiary is already included in the consolidated figures. Property, plant and equipment to the value of R52.826 million were acquired in the process. The sale took place at net book value as the entity is under common control of Curro.

A loan receivable of R26.022 million was written off by Curro as part of the restructuring.

Aggregated business combinations occurring after the end of the reporting period:

Effective 1 January 2014, Curro will acquire the business operations and properties of Grantleigh for a cash consideration of R30 million.

The value of the assets and liabilities of the business acquired are not available as yet.

31. Acquisition of subsidiaries (business combination)

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Fair value of assets acquired				
Property, plant and equipment	**293**	144 168	**–**	–
Intangible assets	**22 545**	33 917	**–**	–
Deferred tax liabilities	**(1 660)**	(40 609)	**–**	–
Inventories	**2 017**	–	**–**	–
Trade and other receivables	**6 625**	1 498	**–**	–
Trade and other payables	**(6 757)**	(14 113)	**–**	–
Tax assets/liabilities	**283**	–	**–**	–
Other financial liabilities	**(2 096)**	(21 048)	**–**	–
Cash	**(364)**	19 680	**–**	–
Total net assets acquired	**20 886**	123 493	**–**	–
Goodwill recognised	**37 716**	59 192	**–**	–
	58 602	182 685	**–**	–
Consideration				
Cash	**(52 288)**	(182 685)	**(52 288)**	(182 685)
Liabilities assumed	**(6 314)**	–	**(6 314)**	–
	(58 602)	(182 685)	**(58 602)**	(182 685)
Net cash outflow on acquisition				
Cash consideration paid	**(52 288)**	(182 685)	**(52 288)**	(182 685)
Cash acquired	**(364)**	19 680	**–**	–
	(52 652)	(163 005)	**(52 288)**	(182 685)

Embury Institute for Teacher Education (Pty) Ltd

On 1 January 2013 Curro acquired 100% of the equity interest of Embury Institute for Teacher Education (Pty) Ltd. Embury Institute for Teacher Education (Pty) Ltd is principally involved in the tertiary education sector.

Goodwill of R37.716 million arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

The business acquisition contributed R29 983 million to group revenue and generated R7.513 million profit before adjusting for group consolidation entries.

32. Commitments and contingencies

Guarantee in favour of Rand Merchant Bank (RMB)

Curro has provided a guarantee of R10 million plus costs and interest for the completion of the entrance road of the Curro Serengeti. The owner of the estate is responsible for this cost, but Curro had to provide a guarantee for the financing.

Capital expenditure

– Contracted	119 000	507 367
– Authorised but not contracted	–	38 259
	119 000	545 626

Any capital expenditure will be financed through the share issue as disclosed in events after the reporting period and borrowing facilities where necessary.

33. Directors' emoluments

	2013				2012
	Salary R'000	**Bonuses R'000**	**Directors' fees R'000**	**Total R'000**	Total R'000
Executive					
Dr CR van der Merwe	**1 128**	**623**	**–**	**1 751**	1 285
AJF Greyling	**1 060**	**597**	**–**	**1 657**	1 177
B van der Linde	**970**	**321**	**–**	**1 291**	1 149
HG Louw	**970**	**279**	**–**	**1 249**	1 678
Non-executive					
SL Botha	**–**	**–**	**251**	**251**	46
B Petersen	**–**	**–**	**170**	**170**	138
ZL Combi	**–**	**–**	**135**	**135**	45
PJ Mouton	**–**	**–**	**106**	**106**	96
JA le Roux[1]	**–**	**–**	**74**	**74**	491
Dr SWF Muthwa[2]	**–**	**–**	**91**	**91**	–
Prof MC Mehl[3]	**–**	**–**	**11**	**11**	120
M Vilakazi	**–**	**–**	**–**	**–**	60
	4 128	**1 820**	**838**	**6 786**	6 285

[1]Adv JA le Roux resigned as a director on 31 March 2013.
[2]Dr SWF Muthwa was appointed as a director on 1 May 2013.
[3]Prof MC Mehl passed away on 31 January 2013.

Executive directors and prescribed officers have standard employment contracts with the company.

34. Related parties

Relationships

Ultimate holding company	PSG Group Ltd
Holding company	PSG Financial Services Ltd
Subsidiaries	Refer to notes 6 and 8
Associates	Refer to note 7
Directors	Refer to note 7 of directors' report

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Related party balances				
Loan accounts owing to related parties				
PSG Corporate Services (Pty) Ltd	**–**	(5 033)	**–**	(5 033)
Amounts included in trade receivables regarding related parties				
Campus and Property Management Company (Pty) Ltd	**–**	–	**4 724**	–
Meridian Operations Company NPC	**–**	–	**545**	–
Plot One Hundred Bush Hill (Pty) Ltd	**–**	–	**1 776**	–
Professional Sourcing and Procurement Assist (Pty) Ltd	**573**	–	**573**	–
Woodhill College Property Holdings (Pty) Ltd	**–**	–	**4 521**	–
Amounts included in trade payables regarding related parties				
Plot One Hundred Bush Hill (Pty) Ltd	**–**	–	**(1 776)**	–
Professional Sourcing and Procurement Assist (Pty) Ltd	**(2 450)**	–	**(2 450)**	–
PSG Corporate Services (Pty) Ltd	**(25)**	–	**(25)**	–
Woodhill College Property Holdings (Pty) Ltd	**–**	–	**(13 755)**	–

34. Related parties *(continued)*

	Group		Company	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Related party transactions				
Interest paid to/(received from) related parties				
PSG Corporate Services (Pty) Ltd	**1 118**	574	**1 118**	574
Woodhill College Property Holdings (Pty) Ltd	**–**	–	**(1 675)**	–
Administration fees paid to related parties				
Professional Sourcing and Procurement Assist (Pty) Ltd	**503**	–	**503**	–
PSG Capital (Pty) Ltd	**–**	5 534	**–**	5 534
PSG Corporate Services (Pty) Ltd	**1 542**	223	**1 542**	223
Share issue costs paid to related parties				
PSG Corporate Services (Pty) Ltd	**9 081**	1 074	**9 081**	1 074
Discounts granted to related parties				
Employee discounts	**9 967**	7 270	**9 967**	5 096
Management fees received from related parties				
Campus and Property Management Company (Pty) Ltd	**–**	–	**5 370**	–
Meridian Operations Company NPC	**–**	–	**1 342**	–
Plot One Hundred Bush Hill (Pty) Ltd	**–**	–	**1 558**	–
Woodhill College Property Holdings (Pty) Ltd	**–**	–	**3 966**	–
Rental fees paid to related parties				
Plot One Hundred Bush Hill (Pty) Ltd	**–**	–	**779**	–
Woodhill College Property Holdings (Pty) Ltd	**–**	–	**6 033**	–
Compensation to directors and other key management				
Short-term employee benefits	**5 948**	5 289	**5 948**	5 289

The group and company do not enter into any trading activities with related parties.

In line with industry practise in the education sector, employees qualify for discount on school fees when their children are enrolled at the school.

Share-based payments are disclosed under note 15.

35. Risk management

The group and company seek to minimise the effects of market risk, credit risk, liquidity risk and cash flow interest rate risk through active management processes. The group and company do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

35.1 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8 and 17 cash and cash equivalents disclosed in note 13, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2013 and 2012 respectively were as follows:

35.1.1 Gearing ratio

		Group		Company	
		2013	2012	**2013**	2012
	Note	**R'000**	R'000	**R'000**	R'000
Total borrowings					
Loans from related parties	8	**–**	5 033	**448**	5 033
Other financial liabilities	17	**825 030**	361 518	**491 274**	319 549
Bank overdraft	13	**–**	74 540	**–**	74 487
		825 030	441 091	**491 722**	399 069
Less: Cash and cash equivalents	13	**(78 933)**	(28 504)	**(53 192)**	(19 231)
Net debt		**746 097**	412 587	**438 530**	379 838
Total equity		**1 563 378**	861 718	**1 517 608**	835 951
Total capital		**2 309 475**	1 274 305	**1 956 138**	1 215 789
Gearing ratio		**32%**	32%	**22%**	31%

35.1.2 Categories of financial instruments

Financial assets				
Cash and cash equivalents	**78 933**	28 504	**53 192**	18 231
Loans and receivables	**22 942**	27 728	**203 233**	56 826
Financial liabilities				
Borrowings	**824 371**	361 518	**490 615**	319 549
Cash and cash equivalents	**–**	74 540	**–**	74 487
Contingent consideration for business combinations	**15 314**	36 660	**6 314**	36 660
Derivative financial instruments	**659**	–	**659**	–
Loans from related parties	**–**	5 033	**448**	19 155
Trade and other payables	**108 033**	57 685	**96 348**	38 131

35. Risk management *(continued)*

35.2 Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities.

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial assets and liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group

R'000 At 31 December 2013	Within 1 year	Between 2 and 5 years	Over 5 years
Borrowings	**(69 753)**	**(313 853)**	**(440 765)**
Derivative financial instruments	**(132)**	**(527)**	**–**
Trade and other payables	**(123 347)**	**–**	**–**
Trade and other receivables	**15 067**	**–**	**–**
Loans to subsidiaries and associates	**5 547**	**–**	**–**
Other loans	**2 328**	**–**	**–**

At 31 December 2012	Within 1 year	Between 2 and 5 years	Over 5 years
Borrowings	(199 815)	(114 198)	(122 045)
Trade and other payables	(94 345)	–	–
Loan from related party	(5 033)	–	–
Trade and other receivables	27 728	–	–

Company

R'000 At 31 December 2013	Within 1 year	Between 2 and 5 years	Over 5 years
Borrowings	**(69 753)**	**(286 406)**	**(134 456)**
Derivative financial instruments	**(132)**	**(527)**	**–**
Trade and other payables	**(102 662)**	**–**	**–**
Trade and other receivables	**18 912**	**–**	**–**
Loans to subsidiaries and associates	**184 321**	**–**	**–**

At 31 December 2012	Within 1 year	Between 2 and 5 years	Over 5 years
Borrowings	(198 427)	(103 212)	(92 397)
Trade and other payables	(74 791)	–	–
Loan from related party	(5 033)	–	–
Trade and other receivables	19 031	–	–
Loans to subsidiaries and associates	37 795	–	–

35. Risk management *(continued)*

35.3 Interest rate risk management

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. The interest and related terms of the group's interest-bearing loans are disclosed in note 18.

The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift.

Interest rate sensitivity analysis

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on the pre-tax profit of a shift of 100 basis points in the interest rate would be a decrease in the profit of R5.872 million (2012: R3.527 million) for the group and R2.595 million (2012: R3.224 million) for the company. A 100 basis point decrease in the above rates would have an equal, but opposite effect on profit or loss.

Interest rate swap contracts

Under interest rate swap contracts, the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principle amounts. Such contracts enable the group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposure on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit inherent in the contract, and is disclosed in note 18.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

35.4 Credit risk management

Potential concentration of credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Due to the long-term nature of the service provided, the threat of suspension of said services prove to be a strong factor in encouraging customers to settle their dues. In addition there are certain retention rights that can be effectively used in order to effect performance. At 31 December 2013, the group did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The provision raised against trade receivables represent the maximum credit risk the company and group expect.

35.5 Foreign currency risk management

The group and company do not trade in foreign currency or incur any expenditure in foreign currency and as such have no foreign currency risk.

35.6 Market risk management

The group and company does not have any exposure to market risks or commodities.

35. Risk management *(continued)*

35.7 Fair value measurements

This note provides information how the group determines fair values of various financial assets and financial liabilities.

Some of the group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liability are determined.

IFRS 13 *Fair Value Measurement* has established a three-level hierarchy for making fair value measurements:

Level 1 – Unadjusted quoted prices for financial assets and financial liabilities traded in an active market for identical financial assets or financial liabilities.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the financial asset or financial liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the financial asset or financial liability that are not based on observable market data.

Financial liability	Fair value R'000	Fair value hierarchy	Valuation technique
Interest rate swap liability	659	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

35.7.1 Fair value of the group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed below, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	2013		2012	
Financial assets	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Group				
R'000				
Trade and other receivables	**32 720**	**30 231**	31 639	27 728
Company				
R'000				
Trade and other receivables	**23 440**	**21 360**	22 431	19 031

36. Going concern

The consolidated and separate annual financial statements have been prepared on the going concern basis since the directors have every reason to believe the company and group have adequate resources in place to continue in operation for the foreseeable future.

37. Events after the reporting period

Subsequent to year-end, the following transactions took place:

- Effective 1 January 2014, Curro acquired the business operations and properties of Grantleigh, an independent school situated on the north coast of KwaZulu-Natal, for a consideration of R30 million.
- On 18 February 2014 the company announced that it intends to raise R589 million by way of a underwritten renounceable rights offer of 29.4 million new Curro ordinary shares to qualifying shareholders at a subscription price of 2 000 cents per rights offer share, in the ratio of 1 rights offer share for every 10 Curro ordinary shares held on the rights offer record date.

There are no other significant events that have occurred since 31 December 2013 that require disclosure in the annual financial statements. The events above do not affect the current financial period.

38. Operating segments

The group operates a number of independent schools and a teachers college across South Africa. Its services consist mostly of education and auxiliary services. It does not have any major individual clients. Due to all of the services being educational-related and within South Africa it has only one reportable segment. All historical information presented represents the financial information of this single segment.

39. Range of shareholding

	Shares held 2013		Shares held 2012	
	Number	**%**	Number	%
Range of shareholding				
1 to 500	**490 890**	**0.2**	367 931	0.2
501 to 1 000	**781 463**	**0.3**	606 939	0.3
1 001 to 5 000	**6 120 485**	**2.1**	4 844 955	2.0
5 001 to 10 000	**4 881 460**	**1.7**	4 019 357	1.7
10 001 and over	**282 520 093**	**95.7**	230 589 144	95.8
	294 794 391	**100.0**	240 428 326	100.0
Public and non-public shareholding				
Non-public				
PSG Financial Services Ltd	**168 280 573**	**57.1**	138 351 938	57.5
Directors	**6 902 929**	**2.3**	21 371 391	8.9
Public	**119 610 889**	**40.6**	80 704 997	33.6
	294 794 391	**100.0**	240 428 326	100.0
Individual shareholders holding more than 5%				
PSG Financial Services Ltd	**168 280 573**	**57.1**	138 351 938	57.5
Thembeka Market Holdings (Pty) Ltd	**25 911 541**	**8.8**	21 414 497	8.9
Le Roux Familietrust	**–**	**–**	15 500 000	6.5

	2013		**2012**	
Number of pubic and non-public shareholders	**Number**	**%**	Number	%
Non-public	**6**	**0.1**	7	0.1
Public	**7 189**	**99.9**	5 680	99.9
	7 195	**100**	5 687	100.0

Curro Holdings Ltd
Incorporated in the Republic of South Africa
Registration number: 1998/025801/06
Share code: COH ISIN: ZAE000156253
(**Curro** or **the company**)

Notice of annual general meeting of Curro shareholders

Notice is hereby given of the annual general meeting of shareholders of Curro to be held at Spier Wine Estate, Baden Powell Drive, Stellenbosch at 11:00 on Friday, 20 June 2014 (**the AGM**).

Purpose
The purpose of the AGM is to transact the business set out in the agenda below.

Agenda

1. Presentation of the audited annual financial statements of Curro and its subsidiaries, including the reports of the directors and the audit and risk committee for the year ended 31 December 2013.

2. To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

Note:
For any of the ordinary resolution numbers 1 to 6 (inclusive) and 9 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution numbers 7 and 8 to be adopted, at least 75% of the voting rights exercised on such resolution must be exercised in favour thereof.

2.1 Retirement and re-election of directors

2.1.1 Ordinary resolution number 1
"Resolved that Mr Petrus Johannes Mouton, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

Summary curriculum vitae of Mr Petrus Johannes Mouton
Piet is the Chief Executive Officer of PSG Group Ltd. He serves as a non-executive director on the boards of various PSG Group Ltd companies including Capitec Bank Holdings Ltd and PSG Konsult Ltd. He has been active in the investment and financial services industry since 1999.

2.1.2 Ordinary resolution number 2
"Resolved that Mr Barend Petersen, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

Summary curriculum vitae of Mr Barend Petersen
Barend is a chartered accountant with broad international business experience in mining, finance, auditing, oil industry, energy, government relations, business turnarounds, corporate recovery, consulting and corporate governance.

Barend is the executive chairman of De Beers Consolidated Mines Ltd, the chairman of the Environment, Community, Health and Safety committee of the De Beers Group of Companies and a director of Ponahalo Investments (Pty) Ltd, the black empowerment partner of De Beers Consolidated Mines Ltd. He is a director of several companies, including being non-executive director of Anglo American South Africa Ltd, Alexander Forbes Group Ltd and Investment Solutions Holdings Ltd. Barend is the chairman of Sizwe Business Recoveries (Pty) Ltd which he founded in 1997.

The reason for ordinary resolution numbers 1 and 2 is that the memorandum of incorporation of the company and, to the extent applicable, the Companies Act 71 of 2008, as amended (**the Companies Act**), require that a component of the non-executive directors rotate at the AGM and, being eligible, may offer themselves for re-election as directors.

2.2 Appointment of the members of the audit and risk committee of the company

Note:
For the avoidance of doubt, all references to the audit and risk committee of the company is a reference to the audit committee as contemplated in the Companies Act.

2.2.1 Ordinary resolution number 3

"Resolved that, subject to the approval of ordinary resolution number 2 above, Mr Barend Petersen, being eligible, be and is hereby reappointed as a member and Chairman of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company."

A summary curriculum vitae of Mr Petersen has been included in paragraph 2.1.2 of this notice of AGM.

2.2.2 Ordinary resolution number 4

"Resolved that Dr Sibongile Winnie Frieda Muthwa being eligible, be and is hereby reappointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company."

Summary curriculum vitae of Dr Sibongile Winnie Frieda Muthwa
Sibongile holds a Doctor of Philosophy degree from the School of Oriental and African Studies, University of London, a Masters degree in Development Policy and Planning from the London School of Economics and Political Science, as well as a BA (SW), and BA Honours degrees earned at Universities of Fort Hare and Wits.

Sibongile has international business experience, especially in development and public sector institutions including in academia. Currently she is the Deputy Vice Chancellor: Institutional Support at the Nelson Mandela Metropolitan University. She currently serves in the boards of Seriti Institute, Women in Dialogue Trust and University Sports Company. Between 2004 and 2010 Sibongile served as the Director General of the Eastern Cape Provincial Government.

2.2.3 Ordinary resolution number 5

"Resolved that Mr Zitulele Luke (KK) Combi, being eligible, be and is hereby reappointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company."

Summary curriculum vitae of Mr Zitulele Luke (KK) Combi
KK is a non-executive director of Curro. After completing his tertiary education at Damelin College, where he studied public relations, KK worked at Old Mutual Life Insurance Company Ltd for a year where he was awarded salesman of the year. He then opened a self service café in Gugulethu followed by his first service station in Gugulethu. He developed Nyanga Junction as well as the Ultra City Engen 24 One Stop in King William's Town. In 1995, he started Master Currency (Pty) Ltd (Master Currency), where he was chairman until 2006. In 2006, KK became executive chairman of Thembeka Capital Ltd (Thembeka), swopping his stake in Master Currency for a stake in Thembeka. KK is a member of the Institute of Directors and is a director of various listed and unlisted companies, including PSG Group Ltd and Pioneer Food Group Ltd (Chairman).

The reason for ordinary resolution numbers 3 to 5 (inclusive), is that the company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or reappointed as the case may be, at each annual general meeting of the company.

2.3 Reappointment of auditor

Ordinary resolution number 6

"Resolved that Deloitte & Touche be and is hereby reappointed as the auditor of the company for the ensuing year on the recommendation of the audit and risk committee of the company."

The reason for ordinary resolution number 6 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or reappointed each year at the annual general meeting of the company, as required by the Companies Act.

2.4 General authority to issue ordinary shares for cash

Ordinary resolution number 7

"Resolved that the directors of the company be and are hereby authorised by way of a general authority, to allot and issue any of the company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements of the JSE Ltd (**the JSE**), and subject to the proviso that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, shall be limited to 10% of the issued share capital at the date of this notice of AGM, provided that:

- The approval shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond fifteen months from the date of this resolution;
- The general issues of shares for cash in any one financial year may not exceed in the aggregate 10% of the applicant's issued share capital (number of securities) of that class as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer shall not diminish the number of ordinary shares that comprise the 10% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM 10% of the issued ordinary shares of the company amounts to 29 479 439 ordinary shares;
- In determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30 business day period;
- Any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE and not to related parties; and
- Any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue."

For listed entities wishing to issue shares for cash (other than issues by way of rights offers and/or in consideration for acquisitions and/or to share incentive schemes which schemes have been duly approved by the JSE and by the shareholders of the company), it is necessary for the board to obtain the prior authority of the shareholders in accordance with the Listings Requirements of the JSE and the memorandum of incorporation of the company. The reason for ordinary resolution number 7 is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements of the JSE and the memorandum of incorporation of the company.

At least 75% of the shareholders present in person or by proxy and entitled to vote at the AGM must cast their vote in favour of this resolution.

2.5 Amendment to the Curro Holdings Limited Share Incentive Trust

Ordinary resolution number 8

"Resolved that the directors of the company and the trustees of the Curro Holdings Limited Share Incentive Trust (**the Share Incentive Scheme**), be and are hereby authorised to amend the trust deed regulating the Share Incentive Scheme (**the Trust Deed**) in relation to the maximum aggregate number of shares which may be utilised for purposes of the Share Incentive Scheme and the maximum number of shares that may be acquired by any one beneficiary in terms of the Share Incentive Scheme, as set out in clauses 19.3.1 and 19.4.1 of the Trust Deed, as follows:

2.5.1 In relation to the maximum aggregate number of shares which may be utilised for purposes of the Share Incentive Scheme:

By deleting the number *"8 000 000"* which appears in clause 19.3.1 of the Trust Deed and replacing it with the number *"16 094 365"*; and

2.5.2 In relation to the maximum number of shares that may be acquired by any one beneficiary in terms of then Share Incentive Scheme:

By deleting the number *"1 600 000"* which appears in clause 19.4.1 of the Trust Deed and replacing it with the number *"3 218 873"*.

The reason for ordinary resolution number 8 is that since the adoption of the Share Incentive Scheme by the shareholders of the company, the company has undertaken a number of rights offers which have resulted in the dilution of the maximum number of shares which may be utilised for purposes of the Share Incentive Scheme and the maximum number of shares which may be acquired by any one beneficiary in terms of the Share Incentive Scheme. An adjustment to the aforementioned maximum numbers is therefore necessary to ensure that same remain in proportion to the issued share capital of the company, as originally approved by shareholders (i.e. approximately 5% of the issued share capital of the company). In terms of the Listings Requirements of the JSE, the increase in the aforementioned maximum numbers requires approval by shareholders.

At least 75% of the shareholders present in person or represented by proxy and entitled to vote at the AGM must cast their vote in favour of this resolution. In determining whether the requisite number of votes have been achieved to adopt this resolution, the votes attaching to any ordinary shares acquired in terms of the Share Incentive Scheme and owned or controlled by persons who are existing participants in the Share Incentive Scheme, and which may be impacted by the abovementioned resolution, shall not be taken into account.

3. To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

Note:
For the special resolutions to be adopted, more than 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

3.1 Remuneration of non-executive directors

Special resolution number 1

"Resolved in terms of section 66(9) of the Companies Act that the company be and is hereby authorised to remunerate its non-executive directors for their services as directors on the basis set out below and on any other basis as may be recommended by the remuneration committee and approved by the board of directors, provided that this authority will be valid until the next annual general meeting of the company."

	Annual fee 2014 (Rand)
Board	
Chairperson of the board	**340 000**
Board members	**140 000**
Members of board committees	
Audit and risk committee	**40 000**
Remuneration committee	**20 000**
Social and ethics committee	**20 000**
Additional fee payable to the Chairpersons of the board committees	
Audit and risk committee	**20 000**
Remuneration committee	**10 000**
Social and ethics committee	**10 000**

Notes:
(1) Fees are paid for serving as directors and are not based on meetings attended.
(2) The fees are to be paid bi-annually.

The reason for special resolution number 1 is for the company to obtain the approval of shareholders by way of special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for the services they render to the company as directors without requiring further shareholder approval until the next annual general meeting of the company.

3.2 Inter-company and related financial assistance

3.2.1 Special resolution number 2: Inter-company financial assistance

"Resolved in terms of section 45(3)(a)(ii) of the Companies Act as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ((**financial assistance**) will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the company may deem fit to any company or corporation that is related or inter-related ((**related** or **inter-related**) will herein have the meaning attributed to it in section 2 of the Companies Act) to the company, on the terms and conditions and for amounts that the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

The reason for and effect of special resolution number 2 is to grant the directors of the company the authority until the next annual general meeting to provide financial assistance to any company or corporation which is related or inter-related to the company. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

3.2.2 Special resolution number 3: Financial assistance for acquisition of shares in a related or inter-related company

"Resolved that in terms of section 44(3)(a)(ii) of the Companies Act as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ((**financial assistance**) will herein have the meaning attributed to it in section 44(1) and 44(2) of the Companies Act), that the board of the company may deem fit to any company or corporation that is related or inter-related to the company ((**related** or **inter-related**) will herein have the meaning attributed to it in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in any company or corporation that is related or inter-related to the company, on the terms and conditions and for amounts that the board of the company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by a related or inter-related company or corporation, or for the purchase of any shares or securities of a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company."

The reason for and effect of special resolution number 3 is to grant the directors the authority until the next annual general meeting to provide financial assistance to any company or corporation which is related or inter-related to the company for the purpose of or in connection with the subscription or purchase of options, shares or other securities in any such related or inter-related company or corporation. This means that the company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in its subsidiaries. A typical example of where the company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

3.3 Share repurchases

Special resolution number 4

"Resolved as a special resolution that the company and the subsidiaries of the company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of section 46 and 48 of the Companies Act, the memorandum of incorporation of the company, the Listings Requirements of the JSE, including, inter alia, that:

- The general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the company and the counterparty;
- This general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond 15 months from the date of this resolution;

- An announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- The general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the company's issued share capital at the time the authority is granted;
- A resolution has been passed by the board of directors approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position of the group;
- The general repurchase is authorised by the company's memorandum of incorporation;
- Repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the company's securities have not traded in such five business day period;
- The company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf;
- The company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of 5.72(h) of the Listings Requirements of the JSE; and
- The company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares."

The reason for and effect of special resolution number 4 is to grant the directors a general authority in terms of its memorandum of incorporation and the Listings Requirements of the JSE for the acquisition by the company or by a subsidiary of the company of shares issued by the company on the basis reflected in the special resolution.

In terms of the Listings Requirements of the JSE, any general repurchase by the company must, inter alia, be limited to a maximum of 20% of the company's issued share capital in any one financial year of that class at the time the authority is granted. Furthermore, in terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a pro rata repurchase by the company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

4. Authority to directors and/or company secretary to implement resolutions

Ordinary resolution number 9

"Resolved that any of the directors of the company and/or the Company Secretary or their duly appointed representatives be and are hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to give effect to and implement the resolutions set out in the notice convening the AGM at which this ordinary resolution number 9 will be considered."

The reason for ordinary resolution number 9 is to provide the directors and/or the Company Secretary (or any of their duly appointed representatives) with the necessary authority to implement the resolutions set out in the notice of AGM.

5. Other business

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the company.

Information relating to the special resolution number 4

1. The directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company as set out in special resolution number 4 to the extent that the directors, after considering the maximum shares to be purchased, are of the opinion that the position of the company and its subsidiaries (**the Curro Group**) would not be compromised as to the following:

- The Curro Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the purchase;
- The consolidated assets of the Curro Group will at the time of the AGM and at the time of making such determination be in excess of the consolidated liabilities of the Curro Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Curro Group;
- The ordinary capital and reserves of the Curro Group after the purchase will remain adequate for the purpose of the business of the Curro Group for a period of 12 months after the AGM and after the date of the share purchase; and
- The working capital available to the Curro Group after the purchase will be sufficient for the Curro Group's requirements for a period of 12 months after the date of the notice of the AGM;

and the directors have passed a resolution authorising the repurchase, resolving that the company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the Curro Group.

2. The company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or have had in the previous 12 months, a material effect on the company's financial position.

3. The directors, whose names appear on pages 22 to 25 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts that have been made and that the notice contains all information required by the Listings Requirements of the JSE.

VOTING

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company (**the share register**) for purposes of being entitled to receive this notice is Friday, 16 May 2014.
2. The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at this meeting is Friday, 13 June 2014, with the last day to trade being Friday, 6 June 2014.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly bring a copy of their identity document, passport or drivers' licence to the AGM. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.
4. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by not later than 11:00 on Wednesday, 18 June 2014.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person will need to request their Central Securities Depository Participant (**CSDP**) or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.

7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and the CSDP or broker in the manner and time stipulated therein.

8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

By order of the board

Curro Holdings Ltd
21 May 2014

Registered office
38 Oxford Street
Durbanville, Cape Town, South Africa, 7550
(PO Box 2436, Durbanville, Cape Town, South Africa, 7551)

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street, Johannesburg, South Africa, 2001
(PO Box 61051, Marshalltown, South Africa, 2107)

Sponsor
PSG Capital (Pty) Ltd
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, Cape Town, South Africa, 7600
(PO Box 7403, Stellenbosch, Cape Town, South Africa, 7599)

Notes

Form of proxy

Curro Holdings Limited

Incorporated in the Republic of South Africa
Registration number: 1998/025801/06
Share code: COH ISIN: ZAE000156253
(**Curro** or **the company**)

Form of proxy – for use by certificated and own-name dematerialised shareholders only

For use at the annual general meeting of ordinary shareholders of the company to be held at Spier Wine Estate, Baden Powell Drive, Stellenbosch at 11:00 on Friday, 20 June 2014, (**the AGM**).

I/We (Full name in print) ______________________________

of (address) ______________________________

Telephone: (Work) area code ( ) ______________ Telephone: (Home) area code ( ) ______________

Cellphone number: ( ) ______________________________

being the holder of ______________ shares in the company, hereby appoint:

1. ______________________________ or failing him/her

2. ______________________________ or failing him/her

3. the chairman of the AGM,

as my/our proxy to attend, speak and vote for me/us at the AGM for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instruction (see notes):

	Number of shares		
	In favour of	**Against**	**Abstain**
Ordinary resolution number 1: To re-elect Mr PJ Mouton as director			
Ordinary resolution number 2: To re-elect Mr B Petersen as director			
Ordinary resolution number 3: To reappoint Mr B Petersen as a member of the audit and risk committee of the company			
Ordinary resolution number 4: To reappoint Dr SWF Muthwa as a member of the audit and risk committee of the company			
Ordinary resolution number 5: To reappoint Mr ZL Combi as a member of the audit and risk committee of the company			
Ordinary resolution number 6: Reappointment of the auditor			
Ordinary resolution number 7: General authority to issue shares for cash			
Ordinary resolution number 8: Amendment to the Curro Holdings Limited Share Incentive Trust			
Special resolution number 1: Remuneration of non-executive directors			
Special resolution number 2: Inter-company and related financial assistance			
Special resolution number 3: Financial assistance for acquisition of shares in a related or inter-related company			
Special resolution number 4: Share buy back by the company and subsidiaries			
Ordinary resolution number 9: Authority to directors and/or company secretary to implement resolutions			

Please indicate your voting instruction by way of inserting the number of shares or by a cross in the space provided.

Signed at ______________ on this ______________ day of ______________ 2014.

Signature(s) ______________________________

Assisted by *(where applicable) (state capacity and full name)* ______________________________

Each Curro shareholder is entitled to appoint one or more proxy(ies) (who need not be shareholder(s) of the company) to attend, speak and vote in his/her stead at the AGM.

Please read the notes on the reverse side hereof.

Notes:

1. A Curro shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A Curro shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.

3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.

4. Forms of proxy must be completed and returned to be received by the transfer secretaries of the company, Computershare Investor Services (Pty) Ltd (PO Box 61051, Marshalltown, 2107), by not later than 11:00 on Wednesday, 18 June 2014.

5. Any alteration or correction made to this form of proxy must be initialed by the signatory(ies).

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the AGM.

7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

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Notes

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Independent schools and education services
Directors	**Executive** Dr CR van der Merwe AJF Greyling B van der Linde HG Louw **Non-executive** PJ Mouton **Independent non-executive** SL Botha (Chairperson) B Petersen ZL Combi Dr SWF Muthwa
Company Secretary	R van Rensburg
Registered office	38 Oxford Street Durbanville Cape Town South Africa 7550
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
Bankers	Absa Bank Ltd First National Bank Ltd Standard Bank of South Africa Ltd
Auditor	Deloitte & Touche Registered auditor
Company registration number	1998/025801/06
Level of assurance	These audited annual financial statements have been audited in compliance with the applicable requirements of the Companies Act No 71 of 2008.
Preparer	The audited financial statements were compiled under the supervision of: B van der Linde CA(SA), CFA

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www.curro.co.za