STADIO

HOLDINGS

SUMMARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

TOWARDS

STADIO

CURRENT BRANDS

[AFDA]
film • television • performance • business innovation & technology
the school for the creative economy

SBS
Southern Business School

MILPARK EDUCATION
M

LISOF
LEADERS IN FASHION EDUCATION

STADIO
FACULTY OF EDUCATION & HUMANITIES
SCHOOL OF EDUCATION

FORMERLY
EMBURY
INSTITUTE FOR HIGHER EDUCATION

PRESTIGE ACADEMY

HIGHLIGHTS

REVENUE
R815 million
29%
R633 million

STUDENT NUMBERS
31 869
7%
29 885

EBITDA[1]
R180 million
40%
R129 million

Core HE[2]
R88 million
26%
R70 million

CHEPS[3]
10.8 cps
26%
8.6 cps

93
accredited programmes
45
pipeline programmes

7 294
students graduated,
81%
module success rate

Acquires remaining 26% shareholding in SBS[4]

[1] *Earnings before interest, tax, depreciation, amortisation.*
[2] *Core headline earnings.*
[3] *Core headline earnings per share.*
[4] *Southern Business School Proprietary Limited (SBS).*

STUDENT NUMBERS

All information presented below represents the information of the underlying registered higher education institutions (HEIs) owned by the Group, split into the mode of delivery and illustrative faculties proposed to be offered by STADIO.

Students numbers have been presented to show the students enrolled for Semester 1 (January to June) and Semester 2 (July to December) programmes and to illustrate the impact on new student enrolments, mainly in the off-mode campus delivery, that occurs during Semester 2.

ENROLMENTS

	Semester 1 unaudited				Semester 2 unaudited			
	2017[1] 30 Jun	2018[1] 30 Jun	2019 30 Jun	Year-on-year growth %	2017[1] 31 Dec	2018[1] 31 Dec	**2019 31 Dec**	**Year-on-year growth %**
Faculty								
Commerce, Management and Law	19 834	21 648	22 360	3%	23 761	25 105	**25 433**	**1%**
Creative Economies	2 749	2 889	3 092	7%	2 727	2 878	**3 065**	**6%**
Education & Humanities	1 112	1 735	2 758	59%	1 039	1 839	**3 301**	**79%**
Engineering & Information Technology	57	62	70	13%	57	63	**70**	**11%**
	23 752	26 334	28 280	7%	27 584	29 885	**31 869**	**7%**
Modes of learning delivery								
On-campus	4 755	5 402	6 081	13%	4 833	5 500	**6 197**	**13%**
Off-campus	18 997	20 932	22 199	6%	22 751	24 385	**25 672**	**5%**
	23 752	26 334	28 280	7%	27 584	29 885	**31 869**	**7%**
Made up as follows:								
% On-campus	20%	21%	22%		18%	18%	**19%**	
% Off-campus	80%	79%	78%		82%	82%	**81%**	

[1] *like-for-like comparison including student numbers of all underlying HEIs as if they had been a part of the STADIO Holdings Group in this period. The prior year figures have been restated accordingly, and adjusted to correctly split the student numbers by mode of delivery.*

COMMENTARY

OVERVIEW

STADIO Holdings, an investment holding company focusing on the investment into HEIs, has been established with the purpose of widening access to quality and relevant higher education programmes in Southern Africa. It is the Group's vision to be a leading higher education provider, offering qualifications aligned with the needs of societies, students and the world of work. The Group currently owns six registered HEIs that provide both undergraduate and post graduate programmes that offer graduates a reasonable chance of creating employment opportunities (entrepreneurship) or finding employment.

During 2020, the Group, subject to various regulatory approvals, will look to consolidate programmes offered by its various HEIs under a single brand, STADIO, that will allow stakeholders to benefit from the marketing, operational and regulatory advantages of doing so. The Group is currently engaged with the various regulatory bodies, including the Council on Higher Education, the Department of Higher Education and Training, and the South African Qualifications Authority, regarding the proposed consolidation of programmes.

The Group remains focused on developing additional key programmes for both on-campus and off-campus (including distance learning and distance learning online) modes of delivery and exploring geographic expansion of key programme offerings through greenfield developments.

REVIEW OF RESULTS

The Group's Summary Results for the year ended 31 December 2019 (the Financial Results), marks the end of the period envisioned in the Prelisting Statement (PLS), issued on 15 September 2017. The Board is pleased to report that the Group has achieved, and exceeded, its strategic objectives and forecast financial benchmarks as set out in the PLS.

The Financial Results include the consolidation of all HEIs for the full year. Effective 1 October 2019, the Group acquired, by way of a share repurchase, the remaining 26% shareholding in SBS for a purchase consideration of R155.5 million.

The comparative 2018 Financial Results, include the acquisitions of Milpark Education (Pty) Ltd, the business of CA Connect Professional Training Institution CPT (Pty) Ltd (CA Connect) (hereinafter collectively referred to as Milpark) and the results of Prestige Academy (Pty) Ltd (Prestige Academy) (the 2018 Acquisitions) from their respective acquisition dates of 19 March 2018, 12 April 2018 and 1 November 2018.

At 31 December 2019, the Group increased overall student enrolments by 7% to 31 869 (2018: 29 885), of which on-campus students grew by 13% to 6 197 (2018: 5 500), and off-campus students grew by 5% to 25 672 (2018: 24 385). The overall growth in student numbers, specifically off-campus student numbers, was negatively impacted by the decline in Milpark's student numbers to 12 254 at 31 December 2019 (2018: 13 381). Excluding the impact of Milpark's student numbers, the Group grew student numbers by 19% for the year ended 31 December 2019.

A part of Milpark's business is to service the higher education training needs of various corporate entities. This portion of the business is cyclical and is directly impacted by various economic factors which remain outside of Milpark's control. Notwithstanding the decline in student numbers, Milpark contributed significantly to the overall performance of the Group with a 14% increase in revenue and a 124% increase in EBITDA for the year (on a like-for-like basis). The increase is predominantly attributable to a better mix of enrolled students contributing more profitably to the Group as well as through disciplined cost control and capitalising on operational efficiencies. Milpark currently has 28 registered programmes, including an AMBA accredited Masters in Business Administration (MBA) and a Post graduate diploma in Accounting (PGDA).

The growth in revenue of 29% from the prior year is attributable to organic growth of 17% in the underlying HEIs, as well as 12% acquisitive growth from the inclusion of the 2018 Acquisitions for the full 12 months.

COMMENTARY (CONTINUED)

The increase in EBITDA of 40% to R180 million (2018: R129 million) was attributable to the 22% organic growth of the underlying HEIs, 3% acquisitive growth, and a net 15% increase arising from fair value adjustments and the adoption of IFRS 16 *Leases* (IFRS 16). The adoption of IFRS 16 in the current year specifies that certain rental expenses are excluded from operating expenses but instead are reflected through an increase in depreciation and finance costs for the 2019 Financial Year. Consequently, depreciation increased to R45 million (2018: R22 million); and finance costs increased to R20 million (2018: R7 million); for the year ended 31 December 2019. Further details are contained in Note 9.

Earnings per share (EPS) and Headline earnings per share (HEPS) grew 9% from 7.8 cps to 8.5 cps. The growth was impacted by a non-cash fair value adjustment of R15 million in respect of the contingent consideration payable for the CA Connect and Prestige Academy acquisitions. This adjustment was primarily as a result of the better than expected performance on the PGDA offering than was originally anticipated when the acquisition was concluded.

CHEPS reflects HEPS adjusted for certain items that, in the Board's view, may distort the financial results from year-to-year, giving management a more consistent reflection of the underlying financial performance of the Group. These core adjustments include once-off acquisition related costs, amortisation costs associated with client lists acquired (i.e. a non-cash charge arising as a result of the consolidation of the subsidiaries acquired), and adjustments to contingent consideration payable in respect of various acquisitions concluded. For 2019, the Group grew CHEPS by 26% to 10.8 cps (2018: 8.6 cps).

The loss allowance (pre-recoveries), as a percentage of revenue, increased from 3.2% to 4.3%. The increase is reflective of the current economic environment but is managed and maintained within the Group's acceptable threshold of 5%.

During the year, the Group invested capital as follows:

- On 27 September 2019, the Group entered into a purchase agreement to purchase land and improvements thereon in Centurion for a total amount of R110 million. Construction on the site commenced in November 2019 and, subject to regulatory approvals, the Group intends to open its first multi-faculty STADIO campus (STADIO Centurion) in January 2021;
- Effective 1 October 2019, the Group acquired, by way of a share repurchase, the remaining 26% shareholding in SBS for a purchase consideration of R155.5 million. The Group, furthermore, entered into an agreement to purchase the property on which SBS carries out its South African operations for a purchase consideration of R28.5 million. It is the intention of the Group to utilise these premises to develop a centralised logistical and distribution centre for the Group's off-campus operations. The purchase of the property is subject to transfer; and
- The Group invested R69 million during the year on existing facilities and moveable assets, construction and development of the STADIO Centurion site, new programme development, and development of the Group's information technology system.

In December 2019, the Group entered into a revolving credit facility with Standard Bank of South Africa Limited for an amount of R200 million. The facility will be utilised to fund the new developments and growth initiatives as well as for working capital requirements. The Group remains in a strong cash position with a cash balance of R93 million at 31 December 2019.

The Group reported R141 million cash inflow from operating activities. Working capital movements of R12 million (Note 7) were impacted by the payment of a R13.5 million deposit for the acquisition of the land for the proposed Western Cape multi-faculty campus. The increase in cash flows from operating activities for 2019 to R141 million (2018: R77 million) was also positively affected by the application of IFRS 16, with the repayment component of the lease liability recognised in cash flows from financing activities, under IFRS 16.

FUTURE CAPITAL EXPANSION INITIATIVES

GREENFIELD EXPANSION OPPORTUNITIES

The Group is focused on the development of multi-faculty campuses (accommodating between 3 000 and 5 000 students) to promote STADIO offerings in strategic locations. These campuses will offer multiple faculties in a single location and will largely cater for the school-leaver market. STADIO Holdings has identified that potential exists to construct these large scale-campuses in the Western Cape, Gauteng and KwaZulu-Natal.

Further to the development of the STADIO Centurion site, the Group has entered into an agreement to acquire vacant land located in Durbanville (Western Cape), subject to various closing conditions (STADIO Durbanville). It is anticipated that STADIO Durbanville will open in 2022.

QUALIFICATIONS

The Group is in the process of developing and expanding its programme and qualification mix offering for both on-campus and off-campus modes of delivery. From 2017 to 2019 the Group, through its HEIs developed, key, in-demand, qualifications, primarily in the off-campus mode of delivery, contributing to a growth of approximately 2 600 students over this period.

The Group currently has 93 programmes that are accredited, with an additional 45 programmes across both on-campus and off-campus modes of learning delivery (including programmes in engineering and information technology) in the process of development and/or accreditation.

ACADEMIC PERFORMANCE

In 2019, 7 294 students graduated from the Group's six underlying HEIs (2018: 6 392), with an overall annual module success rate of 80.9% (2018: 77.7%). The continued emphasis on proactive and responsive student support is a significant contributor to the improving pass rates and student success.

DIVIDEND

Given the Group's current expansion plan, no Group dividend was declared for the year ended 31 December 2019 (2018: Rnil).

LEADERSHIP CHANGE

On 7 December 2019, the Group announced that Dr Chris van der Merwe will step down as the Chief Executive Officer (CEO) of STADIO Holdings on 31 March 2020. Dr Chris van der Merwe will continue to serve as a non-executive director on the Board of STADIO Holdings and will continue to advise and support the Group, specifically on the development of STADIO Centurion and STADIO Durbanville. The Board wishes to thank Dr Chris van der Merwe for the key role that he has played in the establishment of STADIO Holdings and on the achievement of the various strategic objectives set out in the PLS.

Mr Chris Vorster, founder and CEO of SBS, will succeed Dr Chris van der Merwe as the CEO, effective 1 April 2020. Mr Chris Vorster is a highly experienced businessman with over 20 years' experience in the higher education sector. He founded the highly successful SBS in 1996, which today accommodates approximately 13 000 distance learning students. The Board believes that his experience and leadership qualities, will position STADIO Holdings to reach its strategic objectives. Mr Chris Vorster will also be instrumental in consolidating the Group's various programmes and HEIs under a single STADIO brand, whilst establishing centralised services to support the Group's core functions, and seeking out opportunities to widen access to quality education across Southern Africa.

On 9 October 2019, Dr Busisiwe Vilakazi and Dr Tom Brown were appointed to the Board of Directors as independent non-executive directors of the Company.

COMMENTARY (CONTINUED)

PROSPECTS

The Group continues on its journey to establish and migrate various programmes to one STADIO, which will reap efficiencies in the long-term, but could result in additional costs in the short-to-medium term. Notwithstanding the challenging South African environment, the Board has considered the prospects of the Group and believes that the Group is well positioned to deliver on its strategic objectives to reach 100 000 students over time.

On behalf of the Board,

RH Stumpf
Chairperson

CR van der Merwe
Chief Executive Officer

4 March 2020

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year-on-year change %	Audited 2019 R'000	Restated Audited 2018 R'000
Revenue	29%	815 427	632 928
Other income	(10%)	8 054	8 981
Operating expenses[1]	23%	(608 335)	(492 799)
Loss allowance[1]	72%	(34 832)	(20 298)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**40%**	**180 314**	128 812
Depreciation and amortisation	79%	(60 890)	(33 995)
Earnings before interest and taxation (EBIT)	**26%**	**119 424**	94 817
Investment income	11%	28 047	25 264
Finance cost	197%	(19 926)	(6 719)
Profit before taxation	**13%**	**127 545**	113 362
Taxation	22%	(43 861)	(36 071)
Profit for the period	**8%**	**83 684**	77 291
Attributable to:			
Owners of the parent	10%	69 836	63 270
Non-controlling interests	(1%)	13 848	14 021
Total comprehensive income for the period	**8%**	**83 684**	77 291
Headline earnings (Note 3)	11%	69 662	62 838
Core headline earnings (Note 4)	26%	88 211	69 952
		Cents	**Cents**
Earnings per share (EPS)			
– Basic	9%	8.5	7.8
– Diluted	9%	8.4	7.7
Headline earnings per share (HEPS)			
– Basic	9%	8.5	7.8
– Diluted	9%	8.4	7.7
Core headline earnings per share (CHEPS)			
– Basic	26%	10.8	8.6
– Diluted	25%	10.6	8.5
		Million	**Million**
Number of shares in issue			
– Basic	-	818	818
– Diluted	-	829	826
Weighted average number of shares in issue			
– Basic	1%	818	811
– Diluted	1%	829	819

[1] *The Group restated operating expenses in the prior year to separately disclose changes in the loss allowance in accordance with IAS 1 Presentation of Financial Statements.*

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Audited 2019 R'000	Audited 2018 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**663 358**	531 298
Right-of-use asset (Note 9)	**91 702**	–
Intangible assets	**211 522**	206 228
Goodwill	**749 482**	749 482
Other financial assets	**5 173**	6 727
Trade and other receivables	**16 281**	–
Deferred tax asset	**107 026**	43 004
Total non-current assets	**1 844 544**	1 536 739
Current assets		
Inventories	**2 132**	4 372
Trade and other receivables	**115 834**	89 493
Loans to related parties	**805**	1 954
Tax receivable	**9 908**	12 180
Cash and cash equivalents	**93 436**	259 508
Total current assets	**222 115**	367 507
Total assets	**2 066 659**	1 904 246
EQUITY		
Share capital (Note 5)	**1 565 675**	1 564 283
(Accumulated loss)/retained earnings[1]	**(5 548)**	80 511
Share based payment reserve	**11 033**	5 122
Total equity attributable to equity holders of the Company	**1 571 160**	1 649 916
Non-controlling interest	**12 138**	47 186
Total equity	**1 583 298**	1 697 102
LIABILITIES		
Non-current liabilities		
Borrowings	**65 000**	3 392
Lease liabilities (Note 9)	**137 061**	209
Trade and other payables	**18 993**	29 732
Deferred tax liability	**70 809**	35 776
Total non-current liabilities	**291 863**	69 109
Current liabilities		
Loans from related parties	**96**	1 137
Borrowings	**392**	758
Lease liabilities (Note 9)	**32 309**	186
Trade and other payables	**65 757**	46 241
Income received in advance	**89 786**	86 451
Tax payable	**3 158**	3 262
Total current liabilities	**191 498**	138 035
Total liabilities	**483 361**	207 144
Total equity and liabilities	**2 066 659**	1 904 246
Net asset value per share (cents)	**192**	202

[1] *As part of the Group's growth strategy and migration plans, the Group acquired the remaining 26% shareholding in SBS, by way of a share repurchase, whereby SBS settled a shareholders loan of R35 million and repurchased the 54 ordinary shares held by the minority shareholder for a total purchase price of R155.5 million.*

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Audited 2019 R'000	Audited 2018 R'000
Balance at the beginning of the period	**1 697 102**	1 414 671
Change in accounting policy (IFRS 16)	**(35 940)**	–
Restated balance at the beginning of the period	**1 661 162**	1 414 671
Total comprehensive income/(loss) for the period	**83 684**	77 291
Issue of ordinary shares	**1 400**	197 525
Share issue costs	**(8)**	(365)
Share-based payment charge	**5 911**	4 169
Non-controlling shareholders interest acquired	**(155 500)**	6 542
Dividends paid to non-controlling shareholders	**(13 351)**	(2 731)
Balance at the end of the period	**1 583 298**	1 697 102

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year-on-year change %	Audited 2019 R'000	Audited 2018 R'000
Net cash flow from operating activities	83%	**141 284**	77 257
Cash generated from operations (Note 7)	89%	**189 551**	100 075
Interest income	10%	**27 712**	25 264
Finance cost	428%	**(19 701)**	(3 733)
Tax paid	27%	**(56 278)**	(44 349)
Net cash flow used in investing activities	42%	**(176 922)**	(305 161)
Purchase of property, plant and equipment	(278%)	**(157 427)**	(41 637)
Purchase of intangible assets and curriculum development costs	(35%)	**(21 430)**	(15 870)
Acquisition of subsidiaries, net of cash acquired	100%	**–**	(243 750)
Proceeds from sale of property, plant and equipment	(100%)	**35**	–
Proceeds from loans from related parties	100%	**–**	96
Disposal of/(investment in) other financial assets	148%	**1 900**	(4 000)
Net cash flow from financing activities	18%	**(130 434)**	(158 678)
Share issue costs	98%	**(8)**	(365)
Proceeds/(repayment) from loans	142%	**65 089**	(155 626)
(Repayment)/proceeds of borrowings and loans with related parties	(9286%)	**(4 042)**	44
Repayment of lease liabilities	(100%)	**(20 022)**	–
Dividends paid to non-controlling shareholders	(389%)	**(13 351)**	(2 731)
Additional investment in subsidiary with no change in control	(100%)	**(158 100)**	–
Net movement in cash and cash equivalents for the period		**(166 072)**	(386 582)
Cash and cash equivalents at the beginning of the period		**259 508**	646 090
Cash and cash equivalents at the end of the period		**93 436**	259 508

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The Financial Results are prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC Interpretations, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Accountants Council, the JSE Limited Listings Requirements for provisional reports, the requirements of the Companies Act of South Africa and the presentation and disclosure requirements of IAS 34 Interim Financial Reporting.

The Financial Results have been prepared internally under the supervision of the Chief Financial Officer, S Totaram CA(SA), CFA, and approved by the Board of Directors on 4 March 2020.

The Financial Results were audited by the Group's external auditor, PricewaterhouseCoopers Inc. who expressed an unmodified opinion thereon. Any reference to future financial performance included in this announcement, has not been audited or reported on by the Group's auditor.

The auditor also expressed an unmodified opinion on the consolidated annual financial statements from which these Financial Results were derived. Copies of the auditor's report on the Financial Results appears at the end of this report. A copy of the Group's Consolidated Annual Financial Statements is available for inspection at the Company's registered office, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all the information contained in this announcement. Users are therefore advised that in order to get a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Results are consistent in all material respects with those applied in the previous consolidated annual financial statements, other than the adoption of: IFRS 16; Annual Improvements to IFRS Standards (2015 – 2017); IFRIC 23 Uncertainty over Income Tax Treatments; and Amendments to: IFRS 9: Prepayment Features with Negative Compensation; IAS 19: Plan Amendment Curtailment or Settlement; and IAS 28: Long-term Interests in Associates and Joint Ventures; all of which were effective from 1 January 2019. Other than IFRS 16, the adoption of these standards and amendments have not had a material effect on the Financial Results of the Group.

IFRS 16 replaces IAS 17 Leases along with three Interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease; SIC 15 Operating Leases-Incentives; and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases, except for those identified as low-value or having a remaining lease term of less than 12 months, from the date of initial application. In addition, the Group classifies any sub-leases which are for the major part of the remaining term of the head lease, as finance leases with a net investment in leases being disclosed within trade and other receivables. Refer to Note 9 for further detail.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings on 1 January 2019. Prior periods have not been restated as permitted under the specific transitional provisions in the standard.

For a full list of standards and interpretations that have been adopted by the Group, we refer you to the consolidated annual financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

(CONTINUED)

3. HEADLINE EARNINGS PER SHARE

	Audited 2019 R'000	Audited 2018 R'000
Reconciliation of headline earnings:		
Basic earnings	69 836	63 270
Adjustments attributable to parent:		
Loss on disposal of property, plant and equipment	265	425
Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up	(521)	(1 025)
Tax on above	82	168
Headline earnings	69 662	62 838

4. 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 quarterly report provided to the board of directors. Operating segments with similar economic characteristics have been aggregated into one reportable segment due to all 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.

Reconciliation of core headline earnings

		31 December 2019 – Audited		31 December 2018 – Audited	
	Year-on-year change %	Earnings R'000	Earnings per share Cents	Earnings R'000	Earnings per share Cents
Headline earnings	11%	69 662	8.5	62 838	7.8
Adjustments for non-core items attributable to parent:					
Contingent consideration adjustments	414%	13 385	1.7	2 604	0.3
Acquisition costs	9%	1 398	0.2	1 280	0.2
Amortisation of client list	17%	5 241	0.6	4 496	0.5
Tax on above	17%	(1 475)	(0.2)	(1 266)	(0.2)
Core headline earnings (CHE)	26%	88 211	10.8	69 952	8.6
CHEPS – basic	26%		10.8		8.6
CHEPS – diluted	25%		10.6		8.5

5. SHARE CAPITAL

The Company issued ordinary shares in relation to the payment of contingent consideration during the period as per the share capital reconciliation below:

	Audited Number of ordinary shares Thousands	Audited Share capital R'000
Balance as at 1 January 2019	817 714	1 564 283
Issue of shares in respect of acquisitions	381	1 400
Share issue costs	–	(8)
Balance as at 31 December 2019	818 095	1 565 675

6. BORROWINGS

In December 2019, the Group entered into a Revolving Credit Facility of R200 million with Standard Bank of South Africa Limited.

An amount of R65 million was drawn down in December 2019, payable in December 2022, and bears interest at a three-month JIBAR plus 2.09%.

7. CASH GENERATED FROM/(UTILISED BY) OPERATIONS

	Year-on-year change %	Audited 2019 R'000	Audited 2018 R'000
Profit before taxation	13%	127 545	113 362
Non-cash and other items disclosed separately	262%	74 215	20 478
	51%	201 760	133 840
Movements in working capital	64%	(12 209)	(33 765)
Decrease in inventories	(25%)	2 240	2 998
(Increase)/decrease in trade and other receivables	(217%)	(26 070)	22 323
Increase/(decrease) in trade and other payables	138%	8 287	(21 803)
Increase/(decrease) in income received in advance	109%	3 334	(37 283)
Cash generated from operations	89%	189 551	100 075

Non-cash items and trade and other payables were affected by the adoption of IFRS 16 for the 2019 financial year. Refer to Note 9 for further details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

(CONTINUED)

8. ACQUISITIONS

Effective 1 October 2019, the Group acquired, by way of a share repurchase, the remaining 26% shareholding in SBS for a total consideration of R155.5 million, resulting in SBS being wholly owned by the Group from the effective date.

The acquisition was affected by:

— SBS settling the existing shareholders loan claim of R35 million which Bredamonti (Pty) Ltd (the Seller) held against SBS; and

— SBS repurchasing 54 ordinary shares in the issued share capital of SBS from the Seller, (constituting the remaining 26% of the issued share capital of SBS not held by the Group).

There was no change in control following this acquisition and an amount of R134 million was recognised directly in Equity in relation to the change in shareholding.

9. ADOPTION OF IFRS 16 LEASES

The Group adopted IFRS 16 using the modified retrospective approach from 1 January 2019. Applying the specific transition provisions of IFRS 16, the comparatives for the 2018 reporting periods have not been restated, however, the resulting adjustments and reclassifications have been recognised in the opening balance of retained earnings on 1 January 2019.

The following items were affected in the statement of financial position as at 1 January 2019:

9.1	Audited 2019 1 Jan R'000
The following items were affected in the statement of financial position as at 1 January 2019:	
Decrease in property, plant and equipment	(319)
Increase in right-of-use assets	102 010
Increase in deferred tax assets	13 979
Increase in trade and other receivables	16 540
Decrease in trade and other payables	10 801
Decrease in finance leases	395
Increase in lease liabilities	(179 346)
The net decrease on retained earnings on 1 January 2019	(35 940)
Attributable to:	
Non-controlling interest	(3 165)
Retained earnings attributable to the equity holders of the Company	(32 775)

Lease liabilities

'Operating leases' previously recognised under the principles of IAS 17 Leases, have been recognised as lease liabilities by the Group. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was between 9.7% and 13.1%.

9. ADOPTION OF IFRS 16 LEASES (CONTINUED)

9.1 (CONTINUED)

'Finance leases' previously recognised under the principles of IAS 17 Leases, have been recognised at the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in measurement adjustments of R0.4 million.

9.2 MEASUREMENT OF LEASE LIABILITIES	Audited 2019 1 Jan R'000
Operating lease commitments disclosed as at 31 December 2018	**259 427**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**142 306**
Add: finance lease liabilities recognised as at 31 December 2018	**395**
(Less): short-term leases recognised on a straight-line basis as expense	**(1 119)**
(Less): low-value leases recognised on a straight-line basis as expense	**(1 856)**
Add/(less): adjustments as a result of a different treatment of extension and termination options[1]	**39 620**
Lease liability recognised as at 1 January 2019	**179 346**
Of which:	
Current lease liabilities	**35 572**
Non-current lease liabilities	**143 774**
	179 346

[1] *In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).*

9.3

	Audited 2019 R'000	Audited 2018 R'000
LEASE LIABILITIES		
At 1 January	**395**	–
Adoption of IFRS 16	**178 951**	–
New leases / acquisitions	**8 332**	395
Finance charge	**18 831**	–
Repayments - interest	**(18 831)**	–
Repayments - principal	**(20 022)**	–
Remeasurements	**1 714**	–
At 31 December	**169 370**	395

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS
(CONTINUED)

9. ADOPTION OF IFRS 16 LEASES (CONTINUED)

9.4 THE RECOGNISED RIGHT-OF-USE ASSETS RELATE TO THE FOLLOWING TYPES OF ASSETS:

Right-of-use asset

A corresponding right-of-use asset for leases was measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Audited	Land R'000	Buildings R'000	Computer equipment R'000	Office, furniture and other equipment R'000	Motor vehicles R'000	Total R'000
Right-of-use Asset						
Group						
Net carrying amount						
At 1 January 2019 – initial IFRS 16 recognition	30 870	69 678	191	1 155	116	102 010
Additions – new leases entered into	–	8 255	77	–	–	8 332
Remeasurements	–	1 714	–	–	–	1 714
Depreciation charge for the year	(347)	(19 527)	(140)	(318)	(22)	(20 354)
At 31 December 2019	30 523	60 120	128	837	94	91 702

9. ADOPTION OF IFRS 16 LEASES (CONTINUED)

9.5 THE ADOPTION OF IFRS 16 HAD THE FOLLOWING IMPACT ON THE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2019

Statement of comprehensive income

On adoption of IFRS 16 in the current year, the comparative figures have not been restated and as such, the movement in the statement of comprehensive income is distorted. To assist the users of the financial statements in understanding this movement, the effect on the statement of comprehensive income in the current year is disclosed as below for the period ended 31 December 2019:

	Audited 2019 R'000
Decrease in rental expense	34 113
Increase in depreciation and amortisation	(20 354)
Increase in investment income	2 167
Increase in finance cost	(18 831)
Decrease in profit before taxation	(2 905)
Decrease in taxation	813
Decrease in non-controlling interest	26
Decrease in profit for the period attributable to parent	(2 066)

The adoption of IFRS 16 had the following impact on the statement of cash flows for the period ended 31 December 2019:

	2019 R'000
Increase in cash generated from operations	38 853
Increase in interest paid	(18 831)
Increase in net cash inflow from operating activities	20 022
Lease repayments	(20 022)
Increase in net cash outflow from financing activities	(20 022)

10. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period ended 31 December 2019.

Independent auditor's report on the summary consolidated financial statements

To the Shareholders of Stadio Holdings Limited

Opinion

The summary consolidated financial statements of Stadio Holdings Limited, contained in the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 31 December 2019, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Stadio Holdings Limited for the year ended 31 December 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 4 March 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor
Stellenbosch
4 March 2020

PricewaterhouseCoopers Inc., Capital Place, 15-21 Neutron Avenue, Techno Park, Stellenbosch, 7600
PO Box 57, Stellenbosch, 7599
T: +27 (0) 21 815 3000, F: +27 (0) 21 815 3100, www.pwc.co.za

Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

STATUTORY AND ADMINISTRATION

Stadio Holdings Limited
Incorporated in the Republic of South Africa (Registration number: 2016/371398/06)
JSE share code: SDO
ISIN: ZAE000248662
LEI: 3789007C8FB26515D966
(***STADIO Holdings*** or ***the Group***)

Directors: CR van der Merwe*, S Totaram*, D Singh*, RH Stumpf^, DM Ramaphosa^, MG Mokoka^, CB Vilakazi^; TH Brown^; PN de Waal**, A Mellet** (Alternate to PN de Waal)
* Executive director ** Non-executive director ^ Independent non-executive director

Company secretary: Stadio Corporate Services Proprietary Limited

Registered office: Office 101, The Village Square, c/o Queen and Oxford Streets, Durbanville, 7550

Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196. PO Box 61051, Marshalltown, 2107

Corporate adviser and sponsor: PSG Capital Proprietary Limited.

Website: www.stadio.co.za

Announcement date

5 March 2019

NOTES

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TOWARDS

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SCHOOL OF EDUCATION
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EMBURY

LISOF
LEADERS IN FASHION EDUCATION

MILPARK EDUCATION
M

PRESTIGE ACADEMY

SBS
Southern Business School

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