CURRO HOLDINGS LTD

Reviewed group results for the financial year ended 31 December 2011



	% change	Reviewed 31 December 2011 R'000	Audited 31 December 2010 R'000
Revenue	125%	166 298	74 028
Earnings before interest, tax, depreciation and amortisation (EBITDA) Depreciation and amortisation Earnings before interest and tax	(18%) (61%)	10 481 (6 704) 3 777	12 800 (3 014) 9 786
Net interest expense		(12 948)	(5 106)
(Loss)/profit before tax Taxation Total comprehensive		(9 171) 1 767	4 680 552
(loss)/profit		(7 404)	5 233
(Loss)/earnings per share (cents) Basic Diluted		(6,2) (6,2)	6,5 6,5
Reconciliation between (loss)/earnings and headline (loss)/earnings Basic (loss)/earnings Adjusted for: Profit on disposal of property, plant and equipment		(7 404) (105)	5 233
Tax effect thereon		29	12
Headline (loss)/earnings Headline (loss)/earnings per share (cents) Basic		(7 480)	5 203 6,5
Diluted		(6,2)	6,5
Number of shares in issue (million) Basic Diluted		161,2 165,5	80,4 80,4
Weighted average number of shares in issue (million) Basic Diluted		118,9 120,0	80,2 80,2
Capitalisation dividend per share (cents)		-	1,3
EBITDA margin		6,3%	17,4%

CONDENSED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 December 2011 R'000	Audited 31 December 2010 R'000
ASSETS		
Non-current assets	574 651	236 889
Property, plant and equipment Goodwill Intangible assets Deferred tax assets	529 928 39 283 5 440	225 321 8 207 1 783 1 578
Current assets	22 751	6 422
Trade and other receivables Current tax asset Cash and cash equivalents	12 836 78 9 837	2 285 - 4 137
Total assets	597 402	243 311
EQUITY AND LIABILITIES		
Equity	369 775	57 686
Non-current liabilities	132 609	99 787
Loans and other financial liabilities Deferred tax liability	122 416 10 193	99 787 –
Current liabilities	95 018	85 838
Related-party loan Loans and other financial liabilities –	38 686	54 440
short term Current tax liabilities	12 298 881	10 861 63
Current tax liabilities Trade and other payables	6 847	7 833
Construction and acquisition payables	14 792	1 500
Prepaid school fees and deposits	21 514	7 914
Bank overdrafts	_	3 223
Total equity and liabilities	597 402	243 311
Net asset value per share (cents)	229,4	71,7

CONDENSED STATEMENT OF CASH FLOWS

	Reviewed 31 December 2011 R'000	Audited 31 December 2010 R'000
Cash generated from operations before working capital changes	11 067	12 768
Changes in working capital	10 006	2 999
Trade and other receivablesTrade and other payables	(5 156) 15 162	(360) 3 359
Interest income Finance costs Taxation paid	1 437 (14 385) (670)	137 (5 243) (594)
Net cash from operating activities	7 455	10 067
Net cash from investing activities	(314 502)	(121 203)
Net cash from financing activities	315 971	101 547
Total cash movement for the year Cash at the beginning of the year Total cash at the end of the year	8 924 913 9 837	(9 589) 10 502 913

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Reviewed 31 December 2011 R'000	Audited 31 December 2010 R'000
Balance at the beginning of the year Total comprehensive (loss)/profit for the year Dividends paid to shareholders	57 686 (7 404)	52 453 5 233 (1 017)
Shares issued Share issue costs Share-based payment	323 227 (4 454) 720	1 017 - -
Balance at the end of the year	369 775	57 686

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF COMPLIANCE

The condensed financial information has been prepared in accordance with the framework concepts and the measurement and recognition criteria of International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, AC 500 standards as issued by the Accounting Practices Board and the Companies Act of South Africa. This independently reviewed report has been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended 31 December 2010. The preparation of the group's consolidated financial results for the year ended 31 December 2011 was supervised by Bernardt van der Linde, the group's Chief Financial Officer.

REVIEWED OPINION

The condensed provisional financial information for the year ended 31 December 2011 has been reviewed by the group's auditors, Deloitte & Touche. The review was conducted in accordance with ISRE 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A copy of their unmodified review report is available for inspection at the company's registered office. Any reference to future financial performanc included in this announcement, has not been reviewed or reported on by the Company's auditors

DIVIDENDS

No dividend was paid during the year. For the comparative year a capitalisation dividend of 1,3 cents per share was paid.

4. ISSUED CAPITAL

- During the year the company:

 Issued 200 000 shares at R4 per share in terms of a specific issue to
- obtain the requisite minimum public spread for listing on the JSE. Raised R322,4 million in a 1 for 1 rights issue where 80,6 million shares were issued at R4 per share.
- Share issue costs were recognised against equity.

BORROWINGS

During the year, the group obtained additional short-term funding from its parent company. This loan was capitalised as part of the rights issue process that was completed on 11 July 2011.

6. OPERATING SEGMENTS

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

7. NOTE TO THE STATEMENT OF CASH FLOWS

	Reviewed 31 December 2011 R'000	Audited 31 December 2010 R'000
Cash generated from operations before working capital changes	11 067	12 768
(Loss)/profit before taxation Adjusting for:	(9 171)	4 680
Depreciation and amortisation	6 704	3 014
 Interest received 	(1 437)	(137)
 Finance cost paid 	14 385	5 243
Profit on sale of asset	(105)	(42)
Movement in operating lease accruals	(29)	10
Share-based payments	720	-

8. BUSINESS COMBINATIONS

Effective 1 January 2011, Curro Holdings ("Curro") acquired the following business operations

- Aurora College for a cash consideration of R43 million
- Overstrand Learning Academy and Berghof Pre-primary in Hermanus for
- Heuwelkruin Kollege in Polokwane for R14,9 million
- Cape St Blaize in Mossel Bay for R2,7 million
- Siloam Academy for R4 million

Effective 1 July 2011, Curro acquired the following business operations Mandorren Academy and Sport School for R5,9 million

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

Optimum Kids Playschool and Pre-primary for R1,8 million Laerskool Koraalsig for R1,3 million

Fair value of assets acquired	R'000
Purchase price	69 827
Property, plant and equipment	59 763
Intangible assets	4 400
Other assets	10 968
Liabilities	(36 379)
Goodwill	31 075

9. COMMITMENTS AND CONTINGENCIES

Curro has provided a guarantee of R10 million plus costs and interest for the completion of the entrance road of the Serengeti Campus that is being constructed by a contractor. The estate's owners are responsible for this cost. but Curro had to provide a guarantee for the interim financing thereof

	Reviewed 31 December 2011 R'000	Audited 31 December 2010 R'000
Capital expenditure		
Contracted	269 500	76 819
Authorised but not contracted	271 000	114 902
	540 500	191 721

10. EVENTS AFTER THE REPORTING PERIOD

The group has acquired or is in the process of acquiring

- The business and properties of Embury College and Wonderland College a combined school based in Morningside, Durban
- The business and properties of Hillcrest Christian Academy, a Pre-primary and primary school based in Hillcrest, Durban
- Land in Century City, Cape Town for the construction of a campus
- Land in Bloemfontein for the construction of a campus
- Acquired Woodhill College (Pty) Ltd and Woodhill College Property Holdings (Ptv) Ltd for an amount of R175 million (subject to Competition

LEARNER NUMBERS

	2009	%	2010	%	2011	%	2012 [†]
Schools operating in 2009	2 059	15	2 371	9	2 581	8	2 793
Schools operating in 2010	-		681	42	969	31	1 274
Schools operating in 2011	-		31		2 007	65	3 316
Schools operating in 2012	-		-		-		1 925
Total number of learners	2059	50	3 083	80	5 557	68	9 308‡

OTHER KEY RATIOS

	2009	2010	2011	2012 [†]
Number of campuses	3	5	12	15
Learners per campus*	686	513	460	621
Staff	251	343	654	926
Educators	201	247	446	669
Learner/teacher ratio**	10,2	12,5	12,4	13,9
Building size (m ²)	33 000	44 500	75 000	84 000#
Land size (ha)	27	55	107	111#
Capital investment (Rm)	35	128	315	_
 Current campuses 	13	13	80	-
 New campuses 	21	114	175	-
Acquisitions	1	1	60	-

- † As at 27 February 2012
- * Average full capacity of 1 400 per school
 ** Maximum of 25 learners per class
- # Excludes planned capital expansion for 2012. Estimated to be about an additional 40 000 m² of buildings and 20 ha of land.
- ‡ Excludes Woodhill College acquisition. Subject to Competition Commission approval.

100% Matric pass rate Revenue increased by 125% Learners increased by 80%

COMMENTARY

OVERVIEW

management of private schools in South Africa. The model makes provision for pre-school learners from the age of six months to Grade 12 in high school

It has become apparent that the private school market offers other segments that look promising from a business prospective. Although Curro will remain a focused player in school education it will now expand from the original, affordable Curro schools to three additional market segments being:

- The high-end/elite private school market
- A private community school initiative market known as Meridian Private Schools focusing on the lower end of the market
- The baby care/crèche market that will be known as Curro Junior Academy

Since 2009 Curro has expanded its country-wide network of private schools from 5 to 15. The number of learners have increased threefold from 3 000 in 2010 to more than 9 300 currently enrolled at Curro schools. In this period 2 700 learners accounted for organic growth.

A total of 220 Curro matrics undertook and passed the 2011 IEB examination at the end of last year, with 80% receiving matric exemption. An average mark of 64% was achieved, while 92% of the learners obtained an average of more

During the year under review. Curro invested R142 million in the establishment of four new main campuses at Serengeti Estate in Kempton Park (Johannesburg), Nelspruit, Hermanus and Mossel Bay. Curro also invested R80 million in expanding capacity and upgrading of facilities at the existing campuses.

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

On 22 November 2011, Curro announced the acquisition of Woodhill College. The acquisition is still subject to Competition Commission approval. This acquisition will add another 1 200 learners.

On a comparative basis, Curro's turnover has increased by 125% to R166,3 million in the financial year ended 31 December 2011. Organic growth accounted for 33% of this increase in turnove

Earnings before interest, tax, depreciation and amortisation (EBITDA) has decreased by 18% to R10,5 million. This can be attributed to

- expenses.
- Expansion of the head office in terms of information systems and human resources capabilities to accommodate planned future growth and expansion.
- · Additional transaction costs incurred for the securing of new school sites

In so doing, the foundation and infrastructure has been laid for the envisaged

It is pleasing to note that the five main campuses that were operational at or before 2010 saw an increase of 41% in EBITDA over the past year.

Curro made a headline loss of R7,5 million for the year ended 31 December 2011, compared to a R5,2 million profit in the previous year. In addition to the abovementioned reasons, this was mainly as a result of the interest brought about by the debt incurred through the aggressive capital expansion over the past two years as well as an increase in depreciation

No dividend was declared for the period under review. For the comparative

Established schools provide for sound cash generation. Curro will for the foreseeable future use all cash generated to expand existing and 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

The potential of the private schools market and the rapidly increasing demand for private education bode well for Curro's growth strategy. The Curro brand continues to entrench itself by offering a value for money private education. Curro will therefore, in addition to adding capacity to existing schools, continue to aggressively expand its network of schools across South Africa. This will be capital intensive and costly over the short to medium term, but the board and ment are confident about the long term return that this strategy will

Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors

On behalf of the Board

JA le Roux CR van der Merwe Chief Executive Officer 27 February 2012

B van der Linde Chief Financial Officer

DIRECTORS: JA le Roux SC (Chairman)* CR van der Merwe (CEO) AJF Greyling (COO) HG Louw B van der Linde (CFO) MC Mehl** PJ Mouton* B Petersen** M Vilakazi** (* Non-executive; ** Independent non-executive) REGISTERED OFFICE: Suite 8, Monaco Square, 14 Church Street, Durbanville, 7550