



# CURRO

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

Revenue  
↑ 91%  
to R309m

EBITDA  
↑ 178%  
to R51m

Learners  
↑ 76%  
to 21 908



Curro Holdings Limited Incorporated in the Republic of South Africa (Registration Number: 1998/025801/06) JSE Share Code: COH ISIN: ZAE000156253 ("Curro" or "the Company" or "the Group")

### Condensed consolidated statement of comprehensive income

	Unaudited 30 Jun 13 6 months R'000	Unaudited 30 Jun 12 6 months R'000	Audited 31 Dec 12 12 months R'000
Revenue	308 766	161 303	355 886
Other income	6 874	2 123	9 863
Operating expenses	(264 357)	(144 957)	(312 535)
<b>Earnings before interest, taxation, depreciation and amortisation (EBITDA)</b>	<b>51 283</b>	<b>18 469</b>	<b>53 214</b>
- Schools	75 374	30 803	78 870
- Head office	(24 091)	(12 334)	(25 656)
Depreciation and amortisation	(15 888)	(6 053)	(17 848)
<b>Earnings before interest and taxation (EBIT)</b>	<b>35 395</b>	<b>12 416</b>	<b>35 366</b>
Investment revenue	1 682	549	1 502
Finance costs	(16 665)	(17 107)	(16 618)
<b>Profit/(loss) before taxation</b>	<b>20 412</b>	<b>(4 142)</b>	<b>20 250</b>
Taxation	(5 692)	1 160	(5 573)
<b>Profit/(loss) for the period</b>	<b>14 720</b>	<b>(2 982)</b>	<b>14 677</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income/(loss)</b>	<b>14 720</b>	<b>(2 982)</b>	<b>14 677</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the parent	14 135	(2 982)	15 104
Non-controlling interest	585	-	(427)
	14 720	(2 982)	14 677
<b>EBITDA margin</b>	<b>17%</b>	<b>11%</b>	<b>15%</b>
<b>Earnings/(loss) per share (cents)</b>			
- Basic	5.3	(1.8)	7.1
- Diluted	5.3	(1.8)	7.0
<b>Reconciliation of headline earnings/(loss)</b>			
Earnings/(loss) attributable to owners of the parent Adjusted for:	14 135	(2 982)	15 104
Profit on disposal of property, plant and equipment	(181)	(145)	(125)
Taxation effect thereon	51	41	35
<b>Headline earnings/(loss)</b>	<b>14 005</b>	<b>(3 086)</b>	<b>15 014</b>
<b>Headline earnings/(loss) per share (cents)</b>			
- Basic	5.3	(1.9)	7.0
- Diluted	5.2	(1.9)	7.0
<b>Number of shares in issue (millions)</b>			
- Basic number of shares in issue	293.7	161.2	240.4
- Diluted number of shares in issue	298.9	165.5	245.7
<b>Weighted average number of shares in issue (millions)</b>			
- Basic weighted average number of shares in issue	265.8	161.2	213.0
- Diluted weighted average number of shares in issue	268.7	165.5	215.5

### Condensed consolidated statement of cash flows

	Unaudited 30 Jun 13 6 months R'000	Unaudited 30 Jun 12 6 months R'000	Audited 31 Dec 12 12 months R'000
Net cash generated from operating activities	31 097	8 421	56 165
Net cash utilised in investing activities	(495 746)	(404 459)	(726 907)
Net cash from financing activities	581 724	380 970	614 869
<b>Cash and cash equivalents movement for the period</b>	<b>117 075</b>	<b>(15 068)</b>	<b>(55 873)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(46 036)</b>	<b>9 837</b>	<b>9 837</b>
<b>Cash and cash equivalents at the end of the period*</b>	<b>71 039</b>	<b>(5 231)</b>	<b>(46 036)</b>
* Consists of:			
- Cash and cash equivalents	71 039	34 819	28 504
- Bank overdraft	-	(40 050)	(74 540)
	71 039	(5 231)	(46 036)

### Condensed consolidated statement of financial position

	Unaudited 30 Jun 13 6 months R'000	Unaudited 30 Jun 12 6 months R'000	Audited 31 Dec 12 12 months R'000
<b>Assets</b>	<b>1 932 840</b>	<b>1 029 783</b>	<b>1 426 179</b>
<b>Non-current assets</b>	<b>1 570 698</b>	<b>859 927</b>	<b>1 209 758</b>
Property, plant and equipment	270 004	132 832	148 861
Goodwill	92 138	37 024	67 560
Intangible assets	-	-	-
<b>Current assets</b>	<b>100 073</b>	<b>48 159</b>	<b>57 520</b>
Inventories	2 929	-	-
Current tax receivable	2 009	305	1 288
Trade and other receivables	24 096	13 035	27 728
Cash and cash equivalents	71 039	34 819	28 504
<b>Total assets</b>	<b>2 032 913</b>	<b>1 077 942</b>	<b>1 483 699</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Equity attributable to equity holders of parent</b>	<b>1 529 633</b>	<b>368 190</b>	<b>861 211</b>
Share capital	1 495 645	369 787	843 710
Share-based payment reserve	6 416	2 119	4 065
Retained income/(accumulated loss)	27 572	(3 716)	13 436
<b>Non-controlling interest</b>	<b>1 091</b>	<b>-</b>	<b>507</b>
<b>Total equity</b>	<b>1 530 724</b>	<b>368 190</b>	<b>861 718</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>	<b>394 500</b>	<b>196 537</b>	<b>320 572</b>
Loans and other financial liabilities	284 156	158 569	236 243
Deferred tax	110 344	37 968	84 329
<b>Current liabilities</b>	<b>107 689</b>	<b>513 215</b>	<b>301 409</b>
Loans from related parties	-	196 040	5 033
Loans and other financial liabilities	14 280	4 425	125 275
Current tax payable	1 280	994	2 216
Trade and other payables	28 979	16 504	21 285
Prepaid school fees and deposits	57 150	35 259	36 400
Acquisition payables	6 000	219 943	36 660
Bank overdraft	-	40 050	74 540
<b>Total liabilities</b>	<b>502 189</b>	<b>709 752</b>	<b>621 981</b>
<b>Total equity and liabilities</b>	<b>2 032 913</b>	<b>1 077 942</b>	<b>1 483 699</b>
<b>Net asset value per share (cents)</b>	<b>520.5</b>	<b>228.4</b>	<b>358.2</b>

### Condensed consolidated statement of changes in equity

	Unaudited 30 Jun 13 6 months R'000	Unaudited 30 Jun 12 6 months R'000	Audited 31 Dec 12 12 months R'000
<b>Balance at the beginning of the period</b>	<b>861 718</b>	<b>369 774</b>	<b>369 774</b>
Total comprehensive income (loss)	14 720	(2 982)	14 677
Issue of shares	661 198	-	475 632
Share issue costs	(9 263)	-	(1 710)
Recognition of share-based payments	2 351	1 398	3 345
<b>Balance at the end of the period</b>	<b>1 530 724</b>	<b>368 190</b>	<b>861 718</b>

### Notes to the financial statements

#### 1. Statement of compliance

The consolidated interim financial information for the six months ended 30 June 2013 has 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, the information as required by IAS 34: Interim Financial Reporting, the listing requirements of the JSE and the requirements of the Companies Act of South Africa, as amended. The report has been prepared using accounting policies that comply with IFRS which are consistent in all material aspects with those applied in the financial statements for the year ended 31 December 2012. The unaudited interim results have been prepared by DN Hartshorne, CA(SA) under the supervision of the Chief Financial Officer, B van der Linde, CA(SA) CFA.

#### 2. Basis of preparation

The condensed interim financial statements are prepared in thousands of South African Rand (R'000).

#### 3. Accounting policies

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2012. For a full list of standards and interpretations which have been adopted, we refer you to our 31 December 2012 annual financial statements.

#### 4. Issued capital

Effective 10 May 2013, 50.5 million shares were issued through a 21 for 100 rights issue at R12.00 per share. On 29 May 2013, 2.8 million shares were issued through a specific issue at R19.75 per share.

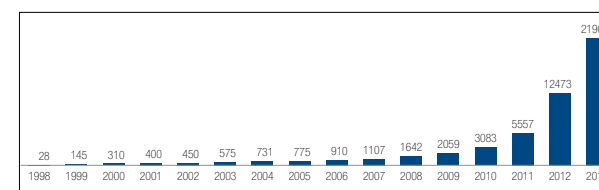
#### 5. Operating Segments

Due to all of the services being education-related and within South Africa, the Group has only one reportable segment. All historical information presented represents the financial information of this single segment.

#### 6. Events after the reporting period

There are no significant events after the reporting period.

### Learner numbers



### Other key ratios

	31 Dec 2011	31 Dec 2012	30 Jun 2013
Number of campuses	12	22	26
Learners per campus	463	567	843
Staff	654	1 630	2 414
Educators	446	1 151	1 283
Learner/educator ratios	12	11	17
Building size (m <sup>2</sup> )	75 000	169 024	221 346
Land size (ha)	107	153	188
Capital investment (Rm)	328	782	500
- Current campuses	80	223	232
- New campuses	175	237	65
- Acquisitions	73	322	203

The table below illustrates the J-Curve effect from newly established schools to more mature schools.

#### Interim period ended 30 June 2012

Number of schools	% of eventual capacity	Learner numbers	EBITDA R'000*	EBITDA margin
5	0-25	1 313	(3 099)	(23%)
8	25-50	4 071	5 047	12%
8	50-75	5 575	23 757	28%
1	75-100	1 240	5 097	26%
22		12 199	30 803	19%

#### Interim period ended 30 June 2013

Number of schools	% of eventual capacity	Learner numbers	EBITDA R'000*	EBITDA margin
3	0-25	750	(1 120)	(9%)
11	25-50	6 913	13 936	14%
6	50-75	5 396	23 182	25%
6	75-100	8 849	39 377	36%
26		21 908	75 374	24%

#### Note:

\* EBITDA at school level (excluding head office costs).

## Commentary

#### Overview

Curro celebrated its 15th birthday in July. The school opened with 28 learners on that winter's morning in 1998 and today has 21 908 learners. The following components remain key focus areas to ensure Curro's continued success in the future:

- Support from our clients
- Efficient and timeous development of our campuses
- Debt and equity funding
- Product and people development

Curro's vision of 80@20, meaning 80 schools by 2020, is achievable.

During the period under review, the Group:

- Acquired the Embury Institute for Teacher Education for R53 million. This Durban-based teachers training college will be expanded to Gauteng and the Western Cape and will work with Curro schools to educate and train educators for Curro, other private schools and the public sector at large.
- Took ownership of the 4 500-learner Northern Academy Campus with effect from 1 April 2013. This school has provided intellectual capital that will form the basis for the development of the Meridian schools.
- Raised R605 million through a rights issue.

### Results

On a comparative basis, Curro's revenue increased by 91% to R309 million and EBITDA increase by 178% to R51 million for the period ended 30 June 2013. This is mainly due to the significant increase in learner numbers as a result of both organic and acquisitive growth.

A headline profit of R14 million was recorded for the six-month period compared to a headline loss of R3 million in the previous period.

Headline earnings per share of 5.3 cents were achieved compared to a headline loss per share of 1.9 cents in the previous period.

### Balance sheet and funding

The rights issue has significantly strengthened the balance sheet of the Company. Over the short term, all the legacy funding at different terms and covenants have been repaid save for R60 million in moveable asset finance. This has now created a base to raise funding at more favourable terms. This will be balanced between a Domestic Medium-Term Note (DMTN) programme and term and facility funding from banks. In this regard Curro has obtained a BBB- credit rating. The only other outstanding debt as at 30 June 2013 was in respect of the Meridian business.

### Meridian

Meridian is a ring-fenced structure of which Curro owns 65% and The Schools and Education Investment Impact Fund of South Africa owns 35%. The total initial extent of this partnership is R440 million. As at 30 June 2013, R263 million has been drawn down.

### Developments

Curro will be investing more than R500 million in the expansion and development of new campuses this financial year. New Curro campuses are being built in Ballito and Port Elizabeth. For the Meridian business, a new campus is being built in Karino (Nelspruit), as well as an additional campus in Polokwane. The first new Curro Castle is under development in George.

### Dividends

No dividend has been declared for the period under review. As soon as cash generated exceeds capital requirements, dividends will be paid.

### Prospects

The 2014 enrolment numbers are looking promising. Management will ensure the delivery of quality education in the classrooms, the timeous completion of expansion projects and the driving of efficiencies in all areas of the business.

On behalf of the Board

SL Botha  
Chairman

CR van der Merwe  
CEO

These results are available at [www.curro.co.za](http://www.curro.co.za)

Directors: SL Botha\* (Chairman), CR van der Merwe (CEO), AJF Greyling (COO), B van der Linde (CFO), HG Louw (CIO), PJ Mouton\*, B Petersen\*\*, ZL Combi\*\*, S Muthwa\*\*, (\* Non-executive, \*\* Independent Non-executive) Registered office: 38 Oxford Street, Durbanville, 7550. Transfer secretaries: Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 | PO Box 61051, Marshalltown, 2107 Corporate advisor and sponsor: PSG Capital, 1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, 7600