

ANNEXURE A

SUMMARY OF PROPOSED ACQUISITION OF OAKHILL SCHOOL BY CURRO

1. STRUCTURE OF THE DEAL

- 1.1. The OSA owns the School - its assets, buildings and properties (the OSC sits in a separate company, but that company is also owned by the OSA). The OSA is not a company with shareholders. It's an association not for gain, set up to own and run a school and the parents are its members.
- 1.2. The OSA is registered as a public benefit organisation (PBO) involved in education. This gives it income tax exempt status provided it complies with all laws (tax laws particularly as defined in Schedule 9 of the Income Tax Act) applicable to PBOs. These laws include that if it makes a profit, the profit must be used for the benefit of the School. (No board member or parent member is entitled to receive any profit or benefit and that includes any profit which might be made if it sold its assets). If the OSA sells its assets and no longer carries on its PBO objective, any money that it has made from the sale has to be transferred to another PBO with a similar objective.
- 1.3. A sale is therefore more complicated than, for example, the sale of a school owned by shareholders who have invested in it and are simply repaid when the School is sold. Who gets paid in a transaction where there are no shareholders? If Curro pays the OSA for its assets, how does the payment of that money benefit the School? The Board has been faced with determining a deal structure which would maximise the benefit for the School and its students going forward. See the way it's proposed in paragraph 2 below.
- 1.4. Curro is a leading independent for-profit private school provider. It is listed on the JSE and currently has 66 campuses under management in South Africa (see www.curro.co.za). Oakhill would be its first Select School offering in the Western Cape.

2. DEAL VALUE AND STRUCTURE

- 2.1. Curro is offering a total value of approximately R62 million to acquire the assets and the business of the School as a going concern from the OSA plus an additional commitment to build the sport and educational facilities reflected in 2.2(a) below, to a value of not less than R30 million.
- 2.2. The proposed deal structure, including the form and manner of settlement of the total value is as follows:
 - (a) Curro will undertake the immediate improvement, development and upgrade of the School's facilities and buildings. These projects as agreed with Curro (**attached**), will be designed by agreement between the parties, and these designs will form part of the final sale agreement. The process will start immediately upon conclusion of the sale with an agreed list for completion within 2 years.

- (b) R32 million for the assets and business of the School. This amount will be utilised for: settlement of all of the OSA's current liabilities and long-term borrowings excluding settlement of debentures which fall due for payment after 31 July 2019. Curro has also agreed to repay those debenture holders (including interest due to them) as they fall due for payment (R6.250 million); and
- (c) R30 million will be guaranteed by Curro to be allocated to awarding bursaries and scholarships to learners to attend Oakhill. These will be awarded over a period of 10 to 15 years and the capital amount will be increased by the same percentage as school fee increases in each year. The bursaries and scholarships will be tenable for a period of 5 years and majority of these must be awarded annually to new learners at Oakhill.

3. FURTHER ASSURANCES

Curro is acutely aware of how much the parents of the School value its unique offering and independence. It wishes to accommodate this by giving the following assurances:

- 3.1. The current ethos of the School will be preserved and remain unchanged. This will include but not be limited to the retention of the school name, website, uniform, class size limitation, religious orientation, curriculum offering and general admission policies. The School will be housed as a Curro Select School, which fits exactly into this undertaking – Select Schools are schools acquired by Curro for their unique offering, heritage, identity and ethos, all of which is valued by Curro, and which it seeks to retain;
- 3.2. Staff members will all be retained on at least the same terms as their current conditions of employment and Curro will work with the OSA to ensure maximum retention of staff;
- 3.3. Fee increases will be limited to a maximum of the educational inflation rate prevalent at the time, currently approximately 8% (this is the same basis that is currently used by the Finance Committee to determine annual increases);
- 3.4. Parents will remain involved and play a vital role in the life of the School. The parties intend to establish a committee of elected parents to operate in conjunction with Oakhill management and staff;
- 3.5. The School benefits from immediate and direct access to the Curro Group's wide array of research and development programmes, access to the latest in educational research, teacher training programmes, reduced cost benefits due to the Group's purchasing power and professional support across a wide range of services; and
- 3.6. Curro will fund an additional 6 bursaries to Grade 8 learners annually for deserving candidates who meet the entrance requirements of Oakhill and who will benefit from the Oakhill experience. These bursaries will be tenable for the duration of the learner's enrolment at the School, subject to the learner meeting the agreed bursary conditions.

4. CONDITIONS TO DEAL

4.1. Oakhill Eligible Members and Curro board approval.

4.2. A final sale agreement being approved and concluded between the parties.