STADIO

HOLDINGS

2018 ANNUAL FINANCIAL STATEMENTS

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DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements (annual financial statements) of Stadio Holdings Limited for the year ended 31 December 2018, comprising the consolidated and separate statements of comprehensive income, consolidated and separate statements of financial position, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows and the notes to the annual financial statements. The annual financial statements set out on pages 16 to 77 have been prepared in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee's interpretations, the SAICA Financial Reporting Standards Council, the requirements of the Companies Act of South Africa, and the listings requirements of the JSE Limited (JSE). Appropriate accounting policies have been consistently applied in all material respects and are supported by reasonable and prudent estimates where appropriate. Adequate accounting records have been maintained throughout the period under review.

In addition, the Directors are responsible for preparing the Directors' Report which is set out on pages 3 to 7.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Directors have made an assessment of the Group's and Company's ability to continue as a going concern and they have no reason to believe that the business will not be a going concern in the year ahead.

The external auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework. The Independent Auditor's Report is set out on pages 10 to 15.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the Board of Directors on 1 March 2019 and signed by:

Dr CR van der Merwe
Chief Executive Officer

Ms S Totaram
Chief Financial Officer

DECLARATION BY COMPANY SECRETARY

In terms of the requirements of the Companies Act of South Africa, I certify, to the best of my knowledge, that the Group has lodged with the Companies and Intellectual Properties Commission (CIPC) all such returns and notices as are required of a public company in terms of this Act, and that all such returns are true, correct and up to date.

pp.

Stadio Corporate Services Proprietary Limited
Company Secretary

1 March 2019

DIRECTORS' REPORT

The Directors are pleased to present their report on the annual financial statements of Stadio Holdings Limited and its subsidiaries (STADIO or the Group) for the year ended 31 December 2018.

1. NATURE OF BUSINESS

Overview

STADIO is an investment holding company that focuses on the acquisition of, investment in, and the growth and development of higher education institutions to assist in meeting the demand for quality and relevant higher education programmes in southern Africa. It is the Group's vision to be a leading Multiversity, offering qualifications aligned with the needs of societies, students and the world of work. As a Multiversity, the Group currently owns six registered higher education institutions that are aimed at providing programmes, both undergraduate and post graduate, that provide graduates with a real chance of creating employment opportunities (entrepreneurship) or finding employment.

In time the Group will look to consolidate the programmes offered by its various higher education institutions under a single brand, STADIO Multiversity, that will allow all stakeholders to benefit from the marketing, operational and regulatory advantages of doing so.

Corporate transactions

During 2018, the Group acquired the following entities and businesses, the details of which are included in Note 35:

- Lisof Proprietary Limited (including the associated property companies Wadam Properties Proprietary Limited and Histodox Proprietary Limited) (collectively LISOF) with effect from 1 January 2018;
- MBS Education Investments Proprietary Limited (MBS Education), which owns 100% of Milpark Education Proprietary Limited (Milpark) with effect from 19 March 2018;
- The business of CA Connect Professional Training Institution CPT Proprietary Limited (CA Connect) with effect from 12 April 2018; and
- Prestige Academy Proprietary Limited (Prestige Academy) with effect from 1 November 2018.

Financial overview

The 2018 Group financial results saw the consolidation of LISOF (1 January 2018), Milpark (19 March 2018), CA Connect (12 April 2018) and Prestige Academy (1 November 2018) from their respective effective acquisition dates.

The operating results and the performance of the Group and Company are set out in the statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and notes thereto. The profit attributable to equity holders of the Group for the year under review were R63.3 million (2017: R7.0 million loss). The Group's headline earnings attributable to equity holders amounted to R62.8 million (2017: R7.0 million loss), with core headline earnings attributable to equity holders amounting to R70.0 million (2017: R3.2 million).

2. SHARE CAPITAL

During the year, 31.8 million shares were issued as the equity settled portion of acquisitions. Refer to Note 28 for further information.

3. CONTROL OVER UNISSUED SHARES

The unissued ordinary shares are the subject of a general authority granted to the Directors in terms of section 38 of the Companies Act of South Africa. As this general authority remains valid only until the next Annual General Meeting (AGM), a shareholders' resolution will be posed at the next AGM to consider placing the unissued ordinary shares, up to a maximum of 10% of the Company's issued share capital, under the control of the Directors until the following AGM.

4. DIVIDENDS

No dividends have been declared for the year ended 31 December 2018 (2017: Rnil).

5. DIRECTORATE

The Directors in office at the date of this report are as follows:

Directors	*Gender*	*Office*	*Designation*	*Appointment date*
RH Stumpf	Male	Chairman of the Board	Independent non-executive	1 May 2017
CR van der Merwe	Male	Chief Executive Officer	Executive	1 July 2017
S Totaram	Female	Chief Financial Officer	Executive	18 April 2017
D Singh	Female	Chief Academic Officer	Executive	27 June 2017
R Kisten	Female		Independent non-executive	1 May 2017
KS Sithole	Male		Independent non-executive	1 May 2017
DM Ramaphosa	Male		Independent non-executive	9 March 2018
PN de Waal	Male		Non-executive	1 May 2017
A Mellet (alternate to PN de Waal)	Male		Non-executive	1 May 2017

6. SHAREHOLDING OF DIRECTORS

The shareholding of Directors in the issued share capital of the Company as at year end was as follows:

	2018			2017		
Director	*Direct '000*	*Indirect '000*	*Total '000*	*Direct '000*	*Indirect '000*	*Total '000*
CR van der Merwe	–	5 735	5 735	–	5 735	5 735
S Totaram	699	–	699	699	–	699
D Singh	157	–	157	135	–	135
R Kisten	694	–	694	676	–	676
PN de Waal	154	–	154	154	–	154
A Mellet (alternate to PN de Waal)	–	88	88	–	68	68
	1 704	5 823	7 527	1 664	5 803	7 467

The register of interests of Directors and others in shares of the Company is available to the shareholders on request. There were no changes between the year ended 31 December 2018 and the date of approval of the annual financial statements.

7. INTERESTS IN SUBSIDIARIES

Details of material interests in subsidiaries are presented in the annual financial statements in Note 17.

8. SPECIAL RESOLUTIONS

The following special resolutions, the nature of which might be significant to the shareholders in their appreciation of the state of affairs of the Group, were passed during the year seeking to:

1. Authorise the Company to remunerate its Non-executive directors;
2. Increase the Company's authorised share capital from one billion to two billion ordinary shares of no par value following shareholder approval in terms of section 36(2)(a) and section 16(1)(c) of the Companies Act of South Africa;
3. Authorise the Board of the Company, in terms of section 45(3)(a)(ii) of the Companies Act, to approve any direct or indirect financial assistance that the Board may deem fit to any director, prescribed officer or company that is related or interrelated to the Company on the terms and conditions and for amounts that the Board of the Company may determine;
4. Authorise the Board of the Company, in terms of section 44(3)(a)(ii) of the Companies Act, to approve any direct or indirect financial assistance that the Board may deem fit to any director, prescribed officer or company that is related or interrelated to the company, for the purpose of the subscription of any options or shares issued or to be issued by the Company or a related or interrelated company, on the terms and conditions and for the amounts that the Board of the Company may determine; and
5. Authorise the Company and/or its subsidiaries to repurchase its own shares upon such terms as the directors may determine, but subject to the provisions of sections 46 and 48 of the Companies Act, and the MOI of the Company.

9. EVENTS AFTER THE REPORTING PERIOD

Refer to Note 36 for events occurred after the reporting period. The Directors are not aware of any other matter, which is material to the Group or the Company that has occurred between the reporting date and the date of the approval of the annual financial statements that has a material impact on the annual financial statements.

10. GOING CONCERN

The Directors believe that the Group and the Company have adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going concern basis.

In the current year, the Group increased its profit after tax from a loss of R5.1 million in 2017 to a profit of R77.3 million in 2018. The Group concluded a number of acquisitions which is in line with its strategy to widen access to higher education and has a strong cash balance of R260 million as at 31 December 2018 and is in the process of finalising debt facility arrangements to assist in funding its capital expansion and growth objectives. The Directors, therefore, have satisfied themselves that the Group and the Company are in a sound financial position and that the Group and the Company have sufficient cash, and access to borrowings, to meet their foreseeable cash requirements.

The Directors are not aware of any new material changes that may adversely impact the Group and the Company nor are they aware of any material non-compliance with statutory or regulatory requirements which may affect the Group or the Company.

11. AUDITORS

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act of South Africa.

12. SECRETARY

The Company Secretary is Stadio Corporate Services Proprietary Limited.

Business Address	**Postal Address**
Unit 13 San Domenico,	PO Box 2161
10 Church Street	Durbanville
Durbanville	7551
7500	South Africa
South Africa	

13. SPONSOR

PSG Capital Proprietary Limited acts as sponsor for the Group and the Company, providing advice on the interpretation of and compliance with the JSE and reviewing notices required in terms of the Company's Memorandum of Incorporation and the JSE.

14. CORPORATE GOVERNANCE

The Directors endorse the King Code and are committed to applying the principles of transparency, integrity, fairness and accountability in the conduct of its business and affairs.

The Board has satisfied itself that appropriate principles of corporate governance were applied throughout the year under review.

The Directors are responsible for ensuring that the Group and Company comply with all of its statutory and regulatory obligations. The Board of Directors oversees and ensures an effective compliance framework, the integrity of the Group's financial reporting and risk management, as well as accurate, timely and transparent disclosure to shareholders.

A full analysis of the steps taken by the Group to comply with the principles of King Code is available on STADIO's website at http://www.stadio.co.za/investor-relations/corporate-governance/king-code.

15. REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the Audit and Risk Committee, as required in terms of section 94(7)(f) of the Companies Act of South Africa, is set out on pages 8 to 9 of the annual financial statements.

STADIO is currently focused on growing its existing registered higher education brands; pursuing potential further acquisitions of relevant higher education institutions; exploring further expansion opportunities of existing brands; and overseeing the development of new faculties, programmes and campuses across all brands.

STADIO is incorporated in the Republic of South Africa and is a public company listed on the JSE.

AUDIT AND RISK COMMITTEE REPORT

This report is provided by the Audit and Risk Committee (the Committee) appointed in respect of Stadio Holdings Limited and its subsidiaries (the Group) for the year ended 31 December 2018.

1. MEMBERS OF THE AUDIT AND RISK COMMITTEE

The Committee consists solely of Independent Non-Executive Directors being:

- KS Sithole (Chairperson);
- R Kisten;
- DM Ramaphosa – appointed 19 April 2018; and
- RH Stumpf – resigned 19 April 2018.

The Committee is satisfied that the members thereof have the required knowledge and experience as set out in section 94(5) of the Companies Act of South Africa and Regulation 42 of the Companies Regulations, 2011.

2. PURPOSE

The Committee has an independent role whose purpose is to assist the Board by providing an objective and independent view on the Group's finance, accounting and control mechanisms, including risk management, and by reviewing and ensuring that consideration is given to the following:

- the accounting policies of the Group and any proposed revisions thereto;
- the effectiveness of the Group's information systems and internal controls;
- the effectiveness of the Group's risk management system in achieving its strategic objectives;
- the appointment and monitoring of the effectiveness of the external auditors;
- the appropriateness, expertise and experience of the Chief Financial Officer;
- setting the principles for recommending the use of external auditors for non-audit services and recommending that these be kept to a minimum;
- the integrated report and specifically the annual financial statements included therein;
- the reports of the external auditors;
- the Group's going-concern status; and
- compliance with applicable legislation and requirements of regulatory authorities.

3. MEETINGS HELD BY THE COMMITTEE

The Committee performs the duties imposed upon it by section 94(7) of the Companies Act of South Africa, by holding meetings with the key management on a regular basis and by the unrestricted access granted to the external auditor.

The Committee held two scheduled meetings during 2018, which all Committee members attended.

4. EXTERNAL AUDIT

The Group appointed PricewaterhouseCoopers Inc. in accordance with section 90 of the Companies Act of South Africa, as their external auditor for the year ended 31 December 2018 with Mr D de Jager, a registered independent auditor, as the designated partner for the 2018 audit.

The Committee satisfied itself that the external auditors are independent of the Group, as set out in section 94(8) of the Companies Act of South Africa, and as per the standards stipulated by the auditing profession. The external auditor is thus suitable for reappointment by considering, *inter alia*, the information stated in the paragraph 22.15(h) of the Listings Requirements of the JSE.

The Committee ensured that the appointment of the external auditor complied with the Companies Act of South Africa, and any other legislation relating to the appointment of an auditor.

The Committee, in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the scope and extent of the work required and the timing of the audit.

The Committee has considered and pre-approved all non-audit services, where applicable, provided by the external auditors and the fees thereof to ensure that the independence of the external auditors is maintained.

5. ANNUAL FINANCIAL STATEMENTS

The Committee recommended the approval of the annual financial statements of the Group, following a detailed review thereof.

6. ACCOUNTING PRACTICES AND INTERNAL CONTROL

Internal controls and systems have been designed to provide reasonable assurance of the integrity and reliability of the financial information presented in the annual financial statements and to safeguard, verify and maintain the assets of the Group and the Company.

The Committee, through consultation with the external auditors, ensures that management's processes and procedures are adequate to identify; assess; manage; and monitor group-wide risks.

The Committee considers the accounting policies, practices and annual financial statements to be appropriate.

7. EVALUATION OF THE CHIEF FINANCIAL OFFICER

As required, by the Listings Requirements of the JSE Limited 3.84(h), the Committee has assessed and is satisfied with the expertise and experience of the Group's Chief Financial Officer, Ms S Totaram.

8. COMPLAINTS AND/OR CONCERNS

No complaints or concerns were received by the Committee on any matters relating to the accounting practices of the Group, the content or auditing of the annual financial statements, the internal financial controls of the Group or on any other related matter during the year under review.

On behalf of the Committee

KS Sithole
Audit and Risk Committee chairperson

Durbanville
1 March 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF STADIO HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Stadio Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Stadio Holdings Limited's consolidated and separate annual financial statements set out on pages 16 to 77 comprise:

- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

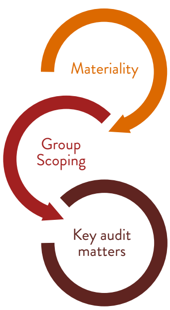
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R5,7 million, which represents 5% of consolidated profit before tax

Group audit scope

- Full scope audits were performed for all significant components
- Analytical procedures were performed on components that were financially insignificant

Key audit matters

- Acquisitions – Valuation of intangible assets
- Internally generated curriculum material ("Curriculum Development")
- Goodwill and indefinite life intangible asset impairment assessments

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R5.7 million
How we determined it	5% of consolidated profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping included eight components, which comprise the parent company, the Group's holding company structure and consolidation of the six operating entities within the Group, Embury Institute for Higher Education Proprietary Limited (Embury), Southern Business School Proprietary Limited (SBS), The South African School of Motion Picture Medium and Live Performance Proprietary Limited (AFDA), MBS Education Investments Proprietary Limited (Milpark), Lisof Proprietary Limited (Lisof) and Prestige Academy Proprietary Limited (Prestige). We conducted full scope audits of Stadio Corporate Services Proprietary Limited (as part of the Group's holding company structure) and four of the operating entities, due to their financial significance to the consolidated financial statements. Full scope audits were also performed on the financial information of the parent company, other head office companies and one operating entity as they are subject to statutory audits in South Africa. The remainder of the components were considered to be financially insignificant, individually and in aggregate. We performed analytical procedures on these components.

Group instructions were communicated to the component auditors. The instructions covered those areas that we required the component auditors to focus on, as well as information that we require them to report to us. We examined the reporting received from the component auditors and assessed the impact thereof on the consolidated financial statements. We examined component auditors' working papers relating to areas of significant risk in the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
Acquisitions – Valuation of intangible assets During the year, the Group made four acquisitions, namely Lisof including associated property companies, Wadam and Histodox, MBS Education Investments, CA Connect and Prestige Academy, as detailed in Note 35 for a total consideration of R440 million. Identifiable intangible assets amounting to R84 million were recognised as part of the acquisitions as disclosed in note 15. On acquisition, the Group was required to determine the fair value of intangible assets acquired. This was considered a matter of most significance in our audit due to the significant judgement exercised by the directors, particularly relating to: • The valuation methodologies applied in the fair value determination as disclosed in Note 30; • The annual growth rate implicit in the valuation of the trademarks; • The discount rates applied in the valuation of the client lists; and • The directors' estimation of future cash flows for purposes of valuation of the client lists acquired as part of the business combination.	We made use of our internal valuation specialists and: • Assessed the methodologies utilised by the Directors in determining the fair value of the intangible assets against the requirements of IAS 38 Intangible Assets. We found them to be consistent; • Independently calculated the discount rates, taking into account independently obtained data. This information included the cost of debt, risk free rates in the market, market risk premiums, debt/equity ratios, as well as the beta of comparable companies. The discount rates used by the directors were found to be within an acceptable range of our independent calculations; • Assessed the annual growth rate used by the Directors to value the trademarks and found it to be within an acceptable range in context of local market conditions and historical performance of the trademarks; and • Assessed the Directors' estimated future cash flows relating to business units supporting the valuation of client lists acquired by evaluating the Directors' budget preparation process and controls.
Internally generated curriculum material (Curriculum Development) The Group is in the process of developing and registering a number of new programmes, as well as converting and registering its existing campus-based courses into distance learning offerings. During the current financial year, R13 million has been capitalised to curriculum material as disclosed in Note 15. As disclosed in accounting policy Notes 2.4.1 and 4.4.3, Curriculum Development costs directly attributable to the development of new curricula are recognised as internally generated intangibles assets by the directors when the development costs meet the criteria as disclosed in Note 15. We considered the recognition of internally generated intangible assets as a matter of most significance in the current year audit as the assessment made by the directors requires judgement and is subjective, especially relating to the assessment of the probability that the development of the curriculum will be able to generate future economic benefits and the assessment of whether expenditure attributable to the development of the asset can be measured reliably.	We obtained an understanding from the directors of the relevant controls and process implemented over the recognition of the internally generated intangible assets for new Curriculum Development, and performed, amongst others, the following audit procedures on a sample of curricula: • We assessed the probability that the curriculum development will generate future economic benefits by obtaining the Directors' calculations of future income based on the number of students and the fee of the course. The fees were evaluated against similar courses offered and were found to be reasonable. Student numbers were based on forecasted/pipelined students that qualify for further education based on current results and current enrolment. We evaluated the forecasted student numbers against historic trends of the increase in student numbers and found this to be within a reasonable range. • The most significant cost element related to salaries of employees involved in the development of the curriculum. For each curriculum we inspected the approved project plan to determine whether only the salaries of people involved in the project were capitalised to the specific curriculum and traced the amounts to payroll records. We found no exceptions for the selected sample.

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite life intangible asset impairment assessments The Group's net assets include a significant amount of goodwill, trademarks and curriculum material classified as indefinite life intangible assets as disclosed in Note 15 and Note 16. As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and indefinite life intangible assets. This is performed using a discounted cash flow model. Key inputs are the discount rate applied, terminal growth rate and future cash flow assumptions. Resulting from the assessment, the Group has not recognised any impairment charge. We considered this area to be a matter of most significance in our audit of the current year due to the magnitude of the related goodwill and intangible asset balances and the judgement involved in the directors' assessments.	Our audit procedures included, among others, testing of the principles and integrity of the Group's discounted cash flow models. We tested the accuracy of the calculation for each model and we challenged key inputs in the calculations, such as the discount rate, terminal growth rate and future cash flow assumptions by reference to the board approved business plan and market data, which consists of data external to the Group. We found that the models were mathematically accurate. We utilised our internal valuation specialists when considering the appropriateness of the discount rates. The discount rates used by the directors were found to be within an acceptable range of our independent calculations. In assessing the directors' forecasts, we considered the historical accuracy of the underlying businesses' forecasts to assess the reliability thereof by comparing the actual results for the year with the original forecasts. The directors provided explanations for variances identified, which we corroborated with underlying information. We performed independent sensitivity calculations on the impairment assessments, to determine the degree by which the key assumptions needed to change in order to trigger an impairment. The results of our sensitivity analyses were consistent with the directors' conclusions.

Separate annual financial statements

We have determined that there are no key audit matters in respect of the separate financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Stadio Holdings Limited Annual Financial Statements for the year ended 31 December 2018 which includes the Directors' Report, the Audit and Risk Committee Report and the Declaration of the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the Stadio Holdings Limited Annual Integrated Report 2018, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Stadio Holdings Limited for 2 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor

Stellenbosch
1 March 2019

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		GROUP		COMPANY	
	Notes	2018 R'000	2017[1] R'000	2018 R'000	2017 R'000
Revenue[1]	6	**632 928**	122 250	**–**	–
Other income[1]	7	**8 981**	3 148	**–**	–
Operating expenses	8	**(513 097)**	(124 929)	**(1 249)**	(3 455)
Earnings/(loss) before interest, taxation, depreciation and amortisation (EBITDA)		**128 812**	469	**(1 249)**	(3 455)
Depreciation	14	**(22 075)**	(6 403)	**–**	–
Amortisation	15	**(11 920)**	(3 666)	**–**	–
Earnings/(loss) before interest and taxation (EBIT)		**94 817**	(9 600)	**(1 249)**	(3 455)
Investment income	9	**25 264**	14 914	**135**	231
Finance cost	10	**(6 719)**	(7 630)	**–**	(2 926)
Profit/(loss) before taxation		**113 362**	(2 316)	**(1 114)**	(6 150)
Taxation	11	**(36 071)**	(2 788)	**(151)**	151
Profit/(loss) for the year		**77 291**	(5 104)	**(1 265)**	(5 999)
Attributable to:					
Owners of the parent		**63 270**	(7 037)	**(1 265)**	(5 999)
Non-controlling interests		**14 021**	1 933	**–**	–
Total comprehensive (loss)/income for the year		**77 291**	(5 104)	**(1 265)**	(5 999)

[1] *Rental income relating to the Group's property companies has been reclassified from Revenue to Other income during the year.*

		GROUP	
Earnings/(loss) per share (EPS)	Notes	2018 Cents	2017 Cents
Basic	12	**7.8**	**(1.2)**
Diluted	12	**7.7**	**(1.2)**

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		GROUP		COMPANY	
	Notes	**2018 R'000**	2017[1] R'000	**2018 R'000**	2017 R'000
Assets					
Non-current assets					
Property, plant and equipment	14	**531 298**	453 699	**–**	–
Intangible assets	15	**206 228**	113 522	**–**	–
Goodwill	16	**749 482**	409 666	**–**	–
Investment in subsidiaries	17	**–**	–	**928 521**	811 004
Other financial assets	24	**6 727**	1 898	**–**	–
Deferred tax asset	18	**43 004**	14 695	**–**	151
Total non-current assets		**1 536 739**	993 480	**928 521**	811 155
Current assets					
Inventories	19	**4 372**	7 370	**–**	–
Trade and other receivables	20	**89 493**	42 364	**–**	–
Loans to related parties	25	**1 954**	2 500	**636 162**	640 431
Tax receivable		**12 180**	6 448	**–**	–
Cash and cash equivalents	26	**259 508**	646 090	**93**	9 354
Total current assets		**367 507**	704 772	**636 255**	649 785
Total assets		**1 904 246**	1 698 252	**1 564 776**	1 460 940
Equity					
Share capital	28	**1 564 283**	1 367 123	**1 564 283**	1 367 123
Retained earnings/(accumulated loss)		**80 511**	17 241	**(7 264)**	(5 999)
Other reserves		**5 122**	953	**–**	–
Total equity attributable to equity holders of the Company		**1 649 916**	1 385 317	**1 557 019**	1 361 124
Non-controlling interest		**47 186**	29 354	**–**	–
Total equity		**1 697 102**	1 414 671	**1 557 019**	1 361 124
Liabilities					
Non-current liabilities					
Borrowings	27	**3 392**	3 570	**–**	–
Trade and other payables	21	**29 732**	719	**–**	–
Finance lease liabilities	23	**209**	–	**–**	–
Deferred tax liability	18	**35 776**	20 116	**–**	–
Total non-current liabilities		**69 109**	24 405	**–**	–
Current liabilities					
Borrowings	27	**758**	664	**–**	–
Loans from related parties	25	**1 137**	119 042	**7 201**	7 201
Trade and other payables[1]	21	**46 241**	113 401	**556**	92 615
Income received in advance[1]	22	**86 451**	22 609	**–**	–
Finance lease liabilities	23	**186**	–	**–**	–
Tax payable		**3 262**	3 460	**–**	–
Total current liabilities		**138 035**	259 176	**7 757**	99 816
Total liabilities		**207 144**	283 581	**7 757**	99 816
Total equity and liabilities		**1 904 246**	1 698 252	**1 564 776**	1 460 940

[1] *Trade and other payables has been represented to disclose contract liabilities separately in accordance with IFRS 15.*

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Ordinary share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
Group							
Balance at 1 January 2017		60 811	–	23 446	84 257	–	84 257
Total comprehensive (loss)/ income for the year		–	–	(7 037)	(7 037)	1 933	(5 104)
Issue of ordinary shares		1 321 378	–	–	1 321 378	–	1 321 378
Share issue costs		(15 066)	–	–	(15 066)	–	(15 066)
Share-based payment charge		–	953	–	953	–	953
Acquisitions		–	–	–	–	33 738	33 738
Non-controlling interest – change in ownership		–	–	832	832	(6 317)	(5 485)
Balance at 31 December 2017		1 367 123	953	17 241	1 385 317	29 354	1 414 671
Total comprehensive income for the year		**–**	**–**	**63 270**	**63 270**	**14 021**	**77 291**
Issue of ordinary shares	28	**197 525**	**–**	**–**	**197 525**	**–**	**197 525**
Share issue costs	28	**(365)**	**–**	**–**	**(365)**	**–**	**(365)**
Share-based payment charge		**–**	**4 169**	**–**	**4 169**	**–**	**4 169**
Acquisitions	35	**–**	**–**	**–**	**–**	**6 542**	**6 542**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**(2 731)**	**(2 731)**
Balance at 31 December 2018		**1 564 283**	**5 122**	**80 511**	**1 649 916**	**47 186**	**1 697 102**

	Ordinary share capital R'000	Share-based payment reserve R'000	Accumulated loss R'000	Total equity R'000
Company				
Balance at 1 January 2017	–	–	–	–
Total comprehensive loss for the year	–	–	(5 999)	(5 999)
Issue of ordinary shares	1 382 189	–	–	1 382 189
Share issue costs	(15 066)	–	–	(15 066)
Balance at 31 December 2017	1 367 123	–	(5 999)	1 361 124
Total comprehensive loss for the year	**–**	**–**	**(1 265)**	**(1 265)**
Issue of ordinary shares	**197 525**	**–**	**–**	**197 525**
Share issue costs	**(365)**	**–**	**–**	**(365)**
Balance at 31 December 2018	**1 564 283**	**–**	**(7 264)**	**1 557 019**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

		GROUP		COMPANY	
	Notes	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Net cash flow from/(used in) operating activities		**77 257**	(47 737)	**(18 765)**	(2 350)
Cash generated from/(utilised by) operations	34.1	**100 075**	(37 233)	**(18 900)**	345
Investment income		**25 264**	14 914	**135**	231
Finance cost		**(3 733)**	(7 630)	**–**	(2 926)
Taxation paid	34.2	**(44 349)**	(17 788)	**–**	–
Net cash flow used in investing activities		**(305 161)**	(391 903)	**9 869**	(180 000)
Purchase of property, plant and equipment	14	**(41 637)**	(222 185)	**–**	–
Purchase of intangible assets	15	**(2 510)**	(126)	**–**	–
Internally generated curriculum material	15	**(13 360)**	(11 277)	**–**	–
Acquisition of subsidiaries, net of cash acquired	35	**(243 750)**	(158 548)	**–**	(180 000)
Disposal of property, plant and equipment		**–**	233	**–**	–
Proceeds from loans from related parties	34.3	**96**	–	**9 869**	–
Acquisition of other financial assets		**(4 000)**	–	**–**	–
Net cash flow from financing activities		**(158 678)**	938 459	**(365)**	191 704
Proceeds on shares issued	28	**–**	840 000	**–**	840 000
Share issues costs	28	**(365)**	(15 066)	**(365)**	(15 066)
Proceeds from loans from related parties	34.3	**546**	249 042	**–**	7 201
Repayments of loans from related parties	34.3	**(157 213)**	(130 000)	**–**	–
Repayment of borrowings	34.4	**(83)**	(32)	**–**	–
Increase in finance lease liabilities	34.4	**127**	–	**–**	–
Dividends paid to non-controlling shareholders		**(2 731)**	–	**–**	–
Loans advanced from/(to) related parties	34.3	**1 041**	–	**–**	(640 431)
Additional investment in subsidiary with no change in control	35	**–**	(5 485)	**–**	–
Net movement in cash and cash equivalents for the year		**(386 582)**	498 819	**(9 261)**	9 354
Cash and cash equivalents at the beginning of the year		**646 090**	147 271	**9 354**	–
Cash and cash equivalents at the end of the year	26	**259 508**	646 090	**93**	9 354

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

1. REPORTING ENTITY

Stadio Holdings Limited (the Company) is a company domiciled in the Republic of South Africa. The consolidated and separate annual financial statements (annual financial statements) as at, and for the year ended, 31 December 2018 comprises the annual financial statements of the Company and its subsidiaries (together referred to as STADIO or the Group).

2. BASIS OF PREPARATION

2.1 Statement of compliance and basis of measurement

The annual financial statements have been prepared on a going concern basis as discussed on pages 5 and 76 in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the Listings Requirements of the JSE Limited (JSE).

The annual financial statements have been prepared on the historical cost basis, except for Other financial assets (Note 24), and incorporate the principal accounting policies set out below.

2.2 Functional and presentation currency

These annual financial statements are presented in South African Rand, which is the Company's functional currency.

2.3 Rounding

All amounts disclosed in the annual financial statements and notes have been rounded off to the nearest thousand, unless otherwise stated.

2.4 Use of estimates, judgements and assumptions

The preparation of the annual financial statements requires management to make estimates, judgements and assumptions that affect the applications of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.4.1 Significant judgements and sources of estimation uncertainty

Fair values in business combinations

Management uses valuation techniques to determine the fair value of assets and liabilities acquired in a business combination.

Fair value of property, plant and equipment is determined by using external valuations as well as rental return on property. Client lists are valued through net present value model of the contribution from student enrolments at the institutions based on their estimated future enrolment period.

Goodwill and indefinite intangible asset impairment

Determining whether goodwill or indefinite intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or indefinite intangible asset has been allocated. The value in use calculation requires an estimate to be made of the timing and amount of future cash flows expected to arise from the cash-generating unit and the application of a suitable discount rate in order to calculate the present value. Refer to Note 16.

Internally generated curriculum material

Management capitalise curriculum development cost directly attributable to the development of new curricula as intangible assets as disclosed in note 4.4.3 and note 15. Significant judgement is made by management as to whether the curriculum will be able to generate future economic benefits.

Impairment of financial assets

The loss allowance for financial assets is based on assumptions about the risk of default and expected loss rates. The Group calculates the loss allowance taking into account historic analysis, existing market conditions, and forward-looking estimates at the end of each reporting period.

Estimated useful lives

The Group reassesses the useful lives and residual values of items of property, plant and equipment and intangible assets at the end of each reporting period, in line with the current accounting policy and applicable IFRS standards. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

Any change in accounting estimate will be accounted for prospectively.

2.5 **Capital reorganisation accounting**

The reorganisation of the Company in 2017, prior to its listing was a restructuring between entities under common control because both the Company and Embury were previously subsidiaries of Curro. IFRS does not prescribe the accounting method to be applied for reorganisation under common control. The Group applied capital reorganisation accounting arising from the transaction in 2017. This method requires that the assets and liabilities of the Group are presented using the pre-combination carrying amounts previously included in the consolidated annual financial statements of Curro.

Capital reorganisation accounting requires that comparative figures are presented as if the common control transaction had taken place at the start of the first reporting period presented, i.e. 1 January 2016.

3. SIGNIFICANT CHANGES IN THE REPORTING PERIOD.

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- On 1 January 2018, the Group acquired Lisof Proprietary Limited, including the associated property companies Wadam Properties Proprietary Limited, and Histodox Proprietary Limited (collectively LISOF);
- On 19 March 2018, the Group acquired MBS Education Proprietary Limited, which owns 100% of Milpark Education Proprietary Limited; (collectively Milpark);
- On 12 April 2018, the Group acquired the business of CA Connect; and
- On 1 November 2018, the Group acquired Prestige Academy Proprietary Limited.

This resulted in an increase in the amount of goodwill, other intangible assets and other net assets recognised, as well as an increase in share capital and an outflow of investing cashflow as a result of settling the acquisition consideration in cash and through the issuance of shares. These entities financial results were also included in the Group's results for the period since acquisition. Refer to Note 35 for further details.

4. ACCOUNTING POLICIES

4.1 **Adoption of new and revised standards**

The following applicable standards, interpretations and amendments have been adopted by the Group in the current year. Other than disclosure, the adoption of these new and revised standards have no material impact on the underlying financial results of the Group.

- IFRS 9 Financial Instruments (IFRS 9)
- IFRS 15 Revenue from Contracts with Customers (IFRS 15)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to the following standards
  - IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
  - IFRS 2: Classification and Measurement of Share-based Payment Transactions
  - IAS 40: Transfers of Investment Property
  - Annual Improvements to IFRSs (2014 – 2016)

4. ACCOUNTING POLICIES (continued)

4.2 Change in significant accounting policies

Other than the adoption of IFRS 9 and IFRS 15, the principal accounting policies, set out below have been applied consistently for all periods presented in these annual financial statements and have been consistently applied by Group entities.

Application of IFRS 9 Financial Instruments

IFRS 9 was issued by the IASB in July 2014 and is effective for accounting periods beginning on or after 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for:

1) the classification, measurement and derecognition of financial assets and financial liabilities;

2) the impairment of financial assets and financial liabilities; and

3) general hedge accounting.

The Group has adopted the modified retrospective approach in applying IFRS 9 whereby no comparative figures are restated but instead, a cumulative catch-up adjustment is recognised, if necessary, in opening retained earnings.

Classification, measurement and derecognition

There has been no change in the classification of the Group's financial assets and financial liabilities.

Impairment model

IFRS 9 introduces an expected credit loss model as opposed to an incurred credit loss approach in recognising any impairment of financial assets. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Refer to Notes 20 and 30 for further information.

The above change in accounting policy has not resulted in a material difference for the year ended 31 December 2018 by performing the 2018 provision calculation based on the IFRS 9 requirements and consequently the opening retained earnings has not been adjusted.

IFRS 15 Revenue from contracts with customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services and is effective for accounting periods beginning on or after 1 January 2018. IFRS 15 introduces a five-step approach to revenue recognition. This has not resulted in a material change in respective of revenue recognition across the Group. Refer to Note 6 for further information.

Contract assets and liabilities are recognised separately when the Group has an asset or liability relating to a contract with a customer. The Group receives income received in advance from students as a result of the contract entered into between the Group and the student, and as such, the Group has separately disclosed this contract liability as income received in advance of R86 million (2017: R23 million). Refer to Note 22 for further information. Other than representing trade and other payables to separately disclose income received in advance, the adoption of IFRS 15 in the current year has not resulted in a material difference for the year ended 31 December 2018 and no adjustments or restatements of prior year amounts were required.

The Group has adopted the modified retrospective approach in applying IFRS 15 whereby no comparative figures are restated but instead, a cumulative catch-up adjustment is recognised, if necessary, in opening retained earnings. No adjustment was required to opening retained earnings.

4.3 Accounting standards not yet adopted by the Group

The following applicable accounting standards, interpretations and amendments have been issued by the International Accounting Standards Board (IASB) but were not yet effective at 31 December 2018:

- IFRS 16 Leases
- Amendments to the following standards:
  - References to the Conceptual Framework in IFRS Standards
  - IFRS 3 Business Combinations
  - IFRS 9 Prepayment Features with Negative Compensation
  - IAS 1 and IAS 8: Definition of Material
  - Annual Improvements to IFRSs (2015 – 2017)
- IFRIC 23 Uncertainty over Income Tax Treatments

Other than IFRS 16 Leases (IFRS 16), the Directors do not expect the other standards above to have a material quantitative effect, although they may affect disclosure of information in the annual financial statements. The Group has not chosen to adopt any of the above standards and interpretations earlier than required.

IFRS 16 was issued by the IASB in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 Leases and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lease accounting model. The Group will elect to adopt the simplified approach whereby prior year numbers are not restated but instead opening retained earnings is adjusted accordingly. The Group does not, however, expect the adoption of IFRS 16 to have a significant impact on the Group's net results or net assets, although the full impact is subject to ongoing assessment.

The aggregate estimated effect of the initial application of IFRS 16 for the Group is expected to be as follows:

- A right of use asset will be recognised and depreciated over the term of the lease, with an expected increase in property, plant and equipment of R132 million;
- A finance lease liability will be recognised and discounted at a rate of 10.5%, with an expected increase in long-term liabilities of R187 million; and
- The lease expense is expected to decrease by R29 million with an increase in depreciation and finance costs of R22 million and R19 million respectively.

4.4 Significant accounting policies

The principal accounting policies, set out below have been applied consistently for all periods presented in these annual financial statements and have been consistently applied by Group entities.

4.4.1 Basis of consolidation

The annual financial statements incorporate the financial statements of the Company and all of its subsidiaries.

Subsidiaries are entities (including structured entities) which are controlled by the Group. The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All intra-group transactions, balances, income, expenses and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for the non-controlling interest.

4. ACCOUNTING POLICIES (continued)

4.4 Significant accounting policies (continued)

4.4.1 Basis of consolidation (continued)

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration or deferred consideration is included in the cost of the business combination at fair value as at the date of acquisition.

Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested for impairment on an annual basis. If goodwill is assessed to be impaired, that impairment will not subsequently be reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the Group and Company at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

Common control transactions

IFRS 3 Business Combinations excludes from its scope business combinations between entities under common control. The Group has made the policy choice to apply capital reorganisation accounting. The principles of capital reorganisation accounting are that no assets or liabilities are restated to their fair values. The Group incorporates the pre-combination carrying amounts of assets and liabilities of the acquired entity. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity. No new goodwill arises. The transaction is not seen as an equal exchange of values and a change of control from the date of the business combination. No goodwill beyond that recorded by the controlling party in relation to the acquiree can therefore arise. Differences on consolidation are included in the common control reserve in equity.

4.4.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group and Company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group and Company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and Company and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group and Company. Capitalised leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment as follows:

Item	Useful life
Buildings	75 years
Computer equipment	3 years
Audio, camera and equipment	6 years
Costume, make-up and styling	5 years
Furniture and office equipment	6 – 10 years
Motor vehicles	5 years
Leasehold improvements	shorter of lease term or useful life

4. ACCOUNTING POLICIES (continued)

4.4 Significant accounting policies (continued)

4.4.2 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectation differs from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that the asset may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

4.4.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight-line basis over the useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. Curriculum material requiring Council of Higher Education (CHE) accreditation considers a portion of the asset to have an indefinite useful life, with the balance having a useful life of six years.

Reassessing the useful life of an intangible asset with an indefinite life as having a finite useful life is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Computer software was reclassified from property, plant and equipment to other intangible assets during the year.

Amortisation is recognised on a straight-line basis in profit or loss as follows:

Item	**Useful life**
Trademarks	Indefinite
Curriculum material – accredited	Indefinite/6 years*
Curriculum material – non-accredited courses	3 years
Client lists	Various
Computer software	3 years

** Management apply judgement to determine what portion of the accredited curriculum material is considered to have an indefinite useful life.*

4.4.4 **Goodwill**

Goodwill arises on the acquisition of subsidiaries.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, i.e. negative goodwill, it is recognised immediately in profit or loss as a bargain purchase.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is not amortised but instead, tested for impairment on an annual basis. If goodwill is impaired, the impairment will not subsequently be reversed.

4.4.5 **Impairment**

Financial assets

IFRS 9 was adopted effective 1 January 2018 and introduced the expected credit loss model for recognising a loss allowance on the Group's trade and other receivables. The Group applies the IFRS 9 simplified approach in measuring expected credit losses for its trade receivables, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Students are perceived to have similar credit risk profiles and are therefore assessed as a collective when calculating the expected loss rate.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, for example a significant decrease in student numbers.

The Group recognises a loss allowance for expected credit losses on financial assets, most notably, trade and other receivables. The amount of expected credit losses is updated at each reporting date. The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from possible default events over the expected life of the receivable. Refer to Notes 20 and 30.

4. ACCOUNTING POLICIES (continued)

4.4 Significant accounting policies (continued)

Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread, however, the customer profile of students is similar across the Group, with shared credit risk characteristics. The loss allowance is therefore calculated on a collective basis for all trade and other receivables. Details of the provision matrix is presented in Note 20. An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through the use of a loss allowance. The impairment loss is included in operating expenses in profit or loss as a movement in the loss allowance (Note 8).

When assessing the loss allowance for intergroup loans, the Company applies the General Model by firstly assessing which stage of the three stage model the financial asset falls into and secondly calculating this loss taking into account the exposure, probability and expected loss accordingly.

Significant financial assets are assessed for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (the cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

4.4.6 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, those payable within 12 months after the service is rendered, such as paid holiday leave and sick leave, bonuses, and non-monetary benefits such as medical care, are recognised in the period in which the service is rendered and are not discounted. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Share-based payment transactions

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding increase in equity, are measured, indirectly, by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, Group and Company accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight-line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

4.4.7 **Loans to shareholders, Directors, managers and employees**

These financial assets are classified as loans and receivables.

4.4.8 **Loans to/(from) related parties**

These include loans to and from holding companies, fellow subsidiaries, subsidiaries and other related parties and are recognised initially at fair value plus direct transaction costs.

Loans to related parties are classified as loans and receivables.

Loans from related parties are classified as financial liabilities measured at amortised cost.

4.4.9 **Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

4.4.10 **Inventories**

Inventories are measured at the lower of cost and net realisable value, where cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises all purchase costs, conversion costs and other costs incurred in bringing the inventories to their present location and condition of sale.

4. ACCOUNTING POLICIES (continued)

4.4 Significant accounting policies (continued)

4.4.10 Inventories (continued)

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4.4.11 Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

4.4.12 Trade and other receivables

Trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Where interest is charged on outstanding balances, this is charged using an effective interest rate.

Loss allowances are estimated using the expected credit loss model as per 4.3 above and are reassessed at each reporting date with changes being recognised in profit or loss. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Trade and other receivables are classified as financial assets at amortised cost.

4.4.13 Revenue from contracts with customers

The Group derives revenue from the transfer of services over time and as such, revenue is recognised in profit and loss in the accounting period in which the service is performed in accordance with the terms of the student contract and when collections are reasonably assured. Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for goods and services provided in the normal course of business, net of bursaries and discounts granted, and value added tax.

Tuition fees are recognised over the period that tuition is provided to students in accordance with the student contract.

Registration and enrolment fees are amounts received at a point of time in relation to services to be transferred over time. As such, revenue is recognised in the accounting period in which the service is performed in accordance with the terms of the student contract.

Non-refundable discounts are recognised immediately on initial registration.

Hostel income and other academic income are recognised over the period that this service is provided.

Sale of goods
Revenue from the sale of learning materials is recognised upon delivery, and customer acceptance, of these materials. The amount of revenue, and associated costs incurred, can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

Canteen revenue is recognised upon the transfer of the food and beverage items to students and staff.

Other income
Other income is recognised as the performance obligation is satisfied at a point in time.

Other income includes sundry income and insurance refunds.

Conferencing income
Conferencing income is recognised upon completion of the provision of conferencing services including venue hire, accommodation and meals.

Rental income
Rental income in respect of operating leases is recognised on a straight-line basis over the lease term.

Prior year accounting policies
Provision of services
In the prior year, Revenue was recognised in profit and loss by reference to the stage of completion when the service were performed in accordance with the terms of the client arrangement and when collections were reasonably assured.

Registration and enrolment fees were recognised immediately on initial registration.

Tuition fees were recognised over the period that tuition is provided to students.

Sale of goods
In the prior year, revenue from the sale of learning materials was recognised when the Group had transferred all the significant risks and rewards of ownership of the goods to the buyer.

Other income
Canteen income was recognised upon the transfer of the food and beverage items to students and staff.

Conferencing income was recognised upon completion of the provision of conferencing services including venue hire, accommodation and meals.

4.4.14 **Finance income and expense**

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on deferred purchase consideration, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

4.4.15 **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

4.4.16 **Dividend income**

Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the *ex*-dividend date.

4. ACCOUNTING POLICIES (continued)

4.4 Significant accounting policies (continued)

4.4.17 Taxation

Tax expense comprises current tax and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.4.18 Share capital

Ordinary shares
Incremental costs directly attributable to the issue of ordinary shares are recognised as a reduction from equity.

4.4.19 Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to owners of the Group by the weighted average number of ordinary shares (WANOS) outstanding during the financial year adjusted for bonus elements in ordinary shares issued during the year, e.g. rights offer.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Headline earnings per share
Basic earnings adjusted for non-headline items in terms of the requirements stipulated in Circular 4/2018, as issued by SAICA. Headline earnings per share is calculated by dividing headline earnings by the WANOS.

Core headline earnings per share
Core earnings adjusts basic earnings for certain items that, in the Board's view, may distort the financial results from year to year, giving shareholders a more consistent reflection of the underlying financial performance of the Group. Core earnings per share is calculated by dividing core earnings by the WANOS.

4.4.20 **Segmental reporting**

The Group considers its Executive Committee to be the chief operating decision-maker and therefore the segmental disclosures provided are aligned with the monthly reports provided to the Executive Committee. The Group's reporting segments are based on the types of institutions in the Group. Operating segments with similar economic characteristics have been aggregated into one segment which reflects the nature of the services provided by the Group, however, management does make decisions based on what management constitutes as being reflective of the underlying financial performance of the Group and as such management distinguish between certain items which are considered to be Core *versus* Non-core. Non-core may include items which, in management's view, distort the underlying Group's performance from year-to-year, and by excluding these items, provide management with a more consistent reflection on underlying performance.

4.4.21 **Financial instruments**

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans to/from related parties, borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially when the Group or Company becomes a party to the contractual provisions of the instrument and are classified as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for trade receivables that are measured in accordance with IFRS 15 Revenue from Contracts with Customers.

For financial instruments that are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cheques received but not yet deposited, money market accounts and demand deposits, and other short-term highly liquid investments.

Other

Other financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

4.4.22 **Financial Risk Management**

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This Note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these annual financial statements, and more specifically to Note 30.

Credit risk

Credit risk is the risk of financial loss to the Group or Company if a student or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from students, other customers, investments, securities and loans to Group entities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each student. The Group considers students to share similar credit risk characteristics.

Services are rendered to students based on a signed registration form detailing cost estimates, so that in the event of non-payment the Group may have a claim against the student.

4. ACCOUNTING POLICIES (continued)

4.4 Significant accounting policies (continued)

4.4.22 Financial Risk Management (continued)

Credit risk (continued)

Allowance for impairment
The Group establishes a loss allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables and investments taking into account historic data, current impairment indicators, history of non-payment and an estimate of applicable forward-looking information.

Investments
The Group limits its exposure to credit risk by only investing in liquid securities and only investing with major financial institutions.

Guarantees
The Group's policy is to provide financial guarantees to subsidiaries, fellow subsidiaries and Group companies.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to minimising liquidity risk is through an ongoing review of future commitments and credit facilities.

Market risk
Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Currency risk
The Group has limited exposure to currency risk as the majority of the Group's transactions are in local currency.

Interest rate risk
As part of the process of managing the Group's interest rate risk, interest rate characteristics of new loans and borrowings are positioned according to expected movements in interest rates.

Capital management
Management's policy is to maintain a strong capital base so as to maintain creditor confidence and to sustain future development of the business.

5. OPERATING SEGMENTS

The Group considers its Board of directors to be the chief operating decision maker and therefore the segmental disclosures below are aligned with the monthly report provided to the board of directors. Operating segments with similar economic characteristics have been aggregated into one reportable segment due to all of the services being related to higher education services within southern Africa. However, management does make decisions based on what they constitute to be reflective of the underlying financial performance of the Group and as such, the Group has identified core headline earnings as this measure. Non-core includes certain items which may distort the Group's performance from year-to-year, and by excluding this, should provide management with a more consistent reflection of the underlying financial performance of the Group.

Reconcilliation of core headline earnings

	2 018		2 017	
	Earnings R'000	Earnings per share Cents	Earnings R'000	Earnings per share Cents
Headline earnings	62 838	7.8	(7 038)	(1.2)
Adjustments for non-core items[1] attributable to parent:				
Finance costs on deferred consideration	2 604	0.3	–	–
Acquisition costs	1 280	0.2	4 744	0.8
Listing costs, legal and other fees	–	–	4 154	0.7
Amortisation of client list	4 496	0.6	1 916	0.3
Tax on above	(1 266)	(0.2)	(538)	(0.1)
Core headline earnings	69 952	8.6	3 238	0.6
Core headline earnings per share – basic		8.6		0.6
Core headline earnings per share – diluted		8.5		0.6

[1] *Non-core adjustments relate to those adjustments necessary for headline earnings as well as adjustments for certain items that, in the Boards view, may distort the financial results from year to year, giving shareholders a more consistent reflection of the underlying financial performance of the Group.*

6. REVENUE

	GROUP 2018 R'000	GROUP 2017[3] R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Revenue from contract with customers over time	620 732	117 034	–	–
Registration and tuition fees	627 779	118 144	–	–
Discounts and bursaries granted	(15 044)	(1 515)	–	–
Other academic income	5 412	405	–	–
Hostel income	2 585	–	–	–
Revenue from sales of goods at a point in time	12 196	5 216	–	–
Study material sales	11 159	4 711	–	–
Canteen sales	1 037	505	–	–
Revenue[1]	632 928	122 250	–	–

7. OTHER INCOME[1]

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Conference income	2 164	2 002	–	–
Rental income[1]	1 856	304	–	–
Sundry income[2]	3 936	807		
Insurance refund[2]	1 025	35	–	–
Income	8 981	3 148	–	–

[1] *Rental income relating to the Group's property companies has been reclassified from revenue to other income during the year.*
[2] *Prior year represented to show sundry income and insurance refunds separately.*

8. OPERATING EXPENSES

Net operating expenses include the following items which are considered material either due to their nature or amount:

	GROUP		COMPANY	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Advertising and marketing	**18 178**	5 332	**–**	–
Acquisition costs	**1 376**	4 744	**–**	850
Academic and research costs[1]	**53 831**	11 163	**–**	–
Property costs[2]	**35 128**	9 061	**–**	–
Operating lease costs	**33 052**	6 749	**–**	–
– premises	**29 503**	5 575	**–**	–
– equipment	**3 549**	1 174	**–**	–
Staff costs	**288 860**	71 227	**–**	–
– salaries and wages	**287 983**	77 892	**–**	–
– defined contribution plans	**10 068**	3 659	**–**	–
– share-based payments	**4 169**	953	**–**	–
– staff costs capitalised (refer to Note 15)	**(13 360)**	(11 277)	**–**	–
Listing costs	**1 432**	4 154	**–**	2 107
– one-off listing costs	**–**	2 979	**175**	932
– general listing costs	**1 432**	–	**450**	–
– auditor's remuneration – non-audit services (PwC)	**–**	1 175	**–**	1 175
Auditor's remuneration	**3 887**	1 519	**569**	–
– audit services – PwC : current period	**2 337**	1 200	**569**	–
– audit services – PwC : prior period	**1 016**	–	**–**	–
– audit services – other than PwC	**534**	319	**–**	–
Increase in loss allowance	**20 298**	1 796	**–**	–
Bad debts recovered	**(1 292)**	(1 637)	**–**	–
Net loss/(profit) on sale of property, plant and equipment	**738**	(1)	**–**	–

[1] *Costs include curriculum expenses (not capitalised), research costs, class project and library materials, external assessors and moderators costs.*
[2] *Property costs include facility costs, security costs, repairs and maintenance costs, insurance costs and cleaning costs.*

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
9. INVESTMENT INCOME				
Interest received				
– Financial institutions	**24 470**	14 459	**135**	231
– Interest charged on trade and other receivables	**626**	421	–	–
– South African Revenue Services	**168**	2	–	–
Dividends received on investments	–	32	–	–
	25 264	14 914	**135**	231
10. FINANCE COST				
Interest paid				
– borrowings	**1 249**	161	–	–
– amounts due to related parties	**2 153**	7 401	–	2 926
– bank and other third parties	**331**	225	–	–
– deferred consideration unwind	**2 986**	–	–	–
Interest capitalised	–	(157)	–	–
	6 719	7 630	–	2 926

Interest was capitalised to qualifying assets using a capitalisation rate of 6.5% in 2017. No interest was capitalised in 2018.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
11. TAXATION				
Current tax				
• South African normal tax				
– current year	40 928	(5 724)	–	–
• Foreign tax	3 548	629	–	–
– current year	3 530	616	–	–
– withholding tax	18	–	–	–
– prior year adjustment	–	13	–	–
Total current tax payable/(recovery)	44 476	(5 095)	–	–
Deferred tax				
• South African deferred tax	(8 657)	8 019	(151)	151
– attributable to temporary difference arising in current year	(8 657)	7 817	(151)	151
– attributable to temporary difference arising in prior year	–	202	–	–
• Foreign deferred tax				
– attributable to temporary difference arising in current year	252	(136)	–	–
Total deferred tax expense	(8 405)	7 883	(151)	151
Total tax expense	36 071	2 788	(151)	151

	%	%	%	%
Reconciliation of tax rate:				
Standard tax rate	28.0	28.0	28.0	28.0
Adjusted for:				
• Disallowable expenditure:				
– listing and other regulatory costs	0.2	(50.2)	(15.7)	(9.4)
– share-based payment expense	1.0	(11.5)	–	–
– acquisition related costs	0.3	(58.0)	–	(3.9)
– legal fees of a capital nature	0.1	(0.7)	–	–
– finance costs of a capital nature	0.9	(38.1)	–	(13.3)
– other	0.7	6.1	–	–
• Non-taxable income				
– dividend and interest income	(0.1)	4.0	–	1.1
• Other				
– deferred tax asset not recognised	0.2	–	–	–
– s12H learnership allowance	(0.3)	–	(12.3)	–
– foreign tax differential	0.4	–	–	–
– prior period adjustments	0.4	–	13.6	–
Effective tax rate	31.8	(120.4)	13.6	2.5

The estimated tax loss available for set-off against future taxable income for the Group is R62.8 million (2017: R24.3 million), and for the Company is R1.0 million (2017: R0.5 million).

11. TAXATION (continued)

The estimated tax loss available for set-off against future taxable income relates to Embury Institute for Higher Education Proprietary Limited. The subsidiary has incurred losses driven largely by once-off costs relating to the expansion of their existing campus as well as the opening of two new Embury campuses. The Group has concluded that the deferred tax asset will be recoverable using the estimated future taxable income based on financial forecasts for the subsidiary.

	Basic		Diluted	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
12. EARNINGS/(LOSS) PER SHARE				
Group				
Earnings/(loss) attributable to owners of the parent	63 270	(7 037)	63 270	(7 037)
Adjusted for:				
– Loss/(profit) on sale of property, plant and equipment	425	(1)	425	(1)
– Compensation from third parties for property, plant and equipment items lost, impaired or given up	(1 025)	–	(1 025)	–
– Tax on above	168	–	168	–
Headline earnings/(loss)	62 838	(7 038)	62 838	(7 038)

	Basic		Diluted[1]	
	2018 '000	2017 '000	2018 '000	2017 '000
Weighted average number of shares (WANOS)	810 678	576 147	818 686	581 791

	Basic		Diluted	
	2018 cents	2017 cents	2018 cents	2017 cents
Earnings/(loss) per share	7.8	(1.2)	7.7	(1.2)
Headline earnings/(loss) per share	7.8	(1.2)	7.7	(1.2)

[1] *Diluted WANOS are adjusted for the effects of all dilutive potential ordinary shares, namely 5.3 million share options (2017: 2.1 million) and deferred consideration payable in shares of 2.7 million shares (2017: 3.5 million).*

13. DIVIDENDS ON ORDINARY SHARE

No dividends were declared or paid by the Group for the years ended 31 December 2018 and 31 December 2017.

14. PROPERTY, PLANT AND EQUIPMENT

	Land R'000	Buildings R'000	Computer equipment R'000	Computer[1] software R'000	Creative and arts[2] R'000	Office, furniture and other equipment R'000	Motor vehicles R'000	Total R'000
Group								
Cost								
At 1 January 2017	10 099	54 103	6 523	3 939	–	3 153	390	78 207
Additions	–	243 628	16 353	3 588	684	7 060	785	272 098
Acquisitions	23 931	69 390	1 797	–	14 374	4 007	931	114 430
Disposals	–	–	(837)	–	(378)	–	(155)	(1 370)
At 31 December 2017	34 030	367 121	23 836	7 527	14 680	14 220	1 951	463 365
Transfers[1]	–	–	–	(7 527)	–	–	–	(7 527)
Additions	8 012	14 486	8 236	–	5 837	3 882	1 184	41 637
Acquisitions	5 938	62 075	6 370	–	6	5 909	334	80 632
Disposals	–	(113)	(2 595)	–	(836)	(906)	(229)	(4 679)
Other movements[3]	(1 322)	(15 431)	(18)	–	–	(9)	–	(16 780)
At 31 December 2018	**46 658**	**428 138**	**35 829**	**–**	**19 687**	**23 096**	**3 240**	**556 648**
Accumulated depreciation								
At 1 January 2017	–	7	2 424	423	–	1 531	16	4 401
Depreciation charge for the year	–	232	1 382	2 027	1 952	679	131	6 403
Disposals	–	–	(837)	–	(301)	–	–	(1 138)
At 31 December 2017	–	239	2 969	2 450	1 651	2 210	147	9 666
Transfers[1]	–	–	–	(2 450)	–	–	–	(2 450)
Depreciation charge for the year	–	2 909	10 119	–	5 694	3 005	348	22 075
Disposals	–	–	(2 422)	–	(546)	(881)	(92)	(3 941)
At 31 December 2018	**–**	**3 148**	**10 666**	**–**	**6 799**	**4 334**	**403**	**25 350**
Carrying amount								
At 31 December 2017	34 030	366 882	20 867	5 077	13 029	12 010	1 804	453 699
At 31 December 2018	**46 658**	**424 990**	**25 163**	**–**	**12 888**	**18 762**	**2 837**	**531 298**

[1] *The Group transfered computer software from Property, plant and equipment to Other intangible assets as at 1 January 2018.*

[2] *Includes audio, camera and edit equipment and costume, make-up and styling assets.*

[3] *Other movements includes the recognition of input VAT adjustments necessary as a result of the Group reaching the regulatory threshold for VAT registration in December 2018.*

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in property, plant and equipment above is R0.4 million (2017: Rnil) relating to assets held under finace lease liabilities. Refer to Note 23.

During the year, no borrowing costs were capitalised to qualifying assets (2017: R0.2 million using a rate of 6.5%). Leasehold improvements of R121 million (2017: R116 million) were included in buildings for the year ended 31 December 2018. The majority of leasehold improvements relates to the Embury Waterfall campus. Land and buildings of R8.2 milllion (2017: R7.9 million) and motor vehicles of R0.3million (2017: R0.3 million) relating to SBS Namibia have been encumbered as security for the secured long-term borrowings in Note 27, bearing interest of 8.5% to 11.5% (2017: 8.5% to 11.5%). A register containing information required by Regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the Company.

15. INTANGIBLE ASSETS

	Trademarks R'000	Curriculum material R'000	Client lists R'000	Computer software[1] R'000	Total R'000
Group					
Cost					
At 1 January 2017	16 654	20 030	5 929	–	42 613
Additions	124	2	–	–	126
Acquisitions	37 309	12 099	18 507	–	67 915
Internally generated	–	11 277	–	–	11 277
Disposals	–	(104)	–	–	(104)
At 31 December 2017	54 087	43 304	24 436	–	121 827
Transfers[1]	–	–	–	7 527	7 527
Additions	30	1 500	–	980	2 510
Acquisitions	47 187	22 689	12 155	1 648	83 679
Internally generated	–	13 360	–	–	13 360
At 31 December 2018	**101 304**	**80 853**	**36 591**	**10 155**	**228 903**
Accumulated amortisation					
At 1 January 2017	–	–	4 743	–	4 743
Charge for the year	–	1 686	1 980	–	3 666
Disposals	–	(104)	–	–	(104)
At 31 December 2017	–	1 582	6 723	–	8 305
Transfers[1]	–	–	–	2 450	2 450
Charge for the year	–	4 164	5 010	2 746	11 920
Disposals	–	–	–	–	–
At 31 December 2018	–	**5 746**	**11 733**	**5 196**	**22 675**
Carrying amount					
At 31 December 2017	54 087	41 722	17 713	–	113 522
At 31 December 2018	**101 304**	**75 107**	**24 858**	**4 959**	**206 228**

[1] *The Group transfered computer software from Property, plant and equipment to Other intangible assets as at 1 January 2018.*

A summary of the definite and indefinite useful life intangible assets are presented below:

	Trademarks R'000	Curriculum material R'000	Client lists R'000	Computer software[1] R'000	Total R'000
As at 31 December 2017					
Carrying value	54 087	41 722	17 713	–	113 522
Indefinite useful life assets	54 087	19 166	–	–	73 253
Definite life assets	–	22 556	17 713	–	40 269
As at 31 December 2018					
Carrying value	**101 304**	**75 107**	**24 858**	**4 959**	**206 228**
Indefinite useful life assets	**101 304**	**36 960**	**–**	**–**	**138 264**
Definite life assets	**–**	**38 147**	**24 858**	**4 959**	**67 964**

[1] *The Group reclassified computer software from Property, plant and equipment to Other intangible assets as at 1 January 2018. The amount is not considered material and therefore no prior year adjustment is required.*

Refer to Note 16 for details pertaining to the impairment assessment relating to the indefinite life intangible assets.

No impairment was recognised for the years ended 31 December 2018 or 2017.

16. GOODWILL

	Cost R'000	Accumulated impairment R'000	Carrying value R'000
Group			
At 1 January 2017	39 924	–	39 924
Additions through acquisitions	369 742	–	369 742
At 31 December 2017	409 666	–	409 666
Additions through acquisitions	**339 816**	**–**	**339 816**
At 31 December 2018	**749 482**	**–**	**749 482**

Goodwill arising from acqusitions largely consists of, *inter alia*, the academic workforce, expected synergies, economies of scale and the student growth potential.

Impairment tests for goodwill and indefinite useful life intangible assets were performed as follows:

The recoverable amount of goodwill and indefinite useful life intangible assets (refer to Note 15) is based on the value in use of each cash–generating unit (CGU), which require the use of assumptions. The calculations use cash flow projections based on five-year financial forecasts and key assumptions stated below.

16. GOODWILL (continued)

A summary of the goodwill and indefinite useful life intangible assets is presented below:

	2018 Goodwill R'000	2018 Indefinite life - intangible assets[1] R'000	2018 Total R'000	2017 Goodwill R'000	2017 Indefinite life – intangible assets[1] R'000	2017 Total R'000
Embury	**39 924**	**33 114**	**73 038**	39 924	29 774	69 698
AFDA	**226 392**	**22 406**	**248 798**	226 392	22 406	248 798
SBS Group	**143 350**	**21 073**	**164 423**	143 350	21 073	164 423
LISOF	**84 824**	**9 248**	**94 072**	–	–	–
Milpark	**245 066**	**44 978**	**290 044**	–	–	–
Prestige Academy	**9 926**	**7 445**	**17 371**	–	–	–
Total	**749 482**	**138 264**	**887 746**	409 666	73 253	482 919

[1] *For further information relating to indefinite life intangible assets, refer to Note 15.*

The following table sets out the key assumptions for those CGU's that have significant goodwill and indefinite useful life intangible assets allocated to them:

	Higher Education Institutions					
2017	**Embury**	**AFDA**	**SBS Group**	**LISOF**	**Milpark**	**Prestige Academy**
Pre–tax discount rate	18%	18%	18%	–	–	–
Terminal growth rate	7%	7%	7%	–	–	–
Cash flow assumptions						
– Tuition fee increases	7%	6%	8%	–	–	–
– Student number growth	21%	13%	9%	–	–	–
– Operating expenses	17%	17%	16%	–	–	–
2018						
Pre–tax discount rate	**14.4%**	**14.4%**	**14.4%**	**14.4%**	**14.4%**	**14.4%**
Terminal growth rate	**7%**	**7%**	**7%**	**7%**	**7%**	**7%**
Cash flow assumptions						
– Tuition fee increases	**7%**	**6%**	**8%**	**6%**	**8%**	**8%**
– Student number growth	**21%**	**13%**	**9%**	**9%**	**5%**	**10%**
– Operating expenses	**17%**	**17%**	**16%**	**11%**	**8%**	**13%**

No impairments were recognised for the years ended 31 December 2018 or 2017. The Directors and management have considered and assessed the reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the above mentioned CGUs to exceed its recoverable amount.

The future cash flow assumption reflects the increases in tuition fee increases, growth in student numbers and historical experience based on management's reasonable assessment.

As all CGUs operate in the same industry, environment and similar geographic areas, no additional risk premium has been added to the discount rate.

Sensitivity analysis

If the discount rate used in the value-in-use calculation for the CGUs had been 1% higher than management's estimate at 31 December 2018, the Group would still not have to recognise an impairment against the carry amount of Goodwill.

If the terminal growth rate used in the value-in-use calculation for the CGUs had been 1% lower than management's estimate at 31 December 2018, the Group would still not have to recognise an impairment against the carry amount of Goodwill.

17. INVESTMENT IN SUBSIDIARIES

The following table lists the companies which are controlled by the Group and Company, either directly or indirectly, through subsidiaries and are the principle subsidiaries of the Group. All businesses are incorporated and have their principle place of business within South Africa unless otherwise stated.

	Percentage Holding		Carrying value		
	2018 %	2017 %	**2018 R'000**	2017 R'000	**Principle activity**
Stadio Investment Holdings Proprietary Limited (SIH)	**100**	100	**928 521**	811 004	Investment holding company
Stadio Corporate Services Proprietary Limited (SCS)	**100**	100	**–**	–	Corporate services
Stadio Multiversity Proprietary Limited	**100**	100	**–**	–	Inactive
Milpark Investments SPV Proprietary Limited	**100**	100	**–**	–	Investment holding company
Embury Institute for Higher Education Proprietary Limited	**100**	100	**–**	–	Higher education institution
Embury Botswana Proprietary Limited*	**100**	100	**–**	–	Dormant
MBS Education Investments Proprietary Limited[1]	**87.2**	–	**–**	–	Investment holding company
Milpark Education Proprietary Limited[1]	**87.2**	–	**–**	–	Higher education institution
Lisof Proprietary Limited[1]	**100**	–	**–**	–	Higher education institution
Wadam Proprietary Limited[1]	**100**	–	**–**	–	Property company
Histodox Proprietary Limited[1]	**100**	–	**–**	–	Property company
Prestige Academy Proprietary Limited[1]	**100**	–	**–**	–	Higher education institution
The South African School of Motion Picture Medium and Live Performance Proprietary Limited	**100**	100	**–**	–	Higher education institution
Intraframe Proprietary Limited	**100**	100	**–**	–	Property company
Ekosto 1067 Proprietary Limited	**100**	100	**–**	–	Property company
Southern Business School Proprietary Limited (SBS)	**74**	74	**–**	–	Higher education institution
Southern Business School of Namibia Proprietary Limited^	**74**	74	**–**	–	Higher education institution
			928 521	811 004	

** Incorporated in Botswana.*

^ Incorporated in Namibia.

[1] *The Company acquired these entities during 2018 and subsequently transferred the investments in these entities to its subsidiary SIH through an asset-for-share transfer in terms of section 42 of the Income Tax Act. For further information regarding these acquisitions, refer to Note 35.*

17. INVESTMENT IN SUBSIDIARIES (continued)

Effective 8 November 2017, the Group acquired Southern Business School Group comprising Southern Business School Proprietary Limited, incorporated in the Republic of South Africa, and Southern Business School Namibia Proprietary Limited, incorporated in Namibia. The non-controlling interests in each entity holds 26% of the ownership interest.

SBS and Milpark are material subsidiaries who have non-controlling shareholders with 26% and 12.8% of the voting and economic rights of SBS and Milpark, respectively.

The non-controlling shareholder of SBS is considered material and therefore additional information relating to SBS is shown below.

Subsidiaries with material non-controlling shareholders

The following information is reported for subsidiaries with non-controlling shareholders which are material to the Group. The Group acquired Southern Business School Group comprising Southern Business School Proprietary Limited (SBS), incorporated in the Republic of South Africa, and Southern Business School of Namibia Proprietary Limited (SBS Namibia), incorporated in Namibia on 8 November 2017. The Group owns 74% of SBS with the non-controlling shareholder being 26%. At 31 December 2018 and 31 December 2017, the Group holds an indirect effective shareholding of 55% in SBS Namibia, through SBS's 74% direct holding in SBS Namibia.

The profit allocated to non-controlling shareholders for the year ended 31 December 2018 was R14.0 million (2017: R1.9 million), of which R12.1 million relates to SBS (2017: R1.9 million).

	SBS 2018 R'000	SBS Namibia 2018 R'000	Total 2018 R'000	SBS 2017 R'000	SBS Namibia 2017 R'000	Total 2017 R'000
Summarised statement of comprehensive income						
Revenue	112 810	28 597	141 407	14 855	5 443	20 298
Operating expenses	(68 264)	(16 315)	(84 579)	(7 774)	(3 638)	(11 412)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	44 546	12 282	56 828	7 081	1 805	8 886
Depreciation and amortisation	(373)	(557)	(930)	(103)	(109)	(212)
Earnings before interest and taxation (EBIT)	44 173	11 725	55 898	6 978	1 696	8 674
Net finance income/(costs)	1 858	(144)	1 714	164	(50)	114
Profit before taxation	46 031	11 581	57 612	7 142	1 646	8 788
Taxation	(13 039)	(3 801)	(16 840)	(1 805)	(565)	(2 370)
Profit/(loss) for the year	32 992	7 780	40 772	5 337	1 081	6 418
Non-controlling interest (NCI)	(10 074)	(2 024)	(12 098)	(1 515)	(418)	(1 933)
Profit attributable to parent	22 918	5 756	28 674	3 822	663	4 485
Summarised statement of financial position						
Non-current assets	23 817	16 099	39 916	21 482	11 015	32 497
Current assets	66 277	18 331	84 608	44 844	16 278	61 122
Total assets	90 094	34 430	124 524	66 326	27 293	93 619
Non-current liabilities	12	3 932	3 944	–	3 570	3 570
Current liabilities	6 410	1 281	7 691	5 996	1 970	7 966
Total liabilities	6 422	5 213	11 635	5 996	5 540	11 536
Net assets	83 672	29 217	112 889	60 330	21 753	82 083
Carrying amount of non-controlling interest	29 260	9 162	38 422	22 086	7 268	29 354
NCI in all other subsidiaries			8 764			–
NCI per statement of financial position			47 186			29 354
Summarised statement of cash flow						
Cash flows generated from/(utilised) in operating activities			33 697			(8 120)
Cash flows utilised in investing activities			(6 030)			–
Cash flows utilised in financing activities			(251)			(5 275)
Net increase/(decrease) in cash and cash equivalents			27 416			(13 395)
Dividends paid to non-controlling shareholders			(2 731)			–

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
18. DEFERRED TAX				
The balance of the deferred tax asset is made up as follows:				
Income received in advance	16 242	6 445	–	–
Loss allowance	2 936	1 308	–	–
Tax losses available for set off against future taxable income	17 580	6 816	–	151
Provisions	4 706	–	–	–
Other	1 540	126	–	–
Deferred tax asset	43 004	14 695	–	151
Deferred tax liability is made up as follows:				
Property, plant and equipment	(6 345)	(4 575)	–	–
Intangible assets	(22 093)	(15 311)	–	–
Prepayments	(816)	(230)	–	–
Other	(6 522)	–	–	–
Deferred tax liability	(35 776)	(20 116)	–	–
Net deferred tax asset/(liability)	7 228	(5 421)	–	151
The movement on the deferred tax is as follows:				
Balance at the beginning of the year	(5 421)	(3 189)	151	–
Income statement charge	8 405	(7 883)	(151)	151
Acquisitions	4 244	5 651	–	–
Balance at the end of the year	7 228	(5 421)	–	151

Estimated tax losses available for set-off against future profits carried forward to next year are disclosed in Note 11.

Management have assessed the recognition of the deferred tax assets as at 31 December 2018 and 31 December 2017 and are satisfied that there are future taxable profits against which the temporary differences can be utilised.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
19. INVENTORIES				
Study materials	**3 928**	7 248	**–**	–
Merchandise and other	**444**	122	**–**	–
	4 372	7 370	**–**	–

There were no inventory write-downs during the year (2017: nil).

	GROUP		COMPANY	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
20. TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	**72 399**	37 837	**–**	–
Less: loss allowance	**(17 360)**	(3 638)	**–**	–
Carrying value of trade receivables	**55 039**	34 199	**–**	–
Other receivables	**11 028**	–	**–**	–
Deposits	**2 548**	2 539	**–**	–
Prepayments	**5 100**	3 706	**–**	–
Value Added Tax	**15 404**	1 904	**–**	–
Sundry debtors	**374**	16	**–**	–
Total trade and other receivables	**89 493**	42 364	**–**	–
Comprising:				
Financial assets	**66 437**	34 215	**–**	–
Non-financial assets	**23 056**	8 149	**–**	–
Total Trade and other receivables	**89 493**	42 364	**–**	–

There is no significant financing component relating to trade and other receivables and the net carrying values are considered to be close approximations of the fair values.

Credit periods vary based on the payment plan selected by the student. Payment terms however are that all fees are settled within 30 days of the invoice date. This however is not the Group's definition of default which is explained in further detail in Note 30.

20. TRADE AND OTHER RECEIVABLES (continued)

There was no adjustment required to the opening loss allowance recognised under IAS 39 as at 1 January 2018. The loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows:

Provision matrix

GROUP						
31 December 2018	Current	30 days past due	60 days past due	90 days past due	Greater than 180 days past due	Total
Expected loss rate	0.3%	8.6%	29.2%	39.4%	45.8%	
Trade receivables – gross carrying amount	30 564	3 904	2 078	1 424	34 429	72 399
Loss allowance	101	336	606	560	15 757	17 360

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
31 December – as per IAS 39 and IFRS 9	**3 638**	–	**–**	–
Acquisitions	**3 974**	3 032	**–**	–
Loss allowance recognised in profit and loss	**20 298**	1 796	**–**	–
Receivables written off during the year as uncollectible	**(10 444)**	(1 190)	**–**	–
Unused amounts reversed	**(106)**	–	**–**	–
At 31 December	**17 360**	3 638	**–**	–

The maturity profile of trade and other receivables past due but not impaired in 2017 was as follows:

	GROUP 2017 R'000	COMPANY 2017 R'000
One month past due	302	–
Two months past due	194	–
Three months past due	447	–
Four to six months past due	18 183	–
Greater than six months past due	14 706	–
	33 832	–

Trade receivables with renegotiated terms of payment or with acceptable payment history are not considered to be impaired.

	GROUP		COMPANY	
	2018 R'000	2017[1] R'000	2018 R'000	2017 R'000
21. TRADE AND OTHER PAYABLES				
Current				
Trade payables	9 153	11 536	12	1 706
Accruals	30 327	12 988	544	2 093
Other payables	950	–	–	–
Operating lease liability	1 320	61	–	–
Value Added Tax	491	–	–	–
Deferred purchase price	4 000	88 816	–	88 816
	46 241	113 401	556	92 615
Non-current				
Operating lease liability	9 481	719	–	–
Deferred purchase price	20 251	–	–	–
	29 732	719	–	–
Total trade and other payables	75 973	114 120	556	92 615
Comprising:				
Financial liabilities	67 730	108 957	556	92 615
Non-financial liabilities	8 243	5 163	–	–
	75 973	114 120	556	92 615

Maturity profile of Group's non-current trade and other payables

	2018			2017		
Group	Due within one to two years R'000	Due within two to five years R'000	Total R'000	Due within one to two years R'000	Due within two to five years R'000	Total R'000
Deferred purchase price	3 485	16 766	20 251	–	–	–
Operating lease liability	9 478	3	9 481	61	658	719
Total	12 963	16 769	29 732	61	658	719

[1] *Trade and other payables has been represented to disclose contract liabilities separately in accordance with IFRS 15. Refer to Note 22.*

Assets and liabilities arising from leases are initially measured on a present value basis by discounting the future operating lease payments using an interest rate of 7.2% to 8.0% (2017: 7.2% to 8.0%).

The deferred purchase consideration in the current year comprises the deferred purchase consideration for the acquisitions of the business of CA Connect Professional Training Institution Proprietary Limited (CA Connect) and Prestige Academy Proprietary Limited (Prestige). The deferred consideration for these acquisitions is subject to the achievement of certain performance targets of the entities. Refer to Note 35.

21. TRADE AND OTHER PAYABLES (continued)

The prior year deferred purchase price consideration is for the acquisition of The South African School of Motion Picture Medium and Live Performance Proprietary Limited (AFDA) comprised an initial consideration of R260 million and a top-up consideration calculated using the audited recurring headline earnings of AFDA for the year ended 31 December 2017. The amount was settled partly through the issue of 10.8 million shares, valued at R74.4 million, on 16 March 2018, and a final cash payment of R14.4 million on 20 March 2018. Refer to Note 35.

	GROUP		COMPANY	
	2018 R'000	2017[1] R'000	2018 R'000	2017 R'000
22. INCOME RECEIVED IN ADVANCE				
Balance at the beginning of the year	**22 609**	7 373	**–**	–
Acquisitions	**101 126**	55 682	**–**	–
Amounts received in advance during the year	**60 736**	22 609	**–**	–
Performance obligations satisfied in current year	**(98 020)**	(63 055)	**–**	–
Balance at the end of the year	**86 451**	22 609	**–**	–

[1] *Trade and other payables has been reclassified to disclose contract liabilities separately in accordance with IFRS 15. Refer to Note 21.*

Income received in advance carries a separate stand-alone transaction price which is recognised over time as the services are rendered. The transaction price allocated to the unsatisfied portion of the performance obligation pertaining to income received in advance is considered a contract liability.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
23. FINANCE LEASE LIABILITIES				
Minimum lease payments due				
– within one year	**219**	–	**–**	–
– between two – five years	**235**	–	**–**	–
	454	–	**–**	–
Less: future finance costs	**(59)**	–	**–**	–
Present value of minimum lease payments	**395**	–	**–**	–
Present value of minimum lease payments				
– within one year	**186**	–	**–**	–
– between two – five years	**209**	–	**–**	–
	395	–	**–**	–

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
24. OTHER FINANCIAL ASSETS				
Balance at the beginning of the year	**1 898**	–	**–**	–
Acquisitions	**510**	1 886	**–**	–
Additions	**4 000**	–	**–**	–
Re-investments	**319**	12	**–**	–
Balance at the end of the year	**6 727**	1 898	**–**	–

Other financial assets include amounts held in a corporate fund with investments primarily in various unit trusts. The fair value of the investment is R6.7 million (2017: R1.9 million), determined by the market price of the funds at the reporting date.

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
25. LOANS TO/(FROM) RELATED PARTIES				
Loans to related parties				
Stadio Investment Holdings Proprietary Limited[1]	**–**	–	**12 615**	5
Stadio Corporate Services Proprietary Limited[1]	**–**	–	**623 547**	640 426
VJ Properties Close Corporation[1]	**1 954**	1 941	**–**	–
Almika Properties 90 Proprietary Limited[1]	**–**	74	**–**	–
Curro Holdings Limited[1]	**–**	71	**–**	–
Loans to key management	**–**	414	**–**	–
Total amount receivable	**1 954**	2 500	**636 162**	640 431
Loans from related parties				
Curro Holdings Limited	**–**	(119 042)	**–**	–
Embury Institute for Higher Education Proprietary Limited[1]	**–**	–	**(7 201)**	(7 201)
Brimstone Investment Corporation Limited[2]	**(96)**	–	**–**	–
Loans from key management[3]	**(1 041)**	–	**–**	–
Total amount payable	**(1 137)**	(119 042)	**(7 201)**	(7 201)
Net loan to/(from) related parties (Note 31)	**817**	(116 542)	**628 961**	633 230

[1] *These loans are interest-free, unsecured and repayable on demand.*
[2] *Brimstone is the Group's B-BBEE partner and a shareholder in the Company. The loan is interest-free, unsecured and payable on demand.*
[3] *Loans from key management relate to amounts payable to the directors of AFDA as a result of the AFDA acquisition. These loans are interest-free, unsecured and payable on demand.*

For further information relating to related parties refer to Note 31.

26. CASH AND CASH EQUIVALENTS

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Bank balances	**179 919**	80 632	**93**	9 354
Money market	**46 222**	547 838	**–**	–
Short-term deposits	**33 108**	17 581	**–**	–
Petty cash	**259**	39	**–**	–
	259 508	646 090	**93**	9 354

Included in cash and cash equivalents is Rnil (2017: R0.1 million) pledged as security *in lieu* of office rental.

The Group and Company only deposit cash with major banks that have a high quality credit standing. Refer to Note 30.

Net cash reconciliation

	GROUP 2018 R'000	GROUP 2017 R'000	COMPANY 2018 R'000	COMPANY 2017 R'000
Cash and cash equivalents	**259 508**	646 090	**93**	9 354
Loans to related party[1]	**–**	–	**636 162**	640 431
Other financial assets[2]	**6 727**	1 898	**–**	–
Borrowings – repayable within one year	**(758)**	(664)	**–**	–
Borrowings – repayable after one year	**(3 392)**	(3 570)	**–**	–
Finance lease liabilities – repayable within one year	**(186)**	–	**–**	–
Finance lease liabilities – repayable after one year	**(209)**	–	**–**	–
Loans from related parties	**(1 137)**	(119 042)	**(7 201)**	(7 201)
Net cash	**260 553**	524 712	**629 054**	642 584
Cash, other investments and loans to related parties	**266 235**	647 988	**636 255**	649 785
Gross debt – fixed interest rates	**–**	(119 042)	**(7 201)**	(7 201)
Gross debt – variable interest rates	**(5 682)**	(4 234)	**–**	–
Net cash	**260 553**	524 712	**629 054**	642 584

[1] *This loan is receivable on demand from Stadio Corporate Services Proprietary Limited and Stadio Investment Holdings Proprietary Limited. Both companies have sufficient cash and cash equivalents available to settle the balances if required.*

[2] *Other financial assets comprise current investment amounts held in a corporate fund with investments primarily in various unit trusts.*

Group	Other assets		Liabilities from financing activities						
	Cash R'000	Other financial assets R'000	Loans to related party R'000	Borrowings – repayable within one year R'000	Borrowings – repayable after one year R'000	Finance lease liabilities – repayable within one year R'000	Finance lease liabilities – repayable after one year R'000	Loans from related parties R'000	Total R'000
Net cash/(debt) as at 1 January 2017	147 271	–	–	–	–	–	–	(210 664)	(63 393)
Cash flows	377 367	12	–	(32)	–	–	–	91 622	468 969
Acquisition of subsidiaries	121 452	1 886	–	(632)	(3 570)	–	–	–	119 136
Net cash/(debt) as at 31 December 2017	646 090	1 898	–	(664)	(3 570)	–	–	(119 042)	524 712
Cash flows	(438 902)	4 319	–	38 077	178	(37)	(91)	139 423	(257 033)
Acquisition of subsidiaries	52 320	510	–	(38 171)	–	(149)	(118)	(21 518)	(7 126)
Net cash/(debt) as at 31 December 2018	259 508	6 727	–	(758)	(3 392)	(186)	(209)	(1 137)	260 553

Company	Other assets		Liabilities from financing activities						
	Cash R'000	Other investments R'000	Loans to related party R'000	Borrowings – repayable within one year R'000	Borrowings – repayable after one year R'000	Finance lease liabilities – repayable within one year R'000	Finance lease liabilities – repayable after one year R'000	Loans from related parties R'000	Total R'000
Net debt as at 1 January 2017	–	–	–	–	–	–	–	–	–
Cash flows	9 354	–	640 431	–	–	–	–	(7 201)	642 584
Net cash/(debt) as at 31 December 2017	9 354	–	640 431	–	–	–	–	(7 201)	642 584
Cash flows	(9 261)	–	(4 269)	–	–	–	–	–	(13 530)
Net cash/(debt) as at 31 December 2018	93	–	636 162	–	–	–	–	(7 201)	629 054

	2018 R'000	2017 R'000	2018 R'000	2017 R'000
27. BORROWINGS				
Loans under committed facilities	4 056	4 234	–	–
Bank overdrafts	94	–	–	–
	4 150	4 234	–	–
Maturity profile of borrowings				
Due within one year	758	664	–	–
Due within one to two years	580	658	–	–
Due within two to five years	1 739	1 739	–	–
Due more than five years	1 073	1 173	–	–
Total	4 150	4 234	–	–

Loans under committed facilities are held with the Bank of Windhoek and bear interest of between 8.5% and 11.5% (2017: 8.5% and 11.5%), repayable in monthly instalments. The total monthly instalment is R55 358 (2017: R55 358).

The total amount of undrawn facilities available for future operating activities and commitments are R0.5 million (2017: R0.5 million).

Refer to Note 14 for details relating to assets pledged as security for above borrowings.

	GROUP		COMPANY	
	2018 Number '000	2017 Number '000	2018 Number '000	2017 Number '000
28. ORDINARY SHARE CAPITAL				
Number of shares				
Authorised shares at 31 December (no par value) [2]	2 000 000	1 000 000	2 000 000	1 000 000
Issued ordinary shares at 1 January	785 930	410 561	785 930	–
Issued during the year:				
– rights issue[4]	–	256 000	–	256 000
– B-BBEE private placement[4]	–	67 568	–	67 568
– other	31 784	51 801	31 784	462 362
Issued ordinary shares at 31 December[3]	817 714	785 930	817 714	785 930

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Share capital				
Issued ordinary shares at 1 January[1]	**1 367 123**	60 811	**1 367 123**	–
Issued during the year:				
– rights issue[4]	**–**	640 000	**–**	640 000
– B-BBEE private placement[4]	**–**	200 000	**–**	200 000
– other	**197 525**	481 378	**197 525**	542 189
Issued ordinary shares at 31 December[3]	**1 564 648**	1 382 189	**1 564 648**	1 382 189
Share issue costs	**(365)**	(15 066)	**(365)**	(15 066)
Total issued share capital[3]	**1 564 283**	1 367 123	**1 564 283**	1 367 123

[1] *The Group applied capital reorganisation accounting to account for acquisitions under common control, resulting in the Group and Company's share capital amounts being different at 1 January 2017. Further information is disclosed in Note 2.5.*

[2] *Authorised share capital was increased from one billion shares in 2017 to two billion shares in 2018 following approval at the Annual General Meeting, held on 4 June 2018.*

[3] *All issued ordinary shares are fully paid up. Ordinary shares carry no right to fixed income but each share carries the right to one vote at general meetings of the Company.*

[4] *The rights issue and B-BBEE Private Placement in 2017 were both completed under specific authority to issue shares for cash.*

[5] *The Group does not hold any shares as treasury shares.*

During the current year, the Group issued the following shares in respect of the below acquisitions:

LISOF

The Group acquired 100% of Lisof Proprietary Limited (including the associated property companies Wadam Properties Proprietary Limited and Histodox Proprietary Limited) (collectively LISOF) for a total purchase consideration of R127.3 million. The consideration was settled partly through cash of R68.7 million, and R58.6 million settled through the issue of 8.3 million ordinary shares.

Milpark

Following the acquisition of Milpark on 19 March 2018, the Group and Brimstone (the Group's B-BBEE partner) concluded an asset-for-share agreement whereby the Group acquired 17.2% of Brimstone's effective 30% interest in MBS Education through Milpark BEE Investments SPV Proprietary Limited on 20 March 2018, for a purchase consideration of R50.9 million. This consideration was settled through the issue of 9.8 million ordinary shares (subject to a B-BBEE lock-in period of seven years).

AFDA

In March 2018, the Group settled the AFDA top-up consideration through the issue of 10.8 million shares, valued at R74.4 million, and through a final cash payment of R14.4 million.

28. ORDINARY SHARE CAPITAL (continued)

CA Connect

The Group acquired the business of CA Connect Professional Institution CPT Proprietary Limited on 12 April 2018 through its subsidary, Milpark, for a total purchase consideration of R32.3 million. R8.0 million was settled through the issue of 1.4 million ordinary shares in the current year. Refer to Note 35 for further details.

Prestige Academy

The Group acquired 100% of Prestige Academy Proprietary Limited (Prestige Academy) for a total purchase consideration of R23.5 million in November 2018. The initial consideration was settled partly through the issue of 1.5 million ordinary shares for a value of R5.6 million. Refer to Note 35 for further details.

Prior year

Listing on the JSE

On 3 October 2017, Stadio Holdings Limited listed on the main Board of the JSE Limited. At the time of listing, there were 448 million shares in issue with a stated capital of R442 million. None of the Company's shares were held as treasury shares.

Rights issue

On 27 October 2017, the Group successfully raised R640 million by the issue of 256 million shares through a fully underwritten rights offer at R2.50 per rights offer share. The shares were offered at the ratio of 57.19647 shares for every 100 shares held at the close of business on Friday, 13 October 2017.

B-BBEE Private Placement

On 4 December 2017, the Group raised a further R200 million through a private placement to black individuals and Brimstone Investment Corporation Limited (Brimstone) at R2.96 per share (B-BBEE Private Placement). The private placement included an investment by Brimstone of R100 million and a further R100 million raised from 483 black shareholders. The participants of the B-BBEE Private Placement are subject to a B-BBEE lock-in period of seven years.

The Company issued 67 million ordinary shares in respect of the B-BBEE Private Placement.

Other

Refer to Note 35 for further details relating to these acquisitions.

29. SHARE-BASED PAYMENTS

Details of the employee share option scheme

The Company has established a share incentive scheme for certain key members of management. The number of shares available to award at year-end in terms of the Stadio Group Share Incentive Trust deed is 40 million (2017: 40 million). There have been no changes to the maximum approved aggregate number of shares available during the year.

The terms and conditions of the grants are as follows:

Vesting condition

Two years after award date – 25%

Three years after award date – 25%

Four years after award date – 25%

Five years after award date – 25%

The exercisable date is within 30 days from the vesting date.

Movements in share options during the year

The number of share options and weighted average exercise prices are as follows:

	2018		2017	
	Number of share options '000	Weighted average exercise price R	Number of share options '000	Weighted average exercise price R
Outstanding at the beginning of the year	14 977	2.96	–	–
Awarded during the year	646	6.10	14 977	2.96
Exercised during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Outstanding at the end of the year	15 623		14 977	

Vesting date	Number of share options '000	Weighted average exercise price R
3 October 2019	3 744	2.96
29 March 2020	162	6.10
3 October 2020	3 744	2.96
29 March 2021	161	6.10
3 October 2021	3 744	2.96
29 March 2022	162	6.10
3 October 2022	3 745	2.96
29 March 2023	161	6.10
	15 623	

29. SHARE-BASED PAYMENTS (continued)

Assumptions used in fair value	**2018**	2017
Strike price (Rand)	**6.10**	2.96
Share price at award date (Rand)	**6.10**	2.96
Fair value (Rand)	**1.81**	0.88
Volatility (%)	**22.9**	22.9
Risk-free rate (%)	**8.01**	8.01
Dividend yield (%)	**–**	–

The Black-Scholes Model is used to calculate the estimated theoretical fair value of options awarded.

The volatility is derived from the movement in the volume weighted average share price for a period of 365 calendar days prior to the share options being awarded.

Details of share options outstanding at the year end. No share options were awarded to or exercised by Directors during the year:

	Opening balance of share options at 1 January 2018 '000	Number of share options awarded during the year '000	Number of share options exercised during the year '000	Strike price per share options awarded	Exercise price per share options awarded	Share options grant date[1]	**Closing balance of share options at 31 December 2018 '000**
Director							
CR van der Merwe	4 054	–	–	R2.96	R2.96	3 October 2017	**4 054**
S Totaram	1 725	–	–	R2.96	R2.96	3 October 2017	**1 725**
D Singh	1 757	–	–	R2.96	R2.96	3 October 2017	**1 757**
	7 536	–	–				**7 536**

[1] *These share options were awarded as part of the initial option allocation (as allowed by the share incentive trust deed) at 08:00 on 3 October 2017, prior to the listing of Stadio Holdings Limited on the JSE Limited.*

Share-based payment expense

The total expense relating to equity-settled share-based payments for the year ended 31 December 2018 was R4.2 million (2017: R1.0 million). Refer to Note 8.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

Group 2018	Notes	Financial assets at amortised cost R'000	Financial assets at fair value through profit and loss R'000	Financial liabilities at amortised cost R'000	Total R'000
Non-current assets					
Other financial assets	24	–	6 727	–	6 727
		–	6 727	–	6 727
Current assets					
Cash and cash equivalents	26	259 508	–	–	259 508
Trade and other receivables	20	66 437	–	–	66 437
Loans to related parties	25	1 954	–	–	1 954
		327 899	–	–	327 899
Total assets		327 899	6 727	–	334 626
Non-current liabilities					
Borrowings	27	–	–	3 392	3 392
Trade and other payables[1]	21	–	–	29 732	29 732
Finance lease liabiilities	23	–	–	209	209
		–	–	33 333	33 333
Current liabilities					
Trade and other payables	21	–	–	37 998	37 998
Income received in advance	22	–	–	86 451	86 451
Borrowings	27	–	–	758	758
Finance lease liabiilities	23	–	–	186	186
Loans from related parties	25	–	–	1 137	1 137
		–	–	126 530	126 530
Total liabilities		–	–	159 863	159 863

30. FINANCIAL INSTRUMENTS (continued)

Group 2017	Notes	Loans and receivables at amortised cost, cash and cash equivalents R'000	Financial assets at fair value through profit and loss R'000	Financial liabilities at amortised cost[1] R'000	Total R'000
Non-current assets					
Other financial assets	24	–	1 898	–	1 898
		–	1 898	–	1 898
Current assets					
Cash and cash equivalents	26	646 090	–	–	646 090
Trade and other receivables	20	34 215	–	–	34 215
Loans to related parties	25	2 500	–	–	2 500
		682 805	–	–	682 805
Total assets		682 805	1 898	–	684 703
Non-current liabilities					
Borrowings	27	–	–	3 570	3 570
Other non-current liabilities	21	–	–	719	719
		–	–	4 289	4 289
Current liabilities					
Trade and other payables [1]	21	–	–	108 237	108 237
Income received in advance [1]	22	–	–	22 610	22 610
Borrowings	27	–	–	664	664
Loans from related parties	25	–	–	119 042	119 042
		–	–	250 553	250 553
Total liabilities		–	–	254 842	254 842

[1] *Trade and other payables has been represented to disclose contract liabilities separately in accordance with IFRS 15.*

Company 2018	Notes	Financial assets at amortised cost R'000	Financial assets at fair value through profit and loss R'000	Financial liabilities at amortised cost R'000	Total R'000
Current assets					
Loans to related parties	25	636 162	–	–	636 162
Cash and cash equivalents	26	93	–		93
		636 255	–	–	636 255
Total assets		636 255	–	–	636 255
Current liabilities					
Trade and other payables	21	–	–	556	556
Loan from related parties	25	–	–	7 201	7 201
Total liabilities		–	–	7 757	7 757

Company 2017	Notes	Loans and receivables at amortised cost, cash and cash equivalents R'000	Financial assets at fair value through profit and loss R'000	Financial liabilities at amortised cost R'000	Total R'000
Current assets					
Loans to related parties	25	640 431	–	–	640 431
Cash and cash equivalents	26	9 354	–	–	9 354
		649 785	–	–	649 785
Total assets		649 785	–	–	649 785
Current liabilities					
Trade and other payables	21	–	–	92 615	92 615
Loan from related parties	25	–	–	7 201	7 201
Total liabilities		–	–	99 816	99 816

30. FINANCIAL INSTRUMENTS (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 27, loans from related parties disclosed in Note 25, finance lease liabilities disclosed in Note 23, cash and cash equivalents disclosed in Note 26 and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, sell assets to reduce debt, or increase borrowings.

There are no externally imposed capital requirements.

Financial risk management

The Group's activities expose it to a variety of financial risks: i) liquidity risk; ii) market risk; and iii) credit risk, albeit not all of equal standing. Management monitor the Group's exposure to financial risk in order to minimise the potential adverse effect of these risks on the Group's financial performance. Board approval is obtained for any changes to the Group's financial risk exposure.

i) **Liquidity risk**

The Group's risk to liquidity is a result of funds being available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments, budgeting and credit facilities. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2018	Borrowings R'000	Finance lease liability R'000	Operating lease liability[1] R'000	Trade and other payable[2] R'000	Income received in advance[2] R'000	Other financial liabilities R'000	Total financial liabilities R'000	Discount R'000	Carrying value R'000
Less than one year	831	219	1 441	36 675	86 451	1 137	126 754	(225)	126 529
Between one and two years	714	156	11 262	4 000	–	–	16 132	(2 450)	13 682
Between two and five years	2 650	79	4	18 093	–	–	20 826	(2 247)	18 579
Over five years	3 355	–	–	–	–	–	3 355	(2 282)	1 073
	7 550	454	12 707	58 768	86 451	1 137	167 067	(7 204)	159 863
Discount	(3 400)	(59)	(1 903)	(1 842)	–	–	(7 204)		
Carrying value	4 150	395	10 804	56 926	86 451	1 137	159 863		
2017									
Less than one year	598	–	57	107 863	22 069	119 042	249 629	70	249 699
Between one and two years	535	–	221	–	–	–	756	159	915
Between two and five years	1 150	–	370	–	–	–	1 520	682	2 202
Over five years	596	–	–	–	–	–	596	576	1 172
	2 879	–	648	129 932	22 069	119 042	252 501	1 487	253 988
Discount	1 355	–	132	–	–	–	1 487		
Carrying value	4 234	–	780	129 932	22 069	119 042	253 988		

[1] *Operating lease liability forms part of trade and other payables.*
[2] *Trade and other payables has been reclassified to disclose contract liabilities separately in accordance with IFRS 15.*

ii) **Market risk**

Interest rate risk

Other than the money market (Note 26) and loans under committed facilities (Note 27), the Group has no significant interest-bearing assets as at 31 December 2018 (2017: Rnil).

30. FINANCIAL INSTRUMENTS (continued)

The impact on pre-tax profit in the year ended 31 December 2018, of a shift of 25 basis points in the interest rate, would result in a net increase in profit of R0.4 million (2017: R0.1 million) for the Group, primarily due to the money market, and an increase of R1,000 (2017: R0.1 million) for the Company. A 25 basis points decrease in the interest rate would have an equal, but opposite effect on profit or loss.

Foreign exchange risk

The Group's exposure to foreign exchange movements as at the end of 31 December 2018, expressed in South African Rands, is as follows. The Group and Company had no material foreign exchange risk for the year ended 31 December 2017.

	2018				
	Botswana Pula R'000	US Dollar R'000	British Pound R'000	Swaziland Emalangeni R'000	Total R'000
Trade receivables	1 454	2 536	–	–	3 990
Trade payables	–	–	(193)	(8)	(201)
Net exposure	1 454	2 536	(193)	(8)	3 789

iii) **Credit risk**

Credit risk consists mainly of cash deposits, cash and cash equivalents (excluding petty cash), loans to related parties, other financial assets and trade receivables and are evaluated throughout the year.

The Group and Company only deposit cash with major banks that are independently rated or, in the case of the money market, a reputable organisation whose individual credit rating is A- (ie. high credit quality) and whose underlying investments are independently rated. The credit quality of cash and cash equivalents (excluding petty cash), and other financial assets as at 31 December 2018 can therefore be assessed by reference to their external credit rating as follows:

Credit agency	Credit rating	Credit rating definition	2018 Amount R'000
Moodys	Aa1	High quality with low credit risk	231 296
Moodys	Government	Low risk	23 744
S&P	BB	Speculative characteristic however less vulnerable to non-payment than other speculative issues.	720
GCR	Aa1	Very high credit quality	9 699
			265 459

(iii) Impairment of financial assets (refer to Note 19)

IFRS 9 was adopted effective 1 January 2018 and introduced the expected credit loss model for recognising a loss allowance on the Group's trade and other receivables. The Group applies the IFRS 9 simplified approach in measuring expected credit losses for its trade receivables, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Students are perceived to have similar credit risk profiles and are therefore assessed as a collective when calculating the expected loss rate. Due to system limitations, the historical loss rates are calculated on the payment profiles of sales over the past year whilst looking at historical credit losses experienced over the previous five years for reasonableness. The historical loss rates reflect current and forward-looking information on macroeconomic factors affecting the ability of the students to settle their outstanding fees. The Group has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly takes these factors into consideration when calculating the expected loss rate. Refer to Notes 4.4.5 and 20 for additional information on the application of the expected credit loss model and the loss allowance recognised for trade and other receivables.

STADIO's credit lifecycle cannot be compared to that of a "normal retailer" and as such, based on historic data, the Group's definition of default is longer than 90 days. An upfront deposit is received from students at enrolment and students are monitored on a continuous basis with engagement and communication between the relevant institution and student occurring throughout the year. Trade receivables are impaired when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a student to re-register for a course in the following year or a history of non-payment. Trade receivables with renegotiated terms of payment or with acceptable payment history are not considered to be impaired.

At 31 December 2018 and 31 December 2017, the Group did not consider there to be any significant concentration of credit risk which had not been adequately provided for because individual debtors are assessed on an individual basis and an adequate loss allowance, based on expected credit losses, and not incurred credit losses, has been recognised.

Financial assets exposed to credit risk in the Group at year end were as follows:

	2018 R'000	2017 R'000
Cash and cash equivalents	**259 252**	646 051
Trade and other receivables	**66 437**	34 215
Other current assets	**1 954**	2 500
Other financial assets	**6 727**	1 898
	334 370	684 664

Fair value estimation

The Group holds certain financial instruments on the balance sheet at their fair values. The following hierarchy classifies each class of financial asset or liability in accordance with the valuation technique applied in determining its fair value. There have been no transfers between these categories in the current or preceding year.

Level 1 – The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities.

The Group holds other financial assets in unit trusts which are traded in active markets and valued at the closing market price at the reporting date.

Level 2 – The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – The fair value is based on unobservable inputs.

The Group recognises identifiable assets, liabilities and contingent liabilities which meet the recognition criteria of IFRS 3 Business Combinations at their fair values arising at the acquisition date of the respective subsidiaries. In assessing the fair value of separately identifiable intangible assets to be recognised, Trademarks were valued using the Royalty Relief method, Client Lists were valued using the Multiperiod Excess Earnings method (MEEM) and

30. FINANCIAL INSTRUMENTS (continued)

Curriculum material was valued using the Replacement Cost method. An adjusted WACC was used where relevant. Intangible assets totalling R82 million were recognised on acquisitions during the year, refer to Note 35.

The following table sets out the key assumptions used to value these intangible assets as at acquisition:

	2018			2017		
	Trademarks	Curriculum material	Client lists	Trademarks	Curriculum material	Client lists
Valuation methodology applied	Royalty relief	Replacement cost	MEEM	Royalty relief	Replacement cost	MEEM
Pre-tax discount rate applied in the value in use	n/a	n/a	20% – 21%	n/a	n/a	20% – 21%
Annual growth rate in valuation of trademarks	5% – 6%	n/a	n/a	6%	n/a	n/a

Fair value hierarchy	Note	Level 1 R'000	Level 2 R'000	Level 3 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Other financial assets	24	6 727	–	–	1 898	–	–
Business combinations – intangible assets	35	–	–	–	–	–	67 900

31. RELATED PARTIES

Related parties include all subsidiaries of the Group as included in Note 17 as well as the following:

Significant shareholders and their associated group companies: PSG Group Limited (PSG), PSG Alpha Proprietary Limited, PSG Financial Services Proprietary Limited, PSG Collective Investments (RF) Limited, PSG Corporate Services Proprietary Limited, PSG Wealth Financial Planning Proprietary Limited and Curro Holdings Limited.

Companies related to key management: Almika Properties 90 Proprietary Limited, VJ Properties Close Corporation and Citac Africa Proprietary Limited.

31. RELATED PARTIES (continued)

The following related party amounts are included in the Group's and Company's financial results presented above.

Group	2018 Amount of transactions R'000	2018 Outstanding balance R'000	2017 Amount of transactions R'000	2017 Outstanding balance R'000
Net loans from related parties (refer to Note 25)[1]	–	817	–	(116 542)
Cash and cash equivalents				
PSG Collective Investments (RF) Limited[2]	–	46 222	–	547 838
Trade and other receivables				
Curro Holdings Limited	–	23	–	–
PSG Wealth Financial Planning Proprietary Limited	–	–	–	122
Trade and other payables				
Curro Holdings Limited	–	(465)	–	(93)
PSG Corporate Services Proprietary Limited	–	(46)	–	(1 603)
GRIT Procurement Solutions Proprietary Limited	–	(61)	–	–
Other net (expense)/income				
Curro Holdings Limited	(573)	–	124	–
GRIT Procurement Solutions Proprietary Limited	(35)	–	–	–
Investment income			–	–
PSG Collective Investments (RF) Limited	11 284	–	5 838	–
Finance costs				
Curro Holdings Limited	(2 153)	–	(7 401)	–
Share issue costs				
PSG Corporate Services Proprietary Limited	–	–	(14 121)	–
Curro Holdings Limited	–	–	(93)	–
Merger and acquisition costs				
PSG Corporate Services Proprietary Limited	(562)	–	(2 441)	–
Grayston Elliot Proprietary Limited	(125)	–	–	–
Listing fees				
PSG Corporate Services Proprietary Limited	–	–	(1 710)	–
Rental income/(paid)				
Curro Holdings Limited	1 097	–	–	–
Almika Properties 90 Proprietary Limited	(2 697)	–	(2 423)	–
Citac Africa Proprietary Limited	(3 502)	–	(575)	–
VJ Properties	(100)	–	–	–
Insurance expense				
PSG Corporate Services Proprietary Limited	–	–	(25)	–
PSG Wealth Financial Planning Proprietary Limited	(313)	–	(7)	–
	2 321	**46 490**	(22 834)	429 722

[1] *The above loans as at 31 December 2017 are interest free, unsecured and repayable on demand (Refer to Note 25).*

[2] *Relates to cash from related parties held in a money market account (Refer to Note 26).*

31. RELATED PARTIES (continued)

The following related party amounts and balances are included in the Company's financial results presented above:

Company	2018 Amount of transactions R'000	2018 Outstanding balance R'000	2017 Amount of transactions R'000	2017 Outstanding balance R'000
Net loans to related parties (refer to Note 25)	–	**628 961**	–	633 230
Trade and other payables				
Curro Holdings Limited	–	–	–	(93)
PSG Corporate Services Proprietary Limited	–	–	–	(1 603)
Finance costs				
Curro Holdings Limited	–	–	2 926	–
Share issue costs				
PSG Corporate Services Proprietary Limited	–	–	14 121	–
Curro Holdings Limited	–	–	93	–
	–	**628 961**	17 140	631 534

The above loans to related parties as at 31 December 2018 and 31 December 2017, are interest free, unsecured and are repayable on demand.

32. COMMITMENTS AND GUARANTEES

Total future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Within one year	**35 753**	13 912	**–**	–
Within two to five years	**36 654**	38 252	**–**	–
Five years or later	**187 020**	79 902	**–**	–
Cash outflow total	**259 427**	132 066	**–**	–
Total authorised capital expenditure are as follows:				
Authorised capital expenditure				
Authorised and contracted	**68 083**	18 214	**–**	–
Authorised but not yet contracted	**213 786**	91 441	**–**	–
	281 869	109 655	**–**	–

The lease included in the future minimum lease payment commitments above primarily relates to the land lease of the new Waterfall campus, which opened in 2018 and has a lease term of 97 years.

During the year ended 31 December 2018, the Group has, in the normal course of business, given guarantees as required by the Department for Higher Education and Training to the value of R9.0 million (2017: R2.8 million). There are no guarantees relating to the Company.

33. CONTINGENT LIABILITIES

The Group and Company has no contingent liabilities as at 31 December 2018 or 31 December 2017.

	GROUP		COMPANY	
	2018 R'000	2017[1] R'000	**2018 R'000**	2017 R'000
34. NOTES TO THE CASH FLOW STATEMENT				
34.1 Cash generated from/(utilised by) operations				
Profit/(loss) before taxation	**113 362**	(2 316)	**(1 114)**	(6 150)
Non-cash items:				
Depreciation	**22 075**	6 403	**–**	–
Amortisation	**11 920**	3 666	**–**	–
Investment income	**(25 264)**	(14 914)	**(135)**	(231)
Finance costs	**6 719**	7 630	**–**	2 926
Foreign exchange loss	**23**	8	**–**	–
Share-based payment expense	**4 169**	953	**–**	–
Net loss/(profit) on disposal of property, plant and equipment	**738**	(1)	**–**	–
Other non-cash expenditure	**98**	781	**–**	–
	133 840	2 210	**(1 249)**	(3 455)
Movements in working capital:	**(33 765)**	(39 443)	**(17 651)**	3 800
Decrease/(increase) in inventories	**2 998**	(3 561)	**–**	–
Decrease/(increase) in trade and other receivables	**22 323**	(2 760)	**–**	–
(Decreases)/increase in trade and other payables[1]	**(21 803)**	7 323	**(17 651)**	3 800
(Decreases)/increase in amounts received in advance[1]	**(37 283)**	(40 445)	**–**	–
	100 075	(37 233)	**(18 900)**	345
34.2 Taxation paid				
Amounts at the beginning of the year	**2 988**	3 808	**–**	–
Acquisitions	**5 890**	(23 703)	**–**	–
Current tax (charge)/recovery	**(44 476)**	5 095	**–**	–
Interest	**167**	–	**–**	–
Amount at the end of the year	**(8 918)**	(2 988)	**–**	–
Taxation paid	**(44 349)**	(17 788)	**–**	–

		GROUP		COMPANY	
		2018 R'000	2017[1] R'000	2018 R'000	2017 R'000
34.3	**Reconciliation of loans(to)/from related parties**				
	Balance at the beginning of the year	**116 542**	210 664	**(633 230)**	–
	Acquisitions	**38 171**	(2 500)	**–**	–
	Proceeds from loan advances	**546**	–	**9 869**	7 201
	Additional loans advanced	**1 137**	249 042	**–**	(640 431)
	Non-cash movements	**–**	1 333	**–**	–
	Loan capitalised – Group restructuring	**–**	(211 997)	**(5 600)**	–
	Repayments	**(157 213)**	(130 000)	**–**	–
	Balance at the end of the year	**(817)**	116 542	**(628 961)**	(633 230)
34.4	**Reconciliation of net financial liabilities**				
	Balance at the beginning of the year	**4 234**	4 266	**–**	–
	Acquisitions	**267**	–	**–**	–
	Additional borrowings	**127**	–	**–**	–
	Repayments	**(83)**	(32)	**–**	–
	Balance at the end of the year	**4 545**	4 234	**–**	–

[1] *Trade and other payables has been represented to disclose contract liabilities separately in accordance with IFRS 15.*

35. ACQUISITIONS

The Group made the following acquisitions of subsidiaries during the year:

Acquisition date	**Subsidiary**	Percentage acquired	Consideration R'000	Fair value of net assets acquired R'000	Goodwill arising on acquisition R'000	Costs R'000
1 January 2018	Lisof Proprietary Limited, Wadam Properties Proprietary Limited and Histodox Proprietary Limited (LISOF)	100%	127 338	42 514	84 824	357
19 March 2018	MBS Education Investments Proprietary Limited and Milpark Education Proprietary Limited	87.2%	261 451	45 722	221 582	653
12 April 2018	Business of CA Connect Professional Training Institution CPT Proprietary Limited	–	28 178	5 383	23 484	117
1 November 2018	Prestige Academy Proprietary Limited	100%	23 484	13 558	9 926	153
			440 451	107 177	339 816	1 280

35. ACQUISITIONS (continued)

Net assets acquired	LISOF R'000	Milpark R'000	CA Connect R'000	Prestige R'000	Total R'000
Property, plant and equipment	69 524	10 542	–	566	**80 632**
Intangible assets	17 100	50 445	2 829	13 305	**83 679**
Deferred tax asset	1 626	13 857	–	767	**16 250**
Deferred tax liability	(6 703)	(2 671)	(993)	(1 639)	**(12 006)**
Other financial assets	–	510	–	–	**510**
Trade and other receivables	2 828	44 848	3 547	1 446	**52 669**
Trade and other payables	(2 350)	(29 566)	–	(1 287)	**(33 203)**
Income received in advance	(3 945)	(83 325)	–	(13 856)	**(101 126)**
Finance lease liabilities	–	–	–	(267)	**(267)**
Income tax payable	(1 472)	–	–	(653)	**(2 125)**
Income tax receivable	1 348	6 667	–	–	**8 015**
Borrowings	(16 653)	–	–	–	**(16 653)**
Loans and advance	(21 518)	–	–	–	**(21 518)**
Cash and cash equivalents	2 729	34 415	–	15 176	**52 320**
Total identifiable net assets acquired	42 514	45 722	5 383	13 558	**107 177**
Non-controlling interest	–	(5 853)	(689)	–	**(6 542)**
Goodwill	84 824	221 582	23 484	9 926	**339 816**
Total consideration	127 338	261 451	28 178	23 484	**440 451**
Satisfied by:					
Cash consideration	68 690	210 588	6 392	10 400	**296 070**
Share issue	58 648	50 863	8 006	5 600	**123 117**
Deferred consideration	–	–	13 780	7 484	**21 264**
Total consideration	127 338	261 451	28 178	23 484	**440 451**
Net cash flow on acquisitions					
Cash consideration	(68 690)	(210 588)	(6 392)	(10 400)	**(296 070)**
Cash and cash equivalents acquired	2 729	34 415	–	15 176	**52 320**
Net cash outflow on acquisitions	(65 961)	(176 173)	(6 392)	4 776	**(243 750)**

35.1 LISOF

The Group acquired 100% of Lisof Proprietary Limited (including the associated property companies Wadam Properties Proprietary Limited and Histodox Proprietary Limited) (collectively LISOF) for a total purchase consideration of R127.3 million. The consideration was settled partly through cash of R68.7 million, and R58.6 million settled through the issue of 8.3 million ordinary shares. The acquisition was effective on 1 January 2018. LISOF is a registered private higher education institution (focusing on fashion design and retail education with five accredited programmes), ranging from higher certificates to honours degrees offered at two campuses in Johannesburg and Pretoria. In 2018, LISOF had approximately 644 students across its qualifications.

35.2 Milpark

On 19 March 2018, the Group acquired an effective 70% interest in MBS Education Investments Proprietary Limited (MBS Education), through its investment in Milpark BEE Investments SPV Proprietary Limited (Milpark Investments), with Brimstone Investment Corporation Limited (Brimstone), the Group's BEE partner, acquiring a 30% effective interest in MBS Education. The Group paid an initial cash settlement amount of R207.0 million.

On 20 March 2018, the Group and Brimstone concluded an asset-for-share agreement whereby the Group acquired 17.2% of Brimstone's 30% interest in Milpark Investments for a purchase consideration equal to R50.9 million (swap-up). This consideration was settled through the issue of 9.8 million ordinary shares (subject to a BEE lock-in period of seven years), at an issue price of R5.20 per share, being the volume weighted average price of the Group's share price, R6.50, less a 20% discount. Following the swap-up, the Group has an effective 87.2% shareholding in MBS Education with Brimstone's shareholding being an effective 12.8%.

Milpark is a leading provider of higher education qualifications in relating to Commerce, Law and Management. Furthermore Milpark Business School obtained the international recognised AMBA accreditation in 2018, being the first private player in Africa to do so. The majority of Milpark's programmes are offered through the distance learning mode of delivery. Milpark has 13 338 students registered for its various programmes in 2018.

35.3 CA Connect

Effective 12 April 2018, Milpark acquired the business of CA Connect Professional Training Institute CPT Proprietary Limited (CA Connect) for purchase consideration of R32.3 million, with the deferred consideration being subject to achievement of certain profit targets. The purchase consideration was settled partly in shares and cash on 12 April 2018. CA Connect specialises in education services related to the Post Graduate Diploma in Accounting, a pathway for students who aspire to be a Chartered Accountant.

35.4 Prestige Academy

On 1 November 2018, the Group acquired 100% of Prestige Academy Proprietary Limited (Prestige Academy) for a total purchase consideration of R23.5 million. The initial consideration of R16 million was settled partly through cash of R10.4 million and R5.6 million settled through the issue of 1.5 million ordinary shares. The deferred consideration is subject to certain performance targets being realised during 2019 and 2020. Prestige is a registered private higher education provider with 27 registered qualifications offered at its campus in Bellville (Western Cape) and 4 registered qualifications offered at its campus in Centurion (Guateng). The Acquisition assists the Group in achieving its strategy of acquiring and growing existing registered higher education brands and providing additional qualifications. Prestige Academy had 529 students registered at is campuses in 2018.

35.5 Payments in respect of prior-year acquisitions

In March 2018, the Group settled the AFDA top-up consideration through the issue of 10.8 million shares, valued at R74.4 million, and through a final cash payment of R14.4 million.

35.6 The following summary presents the Group as if the businesses were acquired on 1 January 2018.

	2018 R'000
Revenue	**694 264**
Profit for the year	**66 492**

36. EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting period ended 31 December 2018.

37. GOING CONCERN

The Directors believe that the Group and the Company have adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going-concern basis.

In the current year, the Group increased its profit after tax from a loss of R5.1 million in 2017 to a profit of R77.3 million in 2018. The Group concluded a number of acquisitions which is in line with its strategy to widen access to higher education and has a strong cash balance of R260 million as at 31 December 2018 and is in the process of finalising debt facility arrangements to assist in funding its capital expansion and growth objectives. The Directors, therefore, have satisfied themselves that the Group and the Company are in a sound financial position and that the Group and the Company have sufficient cash, and access to borrowings, to meet their foreseeable cash requirements.

38. DIRECTORS' REMUNERATION AND BENEFITS

Directors' emoluments

Directors' and prescribed officers' remuneration and benefits

Remuneration and benefits paid by the Group to current and past Directors and prescribed officers for services to the Group:

	2018					2017				
Name	Basic salary/ director's fees R'000	Bonuses R'000	Share based incentive payments[8] R'000	Pension contribu-tions paid R'000	Total R'000	Basic salary/ director's fees R'000	Bonuses[8] R'000	Share based incentive payments[8] R'000	Pension contribu-tions paid R'000	Total R'000
CR van der Merwe[1, 2]	2 220	1 191	1 782	220	5 413	2 356	2 224	5 067	123	9 770
S Totaram[3, 4]	1 752	1 050	975	60	3 837	1 672	995	2 019	57	4 743
D Singh[5]	1 345	669	–	132	2 146	1 084	–	–	105	1 189
Non-executive										
PN de Waal[6]	135	–	–	–	135	–	–	–	–	–
A Mellet (alternate for PN de Waal)	–	–	–	–	–	–	–	–	–	–
Independent Non-Executive										
RH Stumpf	170	–	–	–	170	95	–	–	–	95
R Kisten	165	–	–	–	165	83	–	–	–	83
KS Sithole	150	–	–	–	150	87	–	–	–	87
DM Ramaphosa[7]	115	–	–	–	115	–	–	–	–	–
Total	6 052	2 910	2 757	412	12 131	5 377	3 219	7 086	285	15 967

1 *CR van der Merwe was appointed as Chief Executive Officer of Stadio Holdings Limited on 1 July 2017 and received remuneration from the Group for six months during the financial year ended 31 December 2017. Stadio Holdings Limited was previously owned by Curro before being unbundled and separately listed on 3 October 2017.*

2 *CR van der Merwe was remunerated by Curro Holdings Limited (Curro) for the six-month period ended 30 June 2017 and received remuneration for serving as a non-executive director and strategic advisor on the board of Curro from 1 July 2017.*

3 *S Totaram was appointed as Chief Financial Officer of Stadio Holdings Limited on 1 January 2017 and received remuneration for the 12 months ended 31 December 2017.*

4 *S Totaram was remunerated by Curro in the form of a bonus during the six-month period ended 30 June 2017 for services rendered to Curro relating to the period ended 31 December 2016.*

5 *D Singh was appointed and employed by the Stadio Group on 1 February 2017 and received remuneration for 11 months of the financial year-ending 31 December 2017.*

6 *PN de Waal's director's remuneration is paid to PSG Corporate Services Proprietary Limited of which he is a salaried employee.*

7 *DM Ramaphosa was appointed as an independent non-executive director on 1 March 2018 and as such received director's fees for his service as a non-executive director for 9 months of the year ended 31 December 2018.*

8 *Bonuses and share-based incentive payments relate to 2016 financial year incentive and were accordingly paid for by Curro.*

No share incentive awards were issued to the executive directors during 2018, nor did any share incentive awards issued by Stadio Holdings Limited vest in 2018.

SHAREHOLDERS' ANALYSIS

AS AT 31 DECEMBER 2018

Range of shareholding 2018	Number of shareholders	% of shareholders	Number of shares held '000	% of total shares
1 – 10 000	14 281	84.4	30 252	3.7
10 001 – 100 000	2 327	13.7	63 587	7.8
100 001 – 1 000 000	268	1.6	74 037	9.0
More than 1 000 000	43	0.3	649 838	79.5
	16 919	100.0	817 714	100.0

Range of shareholding 2017	Number of shareholders	% of shareholders	Number of shares held '000	% of total shares
1 – 10 000	17 649	85.7	36 230	4.6
10 001 – 100 000	2 628	12.8	66 243	8.4
100 001 – 1 000 000	273	1.3	69 141	8.8
More than 1 000 000	40	0.2	614 316	78.2
	20 590	100.0	785 930	100.0

Shareholder spread

To the best knowledge of the Directors and after reasonable enquiry, the spread of shareholders as at 31 December 2018 were as follows:

Public and non-public shareholding 2018	Number of shareholders	% of shareholders	Number of shares held '000	% of total shares
PSG Alpha Proprietary Limited	1	–	359 597	44.0
Directors (including prescribed officers and subsidiary directors)	9	–	80 879	9.8
Directors from other related parties	12	–	8 048	1.0
Non-public shareholding	22	–	448 524	54.8
Public shareholding	16 897	100.0	369 190	45.2
Total of all shareholders	16 919	100.0	817 714	100.0

Public and non-public shareholding 2017	Number of shareholders	% of shareholders	Number of shares held '000	% of total shares
PSG Alpha Proprietary Limited	1	–	359 597	45.8
Directors (including prescribed officers and subsidiary directors)	9	–	70 516	8.8
Directors from other related parties	12	–	8 048	1.0
Non-public shareholding	22	–	438 161	55.8
Public shareholding	20 568	100.0	347 769	44.2
Total of all shareholders	20 590	100.0	785 930	100.0

Major shareholders

According to the information available to the Company, the following beneficial shareholders are directly or indirectly interested in 5% or more of the Group's share capital.

	Shares held 2018	
	Number '000	%
PSG Alpha Proprietary Limited	359 597	44.0
Coronation Fund Managers Limited	51 622	6.3
Brimstone Investment Corporation Limited	43 565	5.3

	Shares held 2017	
	Number '000	%
PSG Alpha Proprietary Limited	359 597	45.8

Share information

	2018	2017
Closing price at period end (cents)	349	805
JSE market high (cents)	860	950
JSE market price low (cents)	321	520
Total number of transactions on JSE	32 408	34 129
Total number of shares traded	112 075 904	90 622 900
Total value of shares traded (R)	513 286 616	629 104 744
Average price per share (cents)	458	725
Shares in issue	817 713 779	785 930 219
Percentage volume traded to shares in issue	13.7%	11.5%

COMPANY INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment holding company in private higher education industry
Directors	**Executive** CR van der Merwe S Totaram D Singh **Non-Executive** PN de Waal * *A Mellet (alternate Director to PN de Waal) **Independent Non-Executive** RH Stumpf R Kisten KS Sithole DM Ramaphosa
Company Secretary	Stadio Corporate Services Proprietary Limited
Registered office and business address	Unit 13, San Domenico 10 Church Street Durbanville, South Africa, 7550 (PO Box 2161, Durbanville, South Africa, 7551)
Parent	PSG Alpha Proprietary Limited, incorporated in South Africa
Ultimate shareholder	PSG Group Limited, incorporated in South Africa
Bankers	Standard Bank of South Africa Limited
Auditor	PricewaterhouseCoopers Incorporated
Sponsor	PSG Capital Proprietary Limited 1st Floor, Ou Kollege Building 35 Kerk Street, Stellenbosch South Africa, 7600 (PO Box 7403, Stellenbosch, South Africa, 7599
Company registration number	2016/371398/06
Level of assurance	These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The consolidated and separate annual financial statements were compiled under the supervision of Ms S Totaram CA(SA), CFA
Website	www.stadio.co.za