

LEARNER NUMBERS



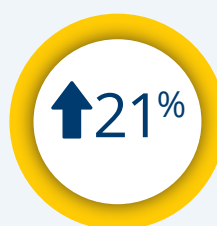
From 50 691 to 57 173

REVENUE



From R1 240m to R1 480m

EBITDA



From R342m to R415m

RECURRING HEPS



From 34.8 cents to 37.1 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Change	Unaudited 30 Jun 2019 6 months R million	Unaudited Restated* 30 Jun 2018 6 months R million	Audited 31 Dec 2018 12 months R million
Revenue	19%	1 480	1 240	2 496
Operating expenses	19%	(1 065)	(898)	(1 869)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	21%	415	342	627
– Schools EBITDA	20%	491	409	772
– Head office EBITDA	13%	(76)	(67)	(145)
Depreciation and amortisation	15%	(91)	(79)	(154)
Earnings before interest and taxation (EBIT)	23%	324	263	473
Interest income	(45%)	17	31	55
Profit on sale of property, plant and equipment		1	–	–
Share of profits of associate		–	1	(1)
Loss on disposal of investment in associate		–	–	(1)
Gain on bargain purchase		28	–	–
Finance costs	21%	(126)	(104)	(193)
Profit before taxation (PBT)	28%	244	191	333
Taxation	(88%)	(6)	(52)	(91)
Profit for the period (PAT)	71%	238	139	242
Other comprehensive income:				
Net fair value (loss)/profit on cash-flow hedges		(10)	5	6
Foreign currency translation		(1)	–	(1)
Total comprehensive income	58%	227	144	247
Profit attributable to:				
Owners of the parent	64%	234	143	248
Non-controlling interest		4	(4)	(6)
Total comprehensive income attributable to:	71%	238	139	242
Owners of the parent	51%	223	148	253
Non-controlling interest		4	(4)	(6)
Total comprehensive income attributable to:	58%	227	144	247
Reconciliation of headline earnings:				
Earnings attributable to owners of the parent		234	143	248
Adjusted for:				
Gain on bargain purchase		(28)	–	–
Profit on sale of property, plant and equipment net of tax		–**	–**	–**
Headline earnings	44%	206	143	248
Deferred tax derecognition		(53)	–	–
Recurring headline earnings	7%	153	143	248
EBITDA margin		28%	27%	25%
Schools EBITDA margin		33%	33%	31%
Earnings per share (cents)				
– Basic	64%	56.9	34.8	60.0
– Diluted	64%	56.8	34.7	59.8
Headline earnings per share (cents)				
– Basic	44%	50.0	34.8	60.1
– Diluted	44%	50.0	34.7	60.0
Recurring headline earnings per share (cents)	7%	37.1	34.8	60.1
Number of shares in issue (millions)				
– Basic		412.1	412.1	412.1
– Diluted		412.3	412.9	413.0
Weighted average number of shares in issue (millions)				
– Basic		412.1	412.1	412.1
– Diluted		412.3	412.9	413.0

* Previous figures were restated to reflect IFRS 9 and IFRS 15 impact (refer to notes).

** Balances less than R500 000 are displayed as RNil in million rounding.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 Jun 2019 R million	Unaudited Restated* 30 Jun 2018 R million	Audited 31 Dec 2018 R million
ASSETS			
Non-current assets	9 445	7 936	8 718
Property, plant and equipment	8 423	7 219	7 937
Right-of-use assets	194	–	–
Goodwill	552	481	520
Intangible assets	254	192	239
Investment in associate	–	13	–
Other financial assets	14	31	14
Deferred tax	8	–	8
Current assets	512	415	447
Inventories	8	1	5
Current tax receivable	6	2	1
Other financial assets	22	6	21
Trade receivables	162	84	89
Other receivables	79	50	146
Investment in money market funds	13	–	15
Cash and cash equivalents	222	272	170
Total assets	9 957	8 351	9 165
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	5 413	5 135	5 238
Share capital	4 733	4 733	4 733
Reserves	(1)	25	9
Retained income	681	377	496
Non-controlling interest	38	(19)	34
Total equity	5 451	5 116	5 272
LIABILITIES			
Non-current liabilities	3 983	2 791	3 400
Loans and other financial liabilities	3 195	2 310	2 853
Deferred tax	572	468	533
Lease liability	201	–	–
Contract liability	15	13	14
Current liabilities	523	444	493
Loans and other financial liabilities	26	34	49
Trade and other payables	136	146	143
Contract liability (mainly prepaid school fees)	271	240	197
Development and acquisition payables	17	24	26
Bank overdraft	73	–	78
Total liabilities	4 506	3 235	3 893
Total equity and liabilities	9 957	8 351	9 165
Net asset value per share (cents)	1 322	1 242	1 277

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 30 Jun 2019 6 months R million	Unaudited Restated* 30 Jun 2018 6 months R million	Audited 31 Dec 2018 12 months R million
Balance at the beginning of the period	5 272	4 996	4 996
Total comprehensive income	227	144	247
Dividend paid	(49)	–	–
Other movements	1	(24)	29
Balance at the end of the period	5 451	5 116	5 272

CONDENSED CONSOLIDATED SEGMENTAL REPORT

	Change	Unaudited	Unaudited	Audited
		30 Jun 2019 6 months R million	Restated* 30 Jun 2018 6 months R million	31 Dec 2018 12 months R million
Learner numbers	13%	57 173	50 691	51 305
– Curro	16%	47 988	41 356	41 992
– Meridian	(2%)	9 185	9 335	9 313
Revenue	19%	1 480	1 240	2 496
– Curro	21%	1 331	1 100	2 222
– Meridian	6%	149	140	274
Schools EBITDA	20%	491	409	772
– Curro	20%	453	379	714
– Meridian	27%	38	30	58
Net head office expenditure	13%	(76)	(67)	(145)
– Curro	16%	(71)	(61)	(133)
– Meridian	(17%)	(5)	(6)	(12)
EBITDA margin		28%	27%	25%
– Curro		28%	28%	26%
– Meridian		21%	17%	17%
Recurring headline earnings	7%	153	143	248
– Curro	(8%)	142	155	265
– Meridian	N/a	11	(12)	(17)
Recurring headline earnings per share (cents)	7%	37.1	34.8	60.1
– Curro	(9%)	34.4	37.8	64.3
– Meridian	N/a	2.7	(3.0)	(4.2)
Earnings per share (cents)	64%	56.9	34.8	60.0
– Curro	43%	54.2	37.8	64.2
– Meridian	N/a	2.7	(3.0)	(4.2)
Total assets	19%	9 957	8 351	9 165
– Curro	21%	9 239	7 640	8 473
– Meridian	1%	718	711	692
Total liabilities	39%	4 506	3 235	3 893
– Curro	52%	3 721	2 442	3 267
– Meridian	(1%)	785	793	626
Net asset value per share (cents)	(6%)	1 322	1 242	1 277

Note:
The executive committee (exco) assesses the performance of operating segments based on recurring headline earnings. Recurring headline earnings are headline earnings calculated in accordance with the South African Institute of Chartered Accountants (SAICA) Circular 4/2018; however, adjusted to exclude once-off gains and losses, as well as the resulting taxation charge or credit thereon. During the period under review, non-recurring items related solely to the once-off reversal of a deferred tax liability.

J-CURVE

The table below illustrates the J-curve effect from the newly established schools to more mature schools by age. All figures and amounts are as at 30 June.

	Number at 30 Jun 2019		Learner numbers			Growth		EBITDA** (R million)			Growth		EBITDA margin			Built capacity			Eventual capacity		
	Campuses	Schools	2017	2018	2019	17/18	18/19	2017	2018	2019	17/18	18/19	2017	2018	2019	2017	2018	2019	2017	2018	2019
Developed schools	47	113	28 315	31 872	35 747	13%	12%	179	248	296	39%	19%	30%	33%	34%	64%	63%	65%	47%	47%	46%
2009 and before*	4	9	3 897	3 872	4 131	(1%)	7%	29	37	42	28%	15%	33%	34%	35%	83%	82%	85%	71%	71%	73%
2010	2	6	2 254	2 205	2 215	(2%)	–	20	20	25	–	23%	38%	35%	41%	79%	75%	75%	56%	55%	55%
2011	5	15	4 098	4 177	4 429	2%	6%	29	34	37	18%	9%	30%	32%	32%	62%	59%	63%	49%	50%	53%
2012	2	6	1 904	1 978	1 891	4%	(4%)	14	17	15	26%	(11%)	30%	33%	29%	72%	75%	72%	57%	59%	56%
2013	4	12	6 149	6 445	6 357	5%	(1%)	55	70	70	28%	(1%)	40%	45%	42%	71%	74%	73%	62%	64%	64%
2014	4	9	1 833	2 169	2 342	18%	8%	3	9	11	224%	30%	8%	20%	23%	49%	56%	56%	37%	44%	47%
2015	8	19	5 748	6 216	6 494	8%	4%	19	26	39	38%	50%	21%	24%	31%	66%	63%	65%	44%	47%	49%
2016	4	8	1 179	1 681	1 905	43%	13%	7	20	26	186%	30%	24%	39%	41%	35%	45%	49%	22%	32%	36%
2017	3	8	1 253	2 499	3 143	99%	26%	3	21	29	564%	40%	14%	41%	41%	41%	72%	91%	20%	40%	51%
2018	4	8	–	630	1 107	–	76%	–	(5)	4	–	N/a	–	(40%)	17%	–	19%	33%	–	10%	17%
2019	7	13	–	–	1 733	–	–	–	(1)	(1)	–	–	–	(4%)	–	–	43%	–	–	–	17%
Acquired schools	21	51	17 575	18 819	21 426	7%	14%	144	167	196	16%	17%	33%	34%	33%	84%	83%	80%	68%	69%	66%
2012 and before	7	17	6 919	7 007	7 261	1%	4%	76	80	82	6%	1%	37%	38%	38%	78%	76%	79%	61%	61%	64%
2013***	2	2	4 253	3 855	3 684	(9%)	(4%)	18	17	17	(8%)	(1%)	26%	25%	26%	86%	78%	74%	86%	78%	74%
2014	2	6	2 618	2 742	2 763	5%	1%	31	40	41	30%	1%	36%	41%	39%	92%	96%	85%	76%	80%	80%
2015 and 2016	4	11	3 785	4 147	4 468	10%	8%	19	25	32	36%	27%	22%	24%	27%	92%	100%	99%	63%	74%	71%
2018	3	6	–	1 068	1 881	–	76%	–	5	20	–	304%	–	29%	38%	–	70%	82%	–	52%	56%
2019	3	9	–	–	1 369	–	–	–	–	4	–	–	–	11%	–	–	52%	–	–	–	44%
Property rental, royalties and other****																					
Total	68	164	45 890	50 691	57 173	10%	13%	316	409	491	29%	20%	30%	33%	33%	70%	69%	70%	53%	54%	52%

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Change	Unaudited	Unaudited	Audited	
	30 Jun 2019 6 months R million	Restated* 30 Jun 2018 6 months R million	31 Dec 2018 12 months R million	
Cash generated from operations	18%	411	349	632
Tax paid	(43%)	(4)	(7)	(18)
Net finance cost	49%	(109)	(73)	(138)
Dividend paid	N/a	(49)	–	–
Working capital movements – operations	N/a	(18)	30	(10)
Working capital movements – investments	N/a	67	(3)	(78)
Net cash generated from operating activities	1%	298	296	388
Net cash utilised in investing activities	(18%)	(559)	(681)	(1 373)
Net cash from financing activities	269%	318	86	506
Cash and cash equivalents movement for the period		57	(299)	(479)
Cash and cash equivalents at the beginning of the period		92	571	571
Cash and cash equivalents at the end of the period[^]		149	272	92

[^] Includes cash and cash equivalents as well as bank overdraft on statement of financial position.

KEY RATIOS

	31 Dec 2017	31 Dec 2018	30 Jun 2018	30 Jun 2019
Number of campuses	51	58	57	68
Number of schools	127	139	139	164
Number of learners	45 870	51 305	50 691	57 173
Average number of learners per campus	899	885	889	840
Number of employees	5 369	5 628	5 710	6 103
Number of teachers	2 778	2 945	2 976	3 262
Learner/teacher ratio	17	17	17	18
Building size (m ²)	598 194	656 081	631 287	656 777
Land size (ha)	444	514	465	519
Capital investment (R million)	1 192	1 373	681	559
– Current campuses (R million)	652	590	213	350
– New campuses (R million)	472	534	253	112
– Acquisitions (R million)	12	369	215	97
– Stadio (R million)	56	(120)	–	–

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting, the Listings Requirements of the JSE and the requirements of the Companies Act of South Africa, as amended. The results have not been reviewed or audited by the Company's auditors. The condensed consolidated interim financial statements have been prepared internally under the supervision of the Chief Financial Officer, B van der Linde, CA(SA) CFA.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are materially consistent with those of the annual financial statements for the year ended 31 December 2018, except for the mandatory adoption of IFRS 16 Leases which became effective 1 January 2019. Please refer to the change in accounting policy note below for further information.

3. BUSINESS COMBINATIONS

Effective 1 January 2019, Curro acquired Creston College in KwaZulu-Natal and Sagewood School in Gauteng.

	R million
The following assets and liabilities were recognised:	
Property, plant and equipment	126
Inventories	1
Cash and cash equivalents	3
Deferred tax liabilities	(33)
Trade and other payables	(1)
Total identifiable net assets	96
Goodwill	32
Gain on bargain purchase	(28)
	100
Total purchase consideration	
Cash consideration paid	(100)
Net cash outflow on acquisition	
Cash consideration paid	(100)
Cash acquired	3
	(97)

4. CASH-FLOW HEDGES

R million	Jun 2019	Jun 2018	Dec 2018
Fixed-for-variable interest rate swap liabilities	21	9	9

The interest rate swap agreements are measured using mark-to-market rates by the issuer of the instruments, representing a Level 2 fair value measurement for financial reporting purposes.

5. CHANGE IN ACCOUNTING POLICY

IFRS 16 Leases was adopted using the simplified approach with the date of initial application being 1 January 2019. The incremental borrowing rate as opposed to the interest rate implicit to the lease, was applied across all leases. Comparative figures were not restated with the cumulative effect of initially applying the standard instead recognised at the date of initial application as an adjustment to opening retained earnings.

	R million
Impact on the statement of financial position as at 30 June 2019	
Assets	
Right-of-use assets	194
Total assets	194
Liabilities	
Lease liability	(201)
Total liabilities	(201)
Impact on the statement of comprehensive income for the period ended 30 June 2019	
Depreciation	(3)
IAS 17 rent expense	8
Profit from operating activities	5
Finance cost	(12)
Taxation	2
Impact on profit for the period	(5)

6. CORRECTION OF PRIOR PERIOD ERROR

Our prior year interim results published in August 2018 contained no adjustments from the first-time adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

Subsequent to publishing our interim results we have done additional assessments for our year-end results. The aforementioned assessments resulted in the following changes on our Group statement of financial position and statement of comprehensive income for the results ended 30 June 2018.

R million	June 2018	Change	June 2018 (restated)
Impact on the statement of financial position as at 30 June 2018			
Assets			
Trade receivables	76	8	84
Equity			
Retained earnings	411	(34)	377
Liabilities			
Deferred tax	464	4	468
Prepaid school fees and deposits	215	(215)	-
Contract liability	-	253	253
	679	42	721
Impact on the statement of comprehensive income for the period ended 30 June 2018			
Revenue	1 242	(2)	1 240
Operating expenses	(907)	9	(898)
Profit from operating activities	335	7	342
Taxation	(50)	(2)	(52)
Impact on profit for the period	285	5	290

The restatement impacted cash generated from operations and working capital movements but had no impact on net cash generated from operating activities.

Review of results

For the period ended 30 June 2019, Curro's learner numbers increased by 13% from 50 691 to 57 173, increasing revenue by 19% from R1 240 million in 2018 to R1 480 million.

Schools EBITDA (earnings before interest, taxation, depreciation, amortisation and head office expenditure) increased by 20% from R409 million in 2018 to R491 million for the period under review, with Group EBITDA increasing by 21% from R342 million to R415 million. The improvement in the EBITDA margin from 27% to 28% is due to increased efficiencies and capacity utilisation.

Net finance costs increased by 49% from R73 million to R109 million as a result of long-term interest-bearing debt increasing from R2 310 million to R3 195 million and the impact of IFRS 16.

A once-off permanent reversal of a deferred tax liability of R53 million has decreased the effective tax rate to 2%. Headline earnings increased by 44% from R143 million to R206 million during the reporting period. Recurring headline earnings which excludes once-off charges increased by 7% from R143 million to R153 million. Headline earnings per share increased by 44% from 34.8 cents to 50.0 cents whilst recurring headline earnings per share increased by 7% from 34.8 cents to 37.1 cents.

New campuses and expansions

Curro will invest R223 million in the establishment of four new campuses (five schools) at Curro New Road in Midrand (a Digi-Ed campus and a Curro Private College), Curro Delft (a Digi-Ed campus) and Curro Academies at The Blyde (Pretoria-East) and in Mbombela.

Major expansion projects are underway at Curro Vanderbijlpark, Building Blocks, Curro Hillcrest Academy and Curro Academy Pretoria. The estimated investment for expansion and replacement of assets for 2019 is R1 billion.

Balance sheet and funding

Curro has a strong balance sheet with quality, increasing cash flows which covers the Group's ability to service debt. The interest service cover ratio for Curro (EBITDA/Net Finance costs (including capitalised interest)) was at three times which is well ahead of internal targets. Gearing levels (debt/equity) increased from 45% to 58% and will continue to be conservatively managed. Curro has also refinanced R850 million debt due for repayment in September 2020 with a 5-year bullet repayment loan that is now only repayable in 2024.

Directorate

With effect from 1 May 2019, Barend Petersen and Hennie Louw have resigned from the Curro Board. The Board thanks both Barend and Hennie for their meaningful contributions as directors.

The Board is pleased to welcome Tsholofelo ("Tsholo") Molefe to the Board and looks forward to her contribution. Tsholo is a CA(SA) and is the Chief Financial Officer at Telkom SA SOC Ltd. Tsholo has also been appointed as a member of the Audit and Risk Committee with effect from 1 May 2019.

Zandile Nangamsi Mankai ("Nan"), who is a member of the Audit and Risk Committee, assumed the chairpersonship of that committee with effect from 1 May 2019.

Dividends

No interim dividend was declared for the period under review (30 June 2018: Nil).

Prospects

The Board believes Curro is positioned for growth and will focus on increasing utilisation of the existing school infrastructure capacity in the short to medium term. Curro will also reduce capital outlay on greenfield schools over the medium term.

The long-term prospects of the Company remain positive in terms of profitability and the contribution it will make towards the sustainable long-term development of South Africa and beyond.

On behalf of the board



SL Botha
Chairperson

14 August 2019



AJF Greyling
Chief Executive Officer

STATUTORY AND ADMINISTRATION

Directors: SL Botha** (Chairperson), AJF Greyling (CEO), ZL Combi**, ZN Mankai**, T Molefe**, PJ Mouton*, SWF Muthwa**, D Ramaphosa**, B van der Linde (CFO), CR van der Merwe*

* Non-executive
** Independent non-executive

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

Transfer secretaries: Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

Corporate adviser and sponsor: PSG Capital

Company secretary: R Botha (appointed effective 1 July 2019)

Curro Holdings Limited

Incorporated in the Republic of South Africa

Registration number: 1998/025801/06

Share code: COH

ISIN: ZAE000156253

("Curro" or "the Company")