



# CURRO

// private schools

REVENUE ↑ 117%

LEARNERS ↑ 79%

NO OF SCHOOLS 5 → 12

## UNAUDITED INTERIM RESULTS for the 6 months ended 30 June 2011

Curro Holdings Limited

Registration Number: 1998/025801/06

JSE Share Code: COH

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### CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 30 June 2011	Unaudited 6 months ended 30 June 2010	Audited 12 months ended 31 December 2010
	R'000	R'000	R'000
<b>Revenue</b>	<b>79 271</b>	<b>36 527</b>	<b>74 028</b>
<b>Earnings before interest taxation, depreciation and amortisation ("EBITDA")</b>	<b>5 659</b>	<b>6 347</b>	<b>12 800</b>
Depreciation and amortisation	(3 407)	(1 177)	(3 014)
<b>Earnings before interest and tax</b>	<b>2 252</b>	<b>5 170</b>	<b>9 786</b>
Net interest expense	(13 226)	(2 424)	(5 106)
<b>Profit before taxation</b>	<b>(10 974)</b>	<b>2 746</b>	<b>4 680</b>
Taxation	3 278	(391)	553
<b>Total comprehensive (loss) / profit for the period</b>	<b>(7 696)</b>	<b>2 355</b>	<b>5 233</b>
Earnings per share (basic and diluted) (cents)	(9.6)	2.9	6.5
<b>Headline earnings *</b>	<b>(7 696)</b>	<b>2 355</b>	<b>5 233</b>
Headline and diluted headline earnings per share (cents)	(9.6)	2.9	6.5
Number of shares in issue	80.6	80.4	80.4
Weighted average number of shares in issue	80.4	80.1	80.2
Capitalisation dividend per share (cents)	-	1.3	1.3
EBITDA Margin	7.1%	17.4%	17.4%
PAT Margin	-	6.4%	7.1%

\* No non-headline earnings items were included in the total comprehensive (loss) / profit for the period.

### CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 June 2011	Unaudited 30 June 2010	Audited 31 December 2010
	R'000	R'000	R'000
<b>Balance at the beginning of the period</b>	<b>57 686</b>	<b>52 453</b>	<b>52 453</b>
Total comprehensive income for the period	(7 696)	2 355	5 233
Dividends paid to shareholders	-	(1 017)	(1 017)
Shares issued	800	1 017	1 017
Capital raising expenses	(948)	-	-
<b>Balance at the end of the period</b>	<b>49 842</b>	<b>54 808</b>	<b>57 686</b>

### CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 30 June 2011	Unaudited 30 June 2010	Audited 31 December 2010
	R'000	R'000	R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>410 291</b>	<b>157 118</b>	<b>236 889</b>
Property, Plant and equipment	381 566	146 415	225 321
Goodwill	20 083	8 207	8 207
Intangible assets	6 847	1 843	1 783
Deferred tax assets	1 795	653	1 578
<b>Current assets</b>	<b>12 304</b>	<b>3 828</b>	<b>6 422</b>
Trade and other receivables	6 772	2 970	2 285
Cash and cash equivalents	5 532	858	4 137
<b>Total assets</b>	<b>422 595</b>	<b>160 946</b>	<b>243 311</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>49 842</b>	<b>54 808</b>	<b>57 686</b>
<b>Non-current liabilities</b>	<b>109 001</b>	<b>70 121</b>	<b>99 787</b>
<b>Current liabilities</b>	<b>263 752</b>	<b>36 017</b>	<b>85 838</b>
Intercompany loan	226 649	13 534	54 440
Other financial liabilities	10 197	6 517	10 861
Tax liabilities	(197)	(342)	63
Trade and other payables	27 103	7 724	17 251
Bank overdrafts	-	8 584	3 223
<b>Total equity and liabilities</b>	<b>422 595</b>	<b>160 946</b>	<b>243 311</b>
Net asset value per share (cents)	61.8	68.2	71.7

### CONDENSED GROUP STATEMENT OF CASH FLOW

	Unaudited 6 months to 30 June 2011	Unaudited 6 months to 30 June 2010	Audited 12 months to 31 December 2010
	R'000	R'000	R'000
<b>Cash generated from operations (note 5)</b>	<b>5 659</b>	<b>6 347</b>	<b>12 768</b>
<b>Changes in working capital</b>	<b>5 365</b>	<b>309</b>	<b>2 999</b>
- Trade & other receivables	(4 487)	(1 045)	(360)
- Trade & other payables	9 852	1 354	3 359
Interest income	207	39	137
Finance costs	(13 433)	(2 463)	(5 243)
Taxation paid	(260)	(887)	(594)
<b>Net cash from operating activities</b>	<b>(2 462)</b>	<b>3 345</b>	<b>10 067</b>
<b>Net cash from investing activities</b>	<b>(173 530)</b>	<b>(56 109)</b>	<b>(121 203)</b>
<b>Net cash from financing activities</b>	<b>180 611</b>	<b>34 536</b>	<b>101 547</b>
Total cash movement for the period	4 619	(18 228)	(9 589)
Cash at the beginning of the period	913	10 502	10 502
<b>Total cash at the end of the year period</b>	<b>5 532</b>	<b>(7 726)</b>	<b>913</b>

## NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

### 1. Statement of Compliance

The condensed financial information has been prepared in accordance with the framework, concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board and in compliance with IAS 34: Interim Financial Reporting. This report has been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended 31 December 2010.

The results have not been audited or reviewed by the group's auditors, Deloitte & Touche.

### 2. Dividend

No dividend was paid during the interim period. For the comparative period in the previous year a capitalisation dividend of 1.3 cps was paid.

### 3. Issued Capital

During the period under review the company issued 200 000 shares at R4 per share. Capital raising fees incurred were set off against share premium.

### 4. Borrowings

During the period under review, the group obtained additional funding from its controlling shareholder. This loan was capitalised as part of the rights issue process that was completed on 11 July 2011.

### 5. Note to the Statement of Cash Flow

	Unaudited 6 months to 30 June 2011	Unaudited 6 months to 30 June 2010	Audited 12 months to 31 December 2010
	R'000	R'000	R'000
<b>Cash generated from operations</b>	<b>5 659</b>	<b>6 347</b>	<b>12 768</b>
(Loss) / profit before taxation	(10 974)	2 746	4 680
Adjusted for:			
- Depreciation & Amortisation	3 407	1 177	3 014
- Interest received	(207)	(39)	(137)
- Finance costs paid	13 433	2 463	5 243
Profit on sale of asset			(42)
Movement in operating lease accruals			10

### 6. Business Combinations

The initial accounting for the acquisitions made during the period under review has not been finalised. This is the result of uncertainties surrounding the valuation of certain tangible and intangible assets. These uncertainties are expected to be resolved by 31 December 2011 and should not have a material effect on the results for the period ended 30 June 2011.

Effective 1 January 2011, Curro acquired the following business operations:

- Aurora College for R43m;
- Overstrand Learning Academy and Berghof Pre-Primary in Hermanus for R785 000;
- Heuwelkruin Kollege in Polokwane for R14,9m;
- Cape St Blaize in Mossel Bay for R2,7m; and
- Siloam Academy in Brakpan for R4m.

Fair value of assets acquired:

	R'000
<b>Purchase Price</b>	<b>50 436</b>
Property, plant and equipment	59 272
Intangible assets	5 324
Other assets	3 350
Liabilities	(29 386)
Goodwill	11 876

## OTHER KEY RATIOS

	2011	2010	2009
Number of schools	12	5	3
Number of learners	5 519	3 083	2059
Learners per campus*	460	617	686
Staff	654	343	251
Educators	446	247	201
Learner/educator ratio**	12.4	12.5	10.2
Building size (m <sup>2</sup> )	75 000	44 500	33 000
Land size (ha)	107	55	27
Capital investment R(m)	280	128	35
- Current campuses	30	13	13
- New campuses	170	114	21
- Acquisitions	80	1	1

\* Average planned capacity of 1 400 learners per school

\*\* Target of 18

## COMMENTARY

### THE BUSINESS

Curro is the market leader in the provision of affordable, quality private school education in South Africa. Learners from age 3 through to Gr 12 are accommodated in all the educational phases namely:

- Early Childhood Development Centre (Playschool) (Ages 3 and 4);
- Reception Phase (Gr RR and Gr R);
- Foundation Phase (Gr 1 to Gr 3);
- Intermediate Phase (Gr 4 to Gr 6);
- Senior Phase (Gr 7 to Gr 9); and
- FET Phase (Gr 10 to Gr 12).

The company was established in 1998 with 28 learners receiving tuition in a church building. Today it hosts more than 5 500 learners on 12 campuses nationwide.

Curro develops or acquires schools and by applying its model and experience, delivers excellent learning within an effective budget. The result is an affordable educational product as an alternative to state school education.

The establishment of a campus requires significant capital investment. In addition, the typical expenses of a school namely salaries of educators and other staff, and operational costs (including property taxes, electricity and water, curricula expenses and insurance) are mostly fixed in nature. Therefore, until such time that the number of learners reaches a certain critical mass, income does not necessarily cover the expenses. However, over time revenue will increase disproportionately to the corresponding costs as the capacities of the schools are reached.

Curro listed on the JSE Limited's AltX Board on 2 June 2011 mainly to obtain improved access to capital and funding. The company concluded a one for one rights issue during July 2011 whereby R322,4m was raised. This has strengthened the balance sheet and in doing so created gearing capacity to further expand the schools' operations in South Africa. The listing furthermore raised the profile of the company and enhanced the credibility of the Curro brand name.

### THE INDUSTRY

Given the demand for education across all communities in South Africa, Government is now actively being assisted by the private sector in providing this important service.

Globally, private school learners account for approximately 13% of all school going children whilst the official number in South Africa is closer to 4%. Curro therefore believes that the fundamentals remain strong for continuous growth in this sector.

Curro places its product between the high-end private schools and the ex-model C schools, catering for the broader South African population.

### RESULTS

On a comparative basis, Curro's turnover has increased by 117% to R79,3m. Organic growth accounted for 31%.

EBITDA has decreased by 11% to R5,7m as a result of the creation of learner capacity through the increase in campuses from 5 to 12 coupled with an increase in costs associated with a higher number of staff members and educators. In so doing, the foundation has been laid for significant growth in income without a corresponding increase in expenses going forward for these specific schools.

The expanded vision has necessitated human capital investments at head office level which included the Curro Centre for Education Excellence (CCEE), information technology and other back office functions. Head office costs have now reached a plateau that will not increase proportionately to the addition of new campuses. Marketing costs increased to further establish the brand which bode well for learner enrolments going forward. In summary, Curro has now established a solid platform for its planned future growth.

Curro made a headline loss of R7,7m for the six months ended 30 June 2011 compared to a R2,4m profit last year. This was mainly as a result of increased levels of debt brought about by the significant capital expansion process over the last 2 years.

After the rights issue NAV on a historical cost basis will amount to R2.37 per share.

### CCEE

Product quality is the most important aspect of our business. To ensure consistency across all campuses, we established the CCEE. This unit's mission is to further equip our head masters (rectors) and the subject heads with curriculum skills, technologies and content so that our written and delivered curriculum can compete with educational systems of first world countries. Furthermore, it is of the utmost importance that our curriculum remains relevant to the kind of knowledge and skills base which is required by companies and industries as well as colleges, universities and other institutions of higher learning. In this regard we liaise with a wide range of educational experts and curriculum writers in an attempt to strive towards excellence.

### CAPITAL INVESTMENTS

For the year ending 31 December 2011 capital investments including acquisitions are about R280m. This includes the construction of new campuses at Nelspruit, Serengeti Golf and Wildlife Estate (Kempton Park), Hermanus, Mossel Bay, the acquisition of Aurora Private School in JHB, Heuwelkruin (Polokwane) as well as the addition of capacity at Durbanville, Hazeldean Primary (Pretoria), Roodeplaat (Pretoria), Bankenveld (Witbank) and Langebaan.

### PROSPECTS

EBITDA historically experiences some form of seasonality as enrolment fees pick up in the second half of the year. It is therefore expected that profit after tax will also improve as the capital injection from the rights issue have been used to settle the majority of debt; the interest expense will as a result reduce significantly over the second part of the year.

Commencing 2012, Curro will comprise of at least 14 school campuses with approximately 7 500 enrolled learners, but capacity for 11 000 learners without additional capital investment required.

In addition to expanding capacity at existing campuses, Curro plans to grow by at least between 2 and 4 additional schools per year going forward. This will be achieved through the development of own campuses which includes the incorporation of smaller private schools as well as the acquisition of existing private school institutions. The company's strategic intent is to establish a group of at least 40 campuses with 45 000 learners by 2020.

Shareholders are advised that to the extent that any statement in this announcement constitutes a profit forecast, same has not been reviewed nor reported on by the company's auditors.

On behalf of the Board

  
JA Le Roux - Chairman

  
CR van der Merwe - CEO

  
B van der Linde - CFO

### DIRECTORS

JA Le Roux SC (Chairman)\* CR van der Merwe (CEO) AJF Greyling (COO)  
B van der Linde (CFO) MC Mehl\*\* PJ Mouton\* B Petersen\*\* M Vilakazi\*\*  
(\* Non Executive / \*\* Independent Non Executive)

### REGISTERED OFFICE

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### TRANSFER SECRETARIES

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### CORPORATE ADVISOR - PSG Capital

DESIGNATED ADVISOR - Questco