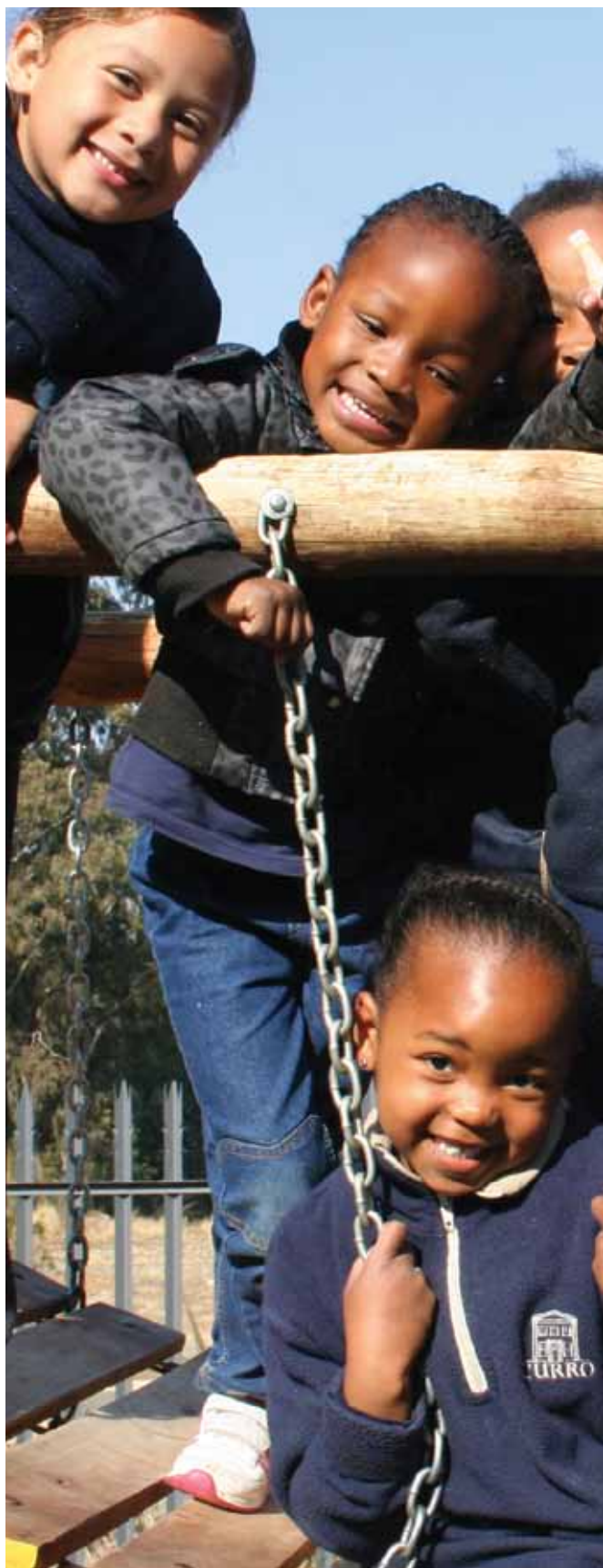




INTEGRATED ANNUAL REPORT 2011

Table of Contents

ABOUT THIS REPORT	1
GROUP PERFORMANCE OVERVIEW	2
Key performance indicators	2
Value added statement	4
GROUP OVERVIEW	5
The business	5
Vision	5
Our values	5
Brands/lines of business	5
Timeline	6
Scholastic achievements during 2011	6
Concise history	7
Operational footprint	8
Operational overview	9
Our purpose and strategy	10
Curro's targets for 2012	10
The landscape in South Africa	11
Success factors for the business	12
Management team	12
Dividend policy	12
Legislative framework	12
The Curro brand	13
Risks and responses	13
BOARD AND LEADERSHIP	14
REPORTS TO STAKEHOLDERS	16
Chairman's report	16
CEO's report	18
CFO's report	20
EMPLOYEES	23
Recruitment	23
Performance management	23
Disciplinary processes	23
Promotion and development	23
Recognition programmes	23
Employee feedback	23
Employee turnover statistics	24
Employee equity statistics	24
Skills development	24
Succession management	25
Industrial relations	25
HIV and AIDS management	25
Remuneration	25
Salary scales	25
Incentive schemes	25
Executive and non-executive remuneration	25
Employee benefits	25
CORPORATE GOVERNANCE	26
Board of directors	26
Board appointments	27
Board composition	27
Rotation of directors	27
Delegation of powers	27
Board committees	27
Audit and risk committee	27
Remuneration committee	28
Communications	28
Management of risks	28
Compliance with King III	29
Stakeholder engagement	30
Dealing in securities	31
ANNUAL FINANCIAL STATEMENTS	32
NOTICE TO THE ANNUAL GENERAL MEETING	83
SHAREHOLDERS' CALENDAR	90
FORM OF PROXY	attached
GENERAL INFORMATION	inside back cover





About this Report

Curro is committed to transparent, balanced and relevant disclosure and has aimed for said in its financial reporting to shareholders since its listing on 2 June 2011.

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

In preparing this report, Curro took cognisance of, and applied the principles contained in the King III Report on Corporate Governance, the JSE Listings Requirements and International Financial Reporting Standards and the Companies Act, No. 71 of 2008. As required, detailed commentary has been provided to explain the reasons for certain principles in King III not being complied with fully.

An independent audit of the Group's Annual Financial Statements was performed by Deloitte & Touche. The remainder of this integrated 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.

We hope that this will provide a solid foundation for meaningful communication with all our stakeholders.

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 of factors which might influence these results.

The directors hereby acknowledge their responsibility to ensure the integrity of the report.



Adv. JA le Roux
Non-executive Chairman



Dr CR van der Merwe
Chief Executive Officer



The following information is available online at www.curro.co.za:

- Integrated Annual Report
- Annual Financial Statements

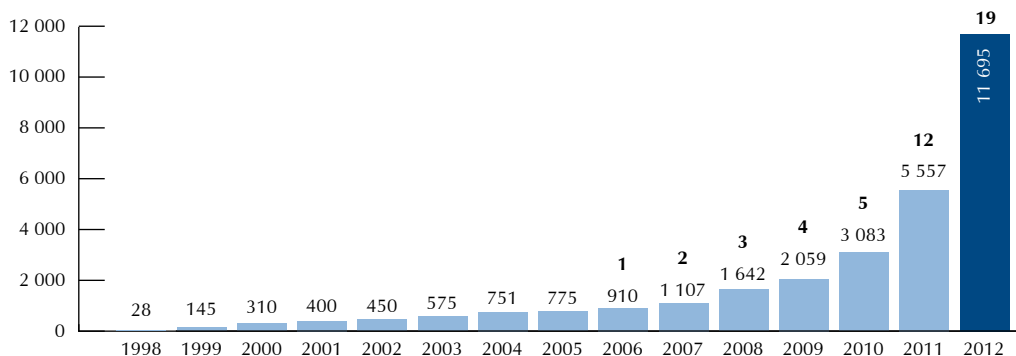
Group Performance Overview

Key performance indicators

for the year ended 31 December 2011

	2009	2010	2011
Profitability			
Revenue (R'000)	47 966	74 031	166 298
Other income (R'000)	584	1 572	4 036
Salaries (R'000)	31 114	48 016	118 251
EBITDA (R'000)	8 860	12 800	10 481
Earnings attributable to ordinary shareholders (R'000)	1 794	5 233	(7 404)
Earnings per share (cents)	2.2 [†]	6.5	(6.2)
Statement of financial position			
Total assets (R'000)	115 995	243 311	597 412
Interest-bearing liabilities (R'000)	56 602	159 272	168 123
Equity (R'000)	52 453	57 688	369 773
Net asset value per share (cents)	65.6 [†]	71.7	229.4
Share statistics			
Market price (cents)			
– High	–	–	1 215
– Low	–	–	530
– Closing	–	–	1 200
– Average	–	–	766
Volume of shares traded ('000)	–	–	10 086
Value of shares traded (R'000)	–	–	80 462
Volume/weighted average number of shares* (%)	–	–	14.5
Market capitalisation (Rm)	–	–	1 934
Capital investment (Rm)			
– Current campuses		13	80
– New campuses		114	175
– Acquisitions		1	60
Total		128	315

Number of schools and learners



	2009	2010	2011	2012*
Learner numbers				
Schools operating in 2009	2 059	2 293	2 581	2 808
<i>Growth (%)</i>		11	13	9
New schools added in 2010		793	1 162	2 073
<i>Growth (%)</i>			47	78
New schools added in 2011			1 814	2 525
<i>Growth (%)</i>				39
New schools added in 2012				4 289
Total (after acquisitions)	2 059	3 086	5 557	11 695
<i>Growth (%)</i>		50	80	110
Academic performance				
Learner pass rate (%)	100	100	100	
Operations				
Number of campuses	3	5	12	19
Learners per campus	686	513	460	615
Staff	251	343	654	1 250
Educators	201	247	446	862
Learner/educator ratio	10.2	12.5	12.4	13.6
Building size (m ²)	33 000	44 500	75 000	100 469
Land size (ha)	27	55	107	111

* As at 16 April 2012.

† Number of shares issued after share split is 80 million.

Group Performance Overview (continued)

Value added statement

for the year ended 31 December 2011

	2011 R'000	2010 R'000
Value added:		
Revenue	166 298	74 028
Other income	4 036	1 573
Cost of providing services	(29 950)	(10 535)
Total wealth created	140 384	65 066
Value distribution:		
Employees		
Net benefits paid to employees	101 308	41 102
Social responsibility		
Corporate social investment and bursaries	8 594	5 269
Government		
Income tax	1 615	59
PAYE	14 482	5 706
Providers of capital		
Finance costs	14 385	5 242
Capitalisation issue	–	1 018
Reinvested in the Group		
Retained income	–	6 670
Total wealth distributed and retained	140 384	65 066

Group Overview



Curro, through the said values, creates a balanced educational arena in which many co-curricular activities such as sport and culture can be enjoyed by learners whilst not losing sight of the core essence of a typical school, namely successful learning

The business

Curro Holdings Limited acquires, develops and manages private schools in South Africa. Curro currently has 19 schools with 11 695 learners in the Group.

Vision

Curro's vision is to make private school education accessible for more learners throughout South Africa.

Our values

Curro's values originate from its founding date. As a group of concerned, dedicated and experienced educators, four key components that had to form our value system were identified.

They are:

- child friendliness;
- positive discipline;

- Christian ethos; and
- enhancement of creativity.

Curro sees the written curriculum as the fundamental ingredient of its product 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 sport results.

Curro, through the said values, creates a balanced educational arena in which many co-curricular activities such as sport and culture can be enjoyed by learners whilst not losing sight of the core essence of a typical school, namely successful learning.

Brands/lines of business

To achieve the vision, Curro positioned from the original traditional brand to four brands/lines of business during 2011.

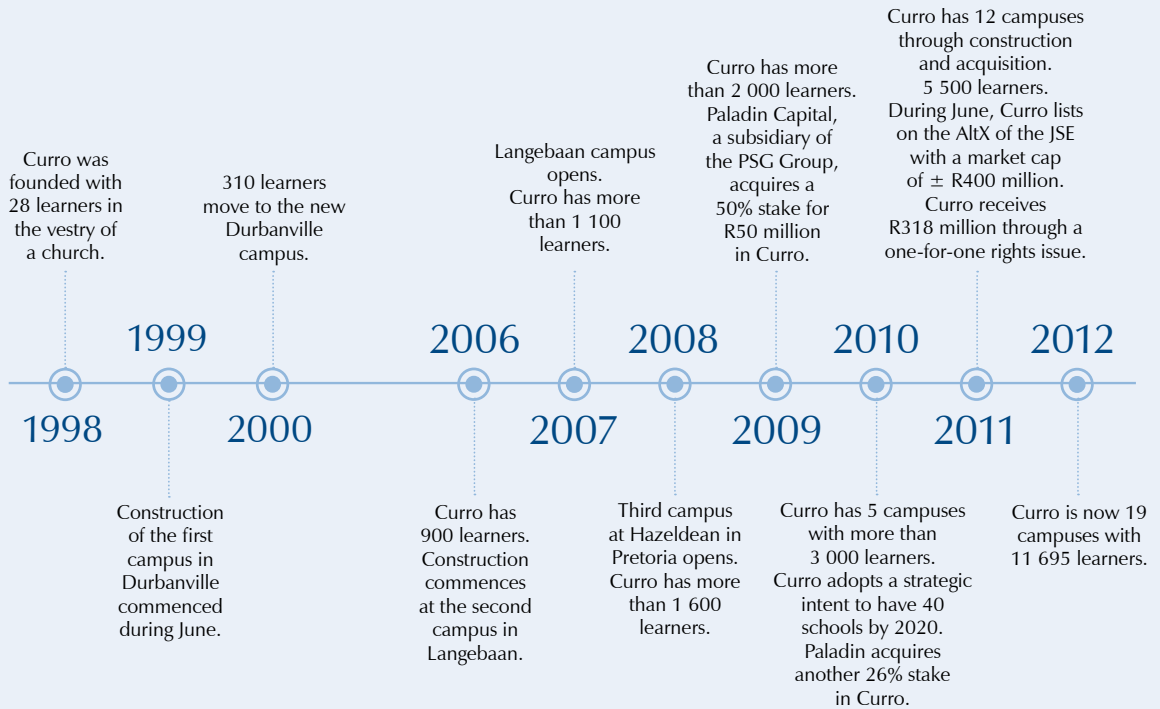
- Curro Traditional Private Schools
- Meridian Community Private Schools
- Curro Junior Academies
- Curro Established Private Schools

CURRO TRADITIONAL PRIVATE SCHOOLS accommodate learners from age 5 to grade 12. Class sizes are limited to a maximum of 25 learners per class and the IEB examination is written at the end of grade 12. These co-ed schools are traditionally parallel medium from grade RR to grade 9 and dual medium from grade 10 to grade 12. Naturally, a wide subject choice is offered in the FET phase (grade 10 to grade 12). These schools have good facilities and offer all the co-curricular activities as one would find in the ex-model C schools. School fees are affordable and range from R1 700 per month in the pre-primary section up to R3 500 per month in the high school. A typical campus will accommodate 1 200 to 2 000 learners.

MERIDIAN COMMUNITY PRIVATE SCHOOLS accommodate learners from age 5 to grade 12. Classes accommodate up to an average of 35 learners and these schools write the National Senior Certificate examination at the end of grade 12. Their subject choice is limited and these co-ed schools are single medium (English). They also offer co-curricular activities, but these are limited to a small variety. School fees vary from R950 per month in the primary school to about R1 300 per month in the high school. Meridian Community Private Schools are therefore highly affordable. A model for a fully developed campus will accommodate 1 500 to 2 200 learners.

Group Overview (continued)

Timeline



Scholastic achievements during 2011

Curro was pleased with the academic results of the 220 matriculants that undertook the IEB final exam. A 100% pass rate was achieved with 80% of the learners achieving university exemption. The average academic mark was 64% with 94% of all learners achieving at least a 50% average. Two learners achieved six As.

On the sports fields, the 12 operational schools produced 220 provincial and 52 national stars. A commendable achievement as the majority of these schools have been established in the past two years. Our learners excel in popular sports like soccer, rugby, sevens rugby, tennis, netball, swimming, hockey, athletics, gymnastics, cross-country, karate, judo, but also in the lesser-known sports like cheer-leading, BMX, horse riding, T-Ball, softball, basketball, archery and hip hop. Our tennis academies at our various schools annually produce players ranked amongst the top 10 players in various age

groups. We are really proud of our learners and their achievement and we will yearly continue to grow in our various sporting academies.

The Curro learners also excelled on the cultural front. Each school is equipped with its own music school where learners are trained in various music instruments and most of our schools convene a junior and senior choir where appropriate. Curro students are the top performers in the regional and national eisteddfods.



CURRO JUNIOR ACADEMIES are early childhood development centres (baby care centres/crèches/playshools) which accommodate learners from three months to four years. These junior academies have sufficient facilities to accommodate approximately 300 children.

WELL-ESTABLISHED PRIVATE SCHOOLS which are ordinarily added to the Curro group of schools by means of acquisitive growth. These schools keep their original well-established identities and ethos. Language of tuition is English complemented with superior facilities and a rich heritage including traditions and good academic and co-curricular results. These schools are more expensive (approximately R4 500 per month for primary school and R5 500 per month for high school). They offer a wide variety of curricular and co-curricular activities.

The campus sizes vary from school to school, but generally they are situated on 10 to 15 hectares and accommodate between 1 400 and 2 000 learners.

CURRO CENTRE FOR EDUCATIONAL EXCELLENCE

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

- to develop and apply latest trends in curriculum standards and dissemination;
- to monitor quality of academic standards and ensure forms of standardisation across campuses;
- to provide advice on educational and related matters to the executive heads and educators at the schools;
- to identify and develop master educators, further centres and standards of excellence in subjects, with the primary focus on maths, science and technology.

IEB examinations have been accepted at all Curro Private Schools and will be in full effect from 2012. Meridian Private Schools write the National Senior Certificate examination.

Concise history

Curro Private School was established in 1998. Dr Chris van der Merwe initially envisioned the establishment of a small private school 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 Van der Merwe's business partners in a small publishing enterprise, joined him and eventually the school opened on 15 July 1998 with 28 learners receiving tuition in a church in Cape Town. Other founding members were Loch Van Niekerk, Eddie Conradie and Thys Franken.

During 2004, Senior Adv. JA le Roux purchased 30% of Curro's shares and during 2005, Educor, a subsidiary of Naspers, acquired 25%. With this support, the Company entered into a business vision of establishing 20 Curro Private Schools nationwide. When Naspers disposed of Educor during 2006, a pre-emptive right triggered the repurchase of the 25% by the founders of Curro, Adv. le Roux and two of his colleagues at the Cape Bar. At that stage Curro had three established private schools.

During 2009, PSG approached Curro to become a 50% partner through their subsidiary, Paladin Capital. At the beginning of 2010, with the adoption of the strategic intent to build 40 schools by 2020 and the capital investment that it would entail, Paladin Capital increased its shareholding to 76%.

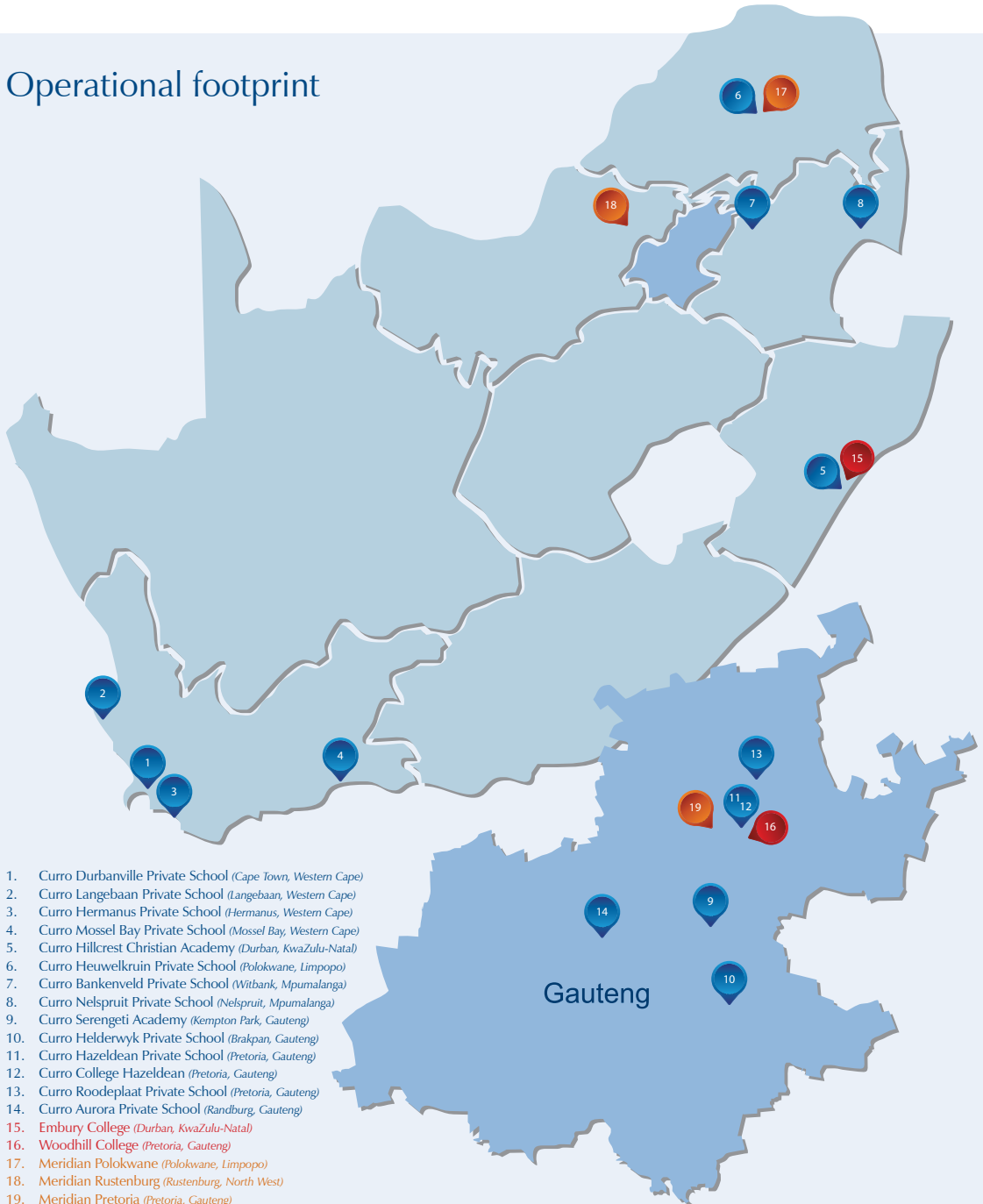
On 2 June 2011, Curro listed on the JSE's AltX. R320 million was raised in a rights issue soon thereafter.

At present, Curro has 15 traditional, 1 established and 3 Meridian Private Schools nationwide accommodating 11 695 learners from 3 months to grade 12.



Group Overview (continued)

Operational footprint



Operational overview

Schools as at 16 April 2012

Western Cape	Gauteng
Curro Durbanville	Curro Hazeldean
Curro Langebaan	Curro College Hazeldean
Curro Hermanus	Curro Roodeplaat
Curro Mossel Bay	Curro Serengeti Academy
Limpopo	Curro Helderwyk
Curro Heuwelkruin	Curro Aurora
Meridian Polokwane	Woodhill College
Mpumalanga	Meridian Pretoria
Curro Bankenveld	KwaZulu-Natal
Curro Nelspruit	Embury College
North West	Curro Hillcrest Christian Academy
Meridian Rustenburg	

During 2011, Curro invested R142 million in the establishment of the first phases of four new campuses: Serengeti Golf and Wildlife Estate in Kempton Park (Johannesburg), Nelspruit, Hermanus and Mossel Bay. Curro also invested R80 million to expand capacities and upgrades at existing campuses.

Two schools with established campuses, namely Aurora, based in Randburg, and Heuwelkruin Kollege in Polokwane were also acquired. These campuses were expanded during 2011 to the value of R33 million. Other schools acquired during 2011 were Mandorren Academic and Sport School that was incorporated into the Curro Serengeti Academy campus and Optimum Kids and Laerskool Koraalsig that were incorporated into the Curro Nelspruit campus.

During 2012, Curro acquired Woodhill College, a school with 1 170 learners in Pretoria and Embury College, a school with 820 learners in KwaZulu-Natal and Hillcrest Christian Academy in KwaZulu-Natal, a primary school with 642 learners. Curro acquired three Meridian Private Schools with a combined total of 1 194 learners.

In total Curro has an enrolment of 11 695 learners as at 16 April 2012.

Information technology and systems

Information technology (IT) is vital in two areas of the business, one being educating learners and two, the administration of schools.

IT as part of the education process is becoming more topical. All Curro Private Schools have IT labs where appropriate IT lessons are taught to learners. 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 more energy efficient.

Curro is in the process of piloting the use of laptops and tablet devices that should form part of the education process in future.

For administrative support, Curro is investing capital and effort to ensure appropriate systems are in place to effectively monitor the schools. The aim is to increase automation of processes to allow educators more time to teach and to keep administrative personnel to a minimum.

Group Overview (continued)

The reliability of Curro's IT system is challenged as a result of the lack of fixed line telecommunication infrastructures at urban edges where Curro ordinarily develops new schools. We are continuously working to find cost effective, reliable wireless alternatives.

Our purpose and strategy

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

Government is progressing in creating equal opportunity for all our children, but still faces a lot of challenges, specifically in relation to provide education at an acceptable standard. It is understandable that these efforts are targeted at the bottom of the market where the situation is the most dire.

This creates a vacuum in terms of facilities and standards at the lower to middle end and new campuses in the more affluent areas which leads to the private sector playing an increasing role. Article 29 of the South African Constitution enshrines and protects this role of independent schools to fill their role in this regard.

With this as background, it is clear that Curro can potentially develop a large number of private schools across South Africa. The development of every private school creates open space in State schools for new enrolments. In addition, this saves the State the capital outlay of between R60 million and R80 million to erect a school and running costs for a mature school of more than R30 million per annum.

Curro will therefore expand its group of private schools by means of new developments and acquisitions. This strategy will not only support the State but will also supply parents with additional options for their children's education. Curro believes that private schools will increasingly improve educational standards which will lead to the positive development of the South African population which, in turn, will make a meaningful contribution towards the enhancement of economic growth.

Curro's targets for 2012

Business Aim

In its pre-listing statement, Curro aimed towards 7 500 learners in 2012. Curro has exceeded this target by having more than 11 000 learners through organic and acquisitive growth and is also set to exceed its forecasted profit after tax amount of R14 million.

Developments

Curro will invest more than R160 million in its existing campuses. In addition, the Group will commence and complete the following campuses during 2012:

Curro Private Schools – Traditional

- Century City (Cape Town)
- Krugersdorp
- Bloemfontein
- Thatchfield (Centurion)

Meridian Private Schools

- Pinehurst (Kraaifontein, Cape Town)
- Burgersfort

Acquisitions

Acquisitions of suitable targets remain a strategy that Curro will focus on during 2012.

Aims include:

- acquisitions in the established private school market;
- two acquisitions to enter the crèche market and to introduce the Curro Junior Academy brand; and
- two acquisitions in the community private school market.

Curriculum

Through dynamic curriculum development we shall:

- Continue to define our written curriculum by stipulating the learning material as prescribed by CCEE;
- Complete benchmarks for learners at grade 3, grade 6 and grade 9 so that Curro can responsibly state that the competencies of the learners in all the learning areas are in line with first-world countries;
- Introduce robotics to grade R and grade 2 as a working tool to develop technological and science-based skills and thinking patterns amongst our learners;
- Train our educators in the intermediate school phase in Literacy and Mathematics so that they can adopt the latest relevant curriculum innovations to be in line with the new Curriculum and Assessment Policy Statement (CAPS);
- Inform our grade 10 educators about the latest CAPS prerequisites;
- Develop leadership amongst our grade and phase heads during a special curriculum conference; and
- Launch an experiment to determine the effective application of e-learning so that a decision can be made whether to implement this strategy over future years.



Staff

- Continue with efforts to transform the working place into an environment which motivates staff members to give their best at all times;
- Continuous development to ensure the highest degree of staff knowledge and competencies; and
- Implementation of recognition programmes that will reward extraordinary achievements.

Systems

- Stabilise the Company’s network by further developing its firewalls;
- Implement rules for every user in order to increase the efficiency of our active directories;
- Implement Outlook Exchange; and
- Design Curro’s digital library.

The landscape in South Africa

	Government	Private	Curro Group
Schools	24 365	1 486	19
Learners	11 804 066	479 809	11 695
Educators	390 074	30 534	862

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

There are more than 12 million learners in the official South African school system. Registered private school learners comprise less than 4% thereof. Globally this average is at about 13%.

Of the 24 365 schools, there are 5 145 ex-model C schools with 2.4 million learners.

This saves the State the capital outlay of between R60 million and R80 million to erect a school and running costs for a mature school of more than R30 million per annum

Group Overview (continued)

Success factors for the business

Our business model originated from the fact that the State could no longer supply enough schools in the more affluent areas. The model is simple to understand, but the barriers of entry are high.

Barriers of entry include:

- Suitable affordable land with high upfront capital investment
- Working capital investment until the school reaches a break-even mark
- Credible brand with a track record

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 skilled management ensures that capital is spent as effectively as possible in order to keep school fees as competitive as possible whilst still ensuring an attractive return to Curro's shareholders.

The development cost for each campus varies between R50 million and R80 million. Curro traditional schools normally reach break-even by its third year and this can be expedited when a smaller neighbouring school is incorporated to reach a certain critical mass of learners. An EBITDA margin of at least 30% is aimed for at maturity.

Curro also acquires profitable established private schools with their own campuses. Many well-known private schools belong to their founding members and at a certain stage they develop the need to sell these schools as running a school is not a passive investment but requires intensive management effort. This situation suits both the buyer and the seller as the owner can then retire and the buyer can ensure a sustainable future and expand its market.

The intent is to develop schools at an aggressive pace (three to five schools per annum) and to acquire other private schools as the opportunity arises.

Curro has extensively researched the lower end of the private school market where a very strong investment case exists for the establishment of a school with somewhat bigger class sizes which are very accessible to many parents if one considers the attractive pricing structure. Curro has acquired three schools under the Meridian Private School brand which will be expanded in years to come.

Lastly, Curro has decided to place a separate focus on childcare and crèche facilities. With the prevalence of households where both parents are working, there is a demand for a credible facility where the child will be kept in safety.

There is a big enough market for Curro to develop a series of schools which will make private school education

accessible to many parents, whilst creating a lucrative business with good returns for investors.

The business is sustainable in terms of development. There are enough opportunities to expand the business aggressively over the next three years. Furthermore, the luxury to pause expansion should enrolments not realise according to forecasts, exists. Should this be the case, the focus will shift from spending capital on new developments to filling existing schools, keeping the business environment profitable and sustainable.

Management team

Executive committee

Chris van der Merwe	Chief Executive Officer
Andries Greyling	Chief Operating Officer
Bernardt van der Linde	Chief Financial Officer
Hennie Louw	Chief Investment Officer

Other key functionaries are:

Alta Greeff	Head of the CCEE
Eddie Conradie	Marketing Manager
Jaco Kotze	Operational Manager
Barend Weideman	IT Manager
Divan Hartshorne	Financial Manager
Marietjie Louw	Financial Manager

Human resource functions resort under the COO who is assisted by a sub-contracted service provider to ensure adherence to its determined policies.

Dividend policy

Established private schools provide sound cash generation. Curro will for the foreseeable future use all cash generated to expand existing campuses and also establish new campuses. In time a point will be reached where the operational cash generated will exceed capital requirements. Curro will then commence with dividend payments.

Legislative framework

Our schools are all compliant with government's requirements. According to law a private school should:

- 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 that are also registered with the South African Council for Educators;
- follow the National Curriculum Statement and write either the national grade 12 examination or that of the Independent Examinations Board; and
- comply with the prerequisites of Umalusi.

The Curro brand

The brand is very important when clients are looking at enrolling their children at Curro Private Schools. Its track record over the past 14 years, the national footprint of the school and the listing on the AltX have enhanced the Company's profile. The Curro brand must continue to embody quality, sustainability and value for money.

Risks and responses

Education in South Africa brings about the following risks which must be addressed:

Risk	Mitigation
Economic slowdown Clients can not afford to keep their children enrolled at the school.	<ul style="list-style-type: none"> In general, parents believe in the value of a good quality education. Spending is reprioritised to ensure that their children receive said. Curro aims to provide a value-for-money service and market shares are gained by parents looking to save money by trading down from high-end schools.
Safety Facilities	<ul style="list-style-type: none"> Keeping safety in mind at the planning stages, consulting with health and safety professionals and adherence to the authorities' building standards for public buildings which also includes a fire certificate.
Environment Learners can be harmed.	<ul style="list-style-type: none"> Policies requiring appropriate conduct, duty and care by employees are in place. Schools are fenced off with entry controlled by security guards.
Ongoing curriculum change South Africa has a history of ongoing curriculum change since 2004. Curriculum change is a positive phenomenon as long as it contributes to improved learning and teaching. Unfortunately, outcome-based education was implemented in a way that placed pressure on South African educators, because it created administrative burdens.	Curro Private Schools have the advantage of curriculum experts who guide educators to systems where an ideal balance exists 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.
Learner numbers A school's sustainability depends on the annual growth in learner numbers until a critical mass of learners has been reached.	Curro has grown from 28 learners at one location in 1998 to 11 695 learners at 19 locations in April 2012. This contributes to a lower overall risk for the entire Group.
Opportunities for growth <ul style="list-style-type: none"> A campus is not placed in an appropriate location and therefore does not grow as anticipated. Overpaying for an acquisition. 	<ul style="list-style-type: none"> As a result of demand which the government is not able to deliver entirely, the market still offers significant growth opportunities. It must be ensured that appropriate sites are selected by performing a proper due diligence on the population trends in an area. Acquisitions are carefully considered to ensure that the area still offers growth opportunities and the ethos of the target market is aligned with that of Curro.
Reputational risk The most significant risk for Curro is that its reputation is damaged as a result of an event or events.	Curro focuses to provide quality in everything it does. Main areas that might be affected by reputational risks are: <ul style="list-style-type: none"> safety and security; and academic quality. Policies, procedures and the close monitoring of results are a priority for the Board and management of Curro.

Board and Leadership



1. Advocate Johan Andries le Roux SC (60)

BA (Law), LLB
Non-executive Chairman

Fef was born in the town of Robertson in 1952. He matriculated at Robertson High School in 1969. During 1970, he spent his compulsory military training at the Army Gymnasium in Heidelberg, Transvaal, completing his officer's course. He studied law at the Stellenbosch University from 1971 to 1975, during which years he attained the BA(Law) and LL.B degrees. From 1976 to 1980 he spent his contractual bursary obligations with the State, first as the public prosecutor of Stellenbosch in 1976 and then as a member of the State Attorney's Office in Cape Town from 1977 to 1980, during which years he also wrote the professional examinations and qualified himself as an attorney, conveyancer and notary of the High Court of South Africa. He joined the Cape Bar in 1981, where he has practised as an advocate since. In 1996 he was awarded Senior Counsel status by President Nelson Mandela. He became a director and shareholder of Curro in 1998 and has acted as the non-executive Chairman of Curro since 2009.

2. Dr Chris Rudolph van der Merwe (49)

B.Prim (Ed), B.Ed, M.Ed (Cum laude), PhD in Education
Chief Executive Officer

Chris matriculated at the JG Meiring High School in 1979. He studied education at the Stellenbosch University and completed the degree B.Prim (Ed) at the end of 1983. He accepted his first teaching post at Gene Louw Primary School in the beginning of 1986 and obtained the degree B.Ed (UNISA) in 1988 before becoming Head of Department in 1992. In this year he also obtained the degree M.Ed (cum laude).

In 1993 he started a close corporation "SkoolCor" whilst teaching at Gene Louw Primary School. This company produced electronic learning modules as surrogate for textbooks and supplied these to schools nationwide. During 2008, the Shuttleworth Foundation purchased more than 1 000 learning modules and today they form an integral part of an Open Source Methodology.

Chris became the deputy principal of Fanie Theron Primary School in 1997 and in the same year he obtained a doctorate at the Stellenbosch University.

During 1998 Chris founded Curro. During 1999 he constructed Curro Durbanville's campus and in January 2000 approximately 320 learners started the academic year on this new campus. Since 1999 Chris has been Chief Executive Officer of Curro.

3. Andries Jacobus Ferdinandus Greyling (42)

BComm (Hons), CA(SA)
Chief Operating Officer

Andries obtained the BComm Accounting degree at the Rand Afrikaans University (now University of Johannesburg) and thereafter during 1991, qualified as chartered accountant. He completed his articles at KPMG where his clients, as audit manager, included Secunda, manager of Sasol Synthetic Fuels. Thereafter he worked at Sasko (a division of Pioneer Foods), Distell and PricewaterhouseCoopers. During 2000 he joined Media 24, ICG (brand names include INTEC, Damelin) as financial director whereafter he was promoted to financial director of Educator. During 2006 Educator bought a 26% stake in Curro, where Andries and Dr Van der Merwe compiled the expanded business plan upon which Curro's current growth strategy is based. During 2007 when Naspers disposed of Educator and Curro, Andries acquired a stake in and joined Curro as Financial Director. He is currently responsible for the operations within Curro including Human Resources, IT, facilities and curriculum.

4. Bernardt van der Linde (34)

BComm (Hons), CA(SA), CFA
Chief Financial Officer

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 until 2005. Thereafter he joined Finweek as writer and Head of Companies and Markets. Bernardt joined the PSG Group during 2007 where he has, inter alia, been part of the executive team at Paladin. Bernardt is or has been a non-executive director on the boards of various PSG Groups and Paladin investment companies. Bernardt joined the Curro Board during 2009 as a non-executive director and became Chief Financial Officer during 2011.



5. Hendrik Gideon Louw (44)

BComm (Hons), CTA, CA(SA)
Chief Investment Officer

Hennie matriculated at Durbanville High School in 1986. After school, Hennie completed a BAccounting degree at the Stellenbosch University, followed by a CTA and BComm (Hons) at the Rand Afrikaans University (now University of Johannesburg). He completed his articles at Deloitte & Touche successfully and obtained his CA(SA) qualification.

After articles, Hennie lectured Auditing at the University of the Western Cape. During 1996, Hennie joined Hospiplan as Group Financial Director, a Group that developed private hospitals across South Africa. He was part of the team that listed the Group during 1997. In 1998 the Group was sold to the Medi-Clinic Group. Hennie joined Educor, a private education company in the Naspers Group, as Managing Director of their distance learning division, ICC, during 1998, and in 2004 was appointed Educor's Group Managing Director, a position he held until Naspers sold the Group during 2007. After working in the venture capital industry as an investment manager for Mark Shuttleworth's venture capital firm HBD, Hennie joined Curro during 2010 as Manager: New Business and was appointed as Chief Investment Officer on the Curro Board at the beginning of 2012.

6. Professor Merlyn Claude Mehl (67)

PhD (Physics)
Independent Non-executive

Merlyn serves on the boards of various companies. He was previously Chancellor of Peninsula Technikon and Chief Executive of the Independent Development Trust. He is presently Executive Chairman of Triple L Academy and is a non-executive director of Capitec Bank. Merlyn joined the Curro Board during 2011.

7. Petrus Johannes Mouton (36)

BComm (Maths)
Non-executive

Piet is the Chief Executive Officer of the PSG Group. He serves as a non-executive director on the boards of various PSG Group companies including Capitec Bank, Paladin Capital and Thembeka Capital Limited, a black-owned and controlled black economic empowerment investment

holding company. He has been active in the investment and financial services industry since 1999. Piet joined the Curro Board during 2009.

8. Barend Petersen (52)

CA(SA)
Independent Non-executive

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 has had a wide involvement in the De Beers Family of Companies. Barend is Executive Chairman of De Beers Consolidated Mines and the Chairman of the Environment, Community, Health and Safety Committee of the De Beers Family of Companies. He also owns a stake in 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 Limited and Alexander Forbes Group. Barend is the Chairman of Sizwe Business Recoveries which he founded in 1997. Barend joined the Curro Board during 2011.

9. Mary Vilakazi (34)

BComm (Hons), HDip Auditing, CA(SA)
Independent Non-executive

Mary is the Chief Financial Officer of the Mineral Services Group (MS Group). She serves as the Managing Trustee of the Zenzele Development Trust, a trust founded by the MS Group. Prior to joining the MS Group, Mary was an audit partner at PricewaterhouseCoopers until 2008, where she gained extensive experience in the audit of financial services companies.

Mary serves as a director on the MMI Holdings Limited Board, and is a member of the Audit, Actuarial and Balance Sheet Management board committees. She is also the Chairperson of the audit committee of the Council of Conciliation, Mediation and Arbitration. At present she serves on the FSB's long-term insurance advisory committee to the Minister of Finance. Mary joined the Curro Board during 2011.



“It is a very exciting company with, in the foreseeable future, an unlimited scope for opportunities and an insatiable appetite on the part of an extremely competent and energetic leadership team to fully utilise the demand to make private education affordable at every level”

In the life of a listed company, Curro Holdings Limited, after some six months of listed life, will probably still (and rightly) be regarded by many as a newborn commercial baby. From the chair's perspective one cannot resist the temptation to add, “but what a baby it has been so far”.

By the time it saw listed light it was already walking at a pace and when it was supposed to still sleep in the AltX cot, it found itself roaring softly among the front runners on that board – signs of even bigger things to come.

It is a very exciting Company with, in the foreseeable future, an unlimited scope for opportunities and an insatiable appetite on the part of an extremely competent and energetic leadership team to fully utilise the demand to make private education affordable at every level. At the same time, it will serve the dire need for additional educational services in the country.

It is clear that the business of Curro is well received and treated with respect and excitement in the marketplace. To do justice to that positive reception, Curro will have to live up to the expectations of the commentators and the delivery promises and predictions of its leadership. As part of that leadership, albeit in non-executive, but fully informed, capacity, I am confident that no stakeholder will be disappointed.

In my assessment, Curro has in the short space of six months established a very solid platform from where it is going to grow from strength to strength, already in this year, 2012. My prediction is that by the beginning of 2013 most role-players at all levels, when viewing or assessing Curro, will do so with substantially increased levels of confidence and many will realise that Curro is well on its way to become a main stream company.

From my perspective in the chair, I consider myself privileged to be part of it and I am excited about how the events are unfolding in the wake of the energetic team efforts. In this regard, the role played by PSC, the main shareholder, in all its manifestations, cannot be overemphasised. It is contributing hugely with expertise, experience, advice, bridging finance, specialised leadership and all the other attributes that have led to that group of companies' current reputable status in the financial world. For this we thank them, especially Piet Mouton (presumably with silent and not so silent inputs by his father, Jannie) for the valuable contributions to the Curro Board.

There are numerous reasons why I regard Curro as an exciting company with far above average potential. They include, inter alia:

- The growth potential of the industry in which Curro operates is enormous and will stay like that for at least the next ten to twenty years.
- Curro will accordingly be growing progressively in market capital and in the foreseeable future will be making enough profit to start declaring dividends.
- This is likely to happen in an environment where the opportunities and demand for Curro's services will exceed the potential to satisfy them.
- The funds to enable Curro to achieve its targets seem to become more readily available as Curro is growing in stature and is unlikely to create serious obstacles in the near future.
- The very nature of the business offers an underlying and inherent security in the form of an annuity income.



*Curro Langebaan
Private School*

- This income is earned over a period of some 18 years with the addition of the Curro Junior Academy concept.
- History has proved that learner numbers do not seriously dwindle during economic recessions and that parents are generally disinclined to take their children out of a school in the absence of compelling reasons.
- Private school education is expressly entrenched as a fundamental right in the Constitution and therefore unlikely to be influenced prejudicially on that level.
- In any event, the realities of our country are such that the State will not be able to sufficiently fund the educational needs on its own in the near future and accordingly informal partnerships aimed at the education of our youth will always be a welcome relief for the State coffer as each child receiving private education alleviates the financial burden on the State.

Added to the above, Curro is driven by an extremely competent and focused executive team with the ability to identify and exploit attractive opportunities with long-lasting benefits.

I believe that the main role-players who are involved in the activities of Curro, whether as learners, educators, shareholders or investors have interesting times ahead and that they will never regret the commitment shown to

Curro in its early listed life. I know that those driving the company, including my fellow Board members and the executive committee are fully committed to its cause and I sincerely thank all of them for their unselfish efforts to keep making our dreams come true.

Curro Aurora Private School learners





The meaningful conclusion that one can make is that the relationship between State and private school sector should be deemed as very positive

South Africa has many challenges in terms of shaping the educational landscape. The country has 32 000 schools, including more or less 4 000 registered and unregistered private schools. Most of these private schools are very small and less than 100 of these educate more than 1 000 learners per campus. The government has many challenges, of which the maintaining of good curriculum standards is but one. They have, however, changed the general educator:learner ratio from 1:70 (pre-1994) to more or less 1:40 and this creates the platform for further positive development. There is, however a large proportion of parents who became used to a ratio of 1:28 in ex-model C schools and for these parents to revert back to a situation where 1:40 is still regarded as acceptable, is very difficult, if not almost impossible. It makes sense then that the provision of private schools where a ratio of 1:25 can be guaranteed, is accepted as extremely positive. Parents have been flocking to private schools since 1990 and the momentum of this pattern increased steeply after 2000.

Private schools are protected by the Constitution. For every private school that Curro develops, the State saves R80 million plus an annual running budget of about R30 million. These savings can then be used to build new State schools in the less affluent areas. The meaningful conclusion that one can make is that the relationship between State and private school sector should be deemed as very positive.

It is against this background that Curro has become a very attractive business environment. With 19 campuses accommodating 11 695 learners currently, one can confirm that the Company is speedily growing towards its target of 40 schools by 2020.

Curro is well positioned to add at least one large acquisition to its Established Private School division. With the number of Curro Traditional Private Schools striking at least 20 by the end of 2012 and with the entering of the Community Private School market under the Meridian brand, Curro has the prospects of reaching 30 schools by the end of 2012.

Curro's strategic intent is to grow aggressively. We aim to make use of suitable opportunities for as long as the market is unsaturated. It therefore leaves me with no other choice than to declare that we now aim for much more than 40 schools by 2020.

Quality education happens at classroom level. It is here that the future of a country is defined. I salute all the educators for their diligent efforts. You are true heroes!

Curro Durbanville Private School





The set of financial results clearly reflects Curro's position in the life cycle of a company aggressively expanding its capacity subject to significant capital and cost investments

Introduction

The set of financial results clearly reflects Curro's position in the life cycle of a company aggressively expanding its capacity subject to significant capital and cost investments. Turnover saw a significant increase of 125% to R166.3 million followed by an 18% decline in earnings before interest tax depreciation and amortisation (EBITDA) and the movement from headline profit of R5.2 million in 2010 to a loss of R7.4 million in 2011.

Nature of the business and measures of performance

Inherently, a school is capital intensive to establish and takes between one to three years before a positive EBITDA number is achieved. EBITDA is the current predominant measure to assess the performance of individual schools. Over time the EBITDA margin of a school should exceed at least 30%.

Curro follows a pooled approach for its debt, i.e. there is no individual debt ascribed to a specific school. Although financiers register bonds over the individual properties, the pooled cash flow situation is assessed in order to consider the serviceability of the loans.

Curro would assess the return on assets that a school can generate. Curro, however, counters the capital cost of establishing a campus by following an in-sourced model whereby construction costs are managed rigorously. The

lower capital costs mean that Curro can charge very competitive school fees which are, in most instances, lower than other private schools with inferior facilities. As far as the return on assets is concerned, it begins with the correct identification of a suitable campus site and continuous marketing of the school from the day ground is broken for the erection of the buildings.

Expanding from 5 campuses in 2010 to 12 campuses in 2011, the adoption of a greater strategic intent and the subsequent listing of Curro on the JSE, will all stand to Curro's good stead in future, but caused the noteworthy reduction in EBITDA and earnings for the 2011 year.

Curro does not have an extensive group of companies. Save for Aurora, all the other school activities are, as far as possible, incorporated into the legal entity of Curro Holdings Limited.

Analysis of financial performance

Statement of comprehensive income

The Group's turnover increased by 125% to R166.3 million mainly as a result of the 80% increase in learner numbers from 3 083 in 2010 to 5 557 in 2011. School fees represent 84% of revenue with enrolment fees contributing 7% and the balance made up by other income, inter alia, aftercare fees and bus fees.

Satisfactory EBITDA growth and margins were delivered by the established campuses being Durbanville, Langebaan,

	% movement	2011 R'000	2010 R'000
EBITDA			
2009 schools (Durbanville, Langebaan, Hazeldean Primary)	26	19 695	15 666
2010 schools (Roodeplaat, Bankenveld)	58	3 757	2 373
2011 schools (Serengeti, Helderwyk, Heuvelkruin, Hermanus, Mossel Bay, Hazeldean High)		(3 561)	
Aurora acquired 2011		7 285	
Head office	219	(16 695)	(5 239)
Total	(18)	10 481	12 800
EBITDA margin (%)			
2009 schools (%)		16	24
2010 schools (%)		29	27
2011 schools (%)		15	17
Aurora acquired 2011 (%)		(16)	
		16	

Hazeldean, Roodeplaat and Bankenveld. The new campuses performed as expected and should move into positive EBITDA territory within the next year or two.

Head office costs increased in line with the expanded strategic intent of 40 schools by 2020 as well as the entering of the other market segments in the private school market being the Established Private Schools and Community Private Schools focusing on the lower end of the market. The biggest investment was into human resources with the appointment of three executives; a new Chief Financial Officer when Andries Greyling moved to the role of Chief Operating Officer. Hennie Louw is responsible for new business. Alta Greeff joined as curriculum expert in the Curro Centre for Educational Excellence (CCEE). Other appointments were made in the back office to take care of the administration of the increased number of schools. The implementation of a share incentive scheme caused a R720 000 charge. The listing also called for the expansion of the Board of Directors with the concomitant remuneration of said non-executives.

The establishment of the Curro brand also enjoyed prominence in the year with an additional significant investment in marketing costs of R2.7 million. We believe this contributed to the 2012 enrolment numbers exceeding management's estimates.

Other expenses significantly exceeding those of 2010 were transaction and legal fees, rent and other costs associated with a growing company.

The significant capital investments since 2009 led to an increase in interest expense from R5.1 million to R12.9 million in 2011.

The difference in the effective tax rate was as a result of the normalisation of certain deferred tax differences recognised in the previous financial years.



Statement of financial position

Curro's statement of financial position expanded in gross assets of R243 million in 2010 to R597 million in 2011. The majority of the investment, namely R175 million, was made into new campuses at the Serengeti Golf and Wildlife Estate in Johannesburg, Nelspruit, Heuvelkruin in Polokwane, Mossel Bay and Hermanus. R80 million was invested for expansion at existing campuses with R60 million being applied for acquisitions of which Aurora represented R43 million.

The R318 million raised in the July rights issue provided for the means to effect the abovementioned expansions. At debt to total capital of 31%, Curro remains relatively lowly geared.

The announced rights issue will lead to a capital inflow of at least R345 million in June 2012, which will further strengthen Curro's statement of financial position. The proceeds will assist with the payment of the two major acquisitions, Woodhill and Embury, and leave a war chest for following other attractive acquisition targets that may come to the fore as well as fund construction projects.

Accounts receivable have increased from 10.4 days to 14.5 days in 2011, with bad debts reaching about 1.5% of turnover from 1% of turnover in 2010. Although being satisfactorily low, the trend reflects the current economic environment.

Statement of cash flows

Despite the loss before taxation of R9.7 million (R4.7 million profit in 2010), the cash generated from operations were positively affected by, inter alia, the net positive increase in working capital of R14.1 million which included prepaid school fees that increased with R9.0 million to R16.0 million as at 31 December 2011.

Plans and targets for 2012

From a financial perspective, emphasis will be placed on the following:

- securing long-term debt funding for planned expansion in the 2012 and 2013 financial years;
- integrating the financial management and reporting of all acquisitions made with particular emphasis on the Meridian Private School venture;
- streamlining collection of accounts receivable in order to minimise working capital investment and bad debts; and
- improving the long-term forecasting model.



Acknowledgements

I would like to thank all our clients for their support during the year and would like to express my appreciation and efforts of all our staff.

Employees

Recruitment

Recruitment strategies have been designed and implemented to ensure a sustainable delivery of effective world-class education. It is crucial to have systems, structures and capacity to support the appointment of the appropriate staff. Curro will be as strong as the appointed educators, support staff and management. Special reference must be made to the level of competence amongst management appointed at school level. The following process has been implemented to ensure that the best appointments are made:

- Internal recruitment (all positions are internally advertised prior to external processes being followed)
- Centralised recruitment and database development
- Job profiling and person specification profiling
- Verification management
- Psychometric assessments
- Induction management

Managing the correct appointment largely manages the risk of employment.

Performance management

The educational system largely depends on assessment to measure the effectiveness of education and learning. It is also essential that educators be effectively assessed and managed to ensure standards are met as part of a quality management system and in order for continuous improvement and development to take place. A performance management system that assesses all employees at the various levels of the organisation was developed. The system measures:

- general job requirements including qualifications and experience;
- competencies;
- key performance areas and indicators linked to specific targets and standards;
- personal development; and
- assessments year on year against set standards.

Assessments take place at least once per annum and is used to determine remuneration and incentive schemes per individual employee.

Disciplinary processes

A comprehensive discipline and grievance policy is in place. The process allows for action to be taken where and when required. The policy is compliant with the guidelines and recommendations of the Labour Relations Act and Codes of Good Governance practice. All employees were part of a consultation process and received copies of the Disciplinary and Grievance policies.

Curro subscribes to substantial and procedurally fair practices and conducts all its employee relations in this manner. Practices are fair and equitable.

Promotion and development

It is essential that Curro provides opportunities to internal staff. Curro's recruitment policy states that all positions that are available will be advertised internally before any external advertising takes place.

The development of staff is of the highest importance. Management within the schools regularly attend conferences and partake in training sessions. A comprehensive learning and development path has been designed to develop educators, enabling them to be effective and to become eligible for promotions. It is acknowledged that talent can and will be retained through focused development which will create promotion opportunities.

Recognition programmes

Curro is in the process of establishing recognition programmes for all employees. The principle of rewarding excellence has been accepted and now forms part of the contract of employment. In future, reward and recognition will take place through the respective performance management programmes. Recognition will not only be in the form of monetary value, but will include other forms of recognition.

Employee feedback

A consultative process involving all employees has been implemented. Employees were invited to participate in the process and submitted feedback on various aspects of the business. Individual consultations took place to discuss areas of concern and clarification was given where required. Consultation and feedback will take place quarterly or more frequently if required.

Employees (continued)

Employee turnover statistics

Curro is a rapidly growing enterprise. Almost all the changes experienced in employee statistics are that of newly-appointed staff. The table below reflects the movement of staff during the past year.

Employee equity statistics

Curro completed an EE plan and report as per the relevant legislation. In the past, the EE committee was centralised at the Western Cape operations. With the rapid growth experienced it was decided to decentralise the employment equity committees to represent each school and business division. Committees will meet quarterly and the information received will be consolidated into one report. It is believed that the latter scenario will create transparency and legitimacy amongst all the relevant stakeholders. The report for the previous reporting period is submitted below.

Skills development

Skills development is one of the most significant aspects being addressed within Curro. Various training courses have been attended by all levels of staff. These courses include:

- William Glasser – Choices Theory
- Leadership development
- Curriculum changes and development courses for educators
- Implementation of robotics programmes (which forms part of the Curro curriculum)

Curro is fully compliant with regards to the Skills Levies Act and Skills Development Act. Meetings were centralised, but were decentralised recently. Each school has its own skills development committee, dealing with the requirements at the specific workplace. The information is collected and consolidated into one representative report.

As at 31 December 2011

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	4	0	0	0	0	0	0	4
Senior management	0	0	0	15	0	0	0	5	0	0	20
Professionally qualified and experienced specialists and mid-management	1	1	1	61	2	7	4	313	0	0	390
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	2	0	5	2	1	0	39	0	0	49
Semi-skilled and discretionary decision-making	9	0	0	6	11	7	1	46	0	0	80
Unskilled and defined decision-making	30	6	0	2	36	6	0	20	0	0	100
Total permanent	40	9	1	93	51	21	5	423	0	0	643
Temporary employees	0	0	0	1	0	0	0	9	0	0	10
Grand total	40	9	1	94	51	21	5	432	0	0	653

Succession management

Curro has expanded and restructured the head office function to ensure that responsibility and accountability is spread amongst the management team. Responsibilities such as the function of CEO, finance, commercial, operational and educational excellence have been clearly defined. Competent management is appointed to serve as support and backup.

The executive management at schools are competent leaders. Curro is in the process of appointing strong operational heads at the respective schools. These heads will be able to succeed executive heads.

Succession planning in scarce positions such as mathematics, physical science, life science and languages remains challenging and Curro is focusing on building capacity in these areas.

Industrial relations

All contracts have been updated and revised to ensure legal compliance. Consultation with all staff took place to standardise the conditions of employment throughout the schools.

All policies and procedures have been updated and circulated to each employee in the Group. Policies and procedures have been designed to regulate and administer the workplace in a manner that allows for the business to function optimally whilst managing risk. A consultation process addressed all the concerns in this regard.

Disciplinary matters are dealt with in terms of the relevant policies and procedures. There are no outstanding disputes.

Consultative committees are established at all schools to ensure that open communication and a consultative approach are encouraged and maintained. This should enhance and foster good and sustainable people relationships.

HIV and AIDS management

An HIV/AIDS policy was included in the Company's policies and procedures manual. The policy complies with the code of good practice regarding HIV/AIDS. Curro does not discriminate against employees affected by the disease and will encourage affected employees to obtain help and treatment. Curro has not had any report of an employee that has been affected.

Remuneration

The Board has delegated the responsibility of determining the remuneration of executive and non-executive directors to the remuneration committee. The committee also gives consideration to the composition and performance of the Board, as well as succession planning for the organisation, particularly in respect of the CEO.

Total reward consists of fixed salary as well as incentive schemes. This is reviewed annually to ensure that employees who contribute to the success of the Group and

who have the potential to enhance Group performance are remunerated in line with the market and their performance.

Remuneration is benchmarked against appropriate surveys on a regular basis.

During the past year extensive research regarding private sector compensation, private school compensation and government school compensation for general employees took place. Curro salaries, in general, are well positioned to ensure that the required talent is drawn. In certain scarce skills the scarcity of the skill determines the salary and not other comparative sectors.

Salary scales

Guidelines representing certain salary bands were established to ensure consistency and non-discriminatory practices in the Group. This appears to be effective and new appointments take place within these bands.

The bands are not published and are used as a guideline by the respective executive heads. Curro is of the opinion that they need to move away from the public school model where everybody knows what the other person's remuneration is. This argument becomes even more valid when employees are compensated based on performance.

Incentive schemes

Curro firmly believes in compensating for performance. Various systems are in the process of being developed to ensure fair reward takes place in this regard. Incentive schemes will acknowledge excellence in academics, sport and culture, financial management, marketing, people, and general management of facilities and assets.

During the financial year a share incentive scheme was introduced. Shares were allocated to the senior management within the Group. The number of shares allocated is based on the employee's relative seniority and responsibility, salary and share price. The vesting of the shares will commence on the second anniversary of the allocation date and will vest 25% per annum.

Executive and non-executive remuneration

The remuneration of executives is managed and controlled by an independent remuneration committee.

The remuneration of non-executives is approved by the Curro Board of Directors.

Employee benefits

Curro is in the process of making strides to be an employer of choice. A 13th cheque was implemented during 2011. It is envisaged that maternity benefits for staff may be implemented in the near future. Curro also has a study assistance benefit which is supported by the Group development policy and practices.

All employees partake in the provident fund scheme. The scheme provides life and disability cover as well as a savings scheme.

Corporate Governance

Curro and its Board of Directors are committed to practising high corporate governance standards in all areas of the business. By doing so, Curro believes that sustainable long-term shareholder value will be created. The practices and policies in adhering to these standards are based on, inter alia, the Companies Act and the King Report of Corporate Governance for South Africa 2009 (King III).

The Company has complied, as far as practical, with principles contained in King III since listing. 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 whilst having instituted steps to ensure a constant monitoring of improvement where realistically possible.

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 highest standards of corporate governance. It also ensures that the internal controls, both operational and financial, are adequate and that, through effective internal controls, the financial accounts accurately and objectively reflect the company's business.

The primary responsibilities of the members are to:

- approve the strategic intent as presented to the Board by the Executive Committee;

- 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;
- advise on corporate finance;
- 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;
- evaluate and monitor the performance of the Board, individual directors, the Chief Executive Officer and executive management;
- with the recommendation of the Remuneration Committee, approve executive remuneration and incentive schemes;
- appoint all new directors and the Chief Executive Officer and ensure appropriate orientation and induction of new directors;
- define clear areas of responsibility at Board level to ensure appropriately limited individual decision-making ability; and
- determine and approve amendments to the Group's treasury policy.

During the year under review Curro had five Board meetings which were attended as follow:

	10/02	11/03	13/05	12/08	25/11
AJF Greyling	P	P	P	P	P
JA le Roux	P	P	P	P	P
MC Mehl	NA	NA	A	P	P
PJ Mouton	P	P	P	A	P
B Petersen	NA	NA	P^	P	A
B van der Linde	P	P	P	P	P
CR van der Merwe	P	P	P	P	P
M Vilakazi	NA	NA	P	P	A

P = Present; A = Absent; NA = Not appointed yet; ^ = Participated through conference call.

Board appointments

Appointments to the Board are made in terms of a formal and transparent policy of 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.

During April 2011, prior to its listing, three independent non-executive board members, Mr B Petersen, Prof. MC Mehl and Ms M Vilakazi were appointed.

During February 2012, Mr HG Louw was appointed as executive director.

Executive directors are employed under employment agreements and non-executive directors are appointed by shareholders at the AGM. At least one-third of non-executive directors will be up for re-election annually.

Board composition

The composition of the Board comprises executive and sufficient non-executive directors, with a majority being non-executive directors. Accordingly Curro has a fully functional unitary Board, comprising executive and non-executive directors, which leads and controls the Company. Currently there are four executive directors and five non-executive directors, of whom three are independent.

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

The Board is chaired by Adv. JA le Roux SC who acts in this capacity as a non-executive chairman. The Chairman of the Board is responsible, inter alia, for ensuring the integrity and effectiveness of the Board's governance processes.

Prof. MC Mehl acts as the Lead Independent Director in accordance with paragraph 3.84(c) of the Listings Requirements of the JSE.

The responsibilities of the Lead Independent Director are, inter alia, as follows:

Enhancing board effectiveness

- Working with the Board Chair/CEO and Corporate Secretary to ensure the Board has adequate resources, especially by way of full, timely and relevant information to support its decision-making requirements.

- Chairing Board meetings when the Board Chair/CEO is unavailable or when there is any potential conflict.
- Together with the Chairman of the Board, the Lead Independent Director shall annually review the purpose of the Committees of the Board and recommend to the Board any changes deemed necessary or desirable to the purpose of the Committees and whether any Committees should be created or discontinued.

The Board's governance and management functions are linked through the Chief Executive Officer, Dr CR van der Merwe, who is tasked with the running of the business and the implementation of the policies and strategies adopted by the Board, as recommended by the Curro Executive Committee.

Rotation of directors

A staggered rotation of non-executive directors ensures continuity of experience and knowledge. Executive directors are excluded from rotation by virtue of their employment contracts.

Delegation of powers

The Board has 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. There is a clear distinction between the responsibilities at Board level and that delegated to the Curro Executive Committee. This assists in ensuring that no single director has unfettered decision-making powers.

Where appropriate, the Board authority delegates certain specific powers usually for the purpose of implementation by way of written Board resolutions.

Board committees

The Board is authorised to form committees to assist in the execution of its duties, powers and authorities. As stated previously, no Nomination Committee has been appointed as the entire Board takes responsibility for appointing appropriate Board members and senior management to the organisation.

Audit and risk committee

The Audit Committee, which also acts as a Risk Committee, is 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

Corporate Governance (continued)

audit plan and audit fees, as well as the use of external auditors for non-audit services. The Audit Committee, on an annual basis, considers and satisfies itself as to the appropriateness of the expertise and experience of the Financial Director of the Company. In addition, risks are identified through the input of management and external audit. The Risk Committee is overseeing these risks through the feedback on processes in place to monitor or manage the risks. No breakdown or significant breach in internal financial controls occurred during the year and the Audit Committee is comfortable 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 Committee on pages 36 to 37.

The Audit Committee comprises only independent, non-executive directors, being Ms M Vilakazi as chairperson and Prof. MC Mehl and Mr B Petersen as its elected members. The Audit Committee meets at least twice a year.

During the year under review the Audit and Risk Committee met on 12 August 2011 where all the members were present.

Remuneration committee

The Remuneration Committee is responsible for assisting the Board in remunerating directors and senior management within the Group. The Remuneration Committee comprises predominately of non-executive directors, being Adv. JA le Roux and Mr PJ Mouton as well as invitees, being Messrs CA Otto and N Treurnicht, the majority of whom are independent and is chaired by Mr CA Otto. The Remuneration Committee meets at least once a year.

Communications

The Company believes in clear, transparent, concise and timely dissemination of relevant information to all stakeholders. The Board strives to provide its stakeholders, the 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.

Management of risks

Curro is not considered to be in a high-risk environment. The main potential catastrophic risks are safety of learners and staff as well as the 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 receives specific feedback on the status of Information Technology throughout the Group.

Compliance with King III

Areas where Curro is not fully compliant with King III are explained below:

The Board must ensure that there is an effective risk-based internal audit	Given that Curro was operating in a private, unlisted environment and given the size and nature of the business operations of Curro, it was not considered necessary that a formal internal audit function should be established in regard to internal audit and risk. Since Curro has now converted to a public company, which will operate in a listed environment, an internal audit function, appropriate to the size and nature of Curro's business, will be implemented over time.
The Board must elect a Chairman of the Board who is an independent non-executive director. The CEO of the Company should not also fulfil the role of Chairman of the Board	The roles of the CEO and Chairman are fulfilled by separate individuals. The current Chairman is non-executive, but not independent. After careful consideration, the Board believes that this is most appropriate for the business given the experience of the Chairman and the relative inexperience of the independent non-executive directors pertaining to Curro's business. A Lead Independent Director was appointed.
The Board must comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	The majority of the directors are non-executive. The majority of directors are not independent. Given the size of Curro's business and that the JSE Listings Requirements for AltX companies does not require that the majority of directors be independent and given that the Board is satisfied that all directors, notwithstanding that they may not meet the technical definition of independence as laid down by King III, are capable of exercising their decisions on an independent basis, the Board does not consider that the cost of appointing additional independent directors warrants the application of this principle.
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.
Shareholders should approve the Company's remuneration policy	Given that Curro was previously a private company with a limited number of private shareholders having representation at board level, it was not considered necessary for shareholders to approve the remuneration policy. After careful consideration, the Board is of the view that its directors are best placed, having specific industry knowledge, to determine and approve the Company's remuneration policy. This will be monitored and to the extent that circumstances change, the Board will reconsider the application of this principle.
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.

Corporate Governance (continued)

Stakeholder engagement

Curro recognises the importance of engaging with various stakeholders to understand and respond to their particular interests and concerns, whilst ensuring continued value creation for its shareholders. The list of stakeholders with whom Curro engages has been reviewed to ensure that it includes all individuals and organisations directly or indirectly affected by its activities. The table below outlines its relationship with different groups of stakeholders, their perceived expectations and how the interaction is managed.

Table of key stakeholders

Stakeholder	Relationship to Curro	Expectations of stakeholder	How managed by Curro
Shareholders	Owners and providers of capital	Security of investment	Strong board and executive leadership
		Optimal earnings and distributions	Good corporate governance practices
		Ethical operations on a sustainable basis, with long-term real growth in performance	Succinct reporting via SENS, website and hard copy
Employees	Employment and service agreements	Safe, healthy and congenial working conditions	School buildings comply with health and safety regulations
		Market-related terms of employment and remuneration	Skills training and development
		Job security, satisfaction and recognition	Curro Centre for Curriculum Excellence (CCEE)
		Opportunities for skills acquisition, career development and empowerment	
Learners/Parents	Learners are enrolled at Curro Private Schools to obtain world-class education	Safe, healthy and congenial conditions	Curro Centre for Educational Excellence (CCEE)
		Excellent school facilities	Learners writing examinations of the Independent Examinations Board (IEB)
		Excellent education and academical results	The operational team commits to developing new schools and improving existing schools to offer the best facilities available. Emphasis is also placed on new trends and technology
			Small classes with a maximum learner/educator ratio of 1:25 Employment of qualified and experienced educators

Stakeholder	Relationship to Curro	Expectations of stakeholder	How managed by Curro
Government	Monitors of compliance with laws and regulations	Compliance with laws, submission of returns, payment of taxes	Improving skills and ability of employees to secure compliance
	Receivers of taxes, levies and rates	Social investment	Prompt response in instances of non-compliance
		Generator of employment	External audit identifies non-compliance
			Bursaries and subsidies offered
Financial institutions	Funding for expansion	Financial stability and sustainability	Accurate budget and planning process with continuous monitoring
		Accurate financial reporting	The audited financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates

Dealing in securities

Policy dictates that directors and executive management (and all employees with access to management reports) obtain clearance to trade in Curro shares. The Chairman of the Board, the Chief Executive Officer and Chief Financial Officer are mandated to authorise clearance to deal in Curro shares. No trading is allowed during closed periods or when information exists that may affect the share price that has not been disclosed to the public. Director trading as well as that of the Company Secretary and any of their associates are published on the JSE SENS in accordance with regulatory requirements.