STADIO HOLDINGS

2019 ANNUAL FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Directors' Report which is set out on pages 4 to 7.

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 2019, 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 18 to 98 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.

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 17.

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.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the Board of Directors on 4 March 2020 and signed by:

Dr CR van der Merwe
Chief Executive Officer

Ms S Totaram
Chief Financial Officer

PREPARATION AND PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 December 2019 have been prepared under the supervision of the chief financial officer Ms S Totaram CA(SA), CFA.

The annual financial statements have been audited by PriceWaterhouseCoopers Inc. in accordance with the requirements of the Companies Act.

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.

Stadio Corporate Services Proprietary Limited
Company Secretary

4 March 2020

DIRECTORS' REPORT

The Directors are pleased to present their report on the consolidated and separate annual financial statements of Stadio Holdings Limited and its subsidiaries (STADIO Holdings or the Group) for the year ended 31 December 2019 (the Financial Results).

1. NATURE OF BUSINESS

Overview

STADIO Holdings, an investment holding company focusing on investment into higher education institutions (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 offers graduates a reasonable chance of creating employment opportunities (entrepreneurship) or finding employment.

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.

Corporate transactions

- 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 the Group intends to open its first multi-faculty STADIO campus in January 2021;
- Effective 1 October 2019, the Group acquired, by way of a share repurchase, the remaining 26% interest in Southern Business School Proprietary Limited (SBS) for a purchase consideration of R155.5 million. Furthermore, the Group entered into an agreement to purchase the property on which SBS carries out its South African operations for purchase consideration of R28.5 million, subject to transfer. It is the intention of the Group to utilise these premises to develop a centralised logistical distribution centre for the Group's off-campus operations. Refer to Note 35 for further information; and
- In December 2019, the Group entered into a revolving credit facility with Standard Bank of South Africa Limited (Standard Bank) for an amount of R200 million (refer to Note 27). The facility will be utilised to fund the new developments and growth initiatives as well as for working capital requirements.

Financial overview

The Financial Results include the acquisition of the additional 26% interest in SBS from the effective acquisition date of 1 October 2019. The 2018 financial results include the results of Milpark Education (Pty) Ltd, the business of CA Connect Professional Training Institution CPT (Pty) Ltd (collectively Milpark) and the results of Prestige Academy (Pty) Ltd (Prestige Academy) (the 2018 acquisitions) from their acquisition dates of 19 March 2018, 12 April 2018 and 1 November 2018 respectively.

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 R70 million (2018: R63 million). The Group's headline earnings attributable to equity holders amounted to R70 million (2018: R63 million), with core headline earnings attributable to equity holders amounting to R88 million (2018: R70 million). Overall student enrolments at 31 December 2019 increased by 7% to 31 869 (2018: 29 885).

2. SHARE CAPITAL

During the year, 0.4 million shares were issued in settlement of the contingent consideration payable as a result of the Prestige Academy acquisition in the prior year. 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 proposed 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 2019 (2018: Rnil).

5. DIRECTORATE

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

Directors	*Gender*	*Office*	*Designation*	*Appointment date*	*Resignation/ retirement 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	6 June 2019
KS Sithole	Male		Independent non-executive	1 May 2017	5 June 2019
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	
MG Mokoka	Female		Independent non-executive	15 April 2019	
CB Vilakazi	Female		Independent non-executive	9 October 2019	
TH Brown	Male		Independent non-executive	9 October 2019	

6. SHAREHOLDING OF DIRECTORS

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

	2019			2018		
Director	*Direct '000*	*Indirect '000*	*Total '000*	*Direct '000*	*Indirect '000*	*Total '000*
CR van der Merwe	–	4 735	4 735	–	5 735	5 735
S Totaram	699		699	699	–	699
D Singh	157	–	157	157	–	157
R Kisten	–	–	–	694	–	694
PN de Waal	154	–	154	154	–	154
A Mellet (alternate to PN de Waal)	88		88	–	88	88
MG Mokoka	174	–	174	174	–	174
TH Brown	100	–	100	71	–	71
	1 372	4 735	6 107	1 949	5 823	7 772

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 2019 and the date of approval of the annual financial statements.

7. INTERESTS IN SUBSIDIARIES

Details of material interests in subsidiaries are presented in the Financial Results in Note 18.

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 authorise:

1. the Company to remunerate its Non-executive Directors for services rendered to the Company;
2. 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 until the next annual general meeting;
3. 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 until the next annual general meeting; and
4. 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 Memorandum of Incorporation of the Company.

9. EVENTS AFTER THE REPORTING PERIOD

Refer to Note 38 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 to R84 million (2018: R77 million). As part of the Group's growth strategy, the Group acquired the remaining 26% non-controlling interest in SBS, by way of a share repurchase, for a total purchase consideration of R155.5million. The Group adopted IFRS 16 using the modified retrospective approach resulting in a R35.9 million adjustment to opening retained earnings. The impact of these transactions resulted in the Group recognising an accumulated loss as at 31 December 2019 of R5.5 million (2018: R80.5 million retained income). The Directors are confident that the future financial performance based on its forecasts of the Group's operations will improve this current position. The Group entered into a revolving credit facility with Standard Bank for an amount of R200 million, to facilitate the Group's capital expansion and growth objectives. As at 31 December 2019, the Group had drawn down R65 million of this facility and has a cash balance of R93 million (2018: R260 million). 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.

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Office 101
The Village Square
c/o Queen and Oxford Streets
Durbanville
7550
South Africa

Postal address
PO Box 2161
Durbanville
7551
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 Listings Requirements and reviewing notices required in terms of the Company's Memorandum of Incorporation and the JSE.

Effective 1 April 2020, in line with amendments to the JSE Listings Requirements, STADIO Holdings has appointed UBS South Africa Proprietary Limited as their independent sponsor.

14. CORPORATE GOVERNANCE

The Directors endorse the King IV Report on Corporate Governance for South Africa (King IV) 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 IV is available on STADIO Holdings' 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 Holdings 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 2019.

1. MEMBERS OF THE AUDIT AND RISK COMMITTEE

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

- MG Mokoka (Chairperson) – appointed 5 June 2019;
- DM Ramaphosa;
- TH Brown – appointed 9 October 2019
- CB Vilakazi – appointed 9 October 2019;
- KS Sithole (Chairperson) – retired by rotation 5 June 2019; and
- R Kisten – resigned 6 June 2019.

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:

- setting the principles for recommending the use of external auditors for non-audit services and recommending that these be kept to a minimum;
- the appointment of the auditor is presented and included as a resolution at the annual general meeting of Stadio Holdings Limited;
- the integrated report and specifically the annual financial statements included therein;
- that the appropriate financial reporting procedures exist and are working;

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 2019, 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 2019 with Mr D de Jager, a registered independent auditor, as the designated partner for the 2019 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 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 paragraph 3.84(g)(i) of the Listings Requirements of the JSE, 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

MG Mokoka CA(SA)
Audit and Risk Committee chairperson

Durbanville
4 March 2020

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 2019, 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 (IFRS) 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 18 to 95 comprise:

- the consolidated and separate statements of financial position as at 31 December 2019;
- 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.

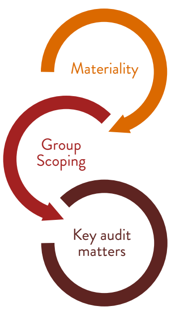
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R6.4 million, which represents 5% of consolidated profit before tax

Group audit scope

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

Key audit matters

- Internally generated curriculum material ("Curriculum Development");
- Goodwill and indefinite life intangible asset impairment assessments; and
- Adoption of IFRS 16 – Leases.

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	R6.4 million
How we determined it	5% of consolidated profit before tax
Rationale for the materiality benchmark applied	We chose consolidated 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.

We performed work in respect of eight components, which comprise the parent company, the Group's holding company structure and consolidation of the six operating entities within the Group, namely Stadio Proprietary Limited (previously Embury Institute for Higher Education Proprietary Limited), Southern Business School Proprietary Limited (SBS), The South African School of Motion Picture Medium and Live Performance Proprietary Limited (AFDA), MBS Education Investments (Pty) Ltd (Milpark), Lisof (Pty) Ltd (Lisof) and Prestige Academy (Pty) Ltd (Prestige). We conducted full scope audits of Stadio Corporate Services Proprietary Limited (forms 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 parent company, other head office companies and one operating entity as they are subject to statutory audits in South Africa. We performed analytical procedures on the remainder of the 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
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, R9.6 million of internally generated curriculum material was capitalised, as disclosed in Note 16 (Intangible assets). As disclosed in accounting policy Note 2.4.1 (Significant judgements and sources of estimation uncertainty – Internally generated curriculum material) and accounting policy note 4.4.4 (Intangible assets), 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 recognition criteria. Internally generated intangible assets are disclosed in Note 16. We considered the recognition of internally generated intangible assets to be a matter of most significance in the current year audit as the assessment made by the directors requires judgements and is subjective, especially relating to the following: • distinguishing between research and development costs; • technical feasibility to complete the development is assessed by the Academic and Student Affairs Committee ("ASACOM"); • assessment of the probability that the development of the curriculum will be able to generate future economic benefits; and • 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: • We tested the classification of development costs capitalised by selecting a sample of costs capitalised and assessing whether these costs relate to the development of the curriculum. We found no exceptions; • We obtained a listing of curricula submitted to the Council for Higher Education (CHE). We assessed the technical feasibility to complete the development against historic trends and found this to be consistent; • 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. A sample of the fees were evaluated against that of similar courses offered. We did not note any material differences; • 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 an acceptable range; and • The most significant cost element relates 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 we traced a sample of salary costs across all curricula 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 16 (Intangible assets) and Note 17 (Goodwill) to the consolidated financial statements. As required by International Accounting Standard (IAS) 36: Impairment of Assets, 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 to determine the value-in-use. Key inputs are the discount rate applied, terminal growth rate and future cash flow assumptions. Based on results of the assessment performed the Group did not recognised any impairment charge as at 31 December 2019. 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 judgements involved in the directors' assessments of impairment.	Our audit procedures included 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 with reference to the board approved business plan and market data. We did not note any aspects requiring further consideration. Making use of our internal valuation expertise we compared the discount rates used by management to our independently developed benchmarks, which are based on various economic indicators. The discount rates used by management were accepted as falling within a reasonable range. 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 against relevant 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. In addition, we performed sensitivity calculations, assuming a definite life for the curriculum material, to assess the impact of impairment if a reasonable definite useful life would have been assigned to these assets. The impact was not considered material for the year ending 31 December 2019.

Key audit matter	How our audit addressed the key audit matter
Adoption of IFRS 16 – Leases IFRS 16: Leases ("IFRS 16") was effective for the first time in the current financial year. The Group adopted the new standard using the modified retrospective approach. The impact of the adoption of IFRS 16 is disclosed in Note 36 (Change in accounting policy) to the consolidated financial statements and the results for the current year are disclosed in Note 15 (Leases) to the consolidated financial statements. The impact of the IFRS 16 transition is reliant upon a number of key estimates and judgements, primarily applied in determining the appropriate discount rates (incremental borrowing rates) and the lease term for each lease. The lease term may include future lease terms for which the Group has extension options and which the Group is reasonably certain to exercise. On initial recognition, the Group recognised an increase in both the right-of-use assets and the lease liabilities, of R102 million and R179 million respectively. We considered the adoption of IFRS 16 to be a matter of most significance to the audit due to estimation and judgements applied in the transition.	Our audit procedures included the following: • We challenged the key judgements and assumptions used by management by assessing the discount rates used to calculate the lease obligation. This included independently sourcing base rates for each lease origination date, usually linked to inter-bank rates. Additional adjustments were made to cater for lease terms, as well as the economic environment. No material exceptions were noted; • We verified the accuracy of the underlying lease data on the IFRS 16 lease calculations obtained from management by agreeing a sample of leases to the original contract, and we checked the integrity and mathematical accuracy of these calculations for each lease tested through recalculation of the expected IFRS 16 adjustment. No material exceptions were noted; • We tested the completeness of the lease data by reconciling a sample of the Group's existing lease commitments to the lease data underpinning the IFRS 16 model. No material exceptions were noted; and • We evaluated the lease terms, including the renewal periods, where applicable, by inspecting the underlying contracts and assessing management's judgements for the lease periods applied in the lease calculation. No material exceptions were noted.

Separate financial statements

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Stadio Holdings Annual Financial Statements" which includes the Directors' Report, the Audit and Risk Committee Report and the Declaration by 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 document titled "Stadio Holdings 2019 Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated or the 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 3 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor

Stellenbosch
4 March 2020

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		GROUP		COMPANY	
	Notes	2019 R'000	Restated 2018 R'000	2019 R'000	2018 R'000
Revenue	5	**815 427**	632 928		–
Other income	6	**8 054**	8 981		–
Operating expenses[1,2]	7	**(608 335)**	(492 799)	**(1 191)**	(1 249)
Loss allowance[2]		**(34 832)**	(20 298)	**–**	–
Earnings/(loss) before interest, taxation, depreciation and amortisation (EBITDA)[1]		**180 314**	128 812	**(1 191)**	(1 249)
Depreciation[1]	14,15	**(44 813)**	(22 075)	**–**	–
Amortisation	16	**(16 077)**	(11 920)	**–**	–
Earnings/(loss) before interest and taxation (EBIT)		**119 424**	94 817	**(1 191)**	(1 249)
Investment income	8	**28 047**	25 264	**5**	135
Finance cost[1]	9	**(19 926)**	(6 719)	**–**	–
Profit/(loss) before taxation		**127 545**	113 362	**(1 186)**	(1 114)
Taxation	10	**(43 861)**	(36 071)	**–**	(151)
Profit/(loss) for the year		**83 684**	77 291	**(1 186)**	(1 265)
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income/(loss) for the year		**83 684**	77 291	**(1 186)**	(1 265)
Profit/(loss) attributable to:					
Owners of the parent		**69 836**	63 270	**(1 186)**	(1 265)
Non-controlling interests		**13 848**	14 021	**–**	–
Total profit/(loss) for the year		**83 684**	77 291	**(1 186)**	(1 265)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**69 836**	63 270	**(1 186)**	(1 265)
Non-controlling interests		**13 848**	14 021	**–**	–
Total comprehensive income/(loss) for the year		**83 684**	77 291	**(1 186)**	(1 265)

[1] *The Group adopted IFRS 16 during the current year resulting in rental expense decreasing and depreciation and finance costs increasing for the year ended 31 December 2019. To assist the users of the financial statements in understanding the movement in EBITDA, refer to Note 36 for further information.*

[2] *The Group restated operating expenses in the prior year to separately disclose the loss allowance in accordance with IAS 1 Presentation of Financial Statements disclosure requirements. Refer to Note 37 for further information.*

		GROUP	
Earnings per share (EPS)	Notes	2019 Cents	2018 Cents
Basic	11	**8.5**	**7.8**
Diluted	11	**8.4**	**7.7**

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		GROUP		COMPANY	
	Notes	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Assets					
Non-current assets					
Property, plant and equipment	14	663 358	531 298	–	–
Right-of-use asset	15.1	91 702	–	–	–
Intangible assets	16	211 522	206 228	–	–
Goodwill	17	749 482	749 482	–	–
Investment in subsidiaries	18	–	–	928 521	928 521
Other financial assets	24	5 173	6 727	–	–
Trade and other receivables	21	16 281	–	–	–
Deferred tax asset	19	107 026	43 004	–	–
Total non-current assets		1 844 544	1 536 739	928 521	928 521
Current assets					
Inventories	20	2 132	4 372	–	–
Trade and other receivables	21	115 834	89 493	–	–
Loans to related parties	25	805	1 954	636 508	636 162
Tax receivable		9 908	12 180	–	–
Cash and cash equivalents	26	93 436	259 508	21	93
Total current assets		222 115	367 507	636 529	636 255
Total assets		2 066 659	1 904 246	1 565 050	1 564 776
Equity					
Share capital	28	1 565 675	1 564 283	1 565 675	1 564 283
Retained earnings/(accumulated loss)		(5 548)	80 511	(8 450)	(7 264)
Share-based payment reserve	29	11 033	5 122	–	–
Total equity attributable to equity holders of the Company		1 571 160	1 649 916	1 557 225	1 557 019
Non-controlling interest		12 138	47 186	–	–
Total equity		1 583 298	1 697 102	1 557 225	1 557 019
Liabilities					
Non-current liabilities					
Borrowings	27	65 000	3 392	–	–
Lease liabilities	15.2	137 061	209	–	–
Trade and other payables	22	18 993	29 732	–	–
Deferred tax liability	19	70 809	35 776	–	–
Total non-current liabilities		291 863	69 109	–	–
Current liabilities					
Loans from related parties	25	96	1 137	7 201	7 201
Borrowings	27	392	758	–	–
Lease liabilities	15.2	32 309	186	–	–
Trade and other payables	22	65 757	46 241	624	556
Income received in advance	23	89 786	86 451	–	–
Tax payable		3 158	3 262	–	–
Total current liabilities		191 498	138 035	7 825	7 757
Total liabilities		483 361	207 144	7 825	7 757
Total equity and liabilities		2 066 659	1 904 246	1 565 050	1 564 776

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Ordinary share capital R'000	Share-based payment reserve[1] R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
Group							
Balance at 1 January 2018		1 367 123	953	17 241	1 385 317	29 354	1 414 671
Profit for the year		–	–	63 270	63 270	14 021	77 291
Other comprehensive income for the year		–	–	–	–	–	–
Issue of ordinary shares		197 525	–	–	197 525	–	197 525
Share issue costs		(365)	–	–	(365)	–	(365)
Share-based payment charge		–	4 169	–	4 169	–	4 169
Acquisitions		–	–	–	–	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
Change in accounting policy – adoption of IFRS 16		–	–	(32 775)	(32 775)	(3 165)	(35 940)
Restated balance as at 1 January 2019		**1 564 283**	**5 122**	**47 736**	**1 617 141**	**44 021**	**1 661 162**
Profit for the year		**–**	**–**	**69 836**	**69 836**	**13 848**	**83 684**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**
Issue of ordinary shares	28	**1 400**	**–**	**–**	**1 400**	**–**	**1 400**
Share issue costs	28	**(8)**	**–**	**–**	**(8)**	**–**	**(8)**
Share-based payment charge	29	**–**	**5 911**	**–**	**5 911**	**–**	**5 911**
Non-controlling interest acquired	35	**–**	**–**	**(123 120)**	**(123 120)**	**(32 380)**	**(155 500)**
Dividends paid to non-controlling shareholders		**–**	**–**	**–**	**–**	**(13 351)**	**(13 351)**
Balance at 31 December 2019		**1 565 675**	**11 033**	**(5 548)**	**1 571 160**	**12 138**	**1 583 298**

	Ordinary share capital R'000	Share-based payment reserve[1] R'000	Accumulated loss R'000	Total equity R'000
Company				
Balance at 1 January 2018	1 367 123	–	(5 999)	1 361 124
Loss for the year	–	–	(1 265)	(1 265)
Other comprehensive income for the year	–	–	–	–
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
Loss for the year	**–**	**–**	**(1 186)**	**(1 186)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**
Issue of ordinary shares	**1 400**	**–**	**–**	**1 400**
Share issue costs	**(8)**	**–**	**–**	**(8)**
Balance at 31 December 2019	**1 565 675**	**–**	**(8 450)**	**1 557 225**

[1] *In prior years, the reserve was called "Other reserves" and in the current year has been renamed to "Share-based payment reserve".*

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		GROUP		COMPANY	
	Notes	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Net cash flow from/(used in) operating activities		**141 284**	77 257	**(1 118)**	(18 765)
Cash generated from/(utilised by) operations	34.1	**189 551**	100 075	**(1 123)**	(18 900)
Investment income		**27 712**	25 264	**5**	135
Finance cost		**(19 701)**	(3 733)	**–**	–
Taxation paid	34.2	**(56 278)**	(44 349)	**–**	–
Net cash flow (used in)/generated from investing activities		**(176 922)**	(305 161)	**1 054**	9 869
Purchase of property, plant and equipment	14	**(157 427)**	(41 637)	**–**	–
Purchase of intangible assets	16	**(10 001)**	(2 510)	**–**	–
Internally generated curriculum material	16	**(11 429)**	(13 360)	**–**	–
Acquisition of subsidiaries, net of cash acquired	35	**–**	(243 750)	**–**	–
Proceeds from disposal of property, plant and equipment		**35**	–	**–**	–
Proceeds from loans from related parties	34.3	**–**	96	**1 054**	9 869
Proceeds from disposal of other financial assets		**4 900**	–	**–**	–
Acquisition of other financial assets		**(3 000)**	(4 000)	**–**	–
Net cash flow from financing activities		**(130 434)**	(158 678)	**(8)**	(365)
Share issue costs	28	**(8)**	(365)	**(8)**	(365)
Proceeds from loans to related parties	34.3	**1 149**	546	**–**	–
Repayments of loans from related parties	34.3	**(1 041)**	(157 213)	**–**	–
Proceeds from borrowings	34.4	**65 089**	–	**–**	–
Repayment of borrowings	34.4	**(4 150)**	(83)	**–**	–
(Repayment of)/proceeds from lease liabilities	15.2	**(20 022)**	127	**–**	–
Dividends paid to non-controlling shareholders		**(13 351)**	(2 731)	**–**	–
Loans advanced from related parties	34.3	**–**	1 041	**–**	–
Contingent consideration for acquisition of subsidiary	35.5	**(2 600)**	–	**–**	–
Additional investment in subsidiary with no change in control	35	**(155 500)**	–	**–**	–
Net movement in cash and cash equivalents for the year		**(166 072)**	(386 582)	**(72)**	(9 261)
Cash and cash equivalents at the beginning of the year		**259 508**	646 090	**93**	9 354
Cash and cash equivalents at the end of the year	26	**93 436**	259 508	**21**	93

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 2019 comprises the annual financial statements of the Company and its subsidiaries (together referred to as STADIO Holdings 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 6 and 94 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 Notes 16 and 17.

Internally generated curriculum material
Management capitalise curriculum development cost directly attributable to the development of new curricula as intangible assets as disclosed in Note 4.4.4 and Note 16. Significant judgement is made by management as to distinguish between research and development costs, technical feasibility to complete the development, assessment of the probability that the

development of the curriculum will be able to generate future economic benefits and assessment of whether expenditure attributable to the development of the asset can be measured reliably.

Lease liabilities and right of use assets

Determining the lease term requires judgement. Management consider all facts and circumstances that create an economic incentive or otherwise to exercise a lease extension or termination option.

For leases of office, administration buildings and land, the following factors are considered:

- If there are significant penalties to terminate, the Group is typically reasonably certain to extend.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend.
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in equipment have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is exercised or the Group becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension options was an increase in recognised lease liabilities and right-of-use assets of R1.7 million.

Determining the incremental borrowing rate also requires an element of judgement. Management have used an incremental borrowing rate of between 9.7% (2-8 years) and 13.1% (97 year long-term lease). The incremental borrowing rate is determined based on the rate of finance achievable by the lessee adjusted for the lease term and other economic factors.

Deferred tax assets

A deferred tax asset has been recognised for the tax losses which are available to be used against future taxable profits.

Management uses significant judgement when determining inputs to be used in the financial forecasts which are used to determine the taxable profits to be earned in future. This is reviewed on an annual basis in order to determine the recoverability of the deferred tax asset.

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.

Indefinite intangible assets estimate useful lives

Curriculum and trademarks are regarded as having an indefinite useful life as, based on all relevant factors, there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows.

Estimated useful lives assessments

The Group reassesses the useful lives and residual values of items of property, plant and equipment, right-of-use assets 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.

3. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE REPORTING PERIOD

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

- On 1 January 2019, the Group adopted IFRS 16 Leases, resulting in the recognition of a right-of-use asset and a corresponding lease liability on its statement of financial position in relation to its leases. Comparatives for the 2018 reporting periods have not been restated, as permitted under the specific transitional provisions in IFRS 16, resulting in adjustments being recognised in the opening balance of retained earnings on 1 January 2019.
- Effective 1 October 2019, the Group acquired the remaining 26% interest in SBS, by way of a share repurchase, for a total consideration of R155.5 million. Refer to Note 35 for further information.
- 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 in January 2021.
- On 9 December 2019, it was announced that the Group's CEO, Dr Chris van der Merwe will step down as CEO on 31 March 2020, and Mr Chris Vorster has been appointed to take over as CEO, effective 1 April 2020.
- In December 2019, the Group entered into a revolving debt facility with Standard Bank for an amount of R200 million.

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 IFRS 16, the adoption of these new and revised standards have no material impact on the underlying financial results of the Group.

- IFRS 16 Leases (IFRS 16)
- Annual Improvements to IFRS Standards (2015 – 2017)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to the following standards
  - Annual Improvements to IFRS Standards 2015 – 2017 Cycle
  - IFRS 9: Prepayment Features with Negative Compensation
  - IAS 19: Plan Amendment, Curtailment or Settlement
  - IAS 28: Long-term Interests in Associates and Joint Ventures

4.2 Change in significant accounting policies

Other than the adoption of IFRS 16, 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 16 Leases

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019. 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.

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.

Lease liability: Leases previously classified as operating leases are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Leases previously classified as finance leases are recognised at the carrying amount of the lease liability immediately before the date of application.

Right-of-use asset: Leases previously classified as operating leases are measured on a lease-by-lease basis by either; retrospectively calculating the right-of-use asset as if IFRS 16 has been applied since commencement date, but discounted using the lessee's incremental borrowing rate as at 1 January 2019 or an amount equal to the lease liability adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease recognised as at the 31 December 2018.

Lessor accounting

The Group sub-leases land and at commencement date derecognises the right-of-use asset relating to the head lease that it transfers to the sub-lessee, and recognises the net investment in the sub-lease. Subsequently, the lessor recognises the finance income on the sublease; and the lease receipt to reduce the principal gross investment in the lease and unearned finance income.

Practical expedients

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019.

  The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

  Refer to note 36 for further details.

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 2019:

- IFRS 17 Insurance Contracts
- Amendments to the following standards:
  - References to the Conceptual Framework in IFRS Standards
  - IFRS 3 Business Combinations
  - IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
  - IAS 1 and IAS 8: Definition of Material
  - Financial Instruments Disclosures (2015 – 2017)

The Directors do not expect the above standards to have a material effect on the annual financial statements. The Group has chosen not to adopt any of the above standards and interpretations earlier than required.

4. ACCOUNTING POLICIES (continued)

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.

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 there is a loss of control in a subsidiary 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 profit and loss, 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.

4. ACCOUNTING POLICIES (continued)

4.4 Significant accounting policies (continued)

4.4.2 Property, plant and equipment (continued)

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

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 Leases

Group as a lessee

The Group leases land, various offices and administration buildings. Rental contracts are typically for a period of 2 to 8 years but have extension options included, where management had an economic incentive to extend.

Based on the accounting policy applied the Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

A lease liability and corresponding right-of-use asset are recognised on the lease payment date for all lease agreements where the Group is a lessee except, short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT and office equipment.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of lease components and the aggregate stand-alone price of non-lease components, when these exist. The exception to this is to not separate the non-lease components for land and buildings, which the Group has elected to apply.

Lease liability

A lease liability is initially recognised at the commencement day and measured at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment. Currently, the Group uses the recent Group debt facility financing rate, adjusted for the lease term and specific nature of the lease property. For the long-term lease (97 years) the Group adjusted the financing rate using the differential between a 30 year-yield curve and a 5-year yield curve for a Government bond and took into account further uncertainty in long-term economic conditions over the long period.

Lease payments include the following:

- fixed lease payments, including in-substance fixed payments less any incentives;
- variable lease payments that depend on an index, initially measured using that index at the date of inception;
- amounts expected to be payable by the Group under residual value guarantees;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise the extension option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

4. ACCOUNTING POLICIES (continued)

4.4 **Significant accounting policies (continued)**

4.4.3 **Leases (continued)**

Extension options are included for properties, these are used to maximise operational flexibility in terms of managing the assets used by the company. The Group is reasonably certain to extend the lease term where the business disruption to students is significant should the leased asset be replaced. Due to the significant leasehold improvements on the 97-year lease, the Group has assessed that it is reasonably certain to extend the lease term.

A lease liability is subsequently measured by taking into account the finance cost accrued on the lease, reduced by actual lease payments, and reassessed for any modifications to the lease terms.

Upon modification of lease terms, the lease liability is reassessed and adjusted against the right-of-use asset. The Group recognises an interest cost in the income statement in relation to the lease liability.

Right-of-use asset
The right-of-use asset is initially measured by taking the initial cost of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs; and an estimate of costs to be incurred by the lessee in restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequently, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses. The Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, recognising a depreciation expense in the income statement.

Group as a lessor
Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of a lease substantially transfer all risk and rewards of ownership, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is done at the inception of the lease, it is only reassessed if a lease modification occurs.

Where the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The Group's sub-lease is classified as a finance lease. The Group derecognises the right-of-use asset on the head lease at the sublease commencement date and continues to account for the original lease liability in accordance with the lessee accounting model. The original lessee, as the sublessor, recognises a net investment in the sublease and evaluates it for impairment

The various lease and non-lease components are accounted for separately, with consideration being allocated by applying IFRS 15.

4.4.4 **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 with an indefinite useful life has no amortisation but it is 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 includes a portion of the asset with an indefinite useful life since there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The balance having a useful life of six years. The useful life of accredited courses has been determined considering that if there is any major project redesign, accreditation will need to be sought. The useful life of non-accredited courses were determined to be 3 years, as these relate to short courses. The nature of short courses are dependent on current trends and require more frequent assessment of the coursework to ensure that they remain relevant.

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. The change is accounted for as a change in accounting estimate.

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

Internally generated intangible assets comprises computer software and curriculum material.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include development employee costs and external consulting fees.

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

Item	**Useful life**
Trademarks	Indefinite/2 years
Curriculum material – accredited	Indefinite/6 years*
Curriculum material – non-accredited courses	3 years
Client lists	4 – 7 years
Computer software	3 years

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

4.4.5 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.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. 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. ACCOUNTING POLICIES (continued)

4.4 Significant accounting policies (continued)

4.4.6 Impairment

Financial assets

IFRS 9 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. Other receivables (excluding net investment in lease) has been assessed based on individual characteristics, nature of the counterparty and history with the counterparty in order to determine the credit risk and lifetime credit allowance.

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 Note 21.

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 21. 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 disclosed as a separate line on the statement of comprehensive income.

When assessing the loss allowance for intergroup loans, other financial assets and net investment in lease, the Group 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.

The stages applied are:

1) A performing asset – a 12 month expected credit loss is calculated;
2) Increased credit risk – lifetime expected credit loss is calculated; or
3) Credit impaired – lifetime expected credit loss is calculated.

The Group considers the probability of default upon initial recognition of the financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available and supportive forward-looking information. In making this assessment the Group takes into account whether there is an actual or expected deterioration in the counterparty's external (if available) or internal credit rating or if there is existing or forecast deterioration in the counterparty's ability to meet its debt obligations. This includes actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the counterparty's ability to meet its current or future obligations.

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.

4.4.7 **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).

4. ACCOUNTING POLICIES (continued)

4.4 Significant accounting policies (continued)

4.4.7 Employee benefits (continued)

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.

4.4.8 Loans to shareholders, Directors, managers and employees

These financial assets are classified as financial assets measured at amortised cost.

4.4.9 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 financial assets measured at amortised cost.

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

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.

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 and other payables (excluding contingent consideration) are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Contingent consideration is initially measured at fair value and subsequently measured at fair value through profit and loss.

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. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in 4.4.6 and note 21.

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

4.4.13 **Income received in advance**

Contract liabilities are recognised separately when the Group has 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.

4.4.14 **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 rendered in accordance with the terms of the student contract and when collections are highly probable. 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 relate to fees earned for the delivery of educational services over the academic period that the service is delivered to them. The transaction price is determined based on the student contract, in accordance with the institution's fee structure and represents the stand-alone price for the performance obligation.

Registration and enrolment fees are received to perform educational administrative tasks. These amounts per the institution's fee structure, are received at a point in time in relation to services to be transferred over time are charged at their own stand-alone selling price. The revenue is recognized over the period in which the service is delivered in accordance with the terms of the student contract which may be between 1 – 3 years.

Bursaries and discounts are set off against the related revenue recognised. Bursaries are awarded based on academic merit or financial assistance. Awarded bursaries are assessed annually with no obligation that the bursary will continue in the following academic year. These amounts are calculated based on the approved amounts and are recognised on a straight-line basis over the period in which the service is rendered.

Hostel income and other academic income are recognised over the period that this service is provided. Transaction prices are determined per obligation and based on the stand-alone selling price in accordance with the institutions fee structure.

Other academic income relates to additional services provided for summer school and assessments.

Sale of goods
The Group is involved in the sale of learning material. Sales are recognized when the control of learning materials has been transferred which occurs upon delivery to the customer, upon acceptance by the customer the performance obligation is satisfied. The amount of revenue, and associated costs incurred, can be measured reliably and it is highly 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 which relates to non-academic incidental and ancillary services and insurance refunds.

Conferencing income
Conferencing income is recognised upon completion of the provision of conferencing services which is a combination of 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.

4. ACCOUNTING POLICIES (continued)

4.4 Significant accounting policies (continued)

4.4.15 Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

4.4.16 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.

4.4.17 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.

4.4.18 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.

4.4.19 **Share capital**

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

4.4.20 **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.

4.4.21 **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 quarterly 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.

4.4.22 **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.

Financial assets
The Group classifies its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

4. ACCOUNTING POLICIES (continued)

4.4 Significant accounting policies (continued)

4.4.22 Financial instruments (continued)

The Group and Company classify their financial assets are classified into the following specified categories:

- financial assets at fair value through profit or loss
- measured at amortised cost

The Group and Company classify their financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets which do not meet the requirement to be classified as amortised costs are carried at fair value through profit and loss in the Group's financial statements.

Financial liabilities
The Group and Company classify their financial liabilities into the following specified categories:

- financial liabilities through profit and loss
- measured at amortised cost

Financial liabilities are measured at amortised cost un*less:*

- the financial liability is held for trading and is therefore required to be measured at fair value through profit and loss;
- the business has elected to measure at fair value through profit and loss; or
- It is contingent consideration for a business combination.

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 through profit and loss, 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. Subsequent measurement for each financial instrument is performed in accordance with classification of the financial instrument.

Subsequent measurement
Financial assets and financial liabilities are subsequently measured in accordance with the initial classification category.

A gain or loss on a financial asset that is measured at fair value will be recognised in profit or loss.

Financial assets measured at amortised cost are subsequently measured at amortised cost.

Financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Impairment of financial assets
The Group applies the IFRS 9 simplified approach in measuring expected credit losses for its trade receivables, which uses a lifetime expected loss allowance. Impairment provisions on loans to group companies are recognized based on forward looking expected credit loss model.

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.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Where financial assets are impaired through use of a provision account, the amount of the loss is recognised in profit or loss as a separate line item. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition of financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expires; or
- the financial asset is transferred resulting in the transfer of substantially all the risk and rewards of ownership and no longer has retained control of the asset.

Derecognition of financial liabilities

The Group derecognises a financial liability when the obligation per the contract has been fulfilled or expired.

4.4.23 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.

4.4.24 Other financial assets

Other financial assets are measured at fair value through profit and loss.

4.4.25 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.

4. ACCOUNTING POLICIES (continued)

4.4 **Significant accounting policies (continued)**

4.4.25 **Financial Risk Management (continued)**

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.

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.

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.

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.

Price risk
The Group manages the risk exposed to on unit trusts held by assessing the expected fluctuations of the unit trust based on the performance of the equity market.

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.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000

5. REVENUE

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Revenue from contracts with customers over time	**807 889**	620 732	–	–
Registration and tuition fees	**827 694**	627 779	–	–
Discounts and bursaries granted	**(29 267)**	(15 044)	–	–
Other academic income	**6 227**	5 412	–	–
Hostel income	**3 235**	2 585	–	–
Revenue from sales of goods at a point in time	**7 538**	12 196	–	–
Study material sales	**6 316**	11 159	–	–
Canteen sales	**1 222**	1 037	–	–
Revenue	**815 427**	632 928	–	–

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000

6. OTHER INCOME

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Conference income	**768**	2 164	–	–
Rental income	**665**	1 856	–	–
Income from the sublease of a right-of-use asset	**960**	–	–	–
Sundry income *	**5 099**	3 936	–	–
Insurance refund	**562**	1 025	–	–
Income	**8 054**	8 981	–	–

* *Sundry income relates mainly to prescribed debt and venue hire income.*

7. OPERATING EXPENSES

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

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Advertising and marketing	24 605	18 178	–	–
Acquisition costs	–	1 376	–	–
Academic and market research costs	50 259	53 831	–	–
– class projects, course packs and library materials	36 897	46 084	–	–
– external assessors and moderators	5 128	3 338	–	–
– academic quality assurance	3 485	2 526	–	–
– other academic and market research costs	4 749	1 883	–	–
Property costs	43 018	35 128	–	–
– electricity and water	12 001	7 973	–	–
– facility maintenance	10 798	11 284	–	–
– rates and taxes	8 690	5 766	–	–
– security	6 804	6 408	–	–
– other property costs	4 725	3 697	–	–
Rental expense – low value items[1]	1 164	–	–	–
Rental expense – short-term lease[1]	2 798	–	–	–
Operating lease costs[1]	–	33 052	–	–
– premises	–	29 503	–	–
– equipment	–	3 549	–	–
Staff costs	383 838	288 860	–	–
– salaries and wages	376 493	287 983	–	–
– defined contribution plans	12 863	10 068	–	–
– share-based payments	5 911	4 169	–	–
– staff costs capitalised (refer to Note 16)	(11 429)	(13 360)	–	–
Listing costs	1 409	1 432	546	625
– once-off listing costs	–	–	–	175
– general listing costs	1 409	1 432	546	450
Auditor's remuneration	4 535	3 887	622	569
– audit services – PwC: current period	3 334	2 337	622	569
– audit services – PwC: prior period	672	1 016	–	–
– audit services – other than PwC	529	534	–	–
Fair value adjustment on contingent consideration (refer to Note 22)	15 288	–	–	–
Bad debts recovered	(2 162)	(1 292)	–	–
Net loss on sale of property, plant and equipment	272	738	–	–

[1] *The Group adopted IFRS 16 during the current year resulting in the operating lease costs decreasing for the year ended 31 December 2019.*

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
8. INVESTMENT INCOME				
Interest income over time				
– financial institutions	23 851	24 470	5	135
– net investment in lease	2 167	–	–	–
– interest charged on trade and other receivables	1 604	626	–	–
– South African Revenue Services	425	168	–	–
	28 047	25 264	5	135
9. FINANCE COST				
Interest paid				
– borrowings	491	1 249	–	–
– lease liabilities	18 831	–	–	–
– amounts due to related parties	–	2 153	–	–
– bank and other third parties	170	331	–	–
– South African Revenue Services	473	–	–	–
– deferred consideration unwind	–	2 986	–	–
Interest capitalised	(39)	–	–	–
	19 926	6 719	–	–

Interest was capitalised to qualifying assets using a capitalisation rate of 8.97%. No interest was capitalised in 2018.

10. TAXATION

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Current tax				
• South African normal tax	**54 138**	**40 928**	–	–
– current year	**53 344**	40 928	–	–
– prior year adjustment	**794**	–	–	–
• Foreign tax	**4 733**	3 548	–	–
– current year	**4 564**	3 530	–	–
– withholding tax	**169**	18	–	–
Total current tax payable	**58 871**	44 476	–	–
Deferred tax				
• South African deferred tax	**(13 929)**	(8 657)	–	(151)
– attributable to temporary difference arising in current year	**(13 929)**	(8 657)	–	(151)
• Foreign deferred tax	**(1 081)**	252	–	–
– attributable to temporary difference arising in current year	**(1 081)**	252	–	–
Total deferred tax income	**(15 010)**	(8 405)	–	(151)
Total tax expense	**43 861**	36 071	–	(151)

	GROUP		COMPANY	
	2019 %	2018 %	**2019 %**	2018 %
Reconciliation of tax rate:				
Standard tax rate	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
• Disallowable expenditure:				
– listing and other regulatory costs	**0.1**	0.2	**12.9**	15.7
– share–based payment expense	**1.3**	1.0	**–**	–
– acquisition related costs	**–**	0.3	**–**	–
– legal fees of a capital nature	**0.2**	0.1	**–**	–
– fair value adjustment on contingent consideration	**3.4**	0.9	**–**	–
– other	**1.1**	0.7	**–**	–
• Non-taxable income				
– dividend and interest income	**–**	(0.1)	**–**	–
• Other				
– deferred tax asset not recognised	**0.4**	0.2	**(40.9)**	**(43.7)**
– s12H learnership allowance	**(0.2)**	(0.3)	**–**	–
– foreign tax differential	**0.3**	0.4	**–**	–
– prior period adjustments	**(0.2)**	0.4	**–**	13.6
Effective tax rate	**34.4**	31.8	**–**	13.6

The estimated tax loss available for set-off against future taxable income for the Group is R102.9 million (2018: R62.8 million), and for the Company is Rnil (2018: R1.0 million).

The estimated tax loss available for set-off against future taxable income relates to Stadio Proprietary Limited (formerly Embury Institute of Higher Education Proprietary Limited). The subsidiary has incurred losses as a result of it's prior year geographic expansion to two new sites in Gauteng, which are still in the early stages of growth and have not yet reached full capacity in terms of student numbers. 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.

The losses can be carried forward indefinitely and there is no expiry date.

11. EARNINGS PER SHARE

	Basic		Diluted	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Group				
Earnings attributable to owners of the parent	**69 836**	63 270	**69 836**	63 270
Adjusted for:				
– Loss on sale of property, plant and equipment	**265**	425	**265**	425
– Compensation from third parties for property, plant and equipment items lost, impaired or given up	**(521)**	(1 025)	**(521)**	(1 025)
– Tax on above	**82**	168	**82**	168
Headline earnings	**69 662**	62 838	**69 662**	62 838

	Basic		Diluted[1]	
	2019 '000	2018 '000	2019 '000	2018 '000
Weighted average number of shares (WANOS)	**818 019**	810 678	**829 256**	818 686

	Basic		Diluted	
	2019 cents	2018 cents	2019 cents	2018 cents
Earnings per share	**8.5**	7.8	**8.4**	7.7
Headline earnings per share	**8.5**	7.8	**8.4**	7.7

[1] *Diluted WANOS are adjusted for the effects of all dilutive potential ordinary shares, namely contingent consideration partly payable in shares estimated at 11.2 million shares (2018: 2.7 million) and share options of which there was no dilutive effect in the current year (2018: 5.3 million).*

12. 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 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.

Reconciliation of core headline earnings

	2019		2018	
	Earnings R'000	Earnings per share Cents	Earnings R'000	Earnings per share Cents
Headline Earnings	69 662	8.5	62 838	7.8
Adjustments for non-core items attributable to parent:				
Fair value adjustment on contingent consideration	13 385	1.7	2 604	0.3
Acquisition costs	1 398	0.2	1 280	0.2
Amortisation of client list	5 241	0.6	4 496	0.5
Tax on above	(1 475)	(0.2)	(1 266)	(0.2)
Core headline earnings (CHE)	88 211	10.8	69 952	8.6
CHEPS – basic		10.8		8.6
CHEPS – diluted		10.6		8.5

13. DIVIDENDS ON ORDINARY SHARE

No dividends were declared or paid by the Group for the years ended 31 December 2019 and 31 December 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Land R'000	Buildings R'000	Assets under construction R'000	Computer equipment R'000	Creative and arts[1] R'000	Office, furniture and other equipment R'000	Motor vehicles R'000	Total R'000
Group								
Cost								
At 1 January 2018	34 030	367 121	–	23 836	14 680	14 220	1 951	455 838
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[2]	(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
Adoption of IFRS 16 – refer to Note 36	–	–	–	(409)	–	(18)	(158)	(585)
Additions	–	10 792	126 137	5 627	7 086	7 556	229	157 427
Borrowing costs capitalised	–	–	39	–	–	–	–	39
Disposals	–	(197)	–	(2 506)	(140)	(271)	–	(3 114)
Other movements[2]	–	(334)	–	505	(6)	448	204	817
At 31 December 2019	**46 658**	**438 399**	**126 176**	**39 046**	**26 627**	**30 811**	**3 515**	**711 232**
Accumulated depreciation								
At 1 January 2018	–	239	–	2 969	1 651	2 210	147	7 216
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
Adoption of IFRS 16 – refer to Note 36	–	–	–	(218)	–	(6)	(42)	(266)
Depreciation charge for the year	–	3 418	–	11 363	5 811	3 539	328	24 459
Disposals	–	(135)	–	(2 484)	(21)	(216)	–	(2 856)
Other movements[2]	–	52	–	216	(1)	715	205	1 187
At 31 December 2019	–	**6 483**	–	**19 543**	**12 588**	**8 366**	**894**	**47 874**
Carrying amount								
At 31 December 2018	46 658	424 990	–	25 163	12 888	18 762	2 837	531 298
At 31 December 2019	**46 658**	**431 916**	**126 176**	**19 503**	**14 039**	**22 445**	**2 621**	**663 358**

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

[2] *Other movements includes the reallocation between property, plant and equipment asset categories and recognition of input VAT adjustments necessary as a result of the Group reaching the regulatory threshold for VAT registration in December 2018.*

The Group adopted IFRS 16 in the current year. In the prior year, the Group recognised R0.4 million lease assets in relation to leases that were classified as 'finance leases' under IAS 17 Leases. These assets were presented in property, plant and equipment and have been transferred to right-of-use assets (Note 15) in the current year. Refer to Note 36 for further information relating to the adoption of IFRS 16 in the current year.

During the year, borrowing costs were capitalised to qualifying assets R0.04 million at a capitalisation rate of 8.97% (2018: nil).

Assets-under-construction of R126.1 million (2018: Rnil) comprises land and buildings acquired in Centurion, Gauteng for the Group's first multi-faculty campus. Construction on the land commenced in November 2019.

Leasehold improvements of R3.2 million (2018: R121 million) were included in buildings for the year ended 31 December 2019. The majority of leasehold improvements relates to the Waterfall (Midrand) campus. In the prior year, land and buildings of R8.2 million and motor vehicles of R0.3 million relating to SBS Namibia were encumbered as security for the secured long-term borrowings in Note 27. This loan was fully settled in the current year. In the current year, no property, plant and equipment is encumbered as security for the borrowings as per Note 27.

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. LEASES

15.1 Right-of-use asset – Group

	Land R'000	Buildings R'000	Computer equipment R'000	Office, furniture and other equipment R'000	Motor vehicles R'000	Total R'000
Net carrying amount						
1 January 2019 – initial IFRS 16 recognition	30 870	69 678	–	1 143	–	101 691
Reclassification of existing finance leases under IFRS 16	–	–	191	12	116	319
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**

15. LEASE LIABILITIES (continued)

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
15.2 Lease liabilities				
At 1 January	**395**	–	**–**	–
Adoption of IFRS 16	**178 951**	–	**–**	–
Acquisitions	**–**	268	**–**	–
New leases/additions	**8 332**	127	**–**	–
Repayments – principal	**(20 022)**	–	**–**	–
Repayments – finance costs	**(18 831)**	–	**–**	–
Finance costs	**18 831**	–	**–**	–
Remeasurements	**1 714**	–	**–**	–
At 31 December	**169 370**	395	**–**	–
Minimum lease payments due				
– within one year	**42 369**	219	**–**	–
– between two – five years	**108 559**	235	**–**	–
– greater than five years	**10 462 312**	–	**–**	–
	10 613 240	454	**–**	–
Less: future finance costs	**(10 443 870)**	(59)	**–**	–
Present value of minimum lease payments	**169 370**	395	**–**	–
Present value of minimum lease payments				
– within one year	**32 309**	186	**–**	–
– between two – five years	**89 547**	209	**–**	–
– greater than five years	**47 514**	–	**–**	–
	169 370	395	**–**	–

The Group adopted IFRS 16 in the current year resulting in the recognition of additional lease liabilities on the statement of financial position. In the prior year, the Group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. Refer to Note 36 for further information relating to the adoption of IFRS 16 in the current year.

The Group uses an incremental borrowing rate of between 9.7% (for 2 – 8 year leases) and 13.1% (for the 97 year long-term lease) when calculating the lease liability.

The total cash outflow for leases in 2019 was R42.8 million.

16. INTANGIBLE ASSETS

	Trademarks R'000	Curriculum material R'000	Client lists R'000	Computer software R'000	Total R'000
Group					
Cost					
At 1 January 2018	54 087	43 304	24 436	7 527	129 354
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
Additions	–	430	–	9 571	10 001
Internally generated	–	9 573	–	1 856	11 429
Disposals	–	–	–	(909)	(909)
At 31 December 2019	**101 304**	**90 856**	**36 591**	**20 673**	**249 424**
Accumulated amortisation					
At 1 January 2018	–	1 582	6 723	2 450	10 755
Charge for the year	–	4 164	5 010	2 746	11 920
At 31 December 2018	–	5 746	11 733	5 196	22 675
Charge for the year	808	6 558	5 719	2 992	16 077
Disposals	–	–	–	(850)	(850)
At 31 December 2019	**808**	**12 304**	**17 452**	**7 338**	**37 902**
Carrying amount					
At 31 December 2018	101 304	75 107	24 858	4 959	206 228
At 31 December 2019	**100 496**	**78 552**	**19 139**	**13 335**	**211 522**

16. INTANGIBLE ASSETS (continued)

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 R'000	Total R'000
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
As at 31 December 2019					
Carrying value	**100 496**	**78 552**	**19 139**	**13 335**	**211 522**
Indefinite useful life assets	**84 496**	**41 918**	**–**	**–**	**126 414**
Definite life assets	**16 000**	**36 634**	**19 139**	**13 335**	**85 108**

As an initial step in the Group's strategy of migrating its existing programmes into one HEI, namely "STADIO", Embury Institute for Higher Education Proprietary Limited (Embury) changed its name to Stadio Proprietary Limited (STADIO) during the current year. Consequently, the Embury trademark has been assessed and this change has led to the change in the useful life assessment of the it's trademark from indefinite to finite useful life of 24 months, in line with anticipated regulatory processes. As such, amortisation of R0.8 million (2018: R nil) was recognised in the year ended 31 December 2019.

Refer to Note 17 for details pertaining to the impairment assessment relating to the indefinite life intangible assets.

No impairment was recognised for the years ended 31 December 2019 or 2018.

	Cost R'000	Accumulated impairment R'000	Carrying value R'000

17. GOODWILL

	Cost R'000	Accumulated impairment R'000	Carrying value R'000
Group			
At 1 January 2018	409 666	–	409 666
Additions through acquisitions	339 816	–	339 816
At 31 December 2018	749 482	–	749 482
Additions through acquisitions	–	–	–
At 31 December 2019	**749 482**	–	**749 482**

Goodwill arising from acquisitions 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 16) 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.

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

	2019			2018		
	Goodwill R'000	Indefinite life – intangible assets[1] R'000	Total R'000	Goodwill R'000	Indefinite life – intangible assets[1] R'000	Total R'000
Embury	**39 924**	**19 230**	**59 154**	39 924	33 114	73 038
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**	84 824	9 248	94 072
Milpark	**245 066**	**45 066**	**290 132**	245 066	44 978	290 044
Prestige Academy	**9 926**	**7 445**	**17 371**	9 926	7 445	17 371
Stadio Corporate Services	**–**	**1 946**	**1 946**	–	–	–
Total	749 482	126 414	875 896	749 482	138 264	887 746

[1] *For further information relating to indefinite life intangible assets, refer to Note 16.*

17. GOODWILL (continued)

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

	Higher Education Institutions					
2018	Embury	AFDA	SBS Group	LISOF	Milpark	Prestige Academy
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%
2019						
Pre-tax discount rate	**15.9%**	**15.9%**	**15.9%**	**15.9%**	**15.9%**	**15.9%**
Terminal growth rate	**6%**	**6%**	**6%**	**6%**	**6%**	**6%**
Cash flow assumptions						
– Tuition fee increases	**7%**	**6%**	**5%**	**5%**	**3%**	**6%**
– Student number growth	**18%**	**8%**	**13%**	**8%**	**6%**	**11%**
– Operating expenses	**16%**	**14%**	**16%**	**13%**	**7%**	**19%**

No impairments were recognised for the years ended 31 December 2019 or 2018.

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. The terminal growth rate is based on the tuition fee increases and reflects past experience and inflation in higher education.

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

The Directors and Management have considered and assessed, possible reasonable changes for other key assumptions and are comfortable that no impairment would result as at 31 December 2019 if:

- the discount rate used in the value-in-use calculation for the CGUs had been 1% higher than management's estimate or if the terminal growth rate had been lower than 1% management's estimate; or
- the tuition fee increases and student number growth used in the value-in-use calculation for the CGUs are lower than management's estimate by 50%.

18. 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. All subsidiaries have the same year-end reporting date.

	Percentage Holding		Carrying value		
	2019 %	2018 %	2019 R'000	2018 R'000	Principle activity
Stadio Investment Holdings Proprietary Limited (SIH)	**100**	100	**928 521**	928 521	Investment holding company
Stadio Corporate Services Proprietary Limited (SCS)	**100**	100	**–**	–	Corporate services
Stadio Multiversity Investment Holdings Proprietary Limited (formely Stadio Multiversity Proprietary Limited)	**100**	100	**–**	–	Inactive
Milpark Investments SPV Proprietary Limited	**100**	100	**–**	–	Investment holding company
Stadio Proprietary Limited (formerly Embury Institute for Higher Education Proprietary Limited)	**100**	100	**–**	–	Higher education institution
Embury Botswana Proprietary Limited*	**–**	100	**–**	–	Dormant
MBS Education Investments Proprietary Limited	**87.2**	87.2	**–**	–	Investment holding company
Milpark Education Proprietary Limited	**87.2**	87.2	**–**	–	Higher education institution
Lisof Proprietary Limited	**100**	100	**–**	–	Higher education institution
Wadam Properties Proprietary Limited	**100**	100	**–**	–	Property company
Histodox Proprietary Limited	**100**	100	**–**	–	Property company
Prestige Academy Proprietary Limited	**100**	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)[1]	**100**	74	**–**	–	Higher education institution
Southern Business School of Namibia Proprietary Limited^	**74**	74	**–**	–	Higher education institution
			928 521	928 521	

** Incorporated in Botswana. Embury Botswana Proprietary Limited has been deregistered during the 2019 financial year.*

^ Incorporated in Namibia.

[1] The Group acquired the remaining 26% interest in SBS, by way of a share repurchase, effective 1 October 2019. Refer to Note 35 for further information.

Some subsidiaries own properties leading to the classification as a property company. These properties are leased out to various companies within the Group. Property held by the Group is therefore considered to be owner occupied and classified as property, plant and equipment.

18. INVESTMENT IN SUBSIDIARIES (continued)

Effective 1 October 2019, the Group acquired the non-controlling interest in SBS by way of a share repurchase. As at 31 December 2019, the non-controlling shareholders hold nil% ownership interest in SBS (2018: 26%) and 26% (2018: 26%) ownership interest in SBS Namibia.

SBS and Milpark are material subsidiaries with non-controlling shareholders holding 26% (until 1 October 2019) and 12.8% of the voting and economic rights of SBS and Milpark, respectively.

The non-controlling shareholder of SBS was considered material prior to the Group's acquisition of the non-controlling interest and therefore additional information relating to SBS is shown below.

Impairment assessment

All subsidiaries held were assessed in order to determine whether their carrying amount exceeds their recoverable amount. Refer to note 17 where impairments of investments has been assessed.

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 the remaining 26% non-controlling interest in SBS, effective 1 October 2019, and therefore owns 100% of SBS as at 31 December 2019 (2018: 74%, with the non-controlling shareholder being 26%). At 31 December 2019 the Group holds an indirect effective shareholding of 74% in SBS Namibia, through SBS's 74% direct holding in SBS Namibia. At 31 December 2018, 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 2019 was R13.8 million (2018: R14.0 million), of which R11.8 million relates to SBS (2018: R12.1 million).

	SBS 2019 R'000	SBS Namibia 2019 R'000	Total 2019 R'000	SBS 2018 R'000	SBS Namibia 2018 R'000	Total 2018 R'000
Summarised statement of comprehensive income						
Revenue	132 918	30 561	163 479	112 810	28 597	141 407
Operating expenses	(70 341)	(18 880)	(89 221)	(68 264)	(16 315)	(84 579)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	62 577	11 681	74 258	44 546	12 282	56 828
Depreciation and amortisation	(4 274)	(670)	(4 944)	(373)	(557)	(930)
Earnings before interest and taxation (EBIT)	58 303	11 011	69 314	44 173	11 725	55 898
Investment income	3 464	362	3 826	1 858	320	2 178
Finance costs	(580)	(229)	(809)	–	(464)	(464)
Profit before taxation	61 187	11 144	72 331	46 031	11 581	57 612
Taxation	(17 207)	(3 651)	(20 858)	(13 039)	(3 801)	(16 840)
Profit for the year	43 980	7 493	51 473	32 992	7 780	40 772
Non-controlling interest (NCI)	(9 886)	(1 886)	(11 772)	(10 074)	(2 024)	(12 098)
Profit attributable to parent	34 094	5 607	39 701	22 918	5 756	28 674

	SBS 2019 R'000	SBS Namibia 2019 R'000	Total 2019 R'000	SBS 2018 R'000	SBS Namibia 2018 R'000	Total 2018 R'000
Summarised statement of financial position						
Non-current assets	16 702	16 700	33 402	23 817	16 099	39 916
Current assets	49 706	17 795	67 501	66 277	18 331	84 608
Total assets	66 408	34 495	100 903	90 094	34 430	124 524
Non-current liabilities	1 514	1 186	2 333	12	3 932	3 944
Current liabilities	127 469	1 124	128 960	6 410	1 281	7 691
Total liabilities	128 983	2 310	131 293	6 422	5 213	11 635
Net assets*	(62 575)	32 185	30 390	83 672	29 217	112 889
Carrying amount of non-controlling interest	–	9 835	9 835	29 260	9 162	38 422
NCI in all other subsidiaries			2 303			8 764
NCI per statement of financial position			12 138			47 186
Summarised statement of cash flow						
Cash flows generated from operating activities	36 426	9 601	46 027	27 224	6 473	33 697
Cash flows utilised in investing activities	(666)	(614)	(1 280)	(1 102)	(4 929)	(6 030)
Cash flows utilised in financing activities	(63 912)	(8 830)	(72 742)	–	(251)	(251)
Net (decrease)/increase in cash and cash equivalents			(27 995)			27 416
Dividends paid to non-controlling shareholders of SBS			(7 591)			(2 731)

** The net asset value is in a negative position due to the SBS share repurchase – refer to Note 35 for further information.*

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
19. DEFERRED TAX				
The balance of the deferred tax asset is made up as follows:				
Income received in advance	17 399	16 242	–	–
Loss allowance	7 784	2 936	–	–
Tax losses available for set off against future taxable income	28 819	17 580	–	–
Provisions	5 520	4 706	–	–
Lease liability	47 370	–	–	–
Other	134	1 540	–	–
Deferred tax asset	107 026	43 004	–	–
Deferred tax liability is made up as follows:				
Property, plant and equipment	(13 146)	(9 647)	–	–
Right-of-use asset	(25 635)	–	–	
Intangible assets	(23 233)	(22 093)	–	–
Prepayments	(1 166)	(816)	–	–
Net investment in lease	(4 908)	–	–	
Other	(2 721)	(3 220)	–	–
Deferred tax liability	(70 809)	(35 776)	–	–
Net deferred tax asset	36 217	7 228	–	–

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
The movement on the deferred tax is as follows:				
Balance at the beginning of the year	**7 228**	(5 421)	**–**	151
Adoption of IFRS 16[1]	**13 979**	–	**–**	–
Lease liability	**50 147**	–	**–**	–
Right-of-use asset	**(28 731)**	–	**–**	–
Net investment in lease	**(4 632)**	–	**–**	–
Operating lease liability under IAS 17 derecognised	**(2 805)**	–	**–**	
Acquisitions	**–**	4 244	**–**	–
Originating temporary differences on:	**15 010**	8 405	**–**	(151)
Property, plant and equipment	**(3 499)**	93	**–**	–
Intangible assets	**(1 140)**	720	**–**	–
Right-of-use assets	**3 096**	–	**–**	–
Loss allowance	**4 848**	532	**–**	–
Prepayments	**(350)**	(347)	**–**	–
Provisions	**814**	2 152	**–**	–
Net investment in lease	**(276)**	–	**–**	–
Lease liability	**(2 777)**	–	**–**	–
Other	**1 898**	(2 662)	**–**	–
Income received in advance	**1 157**	(966)	**–**	–
Assessed losses	**11 239**	8 883	**–**	(151)
Balance at the end of the year	**36 217**	7 228	**–**	–

[1] *The Group adopted IFRS 16 during the current year, refer to Note 36 for further information relating to the adoption of IFRS 16 in the current year.*

Prior year figures have been updated to reallocate originating temporary differences on property, plant and equipment (R3.3m) from other.

Estimated tax losses available for set-off against future profits carried forward to next year are disclosed in Note 10.

Management have assessed the recognition of the deferred tax assets as at 31 December 2019 and 31 December 2018 and are satisfied that there are future taxable profits against which the temporary differences can be utilised.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
20. INVENTORIES				
Study materials	**1 980**	3 928	–	–
Merchandise and other	**152**	444	–	–
	2 132	4 372	–	–

During the year, there was an inventory write-down of R0.7 million (2018: R nil).

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
21. TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	**104 544**	72 399	–	–
Less: loss allowance	**(37 901)**	(17 360)	–	–
Carrying value of trade receivables	**66 643**	55 039	–	–
Net investment in lease (refer below)	**1 249**	–		
Other receivables	**4 106**	11 028	–	–
Deposits	**16 554**	2 548	–	–
Prepayments	**7 349**	5 100	–	–
Value Added Tax	**19 671**	15 404	–	–
Sundry debtors	**262**	374	–	–
	115 834	**89 493**	–	–
Non-current				
Net investment in lease (refer below)	**16 281**	–	–	–
Total trade and other receivables	**132 115**	89 493	–	–
Comprising:				
Financial assets	**89 105**	66 437	–	–
Non-financial assets	**43 010**	23 056	–	–
Total Trade and other receivables	**132 115**	89 493	–	–

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.

The Group sub-leases land over a 97-year lease term.

The gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period, for each of the following periods:

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Minimum lease payments due				
– within one year	1 249	–	–	–
– between one – two years	1 324	–	–	–
– between two – three years	1 403	–	–	–
– between three – four years	1 487	–	–	–
– between four – five years	1 577	–	–	–
– more than five years	3 481 769	–	–	–
	3 488 809	–		–
Less: Unearned finance income	(3 471 279)	–		–
Present value of minimum lease payments receivable	17 530	–		–
Present value of minimum lease payments receivable				
– within one year	1 249	–	–	–
– between one – two years	1 324	–	–	–
– between two – three years	1 403	–	–	–
– between three – four years	1 487	–	–	–
– between four – five years	1 577	–	–	–
– more than five years	10 490	–	–	–
	17 530	–	–	–

21. TRADE AND OTHER RECEIVABLES (continued)

The loss allowance as at 31 December was determined as follows:

Provision matrix	GROUP					
	Current	30 days past due	60 days past due	90 days past due	Greater than 90 days past due	Total
31 December 2018						
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)	(366)	(606)	(560)	(15 757)	(17 360)
31 December 2019						
Expected loss rate	**0.4%**	**37.9%**	**32.4%**	**49.4%**	**59.0%**	
Trade receivables – gross carrying amount	**34 371**	**8 542**	**5 410**	**4 120**	**52 101**	**104 544**
Loss allowance	**(135)**	**(3 241)**	**(1 752)**	**(2 035)**	**(30 738)**	**(37 901)**

The closing loss allowances for trade receivables as at 31 December 2019 reconcile to the opening loss allowances as follows:

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Balance at beginning of the year	**17 360**	3 638	**–**	–
Acquisitions	**–**	3 974	**–**	–
Loss allowance recognised in profit and loss	**34 832**	20 298	**–**	–
Receivables written off during the year as uncollectible	**(14 291)**	(10 444)	**–**	–
Unused amounts reversed	**–**	(106)	**–**	–
Balance at end of the year	**37 901**	17 360	**–**	–

The current year loss allowance comprises loss allowance in respect of receivables that originated in the current year of R28.6 million and receivables that originated in the prior year of R6.2 million.

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.

The Group'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 an indication that a student will default on payment. Indicators that there may be default, amongst others include, the failure of a student to re-register for a course in the following academic year or a history of non-payment over the academic year.

The expected credit loss for significant other receivables in the current year were assessed on an individual basis. There is no expected credit loss from these transactions.

Deposits include R13.5 million for the acquisition of the vacant land located in Durbanville, for the proposed Western Cape multi-faculty campus, which is subject to various closing conditions.

22. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2019 R'000	2018[1] R'000	2019 R'000	2018 R'000
Current				
Trade payables	**3 600**	9 153	**21**	12
Payroll accruals	**11 159**	4 698	**–**	–
Bonus	**18 198**	14 967	**–**	–
Municipal costs	**4 915**	1 431	**–**	–
Audit fee	**2 920**	1 691	**–**	–
Leave pay	**2 733**	2 496	**–**	–
Other payables	**5 488**	5 994	**603**	544
Operating lease liability[1]	**–**	1 320	**–**	–
Value Added Tax	**198**	491	**–**	–
Contingent consideration	**16 546**	4 000	**–**	–
	65 757	46 241	**624**	556
Non-current				
Operating lease liability[1]	**–**	9 481	**–**	–
Contingent consideration	**18 993**	20 251	**–**	–
	18 993	29 732	**–**	–
Total trade and other payables	**84 750**	75 973	**624**	556
Comprising:				
Financial liabilities	**55 195**	67 730	**624**	556
– at amortised cost	**19 656**	43 479	**–**	–
– at fair value through profit and loss	**35 539**	24 251	**–**	–
Non-financial liabilities	**29 555**	8 243	**–**	–
	84 750	75 973	**624**	556

[1] *The Group adopted IFRS 16 in the current year resulting in operating lease liabilities as a lessee no longer being applicable. Refer to Note 36 for further information relating to the adoption of IFRS 16 in the current year.*

22. TRADE AND OTHER PAYABLES (continued)

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

Group	2019 Due within one to two years R'000	2019 Due within two to five years R'000	2019 Total R'000	2018 Due within one to two years R'000	2018 Due within two to five years R'000	2018 Total R'000
Contingent consideration	16 546	18 993	35 539	4 000	20 251	24 251
Operating lease liability[1]	–	–	–	9 478	3	9 481
Total	16 546	18 993	35 539	13 478	20 254	33 732

[1] *In the prior year, assets and liabilities arising from leases were initially measured on a present value basis by discounting the future lease payments using an interest rate of 7.2% to 8.0% in 2018. The Group adopted IFRS 16 in the current year and operating lease liabilities were derecognised, refer to Note 36 for further information.*

Prior year amounts were represented to separately identify trade and other payables measured at fair value through profit and loss, the contingent consideration (R24.3million), and trade and other payables measured at amortised cost (R43.5 million). The contingent consideration in the current year comprises of the consideration for the acquisitions of the business of CA Connect Professional Training Institution Proprietary Limited (CA Connect) and Prestige Academy. The contingent consideration for these acquisitions is subject to the achievement of certain performance targets of the entities. Refer to Note 35 for further information.

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
23. INCOME RECEIVED IN ADVANCE				
Balance at the beginning of the year	86 451	22 609	–	–
Acquisitions	–	101 126	–	–
Amounts received in advance during the year	181 209	60 736	–	–
Performance obligations satisfied in current year	(177 874)	(98 020)	–	–
In respect of cash received in current year	(105 238)	(2 313)	–	–
In respect of cash received in prior years	(72 636)	(95 707)	–	–
Balance at the end of the year	89 786	86 451	–	–

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. Income received in advance is expected to be recognised over 1 to 3 years.

Subject to certain conditions, income received in advance is repayable to the student's account holder should the student not complete their studies.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
24. OTHER FINANCIAL ASSETS				
Balance at the beginning of the year	**6 727**	1 898	**–**	–
Acquisitions	**–**	510	**–**	–
Additions	**3 000**	4 000	**–**	–
Re-investments/fair value movements	**346**	319	**–**	–
Disposals	**(4 900)**	–	**–**	–
Balance at the end of the year	**5 173**	6 727	**–**	–

Other financial assets include amounts held in a corporate fund with investments primarily in various unit trusts. The fair value of the investment is R5.2 million (2018: R6.7 million), determined by the market price of the funds at the reporting date.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
25. LOANS TO/(FROM) RELATED PARTIES				
Loans to related parties				
Stadio Investment Holdings Proprietary Limited[4]	–	–	13 585	12 615
Stadio Corporate Services Proprietary Limited[4]	–	–	622 923	623 547
VJ Properties Close Corporation[1]	780	1 954	–	–
Almika Properties 90 Proprietary Limited[1]	25	–	–	–
Total amount receivable	805	1 954	636 508	636 162
Loans from related parties				
Stadio Proprietary Limited (formerly Embury Institute for Higher Education)[1]	–	–	(7 201)	(7 201)
Brimstone Investment Corporation Limited[2]	(96)	(96)	–	–
Loans from key management[3]	–	(1 041)	–	–
Total amount payable	(96)	(1 137)	(7 201)	(7 201)
Net loan to/(from) related parties (Note 31)	709	817	629 307	628 961

[1] *These loans are interest-free, unsecured and repayable on demand.*

[2] *Brimstone Investment Corporation Limited is the Group's B-BBEE partner and a shareholder in the Group. The loan is interest-free, unsecured and payable on demand.*

[3] *Loans from key management relate to amounts payable to the directors of The South African School of Motion Picture Medium and Live Performance Proprietary Limited (AFDA) as a result of the AFDA acquisition and were repaid during the year. These loans were interest-free, unsecured and payable on demand.*

[4] *These loans are interest-free, unsecured and repayable on demand. Stadio Corporate Services Proprietary Limited and Stadio Investment Holdings Proprietary Limited have sufficient cash and cash equivalents available to settle the balances if required.*

The counterparties have a low risk of default with no amounts past due. The expected credit loss has been determined over a 12 month period, resulting in no expected credit loss being recognised in the relation to the loans above.

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

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
26. CASH AND CASH EQUIVALENTS				
Bank balances	**46 045**	179 919	**21**	93
Money market	**12 323**	46 222	**–**	–
Short-term deposits	**34 917**	33 108	**–**	–
Petty cash	**151**	259	**–**	–
	93 436	259 508	**21**	93

Included in cash and cash equivalents is Rnil (2018: R0.1 million) pledged as security *in lieu* of office rental.

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

Net cash reconciliation

	GROUP		COMPANY	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Cash and cash equivalents	**93 436**	259 508	**21**	93
Loans to related parties	**805**	–	**636 508**	636 162
Other financial assets[1]	**5 173**	6 727	**–**	–
Borrowings – repayable within one year	**(392)**	(758)	**–**	–
Borrowings – repayable after one year	**(65 000)**	(3 392)	**–**	–
Lease liabilities – repayable within one year	**(32 309)**	(186)	**–**	–
Lease liabilities – repayable after one year	**(137 061)**	(209)	**–**	–
Loans from related parties	**(96)**	(1 137)	**(7 201)**	(7 201)
Net cash	**(135 444)**	**260 553**	**629 328**	629 054
Cash, other investments and loans to related parties	**99 414**	266 235	**636 529**	636 255
Gross debt – fixed interest rates	**–**	–	**(7 201)**	(7 201)
Gross debt – variable interest rates	**(234 858)**	(5 682)	**–**	–
Net cash	**(135 444)**	260 553	**629 328**	629 054

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

	2019 R'000	2018 R'000	2019 R'000	2018 R'000
27. BORROWINGS				
Loans under committed facilities	**65 303**	4 056	**–**	–
Bank overdrafts	**89**	94	**–**	–
	65 392	4 150	**–**	–
Maturity profile of borrowings				
Due within one year	**392**	758	**–**	–
Due within one to two years	**–**	580	**–**	–
Due within two to five years	**65 000**	1 739	**–**	–
Due more than five years	**–**	1 073	**–**	–
Total	**65 392**	4 150	**–**	–

In December 2019, the Group entered into a revolving credit facility with Standard Bank for R200 million. The loan bears interest at a three-month JIBAR plus 2.09%. The following Group subsidiaries (refer to Note 18) are obligors in the revolving credit facility arrangement: LISOF Proprietary Limited, Stadio Proprietary Limited (formerly Embury Institute for Higher Education Proprietary Limited), Prestige Academy, The South African School of Motion Picture Medium and Live Performance Proprietary Limited (AFDA) and Stadio Corporate Services Proprietary Limited (SCS). The facility expires in December 2022.

In the prior year, the Group held loans under committed facilities with the Bank of Windhoek at interest rates of between 8.5% and 11%. These loans were fully settled in 2019.

In December, the Group drew down R65 million (2018: R nil) of the Standard Bank facility. Finance costs of R0.3 million had been incurred on the facility, which is payable in March 2020. The total amount of undrawn facilities available for future operating activities and commitments are R135 million (2018: R0.5 million).

The Group complied with the facilities financial covenant requirements for the year ended 31 December 2019.

28. ORDINARY SHARE CAPITAL

	GROUP		COMPANY	
	2019 Number '000	2018 Number '000	**2019 Number '000**	2018 Number '000
Number of shares				
Authorised shares at 31 December (no par value)[1]	**2 000 000**	2 000 000	**2 000 000**	2 000 000
Issued ordinary shares at 1 January	**817 714**	785 930	**817 714**	785 930
Issued during the year:				
– rights issue	**–**	–	**–**	–
– B-BBEE private placement	**–**	–	**–**	–
– other	**381**	31 784	**381**	31 784
Issued ordinary shares at 31 December[2]	**818 095**	817 714	**818 095**	817 714

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Share capital				
Issued ordinary shares at 1 January	**1 564 283**	1 367 123	**1 564 283**	1 367 123
Issued during the year[3]	**1 400**	197 525	**1 400**	197 525
Share issue costs	**(8)**	(365)	**(8)**	(365)
Total issued share capital at 31 December[2]	**1 565 675**	1 564 283	**1 565 675**	1 564 283

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

[2] *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.*

[3] *Refer to next page for detail on shares issued during the year.*

28. ORDINARY SHARE CAPITAL (continued)

During the current year, the Group issued 0.4 million shares in respect of the Prestige Academy acquisition concluded in 2018:

Prestige Academy

The Group acquired 100% of Prestige Academy on 1 November 2018 for a total purchase consideration of R23.5 million, of which R7.5 million was a contingent consideration payable in 2019 and 2020 subject to certain performance targets achieved during 2018 and 2019 respectively. Prestige Academy achieved the 2018 performance targets and the related contingent consideration amounting to R4 million was settled in 2019 partly through cash of R2.6 million, and R1.4 million settled through the issue of 0.4 million ordinary shares.

Prior year

Acquisitions

During 2018, the Group issued the following shares in the finalisation of various 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.

- **MBS Education**

  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 Proprietary Limited 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.

- **Prestige Academy**

  The Group acquired 100% of 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.

- **CA Connect**

  The Group acquired the business of CA Connect on 12 April 2018 through its subsidiary, Milpark, for a total purchase consideration of R32.3 million. R8.0 million was settled through the issue of 1.4 million ordinary shares.

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 (2018: 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:

	2019		2018	
	Number of share options '000	Weighted average strike price R	Number of share options '000	Weighted average strike price R
Outstanding at the beginning of the year	**15 623**	**3.09**	14 977	2.96
Awarded during the year	**8 519**	**3.63**	646	6.10
Vested during the year	**(3 744)**		–	–
Forfeited during the year	**–**		–	–
Outstanding at the end of the year	**20 398**		15 623	

29. SHARE-BASED PAYMENTS (continued)

Vesting date	Number of share options '000	Weighted average exercise price R
29 March 2020	162	6.10
3 October 2020	3 744	2.96
29 March 2021	161	6.10
3 April 2021	2 130	3.63
3 October 2021	3 744	2.96
29 March 2022	162	6.10
3 April 2022	2 130	3.63
3 October 2022	3 745	2.96
29 March 2023	161	6.10
3 April 2023	2 130	3.63
3 April 2024	2 129	3.63
	20 398	

Assumptions used in fair value	2019	2018
Strike price (Rand)	3.63	6.10
Share price at award date (Rand)	3.60	6.10
Fair value (Rand)	1.21	1.81
Volatility (%)	33.1	22.9
Risk-free rate (%)	7.21	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 exercised by Directors during the year:

	Opening balance of share options at 1 January 2019 '000	Number of share options awarded during the year '000	Number of share options vested during the year[1] '000	Strike price per share options awarded	Share options grant date	Closing balance of share options at 31 December 2019 '000
Director						
CR van der Merwe	4 054	–	(1 014)	2.96	3 October 2017	**3 040**
	–	2 580	–	3.63	3 April 2019	**2 580**
	4 054	2 580	(1 014)			**5 620**
S Totaram	1 725	–	(431)	2.96	3 October 2017	**1 294**
	–	1 159		3.63	3 April 2019	**1 159**
	1 725	1 159	(431)			**2 453**
D Singh	1 757	–	(439)	2.96	3 October 2017	**1 318**
		1 865	–	3.63	3 April 2019	**1 865**
	1 757	1 865	(439)			**3 183**
	7 536	**5 604**	**(1 884)**			**11 256**

[1] *The share options vesting in 2019 lapsed and had no gain during the year.*

Share-based payment expense

The total expense relating to equity-settled share-based payments for the year ended 31 December 2019 was R5.9 million (2018: R4.2 million). Refer to Note 7.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

Group 2019	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	Financial liabilities at fair value through profit and loss R'000	Total R'000
Non-current assets						
Trade and other receivables	21	16 281	–	–	–	16 281
Other financial assets	24	–	5 173	–	–	5 173
		16 281	5 173	–	–	21 454
Current assets						
Cash and cash equivalents	26	93 436	–	–	–	93 436
Trade and other receivables	21	72 824	–	–	–	72 824
Loans to related parties	25	805	–	–	–	805
		167 065	–	–	–	167 065
Total assets		183 346	5 173	–	–	188 519
Non-current liabilities						
Borrowings	27	–	–	65 000	–	65 000
Trade and other payables	22	–	–	–	18 993	18 993
Lease liabilities	15	–	–	137 061	–	137 061
		–	–	202 061	18 993	221 054
Current liabilities						
Trade and other payables	22	–	–	19 656	16 546	36 202
Borrowings	27	–	–	392	–	392
Lease liabilities	15	–	–	32 309	–	32 309
Loans from related parties	25	–	–	96	–	96
		–	–	52 453	16 546	68 999
Total liabilities		–	–	254 514	35 539	290 053

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	Financial liabilities at fair value through profit and loss 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	21	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
Lease liabilities	15	–	–	209	–	209
Trade and other payables	22	–	–	9 481	20 251	29 732
		–	–	13 082	20 251	33 333
Current liabilities						
Trade and other payables	22	–	–	33 998	4 000	37 998
Borrowings	27	–	–	758	–	758
Lease liabilities	15	–	–	186	–	186
Loans from related parties	25	–	–	1 137	–	1 137
		–	–	36 079	4 000	40 079
Total liabilities		–	–	49 161	24 251	73 412

30. FINANCIAL INSTRUMENTS (continued)

Company 2019	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	636 508	–	–	636 508
Cash and cash equivalents	26	21	–	–	21
		636 529	–	–	636 529
Total assets		636 529	–	–	636 529
Current liabilities					
Trade and other payables	22	–	–	624	624
Loan from related parties	25	–	–	7 201	7 201
Total liabilities		–	–	7 825	7 825

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	22	–	–	556	556
Loan from related parties	25	–	–	7 201	7 201
Total liabilities		–	–	7 757	7 757

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, lease liabilities disclosed in Note 15, 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 for cash, sell assets to reduce debt, or increase borrowings. The Group has an optimal target debt-to-equity ratio of 50%. Based on the capital needs of the Group, debt funding arrangements may be entered in order to facilitate new developments and growth initiatives. In accessing debt funding, the Group's debt-to-equity ratio shall not exceed the threshold of 30%. The current debt-to-equity ratio is 15%.

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 through the review of management accounts on a monthly basis. Board approval is obtained for any changes to the Group’s financial risk exposure.

30. FINANCIAL INSTRUMENTS (continued)

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.

2019	Borrowings R'000	Finance lease liability R'000	Operating lease liability[1] R'000	Trade and other payable R'000	Lease Liabilities R'000	Other financial liabilities R'000	Total financial liabilities R'000
Less than one year	6 288	–	–	36 202	42 369	96	84 955
Between one and two years	5 872	–	–	7 758	34 518	–	48 148
Between two and five years	70 872	–	–	11 235	74 041	–	156 148
Over five years	–	–	–	–	10 462 312	–	10 462 312
	83 032	–	–	55 195	10 613 240	96	10 751 563
2018							
Less than one year	758	219	1 320	36 675	–	1 137	40 109
Between one and two years	580	235	9 478	3 485	–	–	13 778
Between two and five years	1 739		3	16 766	–	–	18 508
Over five years	1 073	–	–	–	–	–	1 073
Carrying value	4 150	454	10 801	56 926	–	1 137	73 468

[1] *Operating lease liability forms part of trade and other payables in 2018. Due to the adoption of IFRS 16 in 2019, this is part of lease liabilities in 2019.*

The Company's risk to liquidity is a result of funds being available to cover future commitments. The Company manages liquidity risk through an ongoing review of future commitments, budgeting and credit facilities. The Company has current liabilities for which it has current assets, which are repayable on demand, to service these liabilities.

ii) **Market risk**

Interest rate risk

Other than the money market (Note 26) and loans under committed facilities (Note 27), the Group has no other significant interest-bearing assets and liabilities as at 31 December 2019 or 31 December 2018.

In December 2019, the Group entered into a revolving credit facility with Standard Bank for R200 million. The secured loan bears interest at a three-month JIBAR plus 2.09%. The facility expires in December 2022. The Group has drawn down R65 million as at 31 December 2019.

The impact on pre-tax profit in the year ended 31 December 2019, of a 25 basis points increase in the interest rate, would result in a net increase in profit of R0.5 million (2018: R0.4 million) for the Group and no effect 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 expressed in South African Rands, is as follows:

	Botswana Pula R'000	US Dollar R'000	British Pound R'000	Eswatini Emalangeni R'000	Total R'000
2019					
Trade receivables	12	1 607	–	–	1 619
Trade payables	–	(13)	–	(47)	(60)
Net exposure	12	1 594	–	(47)	1 559
2018					
Trade receivables	1 454	2 536	–	–	3 990
Trade payables	–	–	(193)	(8)	(201)
Net exposure	**1 454**	**2 536**	**(193)**	**(8)**	**3 789**

Price risk

The Group is exposed to price risk due to changes in the market values of its unit-linked investments held by the Group classified as fair value through profit and loss.

Should the share prices of the equity instruments in the portfolio increase by 10% (2018: 10%) at the reporting date, with all other variables (e.g. effective tax rate) held constant, the effect on the fair value would be increase R0.5 million (2018: R0.7 million). A 10% decrease in the price would have an equal, but opposite effect on profit or loss.

The Company does not have any exposure to market risk.

30. FINANCIAL INSTRUMENTS (continued)

iii) **Credit risk**

Credit risk consists mainly of cash deposits, cash and cash equivalents (excluding petty cash), loans to related parties 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 of a good 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 2019 and 31 December 2018 can therefore be assessed by reference to their external credit rating as follows:

Credit agency	Credit rating	Credit rating definition	2019 Amount R'000	Credit rating	2018 Amount R'000
Moodys	Baa3	Moderate credit risk investment grade	88 748	Baa3 *	231 296
Moodys	Baa3	Moderate credit risk investment grade	1 172	Government	23 744
S&P	BB	Speculative grade	156	BB	720
GCR	AA	Very high credit quality	3 209	A+/AA	3 492
			93 285		259 252

** The prior year rating for Moodys has been updated from Aa1 to Baa3.*

Credit risk relating to the company's intergroup loan balances are managed at a group level.

Management evaluates credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Due to nature of services provided, in order to continue to receive services, customers are motivated to settle their debt. At 31 December 2019 and 31 December 2018, the Group and the Company did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

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

	2019 R'000	2018 R'000
Cash and cash equivalents	93 285	259 252
Trade and other receivables	89 105	66 437
Other current assets	805	1 954
	183 195	327 643

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 in the prior year, Trademarks were valued using the Royalty Relief method, Client Lists were valued using the Multiperiod Excess Earnings method (MEEM) and Curriculum material was valued using the Replacement Cost method. An adjusted WACC was used where relevant. In the prior year, intangible assets totalling R82 million were recognised on acquisitions, refer to Note 35.

The acquisition of CA Connect had a contingent consideration payable being subject to achievement of certain profit targets. This is therefore contingent consideration, which is fair valued using the Income approach method.

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

	2019				2018			
	Trademarks	Curriculum material	Client lists	Contingent consideration	Trademarks	Curriculum material	Client lists	Contingent consideration
Valuation methodology applied	**n/a**	**n/a**	**n/a**	**Income method**	Royalty relief	Replacement cost	MEEM	**Income method**
Pre-tax discount rate applied in the value in use	n/a	n/a	n/a	19%	n/a	n/a	20% – 21%	19%
Annual growth rate in valuation of trademarks	n/a	n/a	n/a	n/a	5% – 6%	n/a	n/a	n/a
Annual growth rate of earnings in contingent consideration	n/a	n/a	n/a	8%	5% – 6%	n/a	n/a	8%

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	**5 173**	**–**	**–**	6 727	–	–
Contingent consideration	22	**–**	**–**	**35 539**	–	–	24 251

31. RELATED PARTIES

Related parties include all subsidiaries of the Group as included in Note 18 as well as the following:

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

Ultimate holding company:	PSG Group Limited (PSG)
Holding company:	PSG Alpha Investments Proprietary Limited
Fellow subsidiaries of ultimate holding company:	PSG Financial Services Proprietary Limited
	PSG Collective Investments (RF) Limited
	PSG Corporate Services Proprietary Limited
	PSG Wealth Financial Planning Proprietary Limited
	Curro Holdings Limited
	Grayston Elliot Proprietary Limited
	PSG Capital Proprietary Limited
Associate of ultimate holding company:	GRIT Procurement Solutions Proprietary Limited
Entities controlled by key management:	Almika Properties 90 Proprietary Limited
	Citac Africa Proprietary Limited
Group's B-BBEE partner and shareholder:	Brimstone Investment Corporation Limited

Group	2019 Amount of transactions R'000	2019 Outstanding balance R'000	2018 Amount of transactions R'000	2018 Outstanding balance R'000
Net loans from related parties (refer to Note 25)[1]	–	709	–	817
Cash and cash equivalents				
PSG Collective Investments (RF) Limited[2]	–	7 816	–	46 222
Trade and other receivables				
Curro Holdings Limited[4]	–	17 705	–	23
PSG Corporate Services Proprietary Limited	–	6	–	–
Trade and other payables				
Curro Holdings Limited	–	(252)	–	(465)
PSG Corporate Services Proprietary Limited	–	–	–	(46)
GRIT Procurement Solutions Proprietary Limited	–	(9)	–	(61)
PSG Capital Proprietary Limited	–	(159)	–	–
Lease Liabilities				
Almika Properties 90 Proprietary Limited	–	(3 662)	–	–
Citac Africa Proprietary Limited	–	(3 101)	–	–
Computer expenses				
Curro Holdings Limited	(222)	–	(573)	–
GRIT Procurement Solutions Proprietary Limited	(100)	–	(35)	–
Investment income				
PSG Collective Investments (RF) Limited	6 038	–	11 284	–
Curro Holdings Limited[4]	2 167	–	–	–
Finance costs[3]				
Curro Holdings Limited	–	–	(2 153)	–
Almika Properties 90 Proprietary Limited	(489)	–	–	–
Citac Africa Proprietary Limited	(474)	–	–	–
Merger and acquisition costs				
PSG Corporate Services Proprietary Limited	–	–	(562)	–
Grayston Elliot Proprietary Limited	(234)	–	(125)	–
PSG Capital Proprietary Limited	(41)	–	–	–
Listing and advisory fees				
PSG Capital Proprietary Limited	(756)	–	–	–
Rental income/(paid)				
Curro Holdings Limited	–	–	1 097	–
Almika Properties 90 Proprietary Limited	–	–	(2 697)	–
Citac Africa Proprietary Limited	–	–	(3 502)	–
Insurance expense				
PSG Wealth Financial Planning Proprietary Limited	(194)	–	(313)	–
	5 695	19 053	2 321	46 490

[1] *The above loans as at 31 December 2019 and 2018 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).*

[3] *In the current year, finance costs paid to related parties relates to finance costs incurred under IFRS 16 for property which is leased. In the prior year, the loan from Curro Holdings Limited had incurred interest at 10% per an annum.*

[4] *Included in the Curro Holdings Limted balance is R17.5 million which relates to net investment in lease. The Group has earned investment income on this net investment in lease.*

31. RELATED PARTIES (continued)

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

Company	2019 Amount of transactions R'000	2019 Outstanding balance R'000	2018 Amount of transactions R'000	2018 Outstanding balance R'000
Net loans to related parties (refer to Note 25)	–	**629 307**	–	628 961
	–	**629 307**	–	628 961

The above loans to related parties as at 31 December 2019 and 31 December 2018, are interest free, unsecured and are repayable on demand.

32. COMMITMENTS AND GUARANTEES

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Within one year	–	35 753	–	–
Within two to five years	–	36 654	–	–
Five years or later	–	187 020	–	–
Cash outflow total	–	259 427	–	–
Total authorised capital expenditure are as follows:				
Authorised capital expenditure				
Authorised and contracted				
Property, plant and equipment	**211 318**	46 029	–	–
Intangible assets	**15 511**	22 054	–	–
Authorised but not yet contracted				
Property, plant and equipment	**109 369**	213 786	–	–
Intangible assets	**5 286**	–	–	–
	341 484	281 869	–	–

The Group adopted IFRS 16 in the current year. In the prior year, the Group disclosed R259.4 million operating lease commitments in relation to leases that were classified as 'operating leases' under IAS 17 Leases. These commitments were disclosed in commitments and guarantees and have been discounted at the Group's incremental borrowing rate at the date of initial application of IFRS 16 and adjusted accordingly to recognise lease liability as at 1 January 2019. Refer to Note 36 for further information relating to the adoption of IFRS 16 in the current year.

During the year ended 31 December 2019, the Group has, in the normal course of business, obtained bank guarantees as required by the Department for Higher Education and Training to the value of R9.6 million (2018: R9.0 million). There are no guarantees relating to the Company.

33. CONTINGENT LIABILITIES

The Group and Company has no contingent liabilities as at 31 December 2019 or 31 December 2018.

34. NOTES TO THE CASH FLOW STATEMENT

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
34.1 Cash generated from/(utilised by) operations				
Profit/(loss) before taxation	127 545	113 362	(1 186)	(1 114)
Non-cash items:				
Depreciation	44 813	22 075	–	–
Amortisation	16 077	11 920	–	–
Investment income	(28 047)	(25 264)	(5)	(135)
Finance costs	19 926	6 719	–	–
Foreign exchange (gain)/loss	(11)	23	–	–
Fair value loss	15 277	–	–	
Share-based payment expense	5 911	4 169	–	–
Net loss on disposal of property, plant and equipment	272	738	–	–
Other non-cash (income)/expenditure	(3)	98	–	–
	201 760	133 840	(1 191)	(1 249)
Movements in working capital:	(12 209)	(33 765)	68	(17 651)
Decrease in inventories	2 240	2 998	–	–
(Increase)/decrease in trade and other receivables	(26 070)	22 323	–	–
Increase/(decrease) in trade and other payables	8 287	(21 803)	68	(17 651)
Increase/(decrease) in income received in advance	3 334	(37 283)	–	–
	189 551	100 075	(1 123)	(18 900)
34.2 Taxation paid				
Amounts at the beginning of the year	8 918	2 988	–	–
Acquisitions	–	5 890	–	–
Current tax charge	(58 871)	(44 476)	–	–
Interest	425	167	–	–
Amount at the end of the year	(6 750)	(8 918)	–	–
Taxation paid	(56 278)	(44 349)	–	–

		GROUP		COMPANY	
		2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
34.3	**Reconciliation of loans(to)/from related parties**				
	Balance at the beginning of the year	**(817)**	116 542	**(628 961)**	(633 230)
	Acquisitions	**–**	38 171	**–**	–
	Proceeds from related party repayment of loan advance	**1 149**	–	**–**	–
	Proceeds from loan advances	**–**	546	**1 054**	9 869
	Additional loans advanced	**–**	1 137	**–**	–
	Repayments to related parties	**(1 041)**	(157 213)	**–**	–
	Non-cash: partial settlement of acquisition through the issue of shares	**–**	–	**(1 400)**	(5 600)
	Balance at the end of the year	**(709)**	(817)	**(629 307)**	(628 961)
34.4	**Reconciliation of net financial liabilities**				
	Balance at the beginning of the year	**4 545**	4 234	**–**	–
	Cash flow movements:				
	Additional borrowings	**65 089**	127		
	Repayments of borrowings	**(4 150)**	(83)	**–**	–
	Non-cash items:				
	Reclassification of finance lease liability to lease liability IFRS 16[1]	**(395)**	–	**–**	–
	Acquisitions	**–**	267	**–**	–
	Interest on borrowings	**303**	–	**–**	–
	Balance at the end of the year	**65 392**	4 545	**–**	–
34.5	**Non-cash investing and financing activities**				
	Partial settlement of acquisitions through the issue of shares (refer to Note 35)	**1 400**	123 117	**1 400**	123 117
		1 400	**123 117**	**1 400**	**123 117**

[1] *Refer to Note 36 for further information relating to the effect of adopting IFRS 16 in the current year.*

35. ACQUISITIONS

Effective 1 October 2019, the Group acquired the remaining 26% non-controlling interest in SBS, by way of share repurchase, for a total consideration of R155.5 million, resulting in the Group holding 100% of the shares in SBS. There was no change in control following this acquisition and this resulted in an adjustment to equity. This is part of the Group's strategy of becoming one HEI.

Prior year acquisitions

The Group made the following acquisitions of subsidiaries during the prior 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	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

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	1 447	**52 670**
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	–	–	–	(268)	**(268)**
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**
Contingent 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. ACQUISITIONS (continued)

35.1 LISOF

The Group acquired 100% of 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 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 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 four registered qualifications offered at its campus in Centurion (Gauteng). 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

On 11 March 2019, the Group settled the Prestige Academy top-up consideration of R4 million through a cash payment of R2.6 million and the issue of 0.4 million shares, valued at R1.4 million.

36. CHANGE IN ACCOUNTING POLICY

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 in the opening balance of retained earnings on 1 January 2019. This note explains the impact of the adoption of IFRS 16 on the Group's annual financial statements.

Lessee accounting
'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 of 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%.

'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.

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.

Lessor accounting
No adjustments are required on transition to IFRS 16 for leases in which the Group acts as a lessor, except for sub-leases. The Group's 97-year sub-lease is classified as a finance lease by reference to the right-of-use asset arising from the head lease.

Under IFRS 16, the Group is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset as previously required by IAS 17. In the prior year, the Group classified the 97-year land lease of the Waterfall campus, which opened in 2018, as an operating lease under IAS 17. A portion of this land was sub-let and consequently classified as an finance lease.

Measurement of lease liabilities	**2019 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).*

36. CHANGE IN ACCOUNTING POLICY (continued)

The recognised right-of-use assets relates to the following types of assets:

- Land
- Buildings
- Computer equipment
- Office equipment
- Motor vehicles

	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 [1]	16 540
Decrease in trade and other payables [2]	10 801
Decrease in finance leases [3]	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)

[1] *Net receivable in lease has been recognised due to sub lease being reclassified as a finance lease under IFRS 16.*

[2] *Operating lease liability due to recognising expense on a straight-line basis as per IAS17 is no longer applicable under IFRS 16 and the lease liability has been derecognised.*

[3] *Finance lease liability has been included under lease liabilities.*

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

	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 cashflows 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)**

37. RESTATEMENT

IAS 1 – Presentation of financial statements

For financial periods beginning on or after 1 January 2018, IAS 1 Presentation of financial statements requires for impairment losses recognised in accordance with IFRS 9 Financial Instruments to be disclosed as a separate line item on the face of the statement of comprehensive income. In the prior year, the loss allowance had been incorrectly disclosed within operating expenses and not represented separately on the face of the statement of comprehensive income. No third balance sheet was required because there was no impact on equity for earliest period presented.

The statement of comprehensive income has been represented to disclose the loss allowance separately.

Impact on the statement of comprehensive income for the period ended 31 December 2018:

	2018 R'000
Increase in loss allowance	(20 298)
Decrease of operating expenses	20 298
Change in net profit	–

38. EVENTS AFTER THE REPORTING DATE

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

39. 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 by 8.3% from R77.3 million in 2018, to R83.7 million in 2019. As part of the Group's growth strategy and migration plans, the Group acquired the remaining 26% non-controlling interest in SBS, by way of a share repurchase, for a total purchase consideration of R155.5million. The Group adopted IFRS 16 using the modified retrospective approach resulting in a R35.9 million adjusted to opening retained earnings. The impact of these transactions resulted in the Group recognising an accumulated loss as at 31 December 2019 of R5.5 million (2018: R80.5million retained income). The Directors are confident that the future financial performance based on 12-month budgets and 5-year forecasts of the Group's operations will improve this current position. The Group entered into a revolving credit facility of R200 million 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.

40. 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:

	2019					2018				
Name	Basic salary/ director's fees R'000	Bonuses R'000	Share based incentive payments[3] R'000	Pension contribu-tions paid R'000	Total R'000	Basic salary/ director's fees R'000	Bonuses R'000	Share based incentive payments R'000	Pension contribu-tions paid R'000	Total R'000
CR van der Merwe	2 739	2 516	–	271	5 526	2 220	1 191	1 782	220	5 413
S Totaram	1 877	1 377	–	96	3 350	1 752	1 050	975	60	3 837
D Singh	1 740	1 128	–	172	3 040	1 345	669	–	132	2 146
Non-executive										
PN de Waal[1]	267	–	–	–	267	135	–	–	–	135
A Mellet (alternate for PN de Waal)	–	–	–	–	–	–	–	–	–	–
Independent Non-Executive										
RH Stumpf	426	–	–	–	426	170	–	–	–	170
R Kisten[2]	188	–	–	–	188	165	–	–	–	165
KS Sithole[2]	163	–	–	–	163	150	–	–	–	150
DM Ramaphosa	375	–	–	–	375	115	–	–	–	115
MG Mokoka[2]	233	–	–	–	233	–	–	–	–	–
CB Vilakazi[2]	68	–	–	–	68	–	–	–	–	–
TH Brown[2]	56	–	–	–	56	–	–	–	–	–
Total	8 132	5 021	–	539	13 692	6 052	2 910	2 757	412	12 131

During the year, 5.6 million (2018: nil) share options were issued to the executive directors. Share options vesting of 1.9 million (2018: nil) had no gain during the year.

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

[2] *Director's fees are paid according to the director's time of service. These Directors were appointed or resigned during 2019 and as such, their director's fees have been apportioned accordingly.*

[3] *The share options vesting in 2019 lapsed and had no gain during the year.*

SHAREHOLDERS' ANALYSIS

AS AT 31 DECEMBER 2019

Range of shareholding 2019	Number of shareholders	% of shareholders	Number of shares held '000	% of total shares
1 – 10 000	11 886	83.0	25 041	3.0
10 001 – 100 000	2 109	14.7	59 286	7.0
100 001 – 1 000 000	273	1.9	72 426	9.0
More than 1 000 000	50	0.4	661 342	81.0
	14 318	100.0	818 095	100.0

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

Shareholder spread

To the best knowledge of the Directors and after reasonable enquiry, the spread of shareholders as at 31 December 2019 were as follows:

Public and non-public shareholding 2019	Number of shareholders	% of shareholders	Number of shares held '000	% of total shares
PSG Alpha Investments Proprietary Limited	1	–	359 597	44.0
Directors (including prescribed officers and subsidiary directors)	17	0.1	80 004	10.0
Directors from other related parties	9	0.1	6 321	1.0
Non-public shareholding	27	0.2	445 922	55.0
Public shareholding	14 291	99.8	372 173	45.0
Total of all shareholders	14 318	100.0	818 095	100.0

Public and non-public shareholding 2018	Number of shareholders	% of shareholders	Number of shares held '000	% of total shares
PSG Alpha Investments 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

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 2019	
	Number '000	%
PSG Alpha Investments Proprietary Limited	359 597	44.0
Coronation Fund Managers Limited	59 355	7.3
Brimstone Investment Corporation Limited	43 565	5.3

	Shares held 2018	
	Number '000	%
PSG Alpha Investments Proprietary Limited	359 597	44.0

Share information

	2019	2018
Closing price at period end (cents)	200	349
JSE market high (cents)	425	860
JSE market price low (cents)	188	321
Total number of transactions on JSE	23 321	32 408
Total number of shares traded	78 798 551	112 075 904
Total value of shares traded (R)	222 874 747	513 286 616
Average price per share (cents)	283	458
Shares in issue	818 095 250	817 713 779
Percentage volume traded to shares in issue	9.6%	13.7%

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 DM Ramaphosa MG Mokoka CB Vilakazi TH Brown
Company Secretary	Stadio Corporate Services Proprietary Limited
Registered office and business address	Office 101, The Village Square c/o Queen and Oxford Streets Durbanville, South Africa, 7550 (PO Box 2161, Durbanville, South Africa, 7551)
Parent	PSG Alpha Investments 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