St Cyprian's School
GORGE ROAD ORANJEZICHT CAPE TOWN 8001 TELEPHONE : +27 21 461 1090 FAX : +27 21 461 8473
e-mail : head@stcyprians.co.za www.stcyprians.co.za

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Message from St Cyprian's School Financial Steering Committee

Capital Project (Building Future Leaders) – Financial Snapshot

When the Capital Development Project was launched in November 2008, the school announced a plan to spend a total of R60 million in 3 phases. The school planned to fund the project from a combination of loan finance and fund raising, with the majority to be financed from a focused fund-raising campaign. Unfortunately, the project launch coincided with the global credit crunch and the first quarter of the economic recession in South Africa. This limited the amount pledged from fund-raising to R2,1 million. Despite this, a total of R20,7 million has been spent or committed over the last 12 months in completing Phase 1 of the Capital Development Project.

The benefits to the school and to our children are self evident in the world-class facilities encompassed in the new Learning Centre, IT Hub, remodelled high school classrooms and extensions to Molteno House (Grades 1 - 3 classrooms).

The next phase

Andrew Flint and the Property Committee have outlined the school's capital requirements for 2010 if the school is to continue with the next phase of the Capital Development Project. St Cyprian's School has a number of potential sources of funding when it comes to financing capital expenditure. These are:

1. A sustainable surplus from annual operations
2. Income from fund-raising
3. Conventional loan finance, including bank loans and mortgage bonds
4. Capital levies charged annually
5. Bequests and other ad hoc income

The school's operating results for the year to date indicate that we will generate a small operating profit for the current year (2009 school year). Despite the very tough economic conditions over this last year St Cyprian's School's operating results for the year should be slightly better than budget. This is a huge credit to the school's management and to the commitment of the parent body. We envisage a continuation of the current tight trading conditions during 2010 and have budgeted to achieve a break-even position for both operations, as well as cash flow (you will appreciate that cash flow is especially critical for a school where conventional sources of finance are limited.) The 5- year forecast indicates that anticipated school fees over this period will continue to cover expenses, including interest and loan capital repayments, until 2014. However, we do not anticipate generating any significant profits if we continue to apply standard fee increases and cost escalations off our current income and expense base.

Traditional fund-raising will continue and must be intensified during 2010 and beyond. This, however, is of an unpredictable nature and, with the expectation of only a slow recovery from the current depressed

economic conditions, any income generated from these efforts is unlikely to be guaranteed and will not be of a reliable nature.

All current approved loans have now been fully committed in funding the building spend to date and as is demonstrated by our operating forecasts, all current income streams will be required to finance interest and capital repayments on these loans.

A continuation of the schools building programme will be dependent on raising additional loans from the private sector. The approval of these loans will in turn be dependent on the school's demonstrating to the financial institutions that we can generate the additional revenue (in excess of our medium term forecasts) required to service additional debt.

Increase in Compulsory Capital Levy

We are very aware of the tough economic conditions and the personal sacrifices that many parents have to make to ensure that their girls can be educated at St Cyprian's School especially during the current financial climate that has placed additional strain on your personal finances. However, the only available source of additional income at this stage is from our parent body.

Therefore, after vigorous debate with the school, the Council and the PTA, the School Council has approved a proposal to increase the compulsory capital levy. This decision has been taken with extreme reluctance but unfortunately our options are very limited. We must either raise the capital levy or suspend the school's building project. If this happens we will have lost the momentum and sense of purpose and achievement that has been generated over the last year in particular, and it could be a few years before the project can be re-launched. A huge amount has been achieved during 2009 but there is still a lot that needs to be completed.

The impact of the increase in the capital levy will differ dependent upon your daughter's grade and the number of children that you have at the school. The increased levy will be reviewed from time to time and we will make alternative payment options available to parents who prefer to pay the levy upfront. The range of the parents' increased contribution per child will range from R375 to R700 per term over and above the school fees, and capital levy that have already been published for next year. The full details of the capital levy and the personal impact on you will be mailed to all parents and guardians.

Please be aware that the capital levy is exclusively used to fund building and capital projects and will not be swallowed up in funding the day-to-day operations of the school. The extent of the increase in the levy has been carefully calculated to fund the planned capital expenditure during 2010 and will be used solely for this purpose.

I thank you for your assistance in helping to elevate St Cyprian's School from its current status where it is acknowledged as one of the top 15 schools in the Western Cape to a position where it is ranked as one of the top schools on the continent.

Howard Carter – Chairman St Cyprian's School Finco