STADIO
HOLDINGS

2017 INTEGRATED REPORT

CREATING A MULTIVERSITY

HIGHLIGHTS

2017

1 JAN
EMBURY
840
students

24 AUG
ACQUIRED AFDA
1 952
students

3 OCT
Listed on
THE JSE

27 OCT
Raised
R640m
of capital through a **RIGHTS OFFER**

8 NOV
ACQUIRED
74%
of **SBS GROUP**
9 985
students

21 NOV
SBS GROUP **INCREASES INTEREST** in SBS Namibia to
74%

4 DEC
Raised
R200m
through a **B-BBEE PRIVATE PLACEMENT**
483
new individual black shareholders

	2017 R'000	2016 R'000
Profitability		
Revenue	**122 554**	45 531
EBITDA	**469**	10 970
(Loss)/profit attributable to ordinary shareholders	**(7 037)**	7 483
(Loss)/earnings per share (cents)	**(1.2)**	1.5
Headline (loss)/earnings per share (cents)	**(1.2)**	1.5
Core headline earnings per share (cents)*	**0.6**	1.7
Statement of financial position		
Total assets	**1 698 252**	312 621
Equity attributable to ordinary shareholders	**1 385 317**	84 257
Net asset value per share (cents)	**176.3**	20.5
Cash flow		
Cash (utilised in)/generated from operations	**(47 737)**	10 857
Cash invested in property, plant and equipment	**(222 185)**	(72 903)
Cash invested in curriculum development	**(11 277)**	(12 231)
Net cash flow from acquisition of subsidiaries	**(158 548)**	–
Net proceeds from shares issued	**824 934**	–
Net proceeds from borrowings	**119 042**	214 661
Cash and cash equivalents at the end of the year	**646 090**	147 271

** The core headline earnings are adjusted for certain items that, in the Boards' view, may distort the financial results from year to year, giving shareholders a more consistent reflection of the underlying financial performance of the Group.*

Note: Refer to pages 145 to 146 for a glossary of terms used throughout this report.

2018

1 JAN

ACQUIRED LISOF

686*
students

19 MAR

ACQUIRED MILPARK

14 395*
students

EMBURY

OPENED 3 NEW CAMPUSES
Embury Musgrave
Embury Montana
Embury Waterfall

** Represents student numbers for 2017*

"TO EMPOWER THE NATION BY WIDENING ACCESS TO HIGHER EDUCATION."

AT 31 DECEMBER 2017, THE GROUP HAD

12 976
ENROLLED STUDENTS

3
REGISTERED HIGHER EDUCATION INSTITUTIONS

9
CAMPUSES PLUS 1 SUPPORT OFFICE

28
ACCREDITED PROGRAMMES

20
FORMAL PROGRAMMES IN THE PROCESS OF DEVELOPMENT AND ACCREDITATION

26%
YEAR-ON-YEAR INCREASE IN NUMBER OF GRADUATES FOR 2017 ACROSS THE 3 REGISTERED INSTITUTIONS

CONTENTS

ABOUT THIS REPORT

Stadio Holdings Limited (STADIO or the Group) is proud to present its maiden Integrated Report for the year ended 31 December 2017 (2017 Integrated Report).

Integrated thinking is intrinsic to how we manage our business, to our internal strategy development and to our reporting practices. The 2017 Integrated Report is the key report that provides a holistic view of the Group's business, strategy, performance and the creation of value for all stakeholders. This report includes, amongst others:

- Creating value: looking at how we create value for our stakeholders and the risks and opportunities which the Group faces in creating this value;
- Governance report: providing details of the governance structures in place;
- Annual Financial Statements: providing a more detailed understanding of the financial aspects of our business; and
- Annual General Meeting (AGM) Notice: providing the relevant information necessary for shareholders to vote on the resolutions to be tabled at the AGM.

A glossary of terms used throughout this 2017 Integrated Report can be found on pages 145 to 146.

REPORTING FRAMEWORKS AND COMPARABILITY

In compiling this report, we have been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the International Integrated Reporting Council (IIRC) Framework, the King Code on Corporate Governance 2016 (King IV), the Listings Requirements of the JSE Limited (JSE) and the Companies Act of South Africa.

FORWARD-LOOKING STATEMENTS

This report may contain certain statements about the Group that may constitute forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Board cautions users that forward-looking statements are not a guarantee of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which the Group operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this report.

APPROVAL AND ASSURANCE OF OUR REPORTS

The Group's Audit and Risk Committee reviewed the 2017 Integrated Report and Annual Financial Statements and recommended them to the Board for approval. The Board acknowledges its responsibility for ensuring the integrity of the 2017 Integrated Report. The Board has applied its mind to the 2017 Integrated Report and considered the operating context, strategy, and value creation model in this process. It believes that the 2017 Integrated Report addresses all material matters that have, or could have, a material effect on the Group's ability to create value, and it presents a fair and balanced account of the Group's performance. Elements of the information included in our 2017 Integrated Report were verified by a combination of internal and external assurance specialists. The 2017 Integrated Report was approved by the Board on 23 April 2018.

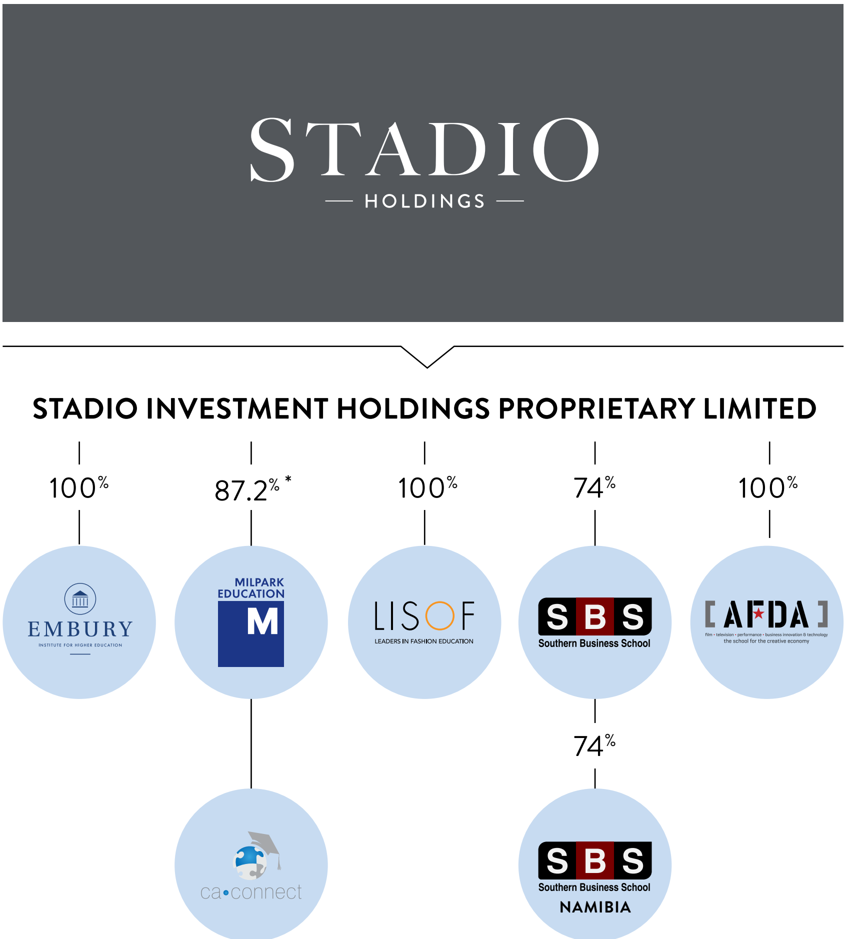
Prof RH Stumpf
Chairperson

Dr CR van der Merwe
Chief Executive Officer

GROUP OVERVIEW

STADIO GROUP STRUCTURE

SET OUT BELOW IS THE CURRENT STADIO GROUP STRUCTURE, AT THE DATE OF THIS REPORT



Notes:

*1) * Effective interest*

2) Milpark and LISOF were acquired in 2018

GROUP AT A GLANCE

ABOUT US AND OUR HISTORY

STADIO is an investment holding company that focuses on the acquisition of, investment in, growth and development of higher education institutions to assist in meeting the demand for quality and relevant higher education programmes in southern Africa. STADIO intends to grow existing registered higher education brands, to acquire further relevant higher education institutions, fund further expansions of existing brands and oversee the greenfield development of new campuses.

STADIO started as a subsidiary of Curro Holdings Limited (Curro). Curro has been a proud provider of pre-school and school-based education since 1998 and was listed on the JSE in 2011. Curro is currently the largest for-profit independent school group in Africa, providing education services to approximately 52 233 learners in 138 schools across South Africa and Namibia.

In 2013, Curro acquired Embury, a registered private higher education institution, which offers accredited teacher-education qualifications. The acquisition of Embury was Curro's first investment in the post-school education environment. In light of the opportunities presented in the post-school education market, it was a natural progression for Curro to develop and expand its post-school education offering. The Latin word "curro" can be translated into English as "I run" and the Italian word "stadio", can be translated into English as "stadium". In ancient Rome, long-distance races required athletes to run from stadium to stadium to reach the finish line. The progression from Curro to STADIO symbolises the fact that STADIO is the way in which the race for education will be continued. It also epitomises the ethos of "continuing" (lifelong) learning.

On 28 February 2017 Curro announced its intention to unbundle its entire interest in STADIO and to list STADIO on the JSE. The intention of the unbundling and listing was to create a separate listed business, focusing on higher education, with a strong management team and a dedicated anchor shareholder (namely PSG Group Limited) in order to become a leader in the higher education market in South Africa.

To achieve this goal, STADIO successfully acquired various higher education institutions in its strategy to create a Multiversity. A Multiversity is defined as a large, diverse institution of higher learning created to educate for life and for a profession, and to grant degrees (including higher certificates and diplomas). A Multiversity implies a DIVERSITY of knowledge with diverse specialist institutions catering for the diverse and relevant needs of the South African market-place. The concept of a Multiversity further respects the uniqueness of every student.

As a Multiversity, STADIO owns various registered higher education institutions, which will retain their own brands, campuses and management teams, but will share a common ethos and benefit from the synergies, infrastructure and shared services arising from the Group structure.

The Group has diverse offerings including undergraduate (higher certificates, diplomas and degrees) and post-graduate programmes (honours and masters degrees), aimed at providing graduates with a real chance of creating employment opportunities (entrepreneurship) or finding employment. As the investment holding company of the various education institutions, STADIO will monitor the business' success and drive efficiencies, innovations and best practices across the Group.

STADIO listed on the main board of the JSE on 3 October 2017.

CHAIRPERSON'S REPORT

"The past year was one of great challenge, opportunity and achievement for STADIO. One that went from establishment and operationalisation, to becoming one of South Africa's leading providers of quality higher education within the space of less than a full year."

Prof RH Stumpf
Chairperson

I am privileged as well as proud to present the Group's 2017 Integrated Report – its very first such report. The past year was one of great challenge, opportunity and achievement for STADIO. One that went from establishment and operationalisation, to becoming one of South Africa's leading providers of quality higher education within the space of less than a full year, moving from having approximately 840 students and consisting of one single higher education provider at the beginning of the year, to 12 976 students, constituting three different higher education providers at the end of the 2017 financial year.

This remarkable trajectory, which is set to continue in the next few years, is evidence of STADIO's commitment to the development of high-level person power required for South Africa's sustained socio-economic development, while at the same time delivering real value for its shareholders.

STADIO's first year has been characterised by establishing the requisite governance structures; putting in place a senior management team; developing STADIO's strategy as a Multiversity; acquiring a number of premier independent higher education institutions as part and parcel of STADIO; preparing for STADIO's JSE listing; establishing sound relations with higher education regulatory authorities; and developing an integrated academic ethos, strategy and plan for STADIO's higher education institutions, that at the same time allows for differentiation in terms of the distinctive strengths of STADIO's various entities and their respective knowledge emphases.

I am pleased to report that STADIO's Board and its committees, such as its Audit and Risk Committee and Remunerations Committee, have all been established and are functioning in terms of good corporate governance, developed in line with good corporate governance practices as outlined in the latest King IV Report on Corporate Governance.

As part and parcel of its commitment to the highest forms of ethical governance, and to supporting growth, development and transformation within the Group, the Board has also established a Social and Ethics Committee, which includes a Transformation Committee as a sub-committee.

STADIO is committed to providing real shareholder value in the delivery of higher education programmes that speak directly to the needs of industry, business and the broader South African society. To this end, STADIO's vision and mission emphasise the critical importance it attaches to producing graduates that are suitably qualified and prepared for immediately contributing to the growth and development of the enterprises they are engaged in.

The most significant event during STADIO's first year of its existence was undoubtedly that of its listing on the JSE on 3 October 2017. Apart from successfully coping with the very stringent JSE regulatory requirements, the listing was accompanied by a very successful B-BBEE capital raising on 4 December 2017, adding 483 individual black shareholders. This did much to underscore the Board's commitment that the Group should provide tangible evidence that it is committed to the welfare of the broader South African investor public. Against the background that the Group is only expecting to show a positive financial return in 2018, the positive value shareholders attached to STADIO, as reflected in its opening and subsequent share price, is proof of the confidence the investor public has in the Group's strategy, business model and its ability to leverage personal and educational value for students, and investor value for shareholders, within the field of higher education.

These achievements would not have been possible without the Group's extremely capable senior management team. Indeed, the Group is fortunate to have been able to put together a respected and high-level senior management team within minimum time who literally 'hit the ground running'. This senior management team, under the leadership of the CEO, Dr Chris van der Merwe, has played a pivotal role in ensuring that the many challenges involved in establishing a new institution and growing it at rapid pace, while at the same time strengthening quality, have been dealt with admirably.

Finally, I wish to express my sincere appreciation to my fellow Board members for their dedication in bringing STADIO from where it was at the beginning of 2017 to where it is now. It has been a privilege working together with them, and the senior management, in building what will undoubtedly become a truly great business in the higher education market; one that is set to make a lasting contribution to the development of our country through its investment in the education and training of our young people.

Prof Rolf Stumpf
Chairperson

CEO'S REPORT

"If I reflect on 2017 and consider what our team of leaders accomplished, I give this Group a very strong chance of successfully delivering its Pre-Listing Statement's target for 2018."

Dr CR van der Merwe
Chief Executive Officer

After the founding and development of Curro (July 1998 – June 2017), I find myself in a very exciting phase of my career. It was an honour and a huge privilege to list a second company, STADIO, six years after the listing of Curro in 2011. When I completed a doctoral thesis relating to South Africa's new pathway in curriculum development in 1997, I could never have imagined that I would get two opportunities to implement theories which I then thought could play a changing role in the landscape of education. I thoroughly enjoyed my tenure as CEO of Curro, but I must admit that establishing the initial organisational structure of STADIO, including the formulation of our Pre-Listing Statement (PLS) with its key message: "to widen access to higher education", was most rewarding. It makes one humble to know that you are trying to do something good for our youth and it surely provides purpose in one's life.

Our vision is to be a leading Multiversity offering qualifications aligned with the needs of societies, students and the world of work. The National Development Plan (NDP) for South Africa set a target to accommodate 1.6 million students in higher education by 2030. Currently about one million students attend our 26 public universities and only about 165 000 students find themselves in in private higher education. With the international average Gross Tertiary Enrolment Rate (GTER) at 34%, and some other comparative countries such as Brazil with 71% of their student population attending independent places of higher learning, we feel that South Africa should have a total student population at higher education institutions of approximately two million by 2030. These figures should put our target of 56 000 students by 2026 into perspective.

If I reflect on 2017 and consider what our team of leaders accomplished, I give this Group a very strong chance of successfully delivering its PLS target for 2018. Our strategy was always to execute the following during 2017:

- Successfully list and unbundle from Curro in order to become a focused company in the private higher education market, with a clear purpose and business aim;
- Acquire a wide spread of qualifications (post-graduate degrees, undergraduate degrees, higher certificates and diplomas) through the acquisition of premium brands in the higher education space;
- Set up a head office with the necessary capabilities to provide support to the various brands; and
- Start the planning of several greenfield developments.

We successfully executed the aforementioned plan for 2017 and I am proud to announce that both Milpark (including CA Connect) and LISOF were added to our existing collection of premium brands (Embury, AFDA, SBS Group) in 2018. This sets the stage for the Group to reach a commendable student population in excess of 26 000 students at the end of 2018 and to accomplish our PLS target of R41 million profit after tax.

I thank our major shareholder, PSG Group Limited, for assisting STADIO with strategic input. This is a role which helped Curro to develop into an astute business and with this ongoing support, I am sure that we can provide our country, and our shareholders, with yet another successful JSE-listed company.

I also thank our Chairperson, Prof Rolf Stumpf, for his guidance and support. The tertiary sector is highly regulated and his knowledge and experience is of pinnacle importance, especially in terms of choices and decisions regarding acquisitions and the accreditation of new programmes.

Companies have to show their shareholders that they are committed to good corporate governance and a high standard of social and ethical behaviour. We are committed to effective transformation and one example thus far was our B-BBEE initiative which saw the successful accommodation of 483 new black individual shareholders. Another example of successful transformation was our recent transaction with Milpark, where we joined forces with Brimstone, as a strategic B-BBEE partner.

We would further like to thank the shareholders who so diligently supported the listing of STADIO.

Thank you!

Dr Chris van der Merwe
Chief Executive Officer

OUR PURPOSE, VISION AND VALUES

OUR PURPOSE

TO EMPOWER THE NATION BY WIDENING ACCESS TO HIGHER EDUCATION.

OUR VISION

TO BE A LEADING MULTIVERSITY, OFFERING QUALIFICATIONS ALIGNED WITH THE NEEDS OF SOCIETIES, STUDENTS, AND THE WORLD OF WORK.

Embury Waterfall Campus

OUR VALUES

STADIO stands firmly grounded on the values of integrity, quality and openness ... this is our lodestar in all that we promise, undertake, and present.

STADIO is committed to facilitating access to higher education with a quality teaching and learning ethos that prioritises student success. However, as we embrace a trajectory of excellence, STADIO does not claim 'to be the best' or 'to have all the answers': humility is both integral and causative to our sustained success.

STADIO is cognisant of the shifting higher education landscape and the concomitant need for resilience amongst its leadership, management and staff as it strives to achieve its promise.

STADIO promotes a positive organisational culture undergirded by the ideals of respect, inclusivity, diversity, transformation, and – most critically – individual and collective diligence and commitment to the STADIO vision, mission, values and goals.

STADIO does not challenge itself with overnight success but has planned for a steady and responsible operation that will safeguard the best interests of the STADIO community (staff, students and all STADIO stakeholders) and the broader society. Equally – and steadfast in its promise to ensure attractive and fair shareholder returns – STADIO does not approve an approach fashioned by greed and irresponsible, artificial growth.

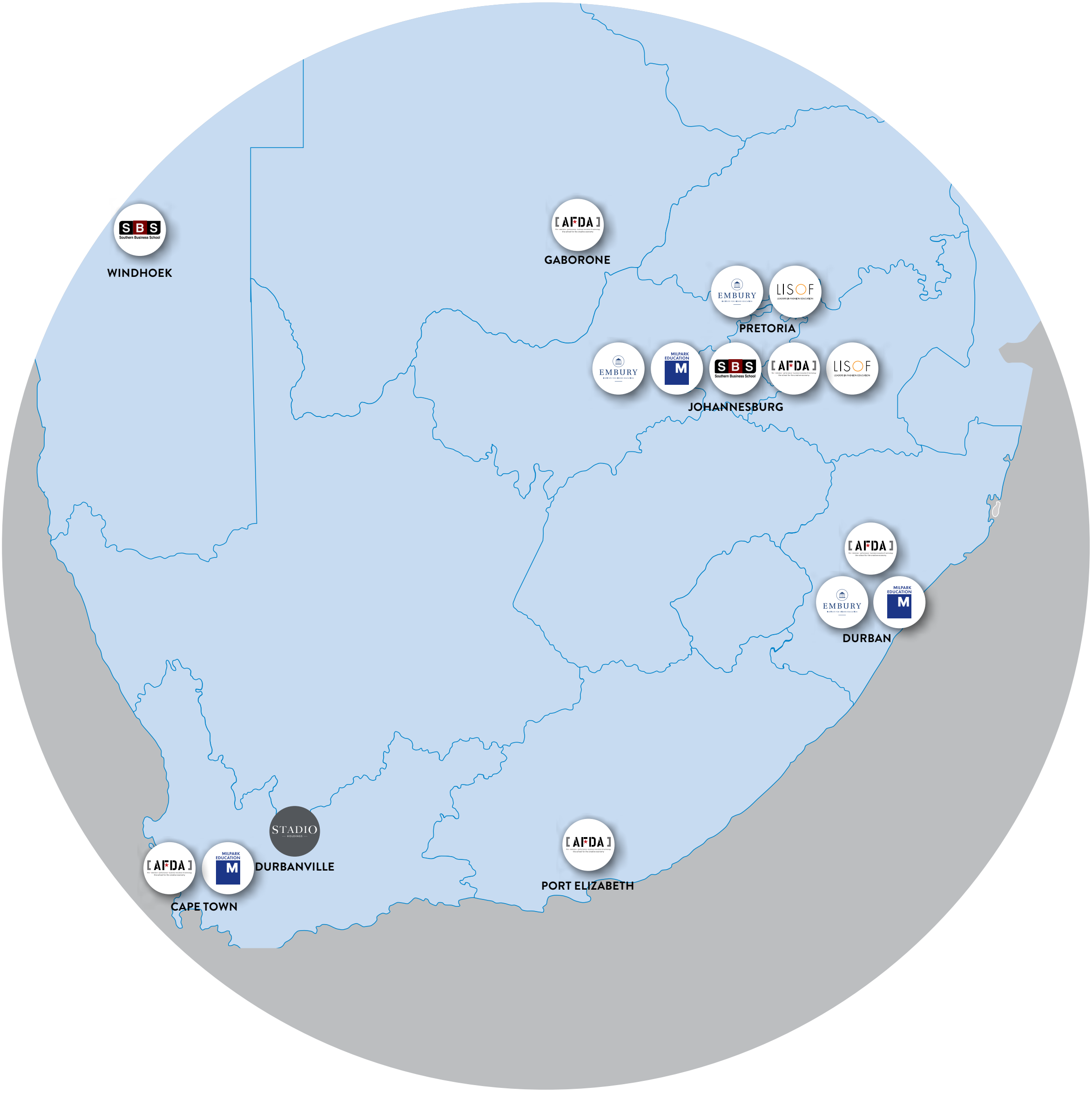
STADIO acknowledges the imperative of informed stakeholder participation and engagement. The values of simplicity, clarity, credibility and honesty therefore underpin its stakeholder interactions. STADIO's conduct is epitomised by openness and total transparency – false promises and half-truths are an anathema to the STADIO ethos.

These are the values lived by the leadership, espoused by all employees, and which we seek to instill in our students.

Dr Chris van der Merwe
Chief Executive Officer

Note: All the organisations within the Group have adopted, and are committed to our values above.

OUR GEOGRAPHICAL FOOTPRINT



STADIO HOLDINGS

AT 31 DECEMBER 2017

STUDENTS
12 976

ACCREDITED PROGRAMMES
28

PIPELINE PROGRAMMES
20

CAMPUSES
9

SUPPORT OFFICES
1

GRADUATES 2017
3 031

INCLUDING 2018 ACQUISITIONS*

STUDENTS
28 397

ACCREDITED PROGRAMMES
51

PIPELINE PROGRAMMES
28

CAMPUSES
13

SUPPORT OFFICES
2

GRADUATES 2017
6 395

** Includes data of Milpark and LISOF for 2017*

	EMBURY	AFDA	SBS (Southern Business School)	LISOF**	MILPARK EDUCATION**
STUDENTS	1 039	1 952	9 985	686	14 735
STUDENT CAPACITY	6 100	4 000	– ^	1 000	– ^
MODE OF DELIVERY	CONTACT & DISTANCE	CONTACT	DISTANCE	CONTACT	CONTACT & DISTANCE
AVERAGE TUITION FEES 2017	R39 000	R79 000	R12 000	R78 000	R14 000
ACCREDITED PROGRAMMES	8	9	11	5	18
PIPELINE PROGRAMMES	15	3	2	3	5
CAMPUSES	3	5	1	2	2
GRADUATES 2017	304	628	2 099	117	3 247
SUPPORT OFFICES			1		1

Notes:

^ *Not constrained by physical infrastructure – distance learning opportunities are scalable with limited investment in infrastructure.*

** *LISOF was acquired on 1 January 2018 and Milpark was acquired on 19 March 2018. The figures presented represent the information for these institutions for 2017.*

CREATING VALUE

MARKET FOR HIGHER EDUCATION

OPPORTUNITY FOR HIGHER EDUCATION IN SOUTH AFRICA AND GLOBALLY

"Education is the civil rights struggle of our generation requiring the biggest expansion of educational opportunity in modern history."

– UN Special Envoy for Global Education Gordon Brown, UN Education Commission.

Education is indisputably fundamental to the development of the necessary skills and intellectual capital that will ultimately promote economic growth and development. Access to education plays a pivotal role in promoting equality, democracy and ultimately social justice.

Whilst the early childhood development and basic education sectors are vitally important to laying the educational foundation for individuals, it is acknowledged that students who further their education after school obtain a wide range of financial, personal and other lifelong benefits. Similarly, society as a whole derive a multitude of direct and indirect benefits when citizens have access to post-school education.

An expanding post-school education system has become a norm of modernisation and the demand for post-school education continues to grow.

Globally, the number of students enrolled specifically at higher education institutions more than doubled between 2000 to 2015, from 99.7 million students to 213.7 million students.

This global growth has arisen mainly from:

- a growing population (including a growing middle-class population);
- an increase in the number of school leavers qualifying to participate in post-school education; and
- an increase in the actual GTER* of students typically attending higher education institutions. The global average of the GTER was 32.9% increasing to 34% in 2014 and is expected to reach about 50% by 2034. GTER rates are on average 76.6% in Northern and Western Europe, 43.9% in Latin America and the Caribbean and 8.2% in Sub-Saharan Africa.

** GTER is defined as total student enrolments divided by the school leaver age-cohort in the national population i.e. the population typically between the ages of 18 and 24 years.*

In South Africa, the higher education market is made up of 26 public higher education institutions (with an aggregate of 985 212 students in 2015) and 124 private higher education institutions (with an aggregate of 147 210 students in 2015), which collectively had a total of 1 132 422 students in 2015.

As with global trends, the demand for higher education in South Africa has increased, with the number of total students enrolled in higher education institutions more than doubling from approximately 557 000 students in 2005 to 1 132 422 students in 2015.

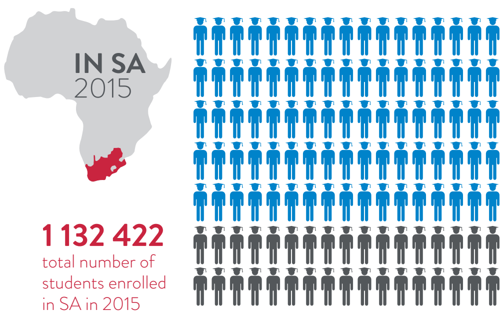
SA: TOTAL HIGHER EDUCATION MARKET 2015

985 212 students enrolled in **26 PUBLIC** higher education institutions

87% of student population

147 210 students enrolled in **124 PRIVATE** higher education institutions

13% of student population



MARKET FOR HIGHER EDUCATION (CONTINUED)

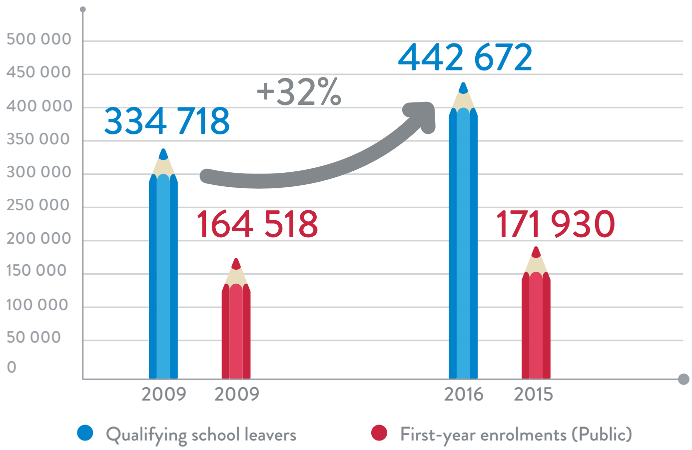
Over the same period the number of first-time students enrolled at public higher education institutions increased by 75%, from 98 095 in 2007 to 171 930 in 2015, with the bulk of the growth arising from UNISA (a dedicated distance learning institution) and North West University (with its newly introduced distance learning focus).

Private higher education institutions account for only 13% of the total higher education market in South Africa, with 147 210 enrolled students in 2015, up from 90 767 enrolled students in 2009. In Brazil and Chile, for example, total enrolments in private higher education are closer to 71% in 2012 and 84% in 2013, respectively. The corresponding figure for Organisation for Economic Cooperation and Development (OECD) countries was approximately 31% in 2013.

It is an indisputable fact that the demand for private higher education in South Africa continues to increase, as is evident from the following facts:

- the number of school leavers qualifying for post-school education has increased by 32% from approximately 334 718 students in 2009 to 442 672 students in 2016;
- even with the introduction of two new public higher education universities in the Northern Cape and Mpumalanga in 2014, at least 60% of school leavers per annum who qualify for further study cannot be accommodated by the public higher education sector. With the increasing numbers of successful school leavers, the impact of this shortfall is compounded every year; and
- in 2015, the GTER for South African higher education institutions was approximately 19%, up from 14% in 2000. The NDP has set a target to increase higher education participation to 1.6 million students in 2030. However, to meet the global average GTER, STADIO estimates that the number of participants should increase to two million students.

The future growth of student enrolments in South African public universities is however constrained by the limited infrastructure and other resource capacity issues. It is estimated that the expected current maximum capacity of



Number of school leavers in SA qualifying for post-school education vs first year enrolments at public institutions

This shortfall is **compounded annually** first-year enrolments at public higher education institutions is approximately 180 000 students.

Adding a further constraint to cater for the increased demand is the enrolment cap based on the limited available budget from the national fiscus that is applied to public higher education institutions by the DHET. This cap dictates the maximum number of new students that may be admitted annually who will be subsidised by the state.

Over and above the capacity (i.e. infrastructure and financial) shortages, public higher education institutions face the following further material challenges:

- High drop-out rates, low graduation rates and the long time taken to graduate

  Since 1994, the increase in the number of students accessing higher education has been significant, particularly amongst previously marginalised groups. However, the success rates of these higher student numbers have not been proportionately evident. Instead, the higher access rates are accompanied by equally higher attrition rates (mainly as a consequence of low output and throughput rates). In 2013, the CHE reported that as many as 55% of students never graduated. In 2015, the statistics from DHET indicated that average graduation rates at public higher education institutions ranged between 13% and 43% (with an overall 3.3% increase from 2014).

- Limited articulation possibilities

  Given the constraining impact of the enrolment cap on public higher education institutions, students who drop out and/or are academically cancelled have limited opportunities to further their studies within the public sector due to a lack of nationally applicable articulation arrangements allowing them to continue their studies at other institutions in the tertiary sector.

- Increase in operational costs of public higher education institutions

  The operating expenses of public higher education institutions increase annually, which means that further pressure will be placed on the government to increase funding to these institutions. If the state cannot increase its funding, these institutions will have to look to other sources of income to sustain themselves, including student fees.

Noting the challenges confronting public higher education and training, and the acknowledgement of the critical importance of higher education in growth and development[1], the private sector is an ideal partner to support and assist the state to address and mitigate its risks through post-school education and training.

By 2030, the DHET would like to see one million students in private higher education, as an element of national growth and development[2].

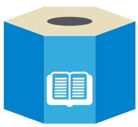
Source:

[1] *Global Goals 2030, AU Agenda 2063, and the NDP 2030*

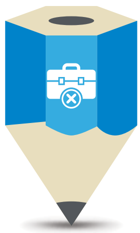
[2] *Information sharing workshop on the regulatory framework for private higher education institutions, 7 September 2017*

OUR ROLE IN HIGHER EDUCATION AND OUR CAPITAL OUTCOMES

The current **unemployment rate** in South Africa remains critically high at **27.7%**



Education and training remains vitally important to reduce unemployment and promote economic growth



Research indicates that in South Africa, **the graduate unemployment rate is at about 5%,** implying that a degree or post-school qualification dramatically increases the probability of securing a job and therefore economic security and stability

The Group believes it can and is playing a meaningful role in:

- Widening access to higher education, by:
    - investing capital to create capacity to accommodate the increasing demand for higher education (i.e. with competing socio-economic demands, the government does not have the financial and operational resources to address this demand);
    - providing seamless access and articulation pathways through a compendium of qualifications that will allow for progression from higher certificate to degree qualifications;
    - ensuring a sufficiently diverse programme and qualification mix that caters to school leavers, working adults and the post-graduate student, within the framework of lifelong learning; and
    - enhancing the use of distance learning, which is more affordable and will increase the breadth of access;
- Offering innovative curricula and programmes that are relevant and relate to the world of work and the needs of society, i.e. programmes that will provide students with a real chance of finding or creating employment post-qualification, but which will equally ensure that STADIO graduates have a fundamental understanding of responsible citizenship and global awareness; and
- Focusing on graduate success and throughput (i.e. access with success).

The Group is also cognisant that although increasing infrastructure is one pillar in the "access" discussion, a second pillar, given that further state funding is an unlikely option, is sustainable financial support for students. The Group is considering several models that may be implemented individually or collectively.

The Group aims to achieve the aforementioned as follows:

FINANCIAL CAPITAL

"Investing capital to create capacity to accommodate the increasing demand for higher education."

The Group's primary sources of financial capital include shareholder equity and internally generated cash flows. At 31 December 2017, the Group is largely ungeared.

The Group successfully raised R840 million of capital during the year, as follows:

- R640 million raised through the successful rights issue on 27 October 2017; and
- R200 million raised through the successful B-BBEE Private Placement on 4 December 2017.

The Group uses its financial capital:

- to implement its growth plan by acquiring various higher education institutions;
- to develop new campuses;
- to maintain and improve existing campuses;
- for land banking opportunities;
- to develop new programmes; and
- to fund its working capital requirements.

During 2017, the financial capital raised was utilised as follows:

- The acquisition of AFDA for a cash consideration of R180 million with the remaining R120 million consideration settled through the issuance of 37 million ordinary STADIO shares. A further R14.4 million in cash was paid in 2018 as part of the top-up consideration with an additional R74.4 million being settled by issuing 10.8 million ordinary STADIO shares;
- The acquisition of 74% of the SBS Group for a cash consideration of R100 million with R100 million being settled through issuing 15 million ordinary STADIO shares;
- R272 million on the acquisition, development and fit-out of the three new Embury facilities in Musgrave (KwaZulu-Natal), Waterfall (Midrand) and Montana (Pretoria);
- Approximately R11 million on the development of new curricula and programmes; and
- Approximately R9 million on once-off operating costs relating to listing on the JSE on 3 October 2017 and on various once-off acquisition costs incurred during the 2017 financial year.

In 2018, a further R318 million has been invested on the acquisitions of LISOF, Milpark, CA Connect and the AFDA top-up consideration. Refer to page 128 for further information.

Further information is available in the Group Financial Review on pages 45 to 48.

OUR ROLE IN HIGHER EDUCATION AND OUR CAPITAL OUTCOMES (CONTINUED)

PRODUCTIVE AND INTELLECTUAL CAPITAL

"Ensuring a sufficiently diverse programme and qualification mix that caters to both school leavers, working adults and the post-graduate student, within the framework of lifelong learning".

The Group's intellectual capital includes its:

- High-quality, niche-market brands that are acknowledged leaders in their respective fields of offering;
- Diverse accredited curriculum offerings as well as short-courses offered through either the contact or distance learning modes of delivery;
- Investment in governance structures to ensure that it maintains best practice corporate governance;
- Ability to leverage off economies of scale; and
- Ability to allow flexibility and better articulation across the Group.

The Group recognises that a number of higher education students do not progress academically, as a result of not achieving examination admission and believes that, having registered a student, the higher education institution must take all reasonable and responsible steps to facilitate the success of such student, including the implementation of the 'credit retry' principle as an integral element of its teaching and learning methodology.

OUR QUALIFICATIONS

HIGHER CERTIFICATE	DIPLOMA	UNDERGRADUATE DEGREE	HONOURS	MASTERS
HC in Paralegal Studies (DL)	Diploma in Pre-School & Foundation Phase Teacher Assistant	B.Policing Practice	B.Policing Practice	Master of Policing
HC in Pre-School Education (CL)	Diploma in Grade R Teaching (CL)	B.Ed Foundation Phase Teaching	B.Business Administration	Master of Management
HC in Pre-School Education (DL)	Diploma in Grade R Teaching (DL)	B.Ed Intermediate Phase Teaching	BA Motion Picture Medium	Master of Business Administration (NQF 8)
HC in Investment Administration	Diploma in Management	B.Business Administration (DL)	BA in Fashion	Master of Business Administration (NQF 9)
HC in Financial Planning	Diploma in Fashion	B.Business Administration (CL)	BA Live Performance	Master of Fine Arts in Motion Picture Medium
HC in Financial Products	Diploma in Banking	BA Motion Picture Medium	Post-graduate Diploma Investment Management	
HC in Banking Service	Adv Diploma Physical Education & School Sports	BA Live performance	Post-graduate Diploma in Banking	
HC in Management (DL)	Adv Diploma in Management	B.Computer Technology	Post-graduate Diploma Business Administration	
HC in Management (CL)		B.Commerce		
HC in Short Term Insurance		B.Commerce in Law		
HC in Film, Television and Entertainment Production		B.Commerce in Fashion Retail		
HC in Radio and Podcasting		BA in Fashion		
HC in Fashion				
HC in Fashion Retail				
Adv. Certificate in Financial Planning				
Adv. Certificate in Banking Services				
Adv. Certificate in Management				
Adv. Certificate in Short Term Insurance				

** DL – Distance learning; CL – Contact learning*

The Group's Multiversity strategy will allow more flexibility and enhanced articulation opportunities around the Group. The Group introduces an opportunity for a student who drops out and/or is academically cancelled, to ensure that no learning is wasted. STADIO's academic ethos promotes articulation and mobility between and among its own institutions as well as the public higher education sector through the application of existing DHET policies of credit accumulation and transfer, recognition of prior learning, and recognition and equivalence of degrees.

The Group continues to nurture its relationship with the CHE and DHET to ensure it stays abreast of any regulatory changes and ensure an efficient accreditation process for the development of new offerings. Financial capital is required, as noted above, in order to expand the Group's offerings and to continue to manage and develop high-quality campuses.

Industry engagement and collaboration is key to the relevance of qualifications and marketability of graduates. The Group uses the following initiatives to engage and collaborate with industry:

- At the SBS Group, in addition to bespoke qualifications to support specific industries (including the South African Police Service, National Treasury and Project Management SA), industry members constitute 50% of all academic Advisory Committees.
- AFDA invites industry specialists to participate on the Value Added Learning Assessment (VALA) panel and Audience Response panel for Graduation.
- Embury invites members of the sector to train as mentors for students further promoting the effective integration of theory and practice.

HUMAN CAPITAL

Human capital is key to providing high-quality academic standing across the Group and includes lecturers' skills, experience and the ability to engage their students in all fields of learning. The Group has a teaching and learning ideology focused on graduate success, entrepreneurship and employability.

The Group's lecturers are the primary interface between the higher education institutions and the students. Therefore, the lecturers' competence is a key factor in ensuring successful learning and the student's successful graduation.

The Group invested approximately R800 000 to employ and develop human capital through staff training, conference attendance, the advancement of qualifications, new skills development, research papers and academic workshops. The Group provides appropriate remuneration and incentives to ensure it attracts the best staff and believes its highly qualified and highly skilled leadership team, with expertise in education, academics, finance and business, provides it with a strong competitive advantage.

The Group has 709 employees, including LISOF and Milpark, of which 585 are academically qualified. This includes 303 lecturers. For the year ended 31 December 2017, the Group invested R82.5 million in the remuneration of its employees (excluding LISOF and Milpark), which includes a share incentive scheme to incentivise and retain key employees and management.

The detailed demographics of the Group's employees are contained on page 29 of this report.

SOCIAL AND RELATIONSHIP CAPITAL

"Offering innovative curricula and programmes that are relevant and relate to the world of work and the needs of society" and "financial support for students".

The Group is committed to the advancement of learning and actively manages its stakeholder relationships on which the business depends, including those with students, regulators and communities. The Group's corporate social responsibility focus is equally about raising awareness and creating opportunities within the post-school education sector.

OUR ROLE IN HIGHER EDUCATION AND OUR CAPITAL OUTCOMES (CONTINUED)

Furthermore, the Group offers innovative curricula and programmes that are relevant and relate to the world of work and the needs of society, i.e. programmes that will provide students with a real chance of finding or creating employment post-qualification, but which will equally ensure that STADIO graduates have a fundamental understanding of responsible citizenship and global awareness.

STADIO regularly engages with the CHE and DHET to discuss developments in education and promotes discussions on ways in which the private sector can assist government.

STADIO is cognisant that sustainable financial support for students is necessary and is considering several models that may be implemented individually or collectively, and includes academic merit and needs bursaries and scholarships (estimated at between 1% and 3% of revenue per annum). The Group currently offers bursaries that have generally been awarded by prioritising academic merit and financial need, with a further focus on applicants who were historically disadvantaged. The Group will continue to finalise its Minimum Standards for the Award of Bursaries in 2018, which in addition to the above will focus attention on attracting women to post-graduate study and supporting students with disabilities.

During the year ended 31 December 2017, the Group, including LISOF and Milpark, spent over R4 million on bursaries and other means of financial support for students gaining access to higher education.

During 2017, the Group was involved in the following CSR initiatives:

- Embury ran several projects in schools that focused on creating interest amongst the scholars in mathematics and science, as well as organising a Sports Day for the greater Durban area.
- The SBS Group prioritised the development of youth leadership in schools. They supported children from disadvantaged backgrounds by paying annual school fees totalling R94 000 and provided textbooks to the Gustav Preller and Westerlig Primary Schools to the value of R84 000. In addition, the SBS Group allows primary schools in its area to make use of its facilities for additional teaching opportunities and they sponsor the U/13 Inter-Provincial Rugby Tournament hosted by the Golden Lions Rugby Union in Krugersdorp, with a value of R68 000.
- AFDA spent R45 000 on various CSR initiatives.

NATURAL CAPITAL

The Group's daily operations have a minimal impact on the environment. The Group, however, continues to emphasise sustainable projects, for example:

- Embury is currently involved with the Design Squad Global Trial, sponsored by a media company from the USA. The goal is to develop practical science clubs at local schools which then partner with international counterparts. The emphasis is on sustainable projects that benefit the environment and contribute to poverty alleviation.
- AFDA is introducing a new BCom qualification in 2018 that will include a compulsory module focusing on elements of citizenship and sustainability, including environmental sustainability. The results are keenly anticipated as they will direct attention to new possibilities in this area.
- In the Western Cape, the Group continues to implement sustainable water usage and has contingency plans in place should "Day Zero" be a threat in the future.

On developing a new, or prospective campus site, thorough environmental impact studies are conducted during the land banking process, prior to development, to ensure that the outcomes thereof are taken into account and appropriate measures are incorporated into the design phase.

LISOF Johannesburg Campus

BUSINESS MODEL

OUR STRATEGIC INTENT

WIDEN ACCESS TO
HIGHER EDUCATION

ACCUMULATION OF QUALIFICATIONS THROUGH ACQUISITION
OF PREMIUM BRANDS AND ACCREDITING NEW QUALIFICATIONS

+

GREENFIELDS EXPANSION

↓

ALWAYS KEEPING OUR SERVICES AFFORDABLE

↓

FOCUSING ON A FLEXIBLE CURRICULUM APPROACH
WITHIN THE PARAMETERS SET BY OUR REGULATORS

↓

RESPONSIVE TOWARDS THE NEEDS
OF COMPANIES, INDUSTRIES AND SOCIETY

↓

DELIVER WELL-ROUNDED ADULTS PREPARED
FOR THE WORLD OF WORK.

STADIO'S KEY STRENGTHS AND COMPETITIVE ADVANTAGES

- A qualified and highly skilled leadership team
- High-quality well-established niche-market brands
- A teaching and learning ideology focused on graduate success

OUR INPUTS

FINANCIAL CAPITAL

We require shareholder equity and internally generated cashflow to implement our growth strategy

PRODUCTIVE AND INTELLECTUAL CAPITAL

We require campus infrastructure, lecturers, and a range of quality curriculum offerings to fulfil our strategy to create a Multiversity

SOCIAL & RELATIONSHIP CAPITAL

We rely on various relationships in creating and delivering on a suite of academic offerings that are mutually beneficial to the world of work and society as a whole

NATURAL CAPITAL

We require sustainable enviromental conditions that are conducive to carrying out our operations

HUMAN CAPITAL

We use the skills and expertise of our lecturers and academic staff and their ability to engage with students to facilitate the creation of well-rounded graduates

Further details of our inputs are set out on pages 19 to 23

OUR OUTPUTS

Includes LISOF and Milpark as at 31 December 2017

- R840 million capital raised
- R222 million invested in facilities
- R11 million invested in curriculum development
- R159 million invested in acquisition of subsidiaries

- 51 accredited programmes (CL and DL)
- 28 programmes in process of development and/or accreditation
- 6 395 graduates in 2017

- 1% – 3% of revenue spent on bursaries, scholarships, discounts
- committed to various CSR initiatives

- three new eco-friendly campuses
- promoting sustainable projects which benefit the environment and alleviate poverty

- 709 employees
- 585 academically qualified employees
- 303 lecturers
- 63% female and 37% male employees
- 53% black and 47% non-black employees

- Seamless articulation
- Access to capital and strong financial backing
- Economics of scale

OUR GROWTH AND STRATEGIC OBJECTIVES

Embury Montana Campus

GROWTH OBJECTIVES

STADIO will grow its business by focusing on:

- the acquisition of reputable higher education institutions, aligned with STADIO's Multiversity strategy and ethos, with the aim to accumulate a wide spread of programmes and qualifications in various fields of higher education;
- optimising the utilisation of STADIO's newly constructed facilities, namely:
  - Musgrave (Kwa-Zulu Natal) (contact learning capacity of 2 700 students);
  - Montana (Pretoria) (contact learning capacity of 1 700 students); and
  - Waterfall (Midrand) (contact learning capacity of 1 700 students);
- promoting the growth of its existing brands (i.e. Embury, AFDA, SBS Group, LISOF and Milpark). This will include:
  - geographic expansion through rolling out the brands to new locations;
  - accrediting further undergraduate and post-graduate degrees, diplomas and higher certificate qualifications across the various brands;
  - investing in focused marketing across the various brands and products of the Group; and
  - expanding distance learning offerings across the brands (key qualifications to be accredited on both distance learning and contact learning modes of delivery); and
  - expanding into greenfield opportunities by exploring its offering into new faculties, such as School of Engineering and Manufacturing as well as School of Health and Medical Sciences, in time.

STADIO STRATEGIC OBJECTIVES

1. WIDEN ACCESS TO POST-SCHOOL EDUCATION
2. EMBED VALUES OF RESPONSIBLE CORPORATE CITIZENSHIP
3. ESTABLISH QUALITY ACADEMIC STANDING
4. HARNESS SCALE ADVANTAGES USING DISTINCTIVE SYSTEMS
5. DELIVER ON THE ORGANIC GROWTH PROMISE
6. ENSURE OVERALL DELIVERY AGAINST THE PLS

GROUP PERFORMANCE INDICATORS

1. GROWTH IN STUDENT NUMBERS
2. GROWTH IN EBITDA AND EBITDA MARGIN
3. GROWTH IN CORE HEADLINE EARNINGS PER SHARE (CORE HEPS)
4. IMPROVEMENT IN ACADEMIC PERFORMANCE FROM YEAR TO YEAR
5. OVERALL REPUTATIONAL RISK MANAGEMENT
6. EMBEDDING THE VALUES OF RESPONSIBLE CORPORATE CITIZENSHIP ACROSS THE GROUP

VALUE CREATED FOR STAKEHOLDERS

STAKEHOLDER ENGAGEMENT

The Group engages regularly with businesses to ascertain the needs of businesses to ensure STADIO graduates are highly employable

Student and lecturer engagement takes place daily

Regular interaction and communication with employees around the Group via the underlying management team

Regular engagement takes place with the Council of Higher Education (CHE) and the Department of Higher Education and Training (DHET) to nurture the relationships

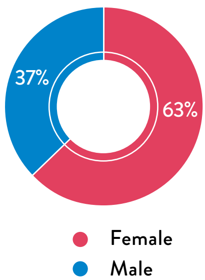
The Chief Executive Officer and Chief Financial Officer engage with the investment community and shareholders on a regular basis to create awareness of the Group activities and prospects

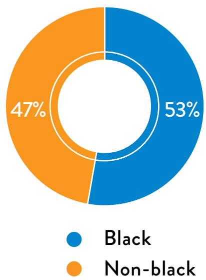
EMPLOYEE NUMBERS (2017)*

TOTAL
709

ACADEMICALLY QUALIFIED
585**

DEMOGRAPHIC OF EMPLOYEES*





** Includes LISOF and Milpark as at 31 December 2017*

*** Includes 303 lecturers*

GRADUATE NUMBERS (2017)

EMBURY	AFDA	SBS Group	LISOF	MILPARK	GROUP
304	628	2 099	117	3 247	6 395

STUDENT NUMBERS (2017)

Institution	Student numbers	Capacity
Embury	1 039	6 100
AFDA	1 952	4 000
SBS Group	9 985	–*
LISOF	686	1 000
Milpark	14 735	–*
Total	28 397	11 100*

* *Not constrained by physical infrastructure – distance learning opportunities are scalable with limited investment in infrastructure.*

OUR VALUE ADDED STATEMENT

Value distribution for the year ended 31 December 2017[1]

[1] *Does not include Milpark and LISOF*

SHAREHOLDER STRUCTURE

at 31 December 2017 (%)

RISKS AND OPPORTUNITIES

THE GROUP IS COMMITTED TO APPLYING THE PRINCIPLES OF KING IV AND **ENSURING GOOD CORPORATE GOVERNANCE PRACTICES** ACROSS THE GROUP

RISK MANAGEMENT

STADIO is committed to applying the principles of King IV and ensuring good corporate governance practices across the Group. This will ensure that effective business risk management is an integral part of the Group's daily operations and is key in supporting the strategic direction of the Group.

Risk is defined as the probability that an event will have a negative (or in some instances, positive) impact on the Group's ability to meet its strategic objective. STADIO's strategic objective is to facilitate access, through its subsidiaries, to quality higher education, giving its students realistic opportunities of finding or creating future employment. Refer to page 28 for the Group's strategic objectives.

The Audit and Risk Committee has evaluated the risks in achieving its strategic objectives and has ensured that appropriate controls are in place to mitigate or reduce the risks to an acceptable level.

RISKS AND OPPORTUNITIES (CONTINUED)

Risk	Risk description	Link to Strategic Plan
Regulatory (External risk)	• Delays in the accreditation process for new qualifications • Possible non-compliance with all relevant and applicable laws and regulations (including Higher Education Act, Continuing Education and Training Act and the like)	Broaden access to post-school education
Technology (Internal risk)	Slow pace of technology/ systems development and/or integration	Harness scale advantages using distinctive systems
Human Resources (Internal risk)	Insufficient resources to adapt to the growth of the Group, and ensure quality and sustainability	Embed values of responsible corporate citizenship
Public Awareness/ Understanding (Internal risk)	Lack of general public awareness and/or misunderstanding regarding the status of private higher education	Widen access to post-school education
Financial (External and internal risk)	Failure to achieve projected student numbers	Ensure overall delivery against PLS
Operational (External and internal)	Business disruptions	Deliver on the organic growth promise

Current business processes/controls in place to manage identified risks	Inherent risk exposure	Residual risk exposure
• Contract in additional skills through external experts to peer review submissions, ensuring integrity and correctness of submissions. • Institute appropriate internal mechanisms such as the centralised Quality Assurance Committee to review all submissions for integrity and correctness. • Group policies and standardised best practises have been developed to ensure quality and compliance standards are addressed across the Group. • Regulatory changes are monitored regularly.	Major	Major
• Systems development and integration prioritised as a strategic imperative, led by the Group CEO. • IT systems developers contracted to expedite introduction and integration of optimal systems. • Significant financial investment in IT at organisational level. • Internal capabilities appointed to focus on development and co-ordination of holistic IT and systems integration and governance.	Major	Major
• The Group offers market-related remuneration combined with good working conditions in order to attract and retain the best academic and professional support staff. • Developing a strong, positive Group culture that is accepted by the majority (if not all) employees. • Management is committed to developing their staff, and set out progression plans for their staff.	Major	Major
• Market research to identify areas of limitation. • Significant resources allocated to widespread and targeted awareness and marketing activities. • Leveraging the existing solid brand and reputation of subsidiary institutions in the workplace and through the alumni.	Major	Moderate
• Commitment to identify financial support opportunities for students. • Commitment to ensure reasonable and responsible pricing of products. • Informed and targeted marketing by subsidiary institutions. • Detailed due diligence performed.	Major	Moderate
• Working parties created to focus on the convergence of all Group companies. • Day Zero contingency plans are in place across all Western Cape campuses. These plans will be communicated to students, parents and staff, and all communication channels will remain open.	Major	Moderate

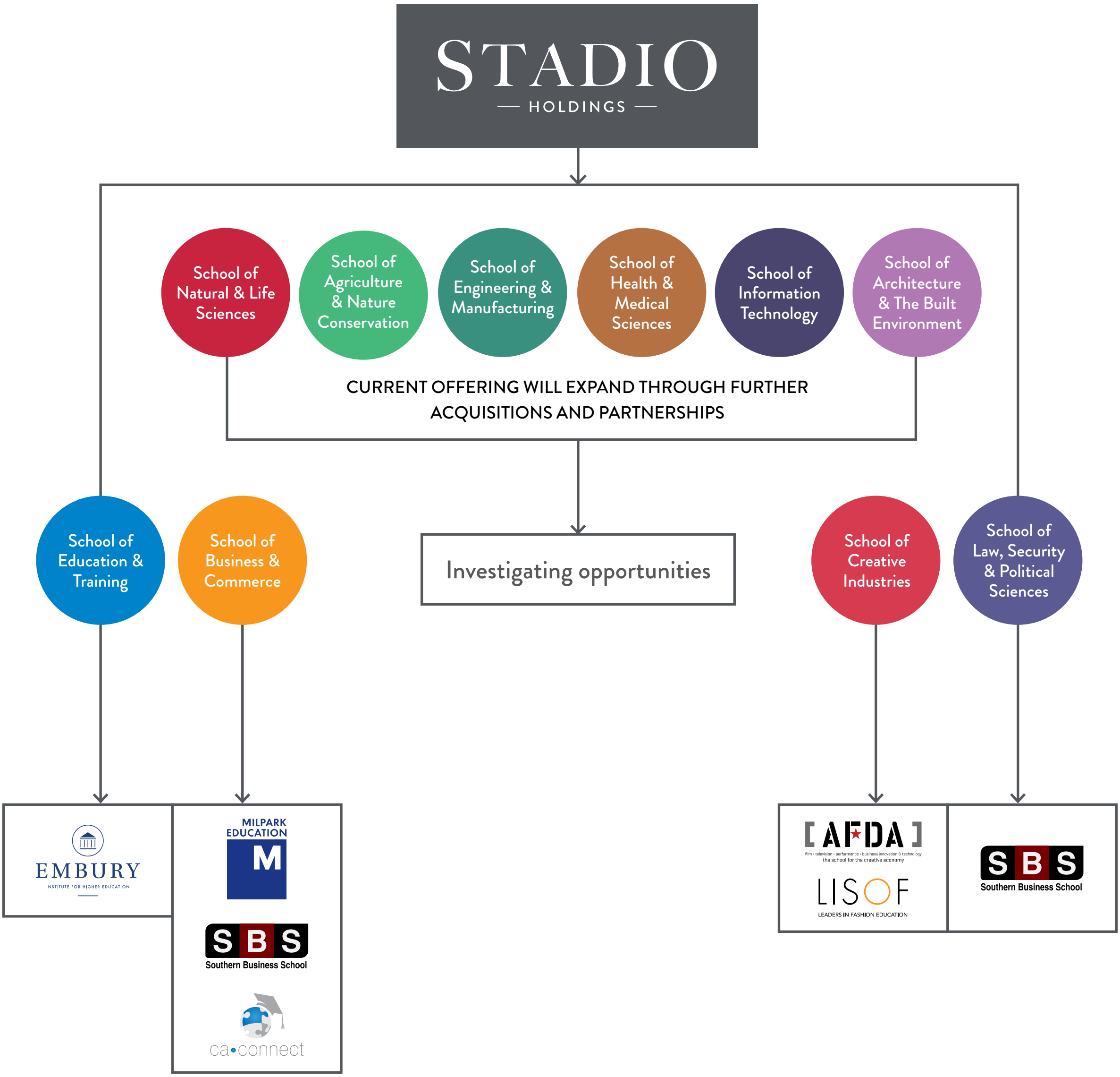
RISKS AND OPPORTUNITIES (CONTINUED)

Risk	Risk description	Link to Strategic Plan
Academic (Internal)	Failure to deliver high quality programmes	Establish quality academic standing
Competition (External risk)	Increasing number of registered private higher education providers (with the growing potential for international role-players to enter the market)	Deliver on the organic growth promise
Political (External risk)	Slow pace of political support for private higher education	Broaden access to post-school education
Reputation (External and internal)	Institutions do not meet the expected standards of service delivery and quality	Embed values of responsible corporate citizenship

Current business processes/controls in place to manage identified risks	Inherent risk exposure	Residual risk exposure
• Continuous monitoring of student graduation and throughput rate. • Commitment to facilitate the success of students through responsible learner support activities. • Continuous monitoring of curricula by organisational CEOs, academic heads, as well as the Academic and Student Affairs Committee. • Establishment of international student exchange programmes, as well as collaborating with a number of other international partners.	Moderate	Moderate
• Ensure the niche and quality of the qualifications/programmes being offered. • Implement internationalisation opportunities for staff and students through appropriate exchange programmes. • Commitment to responsible and reasonable pricing, promoting affordability of offerings. • Focus on high-quality international partnerships and collaborations to promote global 'competitiveness'. • Effective marketing and sales programme.	Moderate	Moderate
• Participation in all scheduled discussions to identify and support new policy initiatives. • Sharing new ideas and engagement with relevant role-players regarding support for and achievement of the targets set out in the NDP.	Moderate	Moderate
• Strong regulatory compliance framework. • Organisational commitment to student-centredness and ethical conduct of all role-players. • Quality managed at institutional Senates/Faculty Boards. • Organisational 'minimum standards of quality' for STADIO institutions monitored through centralised quality and learner support committees. • Continuous monitoring of curricula by CEOs, academic heads, as well as the Academic and Student Affairs Committee.	Major	Minor

BUSINESS REVIEW

CREATING A MULTIVERSITY



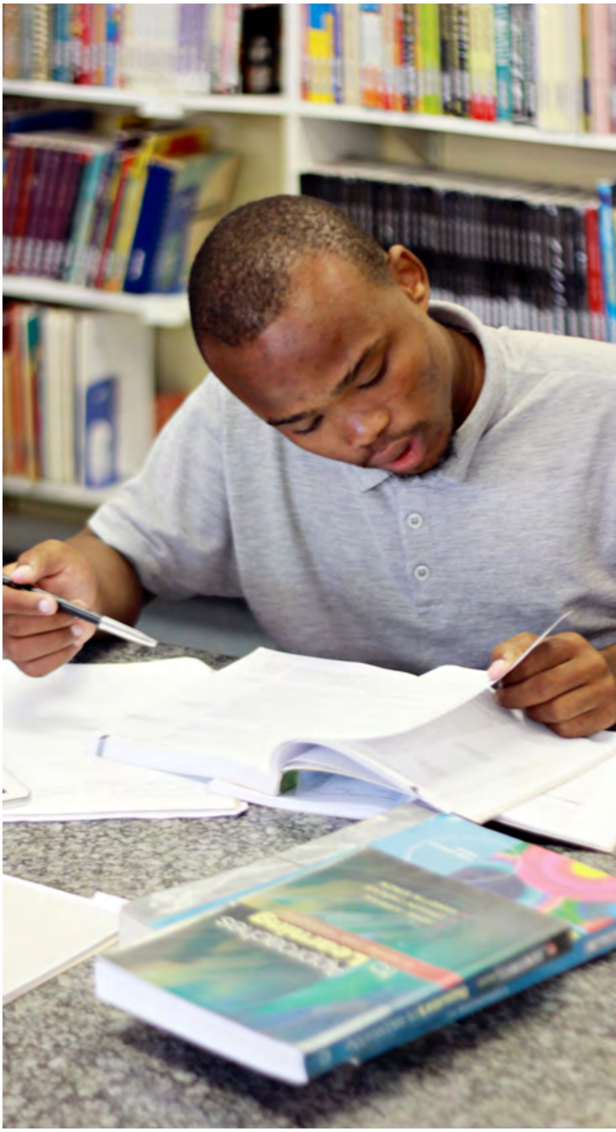
OUR INVESTMENTS

1. EMBURY INSTITUTE FOR HIGHER EDUCATION PROPRIETARY LIMITED (EMBURY) (100%)

Embury is a South African registered higher education institution (DHET registration number 2008/HE07/004) that currently offers eight accredited undergraduate teacher-education qualifications through both contact and distance learning modes of delivery, to prepare teachers for working in South African schools. Embury had 1 039 students registered for contact and distance learning qualifications in 2017 . In addition to students registered for full qualifications, Embury annually provides professional development short courses to a large number of practicing teachers and Early Childhood Development (ECD) practitioners.

Furthermore, Embury successfully opened two new campuses in Gauteng in January 2018, i.e. the Montana Campus in Pretoria and the Waterfall Campus in Midrand.

"In addition to expanding its national footprint, Embury is also currently in the process of developing 15 new contact and distance learning qualifications to meet the demand for teacher education in South Africa."
– Johan Human, CEO of Embury



2. THE SOUTH AFRICAN SCHOOL OF MOTION PICTURE MEDIUM AND LIVE PERFORMANCE PROPRIETARY LIMITED (AFDA) (100%)

AFDA is a South African registered higher education institution (DHET registration number 2001/HE07/012) that offers nine fully accredited degree and certificate programmes ranging from higher certificates to masters' degrees, primarily focused on the film, television and live performance industry.

AFDA was founded in 1994 by Garth Holmes, Bata Passchier and Deon Opperman. Since then it has grown from six students, to a premier institution of its kind in the world, with 1 952 students on campuses in Johannesburg, Cape Town, Durban and Port Elizabeth in 2017. AFDA has grown its student numbers consistently from 1 570 students in 2015 to 1 775 students in 2016 and to 1 952 students in 2017 across its four South African campuses. These current campuses can accommodate an approximate student capacity of 4 000 students. AFDA will further look to expand its offerings in locations such as Pretoria and Soweto over time.

"AFDA intends to broaden the scope of its offering in the connected creative ecology, by increasing its choice of disciplines, including interior and graphic design, advertising, virtual reality, 3D printing, music, sound and application development to produce innovative and profitable business concepts, popular culture, media and entertainment, for both local and global markets."
– Bata Passchier, CEO of AFDA

OUR INVESTMENTS (CONTINUED)

3. SOUTHERN BUSINESS SCHOOL PROPRIETARY LIMITED (SOUTHERN BUSINESS SCHOOL) (74%)

Southern Business School is a South African registered private higher education institution (DHET registration number: 2002/HE07/015). Its subsidiary, Southern Business School Namibia, is recognised by the Namibian Qualification Authority. Southern Business School offers 11 accredited programmes through distance learning, ranging from higher certificates to masters degrees. The business school, which offers dedicated formal programmes as well as short courses, addresses leadership in management, business and commerce, law and policing. It has three academic schools, namely the School of Business and Economics, the School of Safety in Society and the School of Law.

Founded by Chris Vorster in 1996, the SBS Group originally opened its doors with 38 students in 1996. The business has reflected stellar growth in student numbers from 6 905 students in 2015 to 8 533 students in 2016 and to 9 985 students in 2017 enrolled in South Africa and Namibia.

As a contributor to growth, in 2016 Southern Business School launched a Bachelor of Commerce in Law degree as part of its strategy to expand its range of programmes offered.

"2017 was a very important year in the history of Southern Business School as we celebrated our 21 years of existence.

Southern Business School's four business principles of quality, affordability, recognition and customer service underpin all our actions and decisions. Our business principles have done us proud as it provided a solid foundation for year-on-year growth in student numbers and continued improvement of the overall learning experience of our students.

Southern Business School is passionate about creating leaders. It is never about student numbers, but about making a visible difference in the development of our students by living up to our slogan of Creating Leaders, and thereby ultimately contributing to the development of our country."
– *Chris Vorster, CEO of Southern Business School*

LISOF
LEADERS IN FASHION EDUCATION

4. LISOF PROPRIETARY LIMITED (LISOF) (100%) (ACQUIRED ON 1 JANUARY 2018)

LISOF is a registered higher education institution (DHET registration number: 2002/HE07/002) with 5 accredited programmes primarily focused on the fashion industry, with a current presence in Johannesburg and Pretoria. For the 2017 year, LISOF has 686 students registered at its campuses in Johannesburg and Pretoria.

LISOF was established more than 20 years ago and is regarded as one of the most progressive fashion design schools and retail education institutions in Africa. LISOF attained this by developing a curriculum that is unique in its variety and depth, by employing and consulting leaders at the cutting edge of fashion, retail and education and by developing individuality, innovation and creativity. Its programmes are unrivalled in its scope and practical application and students can choose from a diverse selection of disciplines.

"We are really excited by the prospects of being a part of the STADIO family. Being able to integrate projects with other educational institutions and extend teaching and learning that gives the students greater opportunities to extend their reach and enjoy an enriched experience" – *Shana Rosenthal, CEO of LISOF*

OUR INVESTMENTS (CONTINUED)

5. MILPARK EDUCATION PROPRIETARY LIMITED (MILPARK) (87.2%) (ACQUIRED IN 2018)

Milpark is a South African registered higher education institution (DHET registration number: 2007/HE07/003). Milpark currently has 18 key accredited higher education programmes, and is accredited to offer tuition towards 15 further education and training (FET) qualifications and 18 registered learnerships. With a national footprint in South Africa, Milpark has two teaching campuses situated in Cape Town and Johannesburg, and a support office in Durban. The majority of Milpark's programmes are offered through distance learning. In 2017, Milpark had 14 735 students registered for its various programmes.

Milpark was established in 1997, being one of the first private providers of higher management education in South Africa.

Milpark's flagship qualification, its Master of Business Administration degree (MBA), has been ranked number one amongst private providers of the MBA in South Africa by PMR.africa for three consecutive years, from 2015 to 2017.

CA CONNECT

Following the agreement concluded by the Group to acquire Milpark, STADIO, CA Connect Professional Training Institution CPT Proprietary Limited (CA Connect) and Embury (under whose auspices CA Connect would vest), agreed that the CA Connect business, which focuses on education services related to a Post Graduate Diploma in Accounting, was better placed with the Milpark business and suite of programme offerings. As such, post the year-end, an agreement was concluded whereby Milpark acquired the CA Connect business effective 12 April 2018.

"We are pleased to have joined our colleagues from AFDA, LISOF, the SBS Group and Embury as a part of STADIO. We are energised by the opportunities for growth as part of STADIO, coupled with a shared vision of widening access to higher education in Africa, through technology and cooperation."
– Julian van der Westhuizen, CEO of Milpark

Milpark Johannesburg Campus

GROUP FINANCIAL REVIEW

HIGHLIGHTS

Profitability	2017 R'000	2016 R'000
Students numbers	12 976	840
Revenue	122 554	45 531
EBITDA	469	10 970
(Loss)/profit attributable to ordinary shareholders	(7 037)	7 483
Headline (loss)/earnings	(7 038)	7 477
Core headline earnings*	3 238	8 331

Earnings per share	Cents	Cents
(Loss)/earnings per share	(1.2)	1.5
Headline (loss)/earnings per share	(1.2)	1.5
Core headline earnings per share*	0.6	1.7
WANOS	576 147	495 882

* *Headline earnings are adjusted 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.*

ACQUISITIONS

AFDA

On 24 August 2017, the Group successfully concluded the acquisition of 100% of AFDA for a total purchase consideration of R388 million. In 2017 AFDA had 1 952 students across four campuses, situated in Johannesburg, Cape Town, Durban and Port Elizabeth. The Group's financial results for the year ended 31 December 2017 include four months of AFDA's results.

SBS Group

On 8 November 2017, the Group successfully acquired a 74% interest in SBS, which included a 51% interest in Southern Business School of Namibia Proprietary Limited (SBS Namibia) (collectively SBS Group), for a purchase consideration of R200 million. In December 2017, the SBS Group increased its stake in SBS Namibia to 74%. The SBS Group collectively enrolled 9 985 students in 2017. The Group's financial results for the year ended 31 December 2017 include two months of the SBS Group's results.

LISOF

On 26 October 2017, the Group concluded a purchase agreement to acquire 100% of LISOF for a purchase consideration of R127 million. The acquisition became effective on 1 January 2018. In 2017 LISOF had 686 students across its qualifications and short learning programmes.

MILPARK

On 12 October 2017, the Group and Brimstone, acting through a newly incorporated private company, Milpark Investments SPV Proprietary Limited (Milpark SPV), entered into purchase agreements to acquire 100% of the issued share capital of MBS Education Investments Proprietary Limited, (which is the investment holding company that holds 100% of the issued shares of Milpark), for a purchase consideration of R296 million. The Group paid R207 million for its 70% interest, with the balance being acquired by Brimstone. The acquisition became effective on 19 March 2018.

Following the successful implementation of the aforementioned acquisition, the Group and Brimstone concluded an asset-for-share agreement on 20 March 2018 (Share swap agreement) in terms of which the Group acquired 17.2% of Brimstone's 30% interest in Milpark SPV from Brimstone for a purchase consideration equal to R51 million, which was settled by the issue of ordinary shares in STADIO. These shares are subject to a B-BBEE lock-in period of seven years. Following the implementation of the share swap-up, STADIO holds an effective interest in Milpark of 87.2%. The total purchase consideration paid by the Group for its 87.2% shareholding amounted to R258 million.

In 2017 Milpark had 14 735 students across its qualifications and short learning programmes.

NEW DEVELOPMENTS

During the 2017 financial year the Group invested approximately R272 million on the acquisition, development, refurbishment and fit-out of the three new Embury facilities: the Embury Musgrave campus (in Kwa-Zulu Natal), to which the existing Durban campus has relocated; the new Embury Waterfall campus (in Midrand); and refurbishments to the new Embury Montana campus (in Pretoria). All three campuses opened their doors to new students in 2018.

CAPITAL RAISING AND FUNDING

On 27 October 2017, the Group successfully raised R640 million by the issue of 256 million ordinary shares through a fully underwritten rights offer at R2.50 per rights offer share.

On 4 December 2017, the Group raised a further R200 million through a private placement to black individuals and Brimstone at R2.96 per ordinary share (B-BBEE Private Placement). The participants of the B-BBEE Private Placement are subject to a lock-in period of seven years.

The R840 million capital raised has and will be utilised to fund the growth plan of the Group, as well as for infrastructure development, land banking opportunities and the working capital requirements of the Group.

The table below summarises the capital raised and utilisation of cash for the Group as at 31 December 2017:

	R'000
Capital raised through rights offer	640 000
Capital raised through B-BBEE Private Placement	200 000
Share issue costs	(15 066)
Net capital raised	**824 934**
Acquisitions net of cash acquired	(164 033)
Net cash utilised in operating activities	(47 737)
Investment in property, plant and equipment and intangible assets	(114 345)
Movement for the year	**498 819**
Cash balance as at 1 January 2017	147 271
Cash balance as at 31 December 2017	**646 090**
Expected cash utilisation during 2018:	
Acquisitions	(318 055)
Repayment of Curro loan	(121 195)
Infrastructure development, land banking and working capital	(120 000)
Cash available for further acquisitions and organic expansion opportunities in 2018	86 840

The Group remains in a strong cash position with very limited gearing as at 31 December 2017.
Refer to Notes 23, 24 and 25 of the Annual Financial Statements for further information.

GROUP FINANCIAL REVIEW (CONTINUED)

FINANCIAL OVERVIEW

The 2017 Group financial results saw the consolidation of AFDA and the SBS Group from 24 August 2017 and 8 November 2017 respectively.

Both AFDA and the SBS Group acquisitions bolstered the overall student numbers of the Group from 840 students in 2016 (Embury only) to 12 976 students for the year ended 31 December 2017. On a like-for-like basis, the underlying Group subsidiaries (i.e. Embury, AFDA and the SBS Group) grew student numbers by approximately 16% from 11 148 students in 2016.

The underlying Group subsidiaries contributed R123 million to Group Revenue and R0.47 million to Group EBITDA for the 2017 financial year. The Group EBITDA for the year was substantially impacted by the Group's corporate head office costs, which included significant once-off acquisition and listing costs of approximately R9 million in 2017. Furthermore, the overall EBITDA of Embury was impacted by the operational costs associated with the set-up of the new Embury Waterfall and Embury Montana campuses (i.e. an approximate R8.3 million EBITDA loss) which only opened for new student enrolments in 2018. On a like-for-like basis, the EBITDA of the underlying institutions for the full year (excluding Group head office costs and the operational costs associated with the new Embury Waterfall and Embury Montana campuses), grew by 16% for the year ended 31 December 2017.

The increase in investment income is largely attributable to the interest earned on capital raised not yet deployed. The excess cash will be used to fund the Group's expansion plans.

The Group reflected an attributable headline loss for the period of R7 million, i.e. (1.2) cents per share, largely as a result of the once off acquisition and listing costs, and the operational set-up costs associated with the two new campuses (Embury Waterfall and Embury Montana).

The core headline earnings of R3.2 million and core headline earnings per share of 0.6 cents per share are headline earnings adjusted 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. For the 2017 financial year, the headline loss was adjusted by the once-off acquisition and listing costs, as well as by amortisation costs associated with acquisition of client lists (i.e. a non-cash charge arising as a result of the acquisition of AFDA and the SBS Group) to reflect the core headline earnings per share for the period. The core headline earnings per share has not been reviewed or audited by PricewaterhouseCoopers Inc. (PwC), the Group's appointed external auditor.

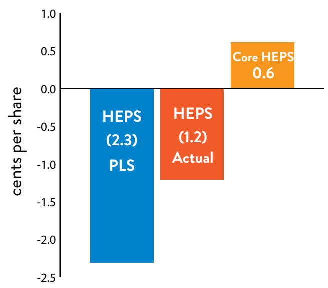
In addition to the capital cost of R272 million that was invested into the acquisition, development and fit-out of the three new Embury campuses, the Group invested approximately R11 million in the development of new programmes. These developments were largely funded by the capital raised from shareholders during the year.

The Group reported R48 million of net cash utilised in operating activities for the year ended 31 December 2017. This is attributable to once-off acquisition costs, listing costs and a working capital outflow of R39 million. The majority of the working capital outflow related to the working capital timing differences arising as a result of the acquisition of AFDA until the end of the year.

PRE-LISTING STATEMENT (PLS) FORECAST FOR 2017

Overall the Group outperformed the PLS forecast published on 15 September 2017, with an actual headline loss of R7 million i.e. (1.2) cents per share, compared to the forecast headline loss of R10.8 million i.e. (2.3) cents per share, for the year ended 31 December 2017. Core HEPS was 0.6 cents per share for the year ended 31 December 2017.

Headline and core earnings per share 2017 (cents):



The most significant differences between the results for the year ended 31 December 2017 and the PLS forecast results was due to the acquisition of the SBS Group being concluded one month later than expected (i.e. 8 November 2017 versus an original forecast acquisition date of 1 October 2017). This resulted in Group Revenue and Group EBITDA being lower than originally forecast for the 2017 full year, offset by lower finance costs due to the delay in settlement of the SBS Group purchase consideration. Investment income was also higher than originally anticipated due to capital payments on certain projects occurring in 2018 as opposed to the 2017 forecast.

SHARE CAPITAL

During the year, 786 million shares were issued as below. Refer to Note 25 of the Annual Financial Statements for further information. Salient features:

- 410 million shares issued through section 42 asset-for-share transfers;
- 52 million shares issued as the equity-settled portion of acquisitions;
- 256 million shares issued through the rights issue; and
- 68 million shares issued through the B-BBEE Private Placement.

DIVIDENDS

No dividends have been declared for the year ended 31 December 2017 (2016: Rnil).

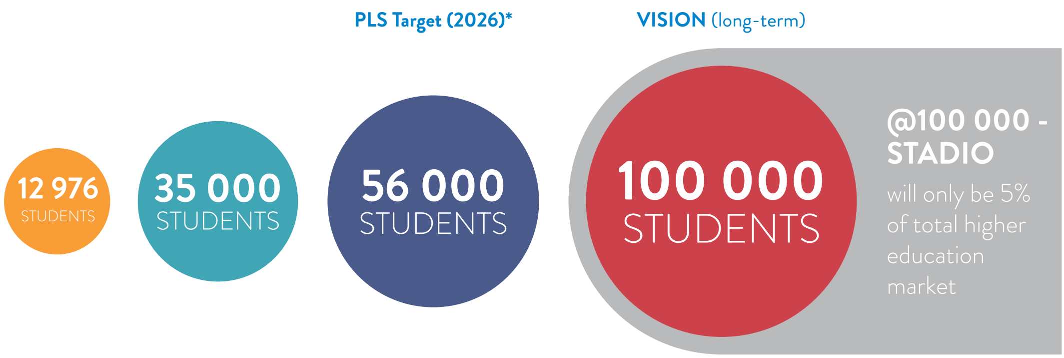
PROSPECTS

STADIO's objective is to facilitate, through its subsidiaries, access to quality higher education, giving its students realistic opportunities of finding or creating future employment.

Through implementing its growth strategy, the Group's objective is to increase its student enrolments (across both the contact and distance learning modes of delivery), targeting 100 000 students over time.

Given the opportunities in the sector and the demand for quality higher education, the Board believes the Group prospects are very favourable.

Growing student numbers over contact and distance learning modes of delivery



* Please note that aforegoing target that STADIO wishes to achieve has not been reviewed or reported on by STADIO's auditors or by an independent reporting accountant nor is same guaranteed.

ACADEMIC REPORT

2017 was an exciting year for the STADIO academic project as new acquisitions were finalised and the Group expanded. It was a period of bedding down and confirming the Group's academic vision, aligned to the Group's vision, mission and values, whilst ensuring that academic innovation and uniqueness of the individual institutions were not compromised or lost.

In order to facilitate a coherent approach to academic development and progress, the Group established the Academic and Student Affairs Committee (ASACOM), chaired by Divya Singh, the Chief Academic Officer of the Group, and attended inter alia by the institutional CEOs and academic leadership of each of the Group institutions. The ASACOM takes oversight of the overall Group academic strategy and monitors implementation. The ASACOM reports to the Group Executive Committee and submits an Academic Report to each Board meeting.

The Group resolved that one of the key emphases of the academic project for 2017 and the short- to medium-term must be a focus on academic transformation and further enhancing the quality teaching and learning. Accordingly, in 2017 the Board approved the Academic Promise for Teaching and Learning 2019-2021, built on the principles of: quality; student-centredness; and innovation, which is the standard for all institutions in the Group. The Academic Framework for 2017 was approved by the ASACOM.

GOAL 1: To provide a **quality teaching and learning experience** that is focused on the **student as our most important stakeholder.** *We believe that having admitted you as a student, you should succeed. It is our commitment to provide the enabling environment that will help all our students achieve academic success.*

GOAL 2: To ensure that our graduates are competent with **21st century skills** that enable them to make the important decisions of **entrepreneurship (job creation) and employment (job engagement)**. *We will expose our students to the synergies of both responsible citizenship and discipline specificity during their academic journey, promoting their marketability and raising their social and 'global' awareness.*

Whilst the Group has no medium-term aspiration of becoming research-intensive, the importance of research has been underscored. In 2017, the Board approved the 2017-2021 Group Research Strategy. The concomitant Framework and performance objectives will be discussed in 2018.

Community Engagement as the third pillar of scholarship is implemented at institutional level: however, an academic working group is in place to investigate articulation between teaching and learning, research and community engagement as a norm across Group institutions. There are five additional academic working groups focusing on policy alignment, student services and academic support, research, quality, and alumni relations.

During the 2017 academic year the Group saw a 26% increase in the number of graduates from 2 404 in 2016 to 3 031 graduates in 2017. The student demographic profile at undergraduate level is satisfactory and continues to be monitored for improvement together with the equity profile of post-graduate students and creating higher education opportunities for students with disability. The value of internationalisation and global exchange programmes for staff and students is an agenda discussion at the ASACOM, with an acknowledgment of current relationships and a trajectory of growing Continental relationships. The Group signed a partnership agreement with Globethics.net and other international collaboration agreements are under discussion.

Acknowledging that quality is ubiquitous to the academic project, relevance of the academic offerings, student support, and success and throughput rates continue to be key focus areas for academic success across all our institutions.

Dr Divya Singh
Chief Academic Officer

LISOF Campus

GOVERNANCE

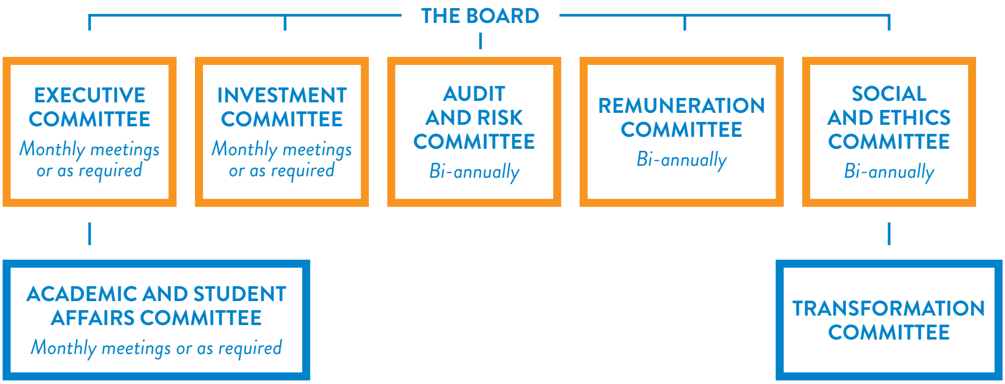
Embury Musgrave Campus

GOVERNANCE REPORT

APPROACH TO CORPORATE GOVERNANCE

The Group is fully committed to good corporate governance and stands firmly grounded on the values of integrity, quality and openness as noted in more detail in Our Values section on page 12. The Group respects and understands the need for simplicity and will always focus on the virtues of clarity, credibility, transparency and sheer honesty. These are the values lived by the leadership and filtered down throughout the Group. The Group's Ethics Pledge has been accepted by all subsidiaries and demonstrates the Group's commitment to Ethics.

CORPORATE GOVERNANCE STRUCTURE



THE BOARD

The Board consists of eight Directors, three of whom are Executive Directors and five of whom are Non-Executive Directors. Of the five Non-Executive Directors, four are Independent Non-Executive Directors. Douglas Ramaphosa, an Independent Non-Executive Director, was appointed on 9 March 2018.

There is a policy evidencing a clear balance of power and authority at Board level, to ensure that no one Director has unfettered powers of decision making.

The Board has adopted and approved a gender diversity policy and will, in identifying suitable candidates for appointment as Directors, consider candidates on merit against objective criteria with due regard for the potential benefits of gender diversity. The Board is in the process of considering a racial diversity policy, with a view to adopting same before the end of the 2018 financial year.

The key roles and responsibilities of the Board include acting as the focal point for, and custodian of, corporate governance; determining the strategies and strategic objectives of the Group and monitoring the implementation of the Board's strategies, decisions, values and policies.

While retaining overall accountability, the Board has delegated authority to the Chief Executive to run the day-to-day affairs of the Group. The Chief Executive is supported by the Executive Directors and the Executive management committee. The Board has created subcommittees to enable it to discharge its duties and responsibilities properly and to fulfil its decision-making process effectively.

Meetings held during 2017: three

Attendance: 100%

BOARD OF DIRECTORS

PROF ROLF HEINRICH STUMPF (72)

CHAIRPERSON

Independent Non-Executive Director

BA (Mathematics and Statistics); Hons (Statistics); MA (Statistics); Ph.D (Statistics)

Appointed 1 May 2017

Rolf was previously vice-chancellor and chief executive officer of the Nelson Mandela Metropolitan University in Port Elizabeth, vice-rector at the University of Stellenbosch and the president and chief executive officer of the Human Sciences Research Council (HSRC). Before that he was Deputy Director-General of the Department of National Education.

Rolf is the author of a number of scientific articles in the field of statistics (qualitative data analysis) and co-author of a book on graphical exploratory data analysis. He also authored and co-authored a large number of policy reports in the field of education, especially in higher education.

DR CHRISTIAAN RUDOLPH VAN DER MERWE (CHRIS) (55)

CHIEF EXECUTIVE OFFICER

Executive Director

B. Prim (Ed), B.Ed, M.Ed (Cum Laude), PhD in Education

Appointed 1 July 2017

Chris accepted his first teaching post at Gene Louw Primary School (Gene Louw) in 1986. In 1993, whilst still teaching at Gene Louw, he started a closed corporation named "SkoolCor", which produced electronic learning modules as a surrogate for text books, and today, the Shuttleworth Foundation use these modules as an integral part of their Open Source Methodology. In 1997, Chris became the deputy principal of Fanie Theron Primary School.

During 1998 Chris founded the Curro Private School in a church in Durbanville, which opened its doors with 28 learners. In 1999, he constructed Curro Durbanville's campus and in January 2000 approximately 320 learners started the academic year on this new campus. Chris was the chief executive officer of Curro and grew this business to 138 schools, with 52 233 learners and a market capitalisation of approximately R20 billion. In 2017 Chris stepped down as chief executive officer of Curro to start STADIO but continues to serve as a non-executive director on the board of directors of Curro.

SAMARA TOTARAM (39)

CHIEF FINANCIAL OFFICER

Executive Director

CA(SA), CFA

Appointed as CFO on 1 January 2017, and officially appointed to the Board on 18 April 2017

Samara, a qualified chartered accountant, completed her articles with Deloitte & Touche (in South Africa and New York) and then spent 18 months at the Royal Bank of Scotland in London prior to joining PSG Capital in 2007. In 2010 Samara was appointed as a director of PSG Capital and was primarily involved in new listings, capital raisings and other commercial transactions, merger and acquisitions and general corporate finance consulting. In October 2010, she joined Thembeka Capital Limited (Thembeka), a PSG Group supported B-BBEE investment company, and was appointed as its managing director in 2013. Samara drove the unlocking of value for Thembeka's black shareholders. Samara joined Curro in October 2014 as the managing director of the Meridian venture and also served as a member of the Curro executive committee until December 2016 before joining the executive management team of STADIO.

DR DIVYA SINGH (53)

CHIEF ACADEMIC OFFICER

Executive Director

BA (Law); LL.B (Cum Laude); LL.M; LL.D; Masters in Tertiary Education Management (with Honours)

Appointed as CAO on 1 February 2017, and officially appointed to the Board on 27 June 2017

Divya is an admitted advocate of the High Court of South Africa, having practiced for her own account for seven years. She is a Certified Ethics Officer by The Ethics Institute and the Executive Director of Globethics.net Southern Africa. Divya has been a professional academic for the past twenty-six years. Her last position was Vice Principal Advisory and Assurance Services at the University of South Africa (UNISA) where she was responsible for Legal Services, Risk and Compliance, the Ethics Office, Communications and Marketing and the Institutional Information Office (Data Protection and Privacy). Divya also served in the capacity of Registrar Governance as well as the Deputy Registrar, taking responsibility for institutional student administration. Divya's research profile (in summary) includes more than 30 articles in accredited journals, ten book chapters, one book (co-edited), has presented numerous conference papers and keynote presentations, locally and globally. She has been the editor of two academic journals and an editor of Butterworths Judgment-Online (JOL). She has received awards domestically and internationally for academic contribution and community service and engagement, as well as stakeholder recognition.

DOUGLAS MAITAKHOLE RAMAPHOSA (61)

INDEPENDENT NON-EXECUTIVE DIRECTOR

MA Social Sciences

Appointed 9 March 2018

Douglas offers a wealth of experience, with more than 25 years of business experience through various director and board memberships, as well as holding various senior executive positions for a number of large organisations, including Transnet, ABSA and Anglo American. Previously, Douglas served as group executive of corporate affairs at Altron, was CEO of Bytes Healthcare Solutions and, prior to that, managing director of Bytes Specialised Solutions. He served on the board of Eskom Enterprises for five years and was director and chairperson of Rotek Industries. Douglas was appointed as an independent non-executive director of Curro Holdings Limited on 26 January 2018. He is also a non-executive director of EnviroServ, a waste-management company, as well as of the Wildlife and Environment Society of South Africa (WESSA), and chairperson and director of Satori Tech Hub.

RENGANAYAGEE KISTEN (ROJIE) (53)

INDEPENDENT NON-EXECUTIVE DIRECTOR

B.Admin; B.Admin (Hons); MDP (Stell. Bus. School); GMP (Harvard Bus. School)

Appointed 1 May 2017

Rojie has a B.Admin (Hons) degree from Stellenbosch Business School and completed the General Management Programme at Harvard Business School. Rojie spent most of her working career at Old Mutual group, including Nedcor Bank. Her work experience includes amongst others: Asset management in both listed and unlisted entities; Local and international capital raising for unlisted funds; Stakeholder management within South Africa and the rest of the African Continent; investor relations; and Managing enterprise development finance.

BOARD OF DIRECTORS (CONTINUED)

KHAYELIHLE SIBUSISO SITHOLE (KHAYA) (32)

INDEPENDENT NON-EXECUTIVE DIRECTOR

CA(SA)

Appointed 1 May 2017

Khaya qualified as a chartered accountant having completed his articles with the FirstRand group. Khaya has since lectured Financial Accounting and Taxation at various universities and was commissioned by the University of Cape Town to participate in the FASSET-funded Bukela Ufunde programme providing Financial Reporting lectures in African languages to students throughout South Africa. He has been a director, and programme managed, the Thuthuka Programme whilst lecturing and was the youngest academic member appointed to the Senate of University of KwaZulu Natal, the National Board of Directors for ABASA and the SAICA Eastern Region Council. Khaya is an editor of three textbooks, namely Graded Questions on Income Tax (Mitchell & Mitchell), Gripping GAAP (Service & Kolitz) and Gripping GAAP – Graded Questions (Service). His primary passion is the mentorship of students, the advancement of the profession amongst black communities and the promotion of principle-based teaching in Financial Reporting and he is a mentor on the Shanduka Black Umbrellas Programme which makes him responsible for the mentorship of start-up businesses and evaluation of business plans submitted to Shanduka and serves on the Advisory Panel for Shanduka Black Umbrellas. Khaya previously served on the executive committee of the SAICA Young CA Network in Gauteng and in 2016, became the second South African to be awarded the Academic Fellowship by the International Accounting Standards Board for 2017/18 in London. Since January 2017, Khaya has been a graduate student at the Said Business School at the University of Oxford, UK.

PIETER NICOLAAS DE WAAL (NICO) (42)

NON-EXECUTIVE DIRECTOR

BEng (Mech), MBA

Appointed 1 May 2017

Nico holds an MBA from IESE Business School of the University of Navarre (Spain) and a B.Eng (in Mechanical Engineering) Cum Laude degree from the University of Stellenbosch. Nico joined the PSG Group in 2011 and currently serves as the chief executive officer of PSG Alpha Proprietary Limited. Prior to joining the PSG Group, Nico was an executive at SABMiller plc from 2008 to 2010. He also served as a management consultant at McKinsey & Company, Inc. from 2001 to 2007, specialising in strategy and operations.

ANDRIES MELLET (DRIES) (34)

ALTERNATE NON-EXECUTIVE DIRECTOR TO NICO DE WAAL

CA(SA), B Compt Hons

Appointed 1 May 2017

Dries qualified as a chartered accountant after completing his articles with PwC and has been working for the PSG Group since 2010. Dries was the financial director of mCubed Holdings Limited from October 2010 to February 2011 and Capevin Holdings Limited from April 2012 to November 2013. Dries served as secretary to the PSG Group Executive and joined the PSG Alpha team in 2012.

BOARD COMMITTEES

EXECUTIVE COMMITTEE

The Group's Executive Committee (Exco) comprises the following members:

CR van der Merwe (CEO) (chairperson);
S Totaram (CFO);
D Singh (CAO);
B Passchier (AFDA CEO);
CPD Vorster (SBS Group CEO)
JJ Human (Embury CEO);
J van der Westhuizen (Milpark CEO);
S Rosenthal (LISOF CEO);
PN de Waal (non-executive director)(invitee); and
A Mellet (alternate to PN de Waal)(invitee).

The Exco meets regularly, usually monthly, and is responsible for discussing the Group's operations and acts as a consolidated oversight committee for the Group.

INVESTMENT COMMITTEE

The Group's Investment Committee (Investco) comprises the following members:

CR van der Merwe (CEO) (chairperson);
S Totaram (CFO);
D Singh (CAO);
PN de Waal (non-executive director); and
A Mellet (alternate to PN de Waal).

The Investco meets regularly, usually monthly, and is primarily responsible for the allocation and investing of the Group's resources, including capital.

The Investco advises the Board on material investment decisions.

AUDIT AND RISK COMMITTEE

The Group's Audit and Risk committee has the following members, all of whom are Independent Non-Executive Directors:

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

The Audit and Risk committee assists the Board by providing an objective and independent view on the Group's finance, accounting and control mechanisms and by reviewing and ensuring that consideration is given to the following:

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

The Audit and Risk Committee has considered and satisfied itself as to the appropriateness of the expertise and experience of Ms S Totaram to fulfil the position of CFO.

In terms of risk management (through consultation with the external auditors), the committee ensures that management's processes and procedures are adequate to identify, assess, manage and monitor group-wide risks. The Group does not currently have an internal audit function, however the Group is comfortable that whilst the Group is in its infancy, the lack of an internal audit function is not an impediment in mitigating risks around the Group. In the interim, the Group performs peer reviews to identify control weaknesses or any deference from Group policies. Refer to the Risks and Opportunities section on pages 31 to 36.

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 71 to 72 of the consolidated and separate Annual Financial Statements.

Meetings held during 2017: one

Attendance: 100%

REMUNERATION COMMITTEE

The Group's Remuneration committee has the following members:

PN de Waal (chairperson)*;
R Kisten;
DM Ramaphosa (appointed 19 April 2018)*; and
RH Stumpf (resigned 19 April 2018).

**PN de Waal stepped down as chairperson of the Remuneration Committee on 19 April 2018 but remains a member of the Remuneration Committee. DM Ramaphosa was appointed as chairperson of the Remuneration Committee on 19 April 2018. This was to ensure compliance with King IV requirements.*

All of the members of the Remuneration Committee are Non-Executive Directors, with a majority of such Non-Executive Directors being independent.

The Remuneration Committee is primarily responsible for reviewing and approving Executive Directors' remuneration. Further, the Remuneration Committee assists the Board in reviewing Non-Executive Directors' remuneration recommendations. In doing so, it takes cognisance of both local and international best practices to ensure that such total remuneration is fair and reasonable to both the Directors and the Group. This Committee will hold at least two meetings per financial year.

Fees payable to Non-executive Directors are recommended by the Board to the Shareholders at annual general meetings for approval.

The Group's remuneration policy and the implementation report will be tabled at each annual general meeting of the Group for a separate non-binding advisory vote by Shareholders. Such policy will record the measures that the Board will adopt should either the remuneration policy or the implementation report, or both, be voted against by 25% or more of the votes exercised at such annual general meeting. In this regard, should 25% or more of the votes exercised on this resolution at the annual general meeting be against such policy or report, STADIO will in its voting results announcement include an invitation to dissenting Shareholders to engage with STADIO and the Board, as well as the manner and timing of such engagement.

Meetings held during 2017: one

Attendance: 100%

SOCIAL AND ETHICS COMMITTEE

The Group's Social and Ethics committee comprises of the following members:

R Kisten (chairperson);
KS Sithole; and
CR van der Merwe.

The Social and Ethics committee is responsible for monitoring the Group's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice, in respect of social and economic development, good corporate citizenship (including the promotion of equality, prevention of unfair discrimination, the environment, health and public safety, including the impact of the Group's activities and of its products or services), stakeholder and consumer relationships and labour and employment issues. A Transformation Committee will be formed by the Social and Ethics Committee during 2018 driving transformation around the Group and will report into the Social and Ethics Committee.

The Social and Ethics committee will draw to the attention of the Board, matters within its mandate as occasion requires and will report to the Shareholders at the Group's annual general meeting on such matters.

In order to carry out its functions, the Social and Ethics committee will be entitled to request information from any Directors or employees of the Group, attend and be heard at general Shareholders' meetings, and receive notices in respect of such meetings.

The members of the Social and Ethics committee are Executive and Non-Executive Directors, with a majority being Non-Executive Directors.

This committee will hold at least two meetings per financial year from 2018.

Meetings held during 2017: none

Attendance: not applicable

KING APPLICATION

The Board endorses the King Code and is committed to the principles of transparency, integrity, fairness and accountability by the Group in the conduct of its business and affairs.

The Board is responsible for ensuring that the Group complies with all of its statutory and regulatory obligations. It 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.

The Group has made the following changes to the board committees to rectify areas of non-compliance with King IV:

- PN de Waal stepped down as chairperson of the Remuneration Committee as he is not an Independent Non-Executive Director. DM Ramaphosa, an Independent Non-Executive Director, was appointed as chairperson in his place; and
- RH Stumpf resigned from the Audit and Risk Committee as he is the chairperson of the Board. DM Ramaphosa, an Independent Non-Executive Director was appointed in his place.

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

SHAREHOLDING OF DIRECTORS

The shareholding of Directors in the issued share capital of the Company as at 31 December 2017, excluding the participation in the share incentives plan (as set out in Note 26 of the Annual Financial Statements), was as follows:

Director	Direct '000	Indirect '000	Total '000
CR van der Merwe	5	5 735	5 740
S Totaram	699	–	699
D Singh	135	–	135
R Kisten	676	–	676
PN de Waal	154	–	154
A Mellet*	–	68	68
Total	1 669	5 803	7 472

** Alternate to PN de Waal*

COMPANY SECRETARY

Stadio Corporate Services Proprietary Limited (SCS) has been appointed as the Company Secretary of the Group. Having considered the individuals who perform the Company Secretary role within SCS, the Board is satisfied as to the competence, qualifications and experience of the Company Secretary and its employees and that an arm's length relationship exists between the Company Secretary and the Board.

All Board members have access to the advice and services of the Company Secretary, who is responsible for the proper administration of the Board and the implementation of sound corporate governance procedures. This includes Board induction and training programmes and the supply of all information to assist Board members in the proper discharge of their duties.

The Board is of the opinion that the Company Secretary is suitably qualified and experienced to carry out its duties as stipulated under section 84 of the Companies Act and the King Code.

REPORT OF THE REMUNERATION COMMITTEE

REMUNERATION POLICY

The Remuneration Committee (RemCo) is primarily responsible for reviewing and approving the remuneration and incentives of the Group's Executive Directors and Key Management; approving general salary increases across the Group; as well as assisting the Board in reviewing Non-Executive Directors' remuneration recommendations.

The remuneration policy aims to align remuneration practices with the Group's business strategies and objectives, taking cognisance of both local and international best practices, to ensure the remuneration remains market-related, and is therefore fair and reasonable to the Group's shareholders, as well as to the affected employees. The Group believes in remunerating employees with appropriate total-cost-to-company packages and rewarding its top-performing employees through its short-term and long-term incentive schemes.

EXECUTIVES AND EMPLOYEES (INDIVIDUALS)

The Executives' remuneration is reviewed annually by the RemCo, who seeks to ensure there is equilibrium between the Executives' base salary, which is fixed, and the variable elements of their remuneration such as discretionary bonuses and share options. In addition, the RemCo ensures there is a balance between short-term and longer-term financial performance incentives, ensuring the total package is appropriate considering the size and complexity of the business. The salary increases of these individuals are usually similar to the employees' average salary increases, unless there are specific merits to determine otherwise, for example when an individual is promoted.

Total remuneration incorporates the following elements:

BASE SALARY

Base salary is guaranteed annual pay on a cost-to-company basis. It is subject to annual review, taking into account: individual performance; Group performance; the macroeconomic environment; as well as relevant market information, such as competitor salaries. This allows the Group to attract and retain staff with the necessary skills required to implement its business strategy and provide a high-quality service. Any adjustments to base salary are effective across the Group between 1 January or 1 March of each year.

Benefits, forming part of total cost-to-company include contributions to a provident fund.

SHORT-TERM INCENTIVES (DISCRETIONARY BONUS)

For the year ended 31 December 2017, qualifying Executives and employees received a discretionary cash bonus, only payable in 2018, dependent on the Group's performance against promises made in the Group's Pre-Listing Statement (PLS). The Group believes in rewarding individuals for good performance dependent on the performance of the Group. Short-term incentives are not guaranteed and are subject to the discretion of the RemCo. The Group believes short-term incentives are important in incentivising individuals and promoting strong performance focused on the implementation of the Group's growth strategy. This also assists in retaining the Group's top-performers.

Going forward, short-term incentive indicators have been discussed and approved by the RemCo and include the following:

- Group's financial performance benchmarked against realistic growth targets in financial performance, as well as student numbers;
- A core headline earnings and core headline earnings per share measure will be utilised to measure Group's performance. For 2018, given the early set-up phase and rapid changes in the Group, this will be the headline earnings forecast in the PLS, adjusted to core headline earnings;
- Identifying and concluding suitable investment opportunities with good growth prospects;
- Academic success; and
- Reputational risk management of the Group.

The general approach is to reward for success.

LONG-TERM INCENTIVES (SHARE OPTIONS)

The Group established a share incentive scheme for certain key members of management. The Group believes that the retention of key skills is important to the sustainability of the Group and the share incentive scheme assists in retaining these skills. Through the share incentive scheme, the Group's performance is linked to longer-term value creation. This illustrates the Group's commitment to individuals participating in the share incentive scheme as well as encouraging these participants to remain dedicated to the Group in the longer-term.

The maximum number of shares that may be utilised for purposes of the share incentive scheme will initially be limited to 40 246 572 shares.

The maximum number of shares that may be acquired by any one individual for purposes of the share incentive scheme will be limited to 8 049 314 shares.

At 31 December 2017, the number of share options that had already been awarded but remain unvested amounted to 14 977 162 shares. At 31 December 2017, the share incentive scheme had seven participants, being qualifying individuals across the Group. No share options have vested to date.

MECHANICS OF THE SHARE INCENTIVE SCHEME

AWARD

Share options are awarded annually at the discretion of the RemCo. The number of share options to be awarded is calculated based on the respective individual's base salary with a multiple applied thereto, depending on the individual's seniority and level of responsibility assumed within the organisation, as well as the level of his/her performance measured against the key performance objectives outlined above.

All share options are awarded at a strike price equal to the Group's 30-day volume weighted average price immediately preceding such award date.

VESTING

Currently the vesting of share options is dependent on the individual remaining in service, with 25% vesting on each of the second, third, fourth and fifth anniversary of the award date. In the case of resignation or dismissal of an individual, unvested share options are generally forfeited, but are at the discretion of the RemCo. In the case of the death, retirement or retrenchment of an individual, any share options capable of being exercised within a period of 12 months thereafter, will generally continue to be exercisable provided it is exercised during such 12 months.

LOAN FUNDING

Currently loan funding is available to individuals to assist them in exercising their share options and to remain invested in the Group, on the following terms:

- Maximum loan funding of 90% of the strike price and income tax payable in respect of the vesting of share options (i.e. a cash deposit of 10% is required from the individual);
- The Group shares acquired through the exercise of share options are pledged and ceded in security and need to cover the outstanding loan by at least 130% at all times;
- Interest accrues on the outstanding loan at the South African Revenue Service fringe benefit rate; and
- Loans are repayable in full within three years.

REPORT OF THE REMUNERATION COMMITTEE (CONTINUED)

NON-EXECUTIVE DIRECTORS

The remuneration of Non-Executive Directors is reviewed annually by the RemCo, which, considering the nature of the Group's operations, seeks to ensure that fees are market-related. These fees are recommended by the Board to shareholders for approval at the Annual General Meeting.

Changes to the fee structure are generally effective 1 March, subject to approval by shareholders at the Group's Annual General Meeting.

The annual fees payable to Non-Executive Directors are fixed and not subject to the attendance of meetings. In the event of non-attendance on a regular basis, same may be reviewed.

The proposed fee structure for the Group's financial year ending 31 December 2018 is set out in the table below:

	Annual fee 2017	Annual fee 2018
Board:		
Chairperson of the board	R141 000	R160 000
Board members	R125 000	R120 000
Additional fee payable to the chairpersons of the Board sub-committees:	Per meeting	**Per meeting**
Audit and Risk Committee	R8 000	R10 000
Remuneration Committee	R8 000	R10 000
Social and Ethics Committee	R8 000	R10 000
Additional fee payable to the members of the Board sub-committees:	Per meeting	**Per meeting**
Audit and Risk Committee	–	R5 000
Remuneration Committee	–	R5 000
Social and Ethics Committee	–	R5 000

The Group also pays all reasonable travelling and accommodation expenses incurred to attend Board and Committee meetings.

IMPLEMENTATION OF THE REMUNERATION POLICY

The Group is in its first year of operations, having unbundled from Curro during 2017, and is therefore implementing its remuneration policy for the first time in 2017. As such, items in the remuneration policy such as salary increases will only be effective in the 2018 year and discretionary bonuses relating to the performance in the 2017 financial year were only paid in 2018. Therefore, no information has been disclosed within the 2017 implementation report relating to these items. The RemCo is satisfied that the Group complied with the remuneration policy in the 2017 financial year.

REMUNERATION

The following table sets out the remuneration paid to Executive Directors for the year ended 31 December 2017. No Directors' fees were paid by the Group for the year ended 31 December 2016.

Name	Base Salary R'000	Bonuses[6] R'000	Share-based incentive gains[6] R'000	Pension contributions R'000	Total R'000
CR van der Merwe (1)(2)	2 356	2 224	5 067	123	9 770
S Totaram (3)(4)	1 672	995	2 019	57	4 743
D Singh (5)	1 084	–	–	105	1 189
Total remuneration and benefits 2017	5 112	3 219	7 086	285	15 967

[1] *CR van der Merwe was appointed as Chief Executive Officer of STADIO on 1 July 2017 and received remuneration from the Group for six months during the financial year ended 31 December 2017.*

[2] *CR van der Merwe was remunerated by Curro for the six-month period ended 30 June 2017. STADIO was previously owned by Curro before being unbundled and separately listed on 3 October 2017.*

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

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

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

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

LONG-TERM INCENTIVES (SHARE OPTIONS)

The following share options were awarded to Executive Directors prior to listing on 3 October 2017. No additional share options were awarded to Directors during the year. As these are the first share options to be awarded and the first tranche are only due to vest in 2019, there are no long-term incentive outcomes to report for the year ended 31 December 2017.

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

[1] These share options were awarded as part of the intial option allocation (as allowed in the share incentive trust deed) at 08:00 on 3 October 2017, prior to STADIO's listing on the JSE Limited.

ANNUAL FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Stadio Holdings Limited for the year ended 31 December 2017, 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 consolidated and separate annual financial statements. The consolidated and separate annual financial statements set out on pages 79 to 129 have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Standards Council, the Companies Act of South Africa, and the listings requirements of the JSE Limited (JSE). Appropriate accounting policies have been consistently applied in all material respects, and are supported by reasonable and prudent estimates where appropriate. Adequate accounting records have been maintained throughout the period under review.

In addition, the Directors are responsible for preparing the Directors' Report which is set out on pages 66 to 70.

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 consolidated and separate annual financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

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

The external auditor is responsible for reporting on whether the consolidated and separate annual financial statements are fairly presented in accordance with the applicable financial reporting framework. The Independent Auditor's Report is set out on pages 73 to 78.

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements were approved by the Board of Directors on 23 April 2018 and signed by:

Dr CR van der Merwe
Chief Executive Officer

Ms S Totaram
Chief Financial Officer

DECLARATION BY COMPANY SECRETARY

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

pp.

Stadio Corporate Services Proprietary Limited
Company Secretary

23 April 2018

DIRECTORS' REPORT

The Directors have pleasure in submitting their maiden report on the consolidated and separate annual financial statements of Stadio Holdings Limited and its subsidiaries (STADIO or the Group) for the year ended 31 December 2017.

1. NATURE OF BUSINESS

Overview

Stadio Holdings Limited is an investment holding company that focuses on the acquisition of, investment in, and the growth and development of higher education institutions to assist in meeting the demand for quality and relevant higher education programmes in southern Africa.

STADIO successfully unbundled from Curro Holdings Limited (Curro) and listed on the Main Board of the JSE on 3 October 2017.

Capital raising and funding

On 27 October 2017, the Group successfully raised R640 million by the issue of 256 million STADIO shares through a fully underwritten rights offer at R2.50 per rights offer share.

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

The R840 million capital raised (R825 million net of costs), has and will be utilised to fund the growth plan of the Group, as well as for infrastructure development, land banking opportunities and working capital requirements of the Group.

Refer to Note 25 for further information.

Investment and expansion

During 2017, the Group embarked on a growth plan that included the conclusion of significant acquisitions to increase the scope of its programme offerings in the higher education market by acquiring the following subsidiaries:

- 100% interest in The South African School of Motion Picture Medium and Live Performance Proprietary Limited and its associated property companies (collectively AFDA) for a total purchase consideration of R388 million; and
- 74% interest in Southern Business School Proprietary Limited (SBS), which included a 51% interest in Southern Business School of Namibia Proprietary Limited (SBS Namibia) (collectively the SBS Group), for a purchase consideration of R200 million.

Refer to Note 32 for further information.

In addition, the Group invested approximately R272 million in the acquisition, development, refurbishment and fit-out of the three new Embury facilities: the Embury Musgrave campus (KwaZulu-Natal), to which the existing Embury Durban campus will relocate; the Embury Waterfall campus (Midrand); and refurbishments to the Embury Montana campus (Pretoria). All three campuses opened their doors to new students in 2018.

Financial overview

The 2017 Group financial results saw the consolidation of AFDA and the SBS Group from 24 August 2017 and 8 November 2017 respectively.

Both the AFDA and SBS Group acquisitions bolstered the overall student numbers of the Group from 840 students in 2016 (Embury only) to 12 976 students for the year ended 31 December 2017. On a like for like basis, the underlying Group subsidiaries (i.e. Embury, AFDA and the SBS Group) grew student numbers by approximately 16% from 11 148 in 2016.

DIRECTORS' REPORT (CONTINUED)

1. NATURE OF BUSINESS (continued)

The underlying Group subsidiaries contributed R123 million to Group Revenue and R0.47 million to Group EBITDA for the 2017 financial year. The Group EBITDA for the year was substantially impacted by the Group's corporate head office costs which included significant once-off acquisition and listing costs of approximately R9 million in 2017. Furthermore, the overall EBITDA of Embury was impacted by the operational costs associated with the set-up of the new Embury Waterfall and Embury Montana campuses (i.e. an approximate R8.3 million EBITDA loss) which only opened for new student enrolments in 2018. On a like-for-like basis, the EBITDA of the underlying institutions for the full year (excluding Group head office costs and the operational costs associated with the new Embury Waterfall and Embury Montana campuses), grew by 16% for the year ended 31 December 2017.

The increase in investment income is largely attributable to the interest earned on capital raised but not yet deployed. As aforementioned, the excess cash will be used to fund the Group's expansion plans.

The Group reflected an attributable headline loss for the period of R7 million, i.e. (1.2) cents per share, largely as a result of the once-off acquisition and listing costs, and the operational set-up costs associated with the two new campuses (i.e. Embury Waterfall and Embury Montana).

The core headline earnings of R3.2 million and core headline earnings per share of 0.6 cents per share are adjusted 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. For the 2017 financial year, the headline loss was adjusted by the once-off acquisition and listing costs, as well as by amortisation costs associated with client lists (i.e. a non-cash charge arising as a result of the acquisition of AFDA and the SBS Group) to reflect the core headline earnings per share for the year. The core headline earnings per share has not been reviewed or audited by PricewaterhouseCoopers Inc. (PwC), the Group's appointed external auditor.

In addition to the capital cost of R272 million relating to the acquisition, development and fit-out of the three new Embury facilities, the Group invested approximately R11 million in the development of new programmes. These developments were largely funded by the capital raised from shareholders during the year.

The Group reported R48 million of net cash utilised in operating activities for the year ended 31 December 2017. This is attributable to once-off acquisition costs, listing costs and a working capital outflow of R39 million. The majority of working capital outflow related to the working capital timing differences arising at the acquisition of AFDA until the end of the year.

2. SHARE CAPITAL

During the year, 786 million shares were issued as below.

Salient features:

- 410 million shares issued through section 42 asset-for-share transfers on the reorganisation of STADIO from Curro;
- 52 million shares issued as the equity settled portion of acquisitions;
- 256 million shares issued through the aforementioned rights issue; and
- 68 million shares issued through the B-BBEE Private Placement.

Refer to Note 25 for further information.

3. CONTROL OVER UNISSUED SHARES

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

4. DIVIDENDS

No dividends have been declared for the year ended 31 December 2017 (2016: Rnil).

5. DIRECTORATE

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

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

6. SHAREHOLDING OF DIRECTORS

The shareholding of Directors in the issued share capital of the Company as at 31 December 2017 was as follows:

Director	*Direct '000*	Indirect *'000*	Total *'000*
CR van der Merwe	5	5 735	5 740
S Totaram	699	–	699
D Singh	135	–	135
R Kisten	676	–	676
PN de Waal	154	–	154
A Mellet (alternate to PN de Waal)	–	68	68
	1 669	5 803	7 472

The register of interests of Directors and others in shares of the Company is available to the shareholders on request. No Directors held shares as at 31 December 2016.

R Kisten purchased 7 300 shares on 14 March 2018, subsequent to the Group's provisional results being released. There have been no other changes in the shareholding of Directors between the reporting date and the date of approval of the consolidated and separate annual financial statements.

7. INTERESTS IN SUBSIDIARIES

Details of material interests in subsidiaries are presented in the consolidated and separate annual financial statements in Note 16.

DIRECTORS' REPORT (CONTINUED)

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 authorisation to:

- convert Stadio Holdings Proprietary Limited from a private company into a public company and consequently amend the Memorandum of Incorporation (MOI) to change the Company's name to Stadio Holdings Limited and comply with the listings requirements of the JSE Limited (JSE);
- increase the Company's authorised share capital to one billion ordinary shares of no par value following shareholder approval in terms of section 36(2)(a) and section 16(1)(c) of the Companies Act of South Africa;
- adopting the Group's Share Incentive Trust (SIT) in accordance with the SIT Deed;
- enable the Company to acquire its own shares, approval of Non-Executive Directors' remuneration for the 2017 financial year and general authority to provide financial assistance to related or inter-related companies and corporations in terms of sections 44 and 45 of the Companies Act;
- allot and issue any of the Company's unissued shares for cash subject to provisions of the JSE provided that the aggregate number of shares be limited to 15% of issued share capital at the date of listing and not exceed 10% in any one financial year, the approval of which is in place until the next AGM;
- authorisation to allot and issue Placement Shares in terms of the B-BBEE transaction and shares in terms of the Rights Offer; and
- allow various asset-for-share transfers in respect of the Group reorganisation and unbundling from Curro in terms of section 42 of the Income Tax Act, as well as various acquisitions during the year.

9. EVENTS AFTER THE REPORTING PERIOD

Refer to Note 33 for acquisitions effective after the reporting period. In addition, the Group repaid the loan due to Curro, of R119 million, plus interest thereon, on 7 March 2018. 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 consolidated and separate annual financial statements that has a material impact on the consolidated and separate 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 and Company incurred significant once-off expenses relating to listing on the JSE and concluded a number of acquisitions which negatively impacted the profit for the year. In addition, the Group raised R840 million in cash during the year and has a strong cash balance in excess of R640 million as at 31 December 2017. 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. was appointed in office in accordance with section 90 of the Companies Act of South Africa.

12. SECRETARY

The Company Secretary is Stadio Corporate Services Proprietary Limited.

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

13. SPONSOR

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

14. CORPORATE GOVERNANCE

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

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

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

15. REPORT OF THE AUDIT AND RISK COMMITTEE

The report of the Audit and Risk Committee, as required in terms of section 94(7)(f) of the Companies Act of South Africa, is set out on pages 71 to 72 of the consolidated and separate annual financial statements.

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 2017.

1. MEMBERS OF THE AUDIT AND RISK COMMITTEE

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

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

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

2. PURPOSE

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

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

3. MEETINGS HELD BY THE COMMITTEE

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

The Committee held one scheduled meeting during 2017, 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 2017 with D de Jager, a registered independent auditor, as the designated partner for the 2017 audit.

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

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 provided by the external auditors and the fees thereof to ensure that the independence of the external auditors is maintained.

5. CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The Committee recommended the approval of the consolidated and separate 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 consolidated and separate 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 consolidated and separate annual financial statements to be appropriate.

7. EVALUATION OF THE CHIEF FINANCIAL OFFICER

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

8. COMPLAINTS AND/OR CONCERNS

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

On behalf of the Committee

KS Sithole
Audit and Risk Committee chairperson

Durbanville
23 April 2018

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF STADIO HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate annual 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 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Stadio Holdings Limited's consolidated and separate annual financial statements set out on pages 79 to 129 comprise:

- the consolidated and separate statements of financial position as at 31 December 2017;
- 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 consolidated and separate annual 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 annual financial statements* section of our report.

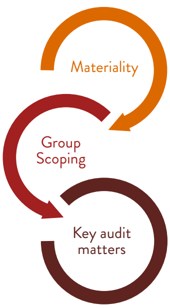
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R11.3 million, which represents 0.8% of net consolidated assets

Group audit scope

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

Key audit matters

- Acquisitions – Valuation of intangible assets
- Internally generated curriculum material
- Goodwill and indefinite life intangible asset impairment assessments

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated annual 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	R11.3 million
How we determined it	0.8% of net consolidated assets
Rationale for the materiality benchmark applied	We have applied net consolidated assets as the benchmark based on our analysis of the common information needs of users of the financial statements and Stadio Holdings Limited's phase in its life cycle as a recently formed Group in its investment and growth phase. On this basis we believe that net consolidated assets is an important metric for the financial position of the Group. In our view, the current period loss and cost effects as result of the organisational restructure are not representative of a recurring financial performance measure for the current period. We chose 0.8% based on our professional judgement and after consideration of the range of quantitative materiality thresholds that we would typically apply when using net consolidated assets to compute materiality.

How we tailored our group audit scope

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

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

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 and separate annual financial statements. We examined component auditors' working papers relating to areas of significant risk in the consolidated and separate annual 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 annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Consolidated annual financial statements

Key audit matter	How our audit addressed the key audit matter
Acquisitions – Valuation of intangible assets During the year, the Group made two acquisitions, namely the South African School of Motion Picture Medium and Live Performance Proprietary Limited and Southern Business School Proprietary Limited, as detailed in Note 32 for a total consideration of R589 million. Identifiable intangible assets amounting to R68 million were recognised as part of the acquisitions. On acquisition, the Group was required to determine the fair value of intangible assets acquired. This was considered a matter of most significance in our audit due to the significant judgement exercised by the Directors, particularly relating to: • The valuation methodologies applied in the fair value determination as disclosed in Note 27; • The discount rates applied; • The annual growth rate implicit in the valuation of the trademarks; and • The Directors' estimation of future cash flows for purposes of valuation of the client lists acquired as part of the business combination.	We made use of our internal valuation specialists and: • Assessed the methodologies utilised by the Directors in determining the fair value of the intangible assets against the requirements of IAS 38 Intangible Assets. We found them to be consistent; • Independently calculated the discount rates, taking into account independently obtained data. This information included the cost of debt, risk free rates in the market, market risk premiums, debt/equity ratios, as well as the beta of comparable companies. The discount rates used by the Directors were found to be within an acceptable range of our independent calculations; • Assessed the annual growth rate used by the Directors to value the trademarks and found it to be within an acceptable range in context of local market conditions and historical performance of the trademarks; and • Assessed the Directors' estimated future cash flows relating to business units supporting the valuation of client lists acquired by evaluating the Directors' budget preparation process and controls.
Internally generated curriculum material (Curriculum Development) The Group is in the process of developing and registering a number of new programmes, as well as converting and registering its existing campus-based courses into distance learning offerings. During the current financial year, R11 million has been capitalised to curriculum material as disclosed in Note 15. As disclosed in accounting policy Note 4.3.3, Curriculum Development costs directly attributable to the development of new curricula are recognised as internally generated intangibles assets by the Directors when the development costs meet the criteria as disclosed in Note 4.3.3. We considered the recognition of internally generated intangible assets as a matter of most significance in the current year audit as the assessment made by the Directors requires judgement and is subjective, especially relating to the assessment of the probability that the development of the curriculum will be able to generate future economic benefits and the assessment of whether expenditure attributable to the development of the asset can be measured reliably.	We obtained an understanding from the Directors of the relevant controls and process implemented over the recognition of the internally generated intangible assets for new Curriculum Development, and performed, amongst others, the following audit procedures on a sample of curricula: • We assessed the probability of the curriculum development to generate future economic benefits by obtaining the Directors' calculations of future income based on the number of students and the fee of the course. The fees were evaluated against similar courses offered. Student numbers were based on forecasted / pipelined students that qualify for further education based on current results and current enrolment. • The most significant cost element related to salaries of employees involved in the development of the curriculum. For each curriculum we inspected the approved project plan to determine whether only the salaries of people involved in the project were capitalised to the specific curriculum and traced the amounts to payroll records. We found no exceptions for the selected sample.

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite life intangible asset impairment assessments	
The Group's net assets include a significant amount of goodwill, trademarks and curriculum material classified as indefinite life intangible assets as disclosed in Note 14 and Note 15 respectively. As required by the applicable accounting standards, the Directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and indefinite life intangible assets. This is performed using a discounted cash flow model. Key inputs are the discount rate applied, perpetuity growth rate and future cash flow assumptions. Resulting from the assessment, the Group has not recognised any impairment charge. We considered this area to be a matter of most significance in our audit of the current year due to the magnitude of the related goodwill and intangible asset balances and the judgement involved in the Directors' assessments.	Our audit procedures included, among others, testing of the principles and integrity of the Group's discounted cash flow models. We tested the accuracy of the calculation for each model and we challenged key inputs in the calculations, such as the discount rate, perpetuity growth rate and future cash flow assumptions by reference to the board approved business plan and market data, which consists of data external to the Group. We found that the models were mathematically accurate. We utilised our internal valuation specialists when considering the appropriateness of the discount rates. The discount rates used by the Directors were found to be within an acceptable range of our independent calculations. In assessing the Directors' forecasts, we considered the historical accuracy of the underlying businesses' forecasts to assess the reliability thereof by comparing the actual results for the year with the original forecasts. The Directors provided appropriate explanations for variances. We performed independent sensitivity calculations on the impairment assessments, to determine the degree by which the key assumptions needed to change in order to trigger an impairment. The results of our sensitivity analyses were consistent with the Directors' conclusions.

Separate annual financial statements

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the *Stadio Holdings Limited consolidated and separate annual financial statements for the year ended 31 December 2017* which includes the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa and the other sections of the *Stadio Holdings Limited 2017 Integrated Report*, which we obtained prior to the date of this Auditor's Report. Other information does not include the consolidated and separate annual financial statements and our Auditor's Report thereon.

Our opinion on the consolidated and separate annual 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 annual 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 annual 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 annual 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 annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual 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 annual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual 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 annual 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 annual 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 annual financial statements, including the disclosures, and whether the consolidated and separate annual 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 and separate annual 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 annual 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 1 year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D de Jager
Registered Auditor

Stellenbosch
23 April 2018

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
	Notes	**2017 R'000**	2016[1] R'000	**2017 R'000**	2016[2] R'000
Revenue	6	**122 554**	45 531	**–**	–
Other income	6	**2 844**	1 994	**–**	–
Income	6	**125 398**	47 525	**–**	–
Operating expenses	7	**(124 929)**	(36 555)	**(3 455)**	–
Earnings/(loss) before interest, taxation, depreciation and amortisation (EBITDA)		**469**	10 970	**(3 455)**	–
Depreciation	13	**(6 403)**	(1 045)	**–**	–
Amortisation	15	**(3 666)**	(1 186)	**–**	–
(Loss)/earnings before interest and taxation (EBIT)		**(9 600)**	8 739	**(3 455)**	–
Investment income	8	**14 914**	1 653	**231**	–
Finance cost	9	**(7 630)**	–	**(2 926)**	–
(Loss)/profit before taxation		**(2 316)**	10 392	**(6 150)**	–
Taxation	10	**(2 788)**	(2 909)	**151**	–
(Loss)/profit for the year		**(5 104)**	7 483	**(5 999)**	–
Attributable to:					
Owners of the parent		**(7 037)**	7 483	**(5 999)**	–
Non-controlling interests	16	**1 933**	–	**–**	–
Total comprehensive (loss)/income for the year		**(5 104)**	7 483	**(5 999)**	–

		GROUP	
(Loss)/Earnings per share (EPS)	Notes	**2017 Cents**	2016[1] Cents
Basic	11	**(1.2)**	1.5
Diluted	11	**(1.2)**	1.5

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

[2] *The Company's prior year figures appear to be zero due to figures being presented in thousands.*

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	GROUP 2017 R'000	GROUP 2016[1] R'000	COMPANY 2017 R'000	COMPANY 2016[2] R'000
Assets					
Non-current assets					
Property, plant and equipment	13	**453 699**	73 806	**–**	–
Goodwill	14	**409 666**	39 924	**–**	–
Intangible assets	15	**113 522**	37 870	**–**	–
Investment in subsidiaries	16	**–**	–	**811 004**	–
Other investments	21	**1 898**	–	**–**	–
Deferred tax asset	17	**14 695**	3 031	**151**	–
Total non-current assets		**993 480**	154 631	**811 155**	–
Current assets					
Inventories	18	**7 370**	3 809	**–**	–
Trade and other receivables	19	**42 364**	2 873	**–**	–
Loans to related parties	22	**2 500**	229	**640 431**	–
Tax receivable		**6 448**	3 808	**–**	–
Cash and cash equivalents	23	**646 090**	147 271	**9 354**	–
Total current assets		**704 772**	157 990	**649 785**	–
Total assets		**1 698 252**	312 621	**1 460 940**	–
Equity					
Share capital	25	**1 367 123**	60 811	**1 367 123**	–
Retained earnings/(accumulated loss)		**17 241**	23 446	**(5 999)**	–
Other reserves		**953**	–	**–**	–
Total equity attributable to equity holders of the Company		**1 385 317**	84 257	**1 361 124**	–
Non-controlling interest		**29 354**	–	**–**	–
Total equity		**1 414 671**	84 257	**1 361 124**	–
Liabilities					
Non-current liabilities					
Borrowings	24	**3 570**	–	**–**	–
Trade and other payables	20	**719**	–	**–**	–
Deferred tax liability	17	**20 116**	6 220	**–**	–
Total non-current liabilities		**24 405**	6 220	**–**	–
Current liabilities					
Borrowings	24	**664**	–		–
Loans from related parties	22	**119 042**	210 664	**7 201**	–
Trade and other payables	20	**136 010**	11 480	**92 615**	–
Tax payable		**3 460**	–	**–**	–
Total current liabilities		**259 176**	222 144	**99 816**	–
Total liabilities		**283 581**	228 364	**99 816**	–
Total equity and liabilities		**1 698 252**	312 621	**1 460 940**	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

[2] *The Company's prior year figures appear to be zero due to figures being presented in thousands.*

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Ordinary share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
Group							
Balance at 31 December 2015[1]		60 811	–	15 963	76 774	–	76 774
Total comprehensive income for the year		–	–	7 483	7 483	–	7 483
Balance at 31 December 2016[1]		60 811	–	23 446	84 257	–	84 257
Total comprehensive (loss)/ income for the year		–	–	(7 037)	(7 037)	1 933	(5 104)
Issue of ordinary shares	25	1 321 378	–	–	1 321 378	–	1 321 378
Share issue costs	25	(15 066)	–	–	(15 066)	–	(15 066)
Recognition of share-based payment change		–	953	–	953	–	953
Acquisitions	32	–	–	–	–	33 738	33 738
Non-controlling interest – change in ownership		–	–	832	832	(6 317)	(5 485)
Balance at 31 December 2017		1 367 123	953	17 241	1 385 317	29 354	1 414 671

	Ordinary share capital R'000	Share-based payment reserve R'000	Accumulated loss R'000	Total equity R'000
Company				
Balance at 31 December 2015	–	–	–	–
Total comprehensive income for the year[2]	–	–	–	–
Balance at 31 December 2016[1]	–	–	–	–
Total comprehensive loss for the year	–	–	(5 999)	(5 999)
Issue of ordinary shares	1 382 189	–	–	1 382 189
Share issue costs	(15 066)	–	–	(15 066)
Balance at 31 December 2017	1 367 123	–	(5 999)	1 361 124

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

[2] *The Company's prior year figures appear to be zero due to figures being presented in thousands.*

The Group has applied capital reorganisation accounting to account for acquisitions under common control, resulting in the Group and Company's share capital amounts being different in 2016. As a result, the ordinary shares issued during 2017 differ between the Group and the Company. Refer to Note 2.5 and Note 25 for further information.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
	Notes	2017 R'000	2016[1] R'000	2017 R'000	2016[2] R'000
Net cash flow (used in)/from operating activities		**(47 737)**	10 857	**(2 350)**	–
Cash (utilised by)/generated from operating activities	31.1	**(37 233)**	11 767	**345**	–
Investment income		**14 914**	1 653	**231**	–
Finance cost		**(7 630)**	–	**(2 926)**	–
Tax paid	31.2	**(17 788)**	(2 563)	**–**	–
Net cash flow used in investing activities		**(391 903)**	(85 436)	**(180 000)**	–
Purchase of property, plant and equipment	13	**(222 185)**	(72 903)	**–**	–
Purchase of intangible assets	15	**(126)**	(310)	**–**	–
Curriculum development costs	15	**(11 277)**	(12 231)	**–**	–
Acquisition of subsidiaries, net of cash acquired	32	**(158 548)**	–	**(180 000)**	–
Disposal of property, plant and equipment		**233**	8	**–**	–
Net cash flow from financing activities		**938 459**	214 661	**191 704**	–
Net proceeds on shares issued	25	**824 934**	–	**824 934**	–
Proceeds from loans from related parties		**249 042**	214 661	**7 201**	–
Loans advanced to related parties		**–**	–	**(640 431)**	–
Repayments of loans from related parties		**(130 000)**	–	**–**	–
Repayment of borrowings		**(32)**	–	**–**	–
Additional investment in subsidiary with no change in control	32	**(5 485)**	–	**–**	–
Net movement in cash and cash equivalents for the year		**498 819**	140 082	**9 354**	–
Cash and cash equivalents at the beginning of the year		**147 271**	7 189	**–**	–
Cash and cash equivalents at the end of the year	23	**646 090**	147 271	**9 354**	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*
[2] *The Company's prior year figures appear to be zero due to figures being presented in thousands.*

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 as at, and for the year ended, 31 December 2017 comprises the consolidated and separate annual financial statements of the Company and its subsidiaries (together referred to as STADIO or the Group).

2. BASIS OF PREPARATION

2.1 Statement of compliance and basis of measurement

The consolidated and separate annual financial statements have been prepared on a going concern basis as discussed on pages 69 and 128 in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act of South Africa and the Listings Requirements of the JSE Limited (JSE).

The consolidated and separate annual financial statements have been prepared on the historical cost basis, except for Other Investments (Note 21), and incorporate the principal accounting policies set out below.

2.2 Functional and presentation currency

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

2.3 Rounding

All amounts disclosed in the consolidated and separate 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 consolidated and separate annual financial statements requires management to make estimates, judgements and assumptions that affect the applications of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

2.4.1 Significant judgements and sources of estimation uncertainty

Fair values in business combinations

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

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

Goodwill and indefinite intangible asset impairment

Determining whether goodwill or indefinite intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or indefinite intangible asset has been allocated. The value in use calculation requires an estimate to be made of the timing and amount of future cash flows expected to arise from the cash-generating unit and the application of a suitable discount rate in order to calculate the present value. Refer to Note 14.

Estimated useful lives

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

Any change in accounting estimate will be accounted for prospectively.

2.5 **Capital reorganisation accounting**

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

Capital reorganisation accounting requires that comparative figures are presented as if the common control transaction had taken place at the start of the first reporting period presented, i.e. 1 January 2016. Refer to Note 25 for further information.

3. SIGNIFICANT CHANGES IN THE REPORTING PERIOD.

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

- Listing on the JSE on 3 October 2017; and
- The South African School of Motion Picture Medium and Live Performance Proprietary Limited (AFDA), Southern Business School Proprietary Limited and their associated subsidiaries (SBS Group) were acquired in August 2017 and November 2017 respectively. This resulted in an increase in the amount of goodwill recognised, other intangible assets and other net assets as well as the inclusion of their financial results for the period since acquisition. Refer to Note 32 for further details.

4. ACCOUNTING POLICIES

4.1 **Adoption of new and revised standards**

The following amendments have been adopted by the Group in the current period and had no material effect on the underlying financial position of the Group:

- Amendments to the following standards
  - IFRS 2 Classification and Measurement of Share-based Payment Transactions
  - IFRS 12 Annual Improvements to IFRS 2014 – 2016 cycle
  - IAS 7 Disclosure Initiative
  - IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

4. ACCOUNTING POLICIES (continued)

4.2 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 2017:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Amendments to the following standards:
  - IFRS 9 Prepayment Features with Negative Compensation
  - IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
  - IAS 7 Disclosure Initiative
  - IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
  - IAS 40 Transfers of Investment Property
  - Annual Improvements to IFRSs (2014 – 2016)
  - Annual Improvements to IFRSs (2015 – 2017)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments

Other than IFRS 9 Financial Instruments (IFRS 9) and IFRS 16 Leases (IFRS 16), the Directors do not expect the other standards above to have a material quantitative effect, although they may affect disclosure of information in the consolidated and separate annual financial statements. The Group has not chosen to adopt any of the above standards and interpretations earlier than required.

IFRS 9 was issued by the IASB in July 2014 and is effective for accounting periods beginning on or after 1 January 2018 and addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces expanded disclosure requirements and changes in presentation and no longer includes available-for-sale as a category for the recognition and measurement of financial assets. IFRS 9's new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39 and, amongst others, applies to financial assets classified at amortised cost. The Group believes that impairment losses are likely to become more volatile for financial assets in terms of the ECL model. The Group's preliminary assessment indicated that the application of IFRS 9's impairment requirements to trade and other receivables as at 31 December 2017, would not have a material impact.

IFRS 16 was issued by the IASB in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 Leases and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The adoption of IFRS 16 is not expected to have a significant impact on the Group's net results or net assets, although the full impact is subject to further assessment.

Had we adopted IFRS 16 for the year ended 31 December 2017, this would have had the following estimated effect on the Group's financial results:

- A right of use asset would have been recognised and depreciated over the shorter of the term of the lease or 20 years, with an expected increase in property, plant and equipment of R27.0 million;
- A finance lease liability would have been recognised and discounted at a rate of 12.5%, with an expected increase in liabilities of R29.5 million; and
- The lease expense would have decreased by R4.9 million with an increase in depreciation and finance costs of R1.4 million and R3.5 million respectively.

4.3 **Significant accounting policies**

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

4.3.1 **Basis of consolidation**

The consolidated and separate 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 financial statements from the effective date of acquisition to the effective date of disposal.

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

4. ACCOUNTING POLICIES (continued)

4.3 Significant accounting policies (continued)

4.3.1 Basis of consolidation (continued)

Business combinations

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

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

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

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

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

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

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

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

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

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

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

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

4.3.2 **Property, plant and equipment**

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

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

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

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

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

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

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

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

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

4. ACCOUNTING POLICIES (continued)

4.3 **Significant accounting policies (continued)**

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

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

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

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

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

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

4.3.3 **Intangible assets**

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

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

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

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

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

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

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

4.3.4 Goodwill

Goodwill arises on the acquisition of subsidiaries.

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

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

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

4.3.5 Impairment

Financial assets
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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

4. ACCOUNTING POLICIES (continued)

4.3 Significant accounting policies (continued)

4.3.5 Impairment (continued)

Financial assets (continued)

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

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to 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.

4.3.6 Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Share-based payment transactions

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

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

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

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

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

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

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

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

4.3.7 Loans to shareholders, Directors, managers and employees

These financial assets are classified as loans and receivables.

4.3.8 Loans to/(from) related parties

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

Loans to related parties are classified as loans and receivables.

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

4.3.9 Leases

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

4.3.10 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. ACCOUNTING POLICIES (continued)

4.3 Significant accounting policies (continued)

4.3.11 Trade and other payables

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

4.3.12 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. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

4.3.13 Revenue and other income

Provision of services

Revenue is recognised in profit and loss by reference to the stage of completion when the service is performed in accordance with the terms of the client arrangement and when collections are reasonably assured. Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for goods and services provided in the normal course of business, net of bursaries and discounts granted, and value added tax.

Registration and enrolment fees are recognised immediately on initial registration.

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

Sale of goods

Revenue from the sale of learning materials is recognised when the Group has transferred all the significant risks and rewards of ownership of the goods to the buyer; the amount of revenue, and associated costs incurred, can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

Other income

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

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

4.3.14 Finance income and expense

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

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

4.3.15 **Borrowing costs**

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

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

The capitalisation of borrowing costs commences when:

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

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

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

4.3.16 **Dividend income**

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

4.3.17 **Taxation**

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

Current tax

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

Deferred tax

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

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

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

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

4. ACCOUNTING POLICIES (continued)

4.3 **Significant accounting policies (continued)**

4.3.18 **Share capital**

Ordinary shares

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

4.3.19 **Earnings per share**

Basic earnings per share

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

Diluted earnings per share

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

Headline earnings per share

Basic earnings adjusted for non-headline items in terms of the requirements stipulated in Circular 2/2015, as issued by SAICA. Headline earnings per share is calculated by dividing headline earnings by the WANOS.

Core earnings per share

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

4.3.20 **Segmental reporting**

The Group considers its Executive Committee to be the chief operating decision maker and therefore the segmental disclosures provided are aligned with the monthly reports provided to the Executive Committee. The Group's reporting segments are based on the types of institutions in the Group. Operating segments with similar economic characteristics have been aggregated into one reportable segment which reflects the nature of the services provided by the Group.

4.3.21 **Financial instruments**

Non-derivative financial instruments

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

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost.

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.

Available-for-sale financial assets are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in other comprehensive income. On derecognition of the available-for-sale financial asset, the accumulated gains or losses recognised in other comprehensive income will be recycled through profit or loss.

Cash and cash equivalents

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

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

4.3.22 **Financial Risk Management**

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Credit risk

Credit risk is the risk of financial loss to the Group or Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from 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 client.

Services are rendered to clients 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 client.

Allowance for impairment

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Investments

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

Guarantees

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

Liquidity risk

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

Market risk

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

4. ACCOUNTING POLICIES (continued)

4.3 **Significant accounting policies (continued)**

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

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

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

5. SEGMENTAL REPORTING

Reportable operating segments – Due to all of the services being related to higher education services within southern Africa, the Group has only one reportable segment. As such, no separate segment report has been presented. All historical information presented represents the financial information of this single segment.

	GROUP		COMPANY	
	2017 R'000	2016[1] R'000	2017 R'000	2016[2] R'000
6. REVENUE AND INCOME				
From rendering services:	117 338	38 993	–	–
Registration and tuition fees	118 144	39 114	–	–
Discounts and bursaries granted	(1 515)	(181)	–	–
Other academic income	405	–	–	–
Rental income	304	60	–	–
From sale of goods:	5 216	6 538	–	–
Study material sales	4 711	6 120	–	–
Canteen sales	505	418	–	–
Revenue	122 554	45 531	–	–
Other income	2 844	1 994	–	–
Conference income	2 002	1 358	–	–
Other	842	636	–	–
Income	125 398	47 525	–	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

[2] *The Company's prior year figures appear to be zero due to figures being presented in thousands.*

7. OPERATING EXPENSES

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

	GROUP		COMPANY	
	2017 R'000	2016[1] R'000	2017 R'000	2016 R'000
Advertising and marketing	**5 332**	621	**–**	–
Acquisition costs	**4 744**	–	**850**	–
Academic costs	**10 691**	6 893	**–**	–
Property costs[2]	**9 061**	2 953	**–**	–
Operating lease costs	**6 749**	2 269	**–**	–
– premises	**5 575**	2 269	**–**	–
– equipment	**1 174**	–	**–**	–
Staff costs[3]	**71 227**	17 951	**–**	–
– salaries and wages	**77 892**	28 513	**–**	–
– defined contribution plans	**3 659**	2 067	**–**	–
– share-based payments	**953**	–	**–**	–
– staff costs capitalised (refer to Note 15)	**(11 277)**	(12 629)	**–**	–
Listing costs	**4 154**	–	**2 107**	–
– general listing costs	**2 979**	–	**932**	–
– auditor's remuneration – non-audit services (PwC)	**1 175**	–	**1 175**	–
Auditor's remuneration	**1 519**	66	**–**	–
– audit services – PwC[3]	**1 200**	66	**–**	–
– audit services – other	**319**	–	**–**	–
Research costs	**472**	–	**–**	–
Increase in doubtful debt allowance	**1 796**	740	**–**	–
Bad debts recovered	**(1 637)**	–	**–**	–
Profit on sale of property, plant and equipment	**(1)**	(8)	**–**	–

[1] The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.
[2] Property costs include facility costs, security costs, repairs and maintenance costs, insurance costs and cleaning costs.
[3] The Company's staff costs and audit fees are borne by Stadio Corporate Services Proprietary Limited.

	GROUP		COMPANY	
	2017 R'000	2016[1] R'000	2017 R'000	2016 R'000
8. INVESTMENT INCOME				
Interest received				
– Financial institutions	14 459	1 278	231	–
– Interest charged on trade and other receivables	421	375	–	–
– South African Revenue Services	2	–	–	–
Dividends received on investments	32	–	–	–
	14 914	1 653	231	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

	GROUP		COMPANY	
	2017 R'000	2016[1] R'000	2017 R'000	2016 R'000
9. FINANCE COST				
Interest paid				
– borrowings	161	–	–	–
– amounts due to related parties	7 401	–	2 926	–
– bank and other third parties	225	–	–	–
Interest capitalised	(157)	–	–	–
	7 630	–	2 926	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

Interest was capitalised to qualifying assets using a capitalisation rate of 6.5% (2016: nil).

	GROUP		COMPANY	
	2017 R'000	2016[1] R'000	2017 R'000	2016 R'000
10. TAXATION				
Current tax				
• South African normal tax				
– current year	(5 724)	–	–	–
• Foreign tax	629	–	–	–
– current year	616	–	–	–
– prior year adjustment	13	–	–	–
Total current tax recovery	(5 095)	–	–	–
Deferred tax				
• South African deferred tax	8 019	2 909	151	–
– attributable to temporary difference arising in current year	7 817	2 909	151	–
– attributable to temporary difference arising in prior year	202	–	–	–
• Foreign deferred tax				
– attributable to temporary difference arising in current year	(136)	–	–	–
Total deferred tax expense	7 883	2 909	151	–
Total tax expense	2 788	2 909	151	–

	%	%	%	%
Reconciliation of tax rate:				
Standard tax rate	28.0	28.0	28.0	28.0
Adjusted for:				
• Disallowable expenditure:				
– listing costs	(50.2)	–	(9.4)	–
– share-based payment expense	(11.5)	–	–	–
– acquisition related costs	(58.0)	–	(3.9)	–
– legal fees of a capital nature	(0.7)	–	–	–
– finance costs of a capital nature	(38.1)	–	(13.3)	–
– other	6.1	–	–	–
• Interest income not taxable	4.0	–	1.1	–
Effective tax rate	(120.4)	28.0	2.5	28.0

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

The estimated tax loss available for set-off against future taxable income for the Group is R24.3 million (2016: R2.7 million), and for the Company is R0.5 million (2016: Rnil).

11. (LOSS)/EARNINGS PER SHARE

	Basic 2017	Basic 2016[1]	Diluted[2] 2017	Diluted[2] 2016[1]
Group				
(Loss)/earnings attributable to owners of the parent (R'000)	**(7 037)**	7 483	**(7 037)**	7 483
Weighted average number of shares ('000)	**576 147**	495 882	**581 791**	497 563
(Loss)/earnings per share (cents)	**(1.2)**	1.5	**(1.2)**	1.5
Headline (loss)/earnings:				
Basic (loss)/earnings (R'000)	**(7 037)**	7 483	**(7 037)**	7 483
Adjusted for:				
– Profit on sale of property, plant and equipment (R'000)	**(1)**	(8)	**(1)**	(8)
– Tax on above (R'000)	**–**	2	**–**	2
Headline (loss)/earnings (R'000)	**(7 038)**	7 477	**(7 038)**	7 477
Weighted average number of shares ('000)	**576 147**	495 882	**581 791**	497 563
Headline (loss)/earnings per share (cents)	**(1.2)**	1.5	**(1.2)**	1.5
Core headline (loss)/earnings[3]:				
Headline (loss)/earnings (R'000)	**(7 038)**	7 477	**(7 038)**	7 477
Adjusted for:				
– Acquisition costs (R'000)	**4 744**	–	**4 744**	–
– Listing costs, legal and other fees (R'000)	**4 154**	–	**4 154**	–
– Amortisation of client list attributable to parent (R'000)	**1 916**	1 186	**1 916**	1 186
– Tax on above (R'000)	**(538)**	(332)	**(538)**	(332)
Core headline earnings (R'000)	**3 238**	8 331	**3 238**	8 331
Weighted average number of shares ('000)	**576 147**	495 882	**581 791**	497 563
Core headline earnings per share (cents)	**0.6**	1.7	**0.6**	1.7

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

[2] *Diluted weighted average number of shares are adjusted for the effects of all dilutive potential ordinary shares.*

[3] *Headline earnings are adjusted for certain items that, in the Boards view, may distort the financial results from year to year, giving shareholders a more consistent reflection of the underlying financial performance of the Group.*

12. DIVIDENDS ON ORDINARY SHARE

No dividends were declared or paid by the Group for the year ended 31 December 2017.

13. PROPERTY, PLANT AND EQUIPMENT

	Land R'000	Buildings[2] R'000	Computer equipment R'000	Computer software R'000	Creative and arts[3] R'000	Office, furniture and other equipment R'000	Motor vehicles R'000	Total R'000
Group								
Cost								
At 1 January 2016[1]	–	–	2 666	599	–	2 039	–	5 304
Additions	10 099	54 103	3 857	3 340	–	1 114	390	72 903
At 1 January 2017[1]	10 099	54 103	6 523	3 939	–	3 153	390	78 207
Additions[2]	–	**243 628**	**16 353**	**3 588**	**684**	**7 060**	**785**	**272 098**
Acquisitions	**23 931**	**69 390**	**1 797**	–	**14 374**	**4 007**	**931**	**114 430**
Disposals	–	–	**(837)**	–	**(378)**	–	**(155)**	**(1 370)**
At 31 December 2017	**34 030**	**367 121**	**23 836**	**7 527**	**14 680**	**14 220**	**1 951**	**463 365**
Accumulated depreciation								
At 1 January 2016[1]	–	–	1 777	326	–	1 253	–	3 356
Depreciation charge for the year	–	7	647	97	–	278	16	1 045
At 1 January 2017[1]	–	7	2 424	423	–	1 531	16	4 401
Depreciation charge for the year	–	**232**	**1 382**	**2 027**	**1 952**	**679**	**131**	**6 403**
Disposals	–	–	**(837)**	–	**(301)**	–	–	**(1 138)**
At 31 December 2017	–	**239**	**2 969**	**2 450**	**1 651**	**2 210**	**147**	**9 666**
Carrying amount								
At 31 December 2016[1]	10 099	54 103	4 099	3 516	–	1 622	374	73 806
At 31 December 2017	**34 030**	**366 882**	**20 867**	**5 077**	**13 029**	**12 010**	**1 804**	**453 699**

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

[2] *Includes a transaction whereby the Embury Musgrave property of R49 million was acquired by the Group through an asset-for-share transfer. Net cash flow on additions to property, plant and equipment amounts to R222 million.*

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

During the year, borrowing costs of R0.2 million were capitalised to qualifying assets (2016: Rnil) using a rate of 6.5% (2016: nil). Leasehold improvements of R116 million (2016: R0.5 million) were included in buildings for the year ended 31 December 2017. The majority of leasehold improvements relates to the new Embury Waterfall campus. Land and buildings of R7.9 million and motor vehicles of R0.3 million have been encumbered as security for the secured long-term borrowings in Note 24, bearing interest of 8.5% to 11.5%. A register containing information required by Regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the Company.

14. GOODWILL

	Cost R'000	Accumulated impairment R'000	Carrying value R'000
Group			
At 1 January 2016 and 31 December 2016[1]	39 924	–	39 924
Additions through acquisitions	**369 742**	**–**	**369 742**
At 31 December 2017	**409 666**	**–**	**409 666**

Impairment tests for goodwill and indefinite useful life intangible assets

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

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

2017	Embury R'000	AFDA R'000	SBS GROUP R'000	Total R'000
Goodwill	**39 924**	**226 392**	**143 350**	**409 666**
Indefinite lived intangible assets	**29 774**	**22 406**	**21 073**	**73 253**
Total	**69 698**	**248 798**	**164 423**	**482 919**

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

	Higher Education Institutions		
2017	**Embury**	**AFDA**	**SBS GROUP**
Pre-tax discount rate	**18%**	**18%**	**18%**
Price earnings/exit multiple	**10**	**10**	**10**
Forecast CAGR	**17%**	**13%**	**14%**
2016[1]			
Pre-tax discount rate	15%	n/a	n/a
Price earnings/exit multiple	10	n/a	n/a
Forecast CAGR	17%	n/a	n/a

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

No impairments were recognised for the years ended 31 December 2017 or 2016. The Directors and management have considered and assessed the reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the above mentioned CGUs to exceed its recoverable amount.

15. INTANGIBLE ASSETS

	Trademarks R'000	Curriculum material R'000	Client lists R'000	Total R'000
Group				
Cost				
At 1 January 2016[1]	16 642	7 501	5 929	30 072
Additions	12	298	–	310
Internally generated	–	12 231	–	12 231
At 1 January 2017	16 654	20 030	5 929	42 613
Additions	**124**	**2**	**–**	**126**
Acquisitions	**37 309**	**12 099**	**18 507**	**67 915**
Internally generated	**–**	**11 277**	**–**	**11 277**
Disposals	**–**	**(104)**	**–**	**(104)**
At 31 December 2017	**54 087**	**43 304**	**24 436**	**121 827**
Accumulated amortisation				
At 1 January 2016[1]	–	–	3 557	3 557
Charge for the year	–	–	1 186	1 186
At 1 January 2017	–	–	4 743	4 743
Charge for the year	**–**	**1 686**	**1 980**	**3 666**
Disposals	**–**	**(104)**	**–**	**(104)**
At 31 December 2017	**–**	**1 582**	**6 723**	**8 305**
Carrying amount				
At 31 December 2016	16 654	20 030	1 186	37 870
At 31 December 2017	**54 087**	**41 722**	**17 713**	**113 522**

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

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

As at 31 December 2017	Trademarks R'000	Curriculum material R'000	Client lists R'000	Total R'000
Carrying value	**54 087**	**41 722**	**17 713**	**113 522**
Indefinite useful life assets	**54 087**	**19 166**	**–**	**73 253**
Definite life assets	**–**	**22 556**	**17 713**	**40 269**

Refer to Note 14 for details pertaining to the impairment assessment relating to the indefinite life intangible assets. No impairment was recognised for the years ended 31 December 2017 or 2016.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

16. INVESTMENT IN SUBSIDIARIES

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

	Percentage Holding		Carrying value		
	2017 %	2016 %	2017 R'000	2016 R'000	Principle activity
Stadio Investment Holdings Proprietary Limited (SIH)	100	100	811 004	–	Investment holding company
Stadio Corporate Services Proprietary Limited (SCS)	100	–	–	–	Corporate services
Stadio Multiversity Proprietary Limited	100	–	–	–	Inactive
Milpark Investments SPV Proprietary Limited	100	–	–	–	Investment holding company
Embury Institute for Higher Education Proprietary Limited	100	–	–	–	Higher education institution
Embury Botswana Proprietary Limited*	100	–	–	–	Dormant
The South African School of Motion Picture Medium and Live Performance Proprietary Limited	100	–	–	–	Higher education institution
Intraframe Proprietary Limited	100	–	–	–	Property company
Ekosto 1067 Proprietary Limited	100	–	–	–	Property company
Southern Business School Proprietary Limited (SBS)	74	–	–	–	Higher education institution
Southern Business School of Namibia Proprietary Limited^	74	–	–	–	Investment and property holding company
			811 004		

** Incorporated in Botswana.*

^ Incorporated in Namibia.

The Company acquired The South African School of Motion Picture Medium and Live Performance Proprietary Limited, Intraframe Proprietary Limited and Ekosto 1067 Proprietary Limited (collectively AFDA) on 24 August 2017 and subsequently transferred the investment in AFDA to its subsidiaries SIH and SCS through an asset-for-share transfer in terms of section 42 of the Income Tax Act. For further information regarding the investment in AFDA and other investments made by the Group during the year, refer to Note 32.

SBS is a material subsidiary with a 26% non-controlling shareholder who has 26% of the voting and economic rights of SBS. The financial information pertaining to SBS is shown below.

Subsidiaries with material non-controlling shareholders

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

The profit allocated to non-controlling shareholders for the two months since acquisition was R1.9 million.

	SBS R'000	SBS Namibia R'000	Total R'000
Summarised statement of comprehensive income			
Revenue	14 855	5 443	20 298
Operating expenses	(7 774)	(3 638)	(11 412)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	7 081	1 805	8 886
Depreciation and amortisation	(103)	(109)	(212)
Earnings before interest and taxation (EBIT)	6 978	1 696	8 674
Net finance income/(costs)	164	(50)	114
Profit before taxation	7 142	1 646	8 788
Taxation	(1 805)	(565)	(2 370)
Profit for the year	5 337	(1 081)	6 418
Non-controlling interest (NCI)	(1 515)	(418)	(1 933)
Profit attributable to parent	3 822	663	4 485
Summarised statement of financial position			
Non-current assets	21 482	11 015	32 497
Current assets	44 844	16 278	61 122
Total assets	66 326	27 293	93 619
Non-current liabilities	–	3 570	3 570
Current liabilities	5 996	1 970	7 966
Total liabilities	5 996	5 540	11 536
Net assets	60 330	21 753	82 083
Carrying amount of non-controlling interest	22 086	7 268	29 354
NCI in all other subsidiaries	–	–	–
NCI per statement of financial position	22 086	7 268	29 354
Summarised statement of cash flow			
Cash flows utilised in operating activities			(8 120)
Cash flows from investing activities			–
Cash flows utilised in financing activities			(5 275)
Net decrease in cash and cash equivalents			**(13 395)**

17. DEFERRED TAX

	GROUP		COMPANY	
	2017 R'000	2016[1] R'000	2017 R'000	2016 R'000
The balance of the deferred tax asset is made up as follows:				
Income received in advance	**6 445**	2 064	**–**	–
Allowance for doubtful debts	**1 308**	216	**–**	–
Tax losses available for set off against future taxable income	**6 816**	751	**151**	–
Other	**126**	–	**–**	–
Deferred tax asset	**14 695**	3 031	**151**	–
Deferred tax liability is made up as follows:				
Property, plant and equipment	**(4 575)**	(174)	**–**	–
Intangible assets	**(15 311)**	(5 857)	**–**	–
Prepayments	**(230)**	(189)	**–**	–
Deferred tax liability	**(20 116)**	(6 220)	**–**	–
Net deferred tax (liability)/asset	**(5 421)**	(3 189)	**151**	–
The movement on the deferred tax is as follows:				
Balance at the beginning of the year	**(3 189)**	(280)	**–**	–
Income statement charge	**(7 883)**	(2 909)	**151**	–
Acquisitions	**5 651**	–	**–**	–
Balance at the end of the year	**(5 421)**	(3 189)	**151**	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

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 2017 and are satisfied that there are future taxable profits against which the temporary differences can be utilised.

	GROUP		COMPANY	
	2017 R'000	2016[1] R'000	2017 R'000	2016 R'000
18. INVENTORIES				
Study materials	**7 248**	3 695	**–**	–
Merchandise and other	**122**	114	**–**	–
	7 370	3 809	**–**	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

	GROUP		COMPANY	
	2017 R'000	2016[1] R'000	2017 R'000	2016 R'000
19. TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	**37 837**	1 834	**–**	–
Less: Impairment of trade receivables	**(3 638)**	–	**–**	–
Carrying value of trade receivables	**34 199**	1 834	**–**	–
Deposits	**2 539**	313	**–**	–
Prepayments	**3 706**	674	**–**	–
Value Added Tax	**1 904**	–	**–**	–
Sundry debtors	**16**	52	**–**	–
Total trade and other receivables	**42 364**	2 873	**–**	–
Comprising:				
Financial assets	**34 215**	1 886	**–**	–
Non-financial assets	**8 149**	987	**–**	–
Total Trade and other receivables	**42 364**	2 873	**–**	–
Movement in doubtful debt allowance				
Balance at the beginning of the year	**–**	–	**–**	–
Acquisitions	**3 032**	–	**–**	–
Additional allowances taken to profit and loss	**1 796**	740	**–**	–
Utilised during the year	**(1 190)**	(740)	**–**	–
Balance at the end of the year	**3 638**	–	**–**	–

Maturity profile of trade and other receivables past due but not impaired

Trade receivables with renegotiated terms of payment or with acceptable payment history are not considered to be impaired. At 31 December the following amounts were past due but not impaired.

One month past due	**302**	100	**–**	–
Two months past due	**194**	60	**–**	–
Three months past due	**447**	145	**–**	–
Four to six months past due[2]	**18 183**	631	**–**	–
Greater than six months past due[2]	**14 706**	792	**–**	–
	33 832	1 728	**–**	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

[2] *During the current year, the SBS Group aligned their revenue recognition policies to those of the Group's resulting in large balances included within greater than four months past due. These balances relate to a wide spread of customers and management believe the amounts are recoverable.*

Management analyse trade receivables and raise doubtful debt allowances as deemed appropriate using their knowledge of the current market and past payment trends. During enrolment, management assess the student's credit history to ascertain whether any credit risk exists and then responds appropriately.

20. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2017 R'000	2016[1] R'000	2017 R'000	2016 R'000
Current				
Trade payables	**11 536**	1 192	**1 706**	–
Income received in advance	**22 609**	7 373	**–**	–
Accruals	**12 988**	2 908	**2 093**	–
Other payables	**–**	7	**–**	–
Lease liability	**61**	–	**–**	–
Deferred purchase price	**88 816**	–	**88 816**	–
	136 010	11 480	**92 615**	–
Non-current				
Lease liability	**719**	–	**–**	–
	719	–	**–**	–
Total trade and other payables	**136 729**	11 480	**92 615**	–
Comprising:				
Financial liabilities	**131 566**	11 480	**92 615**	–
Non-financial liabilities	**5 163**	–	**–**	–
	136 729	11 480	**92 615**	–
Maturity profile of Group's non-current trade and other payables				
Lease liability:				
Due within one to two years	**61**	–	**–**	–
Due within two to five years	**658**	–	**–**	–
Total	**719**	–	**–**	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

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

The deferred purchase price consideration for the acquisition of The South African School of Motion Picture Medium and Live Performance Proprietary Limited (AFDA) comprised an initial consideration of R260 million and a top-up consideration calculated using the audited recurring headline earnings of AFDA for the year ended 31 December 2017. The amount was settled partly through the issue of 10.8 million shares, valued at R74.4 million, on 16 March 2018, and a final cash payment of R14.4 million on 20 March 2018. Refer to Note 33.

	GROUP		COMPANY	
	Total 2017 R'000	Total 2016[1] R'000	Total 2017 R'000	Total 2016 R'000
21. OTHER INVESTMENTS				
Balance at the beginning of the year	–	–	–	–
Acquisitions	1 886	–	–	–
Additions/re-investments	12	–	–	–
Balance at the end of the year	1 898	–	–	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

Other investments include amounts held in a corporate fund with investments primarily in various unit trusts. The fair value of the investment is R1.9 million (2016: Rnil), determined by the market price of the funds at the reporting date.

	GROUP		COMPANY	
	Total 2017 R'000	Total 2016[1] R'000	Total 2017 R'000	Total 2016 R'000
22. LOANS TO/(FROM) RELATED PARTIES				
Loans to related parties				
Stadio Investment Holdings Proprietary Limited[2]	–	–	5	–
Stadio Corporate Services Proprietary Limited[2]	–	–	640 426	–
VJ Properties Close Corporation[2]	1 941	–	–	–
Almika Properties 90 Proprietary Limited[2]	74	229	–	–
Curro Holdings Limited[2]	71	–	–	–
Loans to key management[3]	414	–	–	–
Total amount receivable	2 500	229	640 431	–
Loans from related parties				
Curro Holdings Limited[4]	(119 042)	(210 664)	–	–
Embury Institute for Higher Education Proprietary Limited[2]	–	–	(7 201)	–
Total amount payable	(119 042)	(210 664)	(7 201)	–
Net loan (from)/to related parties (Note 28)	(116 542)	(210 435)	633 230	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*
[2] *These loans are interest-free, unsecured and repayable on demand.*
[3] *These loans bear interest at rates agreed upon from time to time and were repaid during March 2018.*
[4] *This loan was interest free, unsecured and repayable on demand. As of 1 January 2018, this loan bears interest of 10% per annum, is unsecured and is repayable on demand. This loan was repaid in full on 7 March 2018.*

For further information relating to related parties, refer to Note 28.

23. CASH AND CASH EQUIVALENTS

	GROUP 2017 R'000	GROUP 2016[1] R'000	COMPANY 2017 R'000	COMPANY 2016 R'000
Bank balances	**80 632**	1 179	**9 354**	–
Money market (refer to Note 28)	**547 838**	146 092	**–**	–
Short-term deposits	**17 581**	–	**–**	–
Petty cash	**39**	–	**–**	–
	646 090	147 271	**9 354**	–

Included in cash and cash equivalents is R0.1 million (2016: R0.1 million) pledged as security *in lieu* of office rental.

The Group and Company only deposit cash with major banks that have a high quality credit standing, refer to Note 27.

Net debt reconciliation

Net debt	GROUP 2017 R'000	GROUP 2016[1] R'000	COMPANY 2017 R'000	COMPANY 2016 R'000
Cash and cash equivalents	**646 090**	147 271	**9 354**	–
Loans to related party[2]	**–**	–	**640 431**	–
Other investments[3]	**1 898**	–	**–**	–
Borrowings – repayable within one year	**(664)**	–	**–**	–
Borrowings – repayable after one year	**(3 570)**	–	**–**	–
Loans from related parties	**(119 042)**	(210 664)	**(7 201)**	–
Net cash/(debt)	**524 712**	(63 393)	**642 584**	–
Cash, other investments and loans to related parties	**647 988**	147 271	**649 785**	–
Gross debt – fixed interest rates	**(119 042)**	(210 664)	**(7 201)**	–
Gross debt – variable interest rates	**(4 234)**	–	**–**	–
Net cash/(debt)	**524 712**	(63 393)	**642 584**	–

23. CASH AND CASH EQUIVALENTS (continued)

Group	Other assets		Liabilities from financing activities				Total
	Cash	Other investments	Loans to related party	Borrowings – repayable within one year	Borrowings – repayable after one year	Loans from related parties	
Net debt as at 1 January 2016	7 189	–	–	–	–	–	7 189
Cash flows	140 082	–	–	–	–	(210 664)	(70 582)
Net debt as at 31 December 2016	147 271	–	–	–	–	(210 664)	(63 393)
Cash flows	377 367	12	–	(32)	–	91 622	468 969
Acquisition of subsidiaries	121 452	1 886	–	(632)	(3 570)	–	119 136
Net debt as at 31 December 2017	646 090	1 898	–	(664)	(3 570)	(119 042)	524 712

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

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

[3] *Other investments comprise current investment amounts held in a corporate fund with investments primarily in various unit trusts and which are available-for-sale.*

Company	Other assets		Liabilities from financing activities				Total
	Cash	Other investments	Loans to related party	Borrowings – repayable within one year	Borrowings – repayable after one year	Loans from related parties	
Net debt as at 1 January 2016	–	–	–	–	–	–	–
Net debt as at 1 January 2017	–	–	–	–	–	–	–
Cash flows	9 354	–	640 431			(7 201)	642 584
Net debt as at 31 December 2017	9 354	–	640 431	–	–	(7 201)	642 584

	2017 R'000	2016[1] R'000	2017 R'000	2016 R'000
24. BORROWINGS				
Loans under committed facilities	4 234	–	–	–
	4 234	–	–	–
Maturity profile of borrowings				
Due within one year	664	–	–	–
Due within one to two years	658	–	–	–
Due within two to five years	1 739	–	–	–
Due more than five years	1 173	–	–	–
Total	4 234	–	–	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

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

The total amount of undrawn facilities available for future operating activities and commitments are R0.5 million (2016: R0.3 million).

Refer to Note 13 for details relating to assets pledged as security for above borrowings.

	GROUP		COMPANY	
	2017 Number '000	2016[1,3] Number '000	2017[3] Number '000	2016[1,3] Number '000
25. ORDINARY SHARE CAPITAL				
Number of shares				
Authorised shares at 31 December (no par value)[3]	1 000 000	1	1 000 000	1
Issued ordinary shares at 1 January[1,3]	410 561	410 561	–	–
Issued during the year:				
– rights issue[4]	256 000	–	256 000	–
– B-BBEE private placement[4]	67 568	–	67 568	–
– other	51 801	–	462 362	–
Issued ordinary shares at 31 December[2]	785 930	410 561	785 930	–

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Share capital				
Issued ordinary shares at 1 January[1]	60 811	60 811	–	–
Issued during the year:				
– rights issue[4]	640 000	–	640 000	–
– B-BBEE private placement[4]	200 000	–	200 000	–
– other	481 378	–	542 189	–
Issued ordinary shares at 31 December[2]	1 382 189	60 811	1 382 189	–
Share issue costs	(15 066)	–	(15 066)	–
Total issued share capital[2]	1 367 123	60 811	1 367 123	–

[1] *The Group has applied capital reorganisation accounting to account for acquisitions under common control, resulting in the Group and Company's share capital amounts being different in 2016. Further information is disclosed below and in Note 2.5.*

[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] *Authorised share capital was increased from 120 shares in 2016 to one billion shares in 2017. No actual shares were issued in 2016 however due to capital reorganisation accounting being applied, as mentioned above, this share issue is presented in 2016.*

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

Listing on the JSE

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

Rights issue

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

B-BBEE Private Placement

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

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

Other

On 13 July 2017, in anticipation of listing, the Company was unbundled from its previous holding company, Curro Holdings Limited (Curro). The Company issued 410 million ordinary shares to Curro as consideration for Curro's investment in and loan receivable from Embury Institute for Higher Education Proprietary Limited valued at R272 million. The transfer of the assets was concluded through an asset-for-share transaction in terms of section 42 of the Income Tax Act.

On 24 August 2017, the Company acquired 100% of the issued share capital of The South African School of Motion Picture Medium and Live Performance Proprietary Limited and Intraframe Proprietary Limited (AFDA). The initial purchase consideration of R300 million was settled partly through the issue of 37 million ordinary shares valued at R120 million with the balance of R180 million settled in cash. A further top-up purchase consideration of R88.8 million was settled in March 2018 as follows: R14.4 million in cash; and R74.4 million through the issue of shares.

On 8 November 2017, the Company acquired 74% of the issued share capital of Southern Business School Proprietary Limited which included a 51% interest in SBS Namibia. The purchase consideration of R200 million was settled partly through the issue of 15 million ordinary shares valued at R100 million with the balance of R100 million being settled in cash.

Refer to Note 32 for further details relating to these acquisitions.

26. 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 (2016: nil). 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:

	2017		2016	
	Number of share options '000	Weighted average exercise price R	Number of share options '000	Weighted average exercise price R
Outstanding at the beginning of the year	–	–	–	–
Awarded during the year	14 977	2.96	–	–
Exercised during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Outstanding at the end of the year	14 977		–	

Vesting date	Number of share options '000	Weighted average exercise price R
3 October 2019	**3 744**	2.96
3 October 2020	**3 744**	2.96
3 October 2021	**3 744**	2.96
3 October 2022	**3 745**	2.96
	14 977	

Assumptions used in fair value	2017	2016
Strike price (Rand)	**2.96**	–
Share price at award date (Rand)	**2.96**	–
Fair value (Rand)	**0.88**	–
Volatility (%)	**22.90**	–
Risk-free rate (%)	**8.01**	–
Dividend yield (%)	**–**	–

Details of share options awarded to and exercised by Directors during the year:

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

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

Share-based payment expense

The total expense relating to equity-settled share-based payments for the year ended 31 December 2017 was R0.953 million (2016: Rnil). Refer to Note 7.

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

Group 2017	Notes	Loans and receivables at amortised cost, cash and cash equivalents R'000	Financial assets at amortised cost R'000	Financial liabilities at amortised cost R'000	Non-financial assets and liabilities R'000	Total R'000
Non-current assets						
Property, plant and equipment	13	–	–	–	453 699	453 699
Other non-current assets	14, 15, 19, 21	–	1 898	–	537 883	539 781
		–	1 898	–	991 582	993 480
Current assets						
Cash and cash equivalents	23	646 090	–	–	–	646 090
Trade and other receivables	19	–	34 215	–	8 149	42 364
Other current assets	18, 22	2 500	–	–	13 818	16 318
		648 590	34 215	–	21 967	704 772
Total assets		648 590	36 113	–	1 013 549	1 698 252
Non-current liabilities						
Borrowings	24	–	–	3 570	–	3 570
Other non-current liabilities	17, 20	–	–	719	20 116	20 835
		–	–	4 289	20 116	24 405
Current liabilities						
Trade and other payables	20	–	–	130 847	5 163	136 010
Borrowings	24	–	–	664	–	664
Other current liabilities	22	–	–	119 042	3 460	122 502
		–	–	250 553	8 623	259 176
Total liabilities		–	–	254 842	28 739	283 581

Group 2016[1]	Notes	Loans and receivables at amortised cost, cash and cash equivalents R'000	Financial assets at amortised cost R'000	Financial liabilities at amortised cost R'000	Non-financial assets and liabilities R'000	Total R'000
Non-current assets						
Property, plant and equipment	13	–	–	–	73 806	73 806
Other non-current assets	14, 15, 17	–	–	–	80 825	80 825
		–	**–**	**–**	**154 631**	**154 631**
Current assets						
Cash and cash equivalents	23	147 271	–	–	–	147 271
Trade and other receivables	19	–	1 886	–	987	2 873
Other current assets	18, 22	229	-	–	7 617	7 846
		147 500	**1 886**	**–**	**8 604**	**157 990**
Total assets		**147 500**	**1 886**	**–**	**163 235**	**312 621**
Non-current liabilities						
Other non-current liabilities	17	–	–	–	6 220	6 220
		–	**–**	**–**	**6 220**	**6 220**
Current liabilities						
Trade and other payables	20	–	–	11 480	–	11 480
Borrowings	22	–	–	210 664	–	210 664
		–	**–**	**222 144**	**–**	**222 144**
Total liabilities		**–**	**–**	**222 144**	**6 220**	**228 364**

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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27. FINANCIAL INSTRUMENTS (continued)

Company 2017	Notes	Loans and receivables at amortised cost, cash and cash equivalents R'000	Financial assets at amortised cost R'000	Financial liabilities at amortised cost R'000	Non-financial assets and liabilities R'000	Total R'000
Non-current assets						
Investment in subsidiary	16	–	–	–	811 004	811 004
Other non-current assets	17	–	–	–	151	151
		–	–	–	811 155	811 155
Current assets						
Loans to related parties	22	640 431	–	–	–	640 431
Cash and cash equivalents	23	9 354	–	–	–	9 354
		649 785	–	–	–	649 785
Total assets		649 785	–	–	811 155	1 460 940
Current liabilities						
Trade and other payables	20	–	–	92 615	–	92 615
Loan from related parties	22	–	–	7 201	–	7 201
Total liabilities		–	–	99 816	–	99 816

The Company's balance sheet is not shown for 2016 due to figures being presented in thousands.

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 24, loans from related parties disclosed in Note 22, cash and cash equivalents disclosed in Note 23 and equity as disclosed in the statement of financial position.

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

There are no externally imposed capital requirements.

Financial risk management

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

i) Liquidity risk

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

2017	Borrowings R'000	Lease liability[2] R'000	Trade and other payable[2] R'000	Other financial liabilities R'000	Total financial liabilities R'000	Discount R'000	Carrying value R'000
Less than one year	598	57	129 932	119 042	249 629	70	249 699
Between one and two years	535	221	–	–	756	159	915
Between two and five years	1 150	370	–	–	1 520	682	2 202
Over five years	596	–	–	–	596	576	1 172
	2 879	648	129 932	119 042	252 501	1 487	253 988
Discount	1 355	132	–	–	1 487		
Carrying value	4 234	780	129 932	119 042	253 988		

2016[1]	Borrowings R'000	Lease liability R'000	Trade and other payables R'000	Other financial liabilities R'000	Total financial liabilities R'000	Discount R'000	Carrying value R'000
Less than one year	210 664	–	11 480	–	222 144	–	222 144
Between one and two years	–	–	–	–	–	–	–
Between two and five years	–	–	–	–	–	–	–
Over five years	–	–	–	–	–	–	–
Carrying value	210 664	–	11 480	–	222 144	–	222 144

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*
[2] *Lease liability forms part of trade and other payables.*

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

27. FINANCIAL INSTRUMENTS (continued)

ii) Market risk

Interest rate risk

Other than the money market (Note 23) and loans under committed facilities (Note 24), the Group has no significant interest-bearing assets as at 31 December 2017.

The impact on pre-tax profit in the year ended 31 December 2017, of a shift of 25 basis points in the interest rate, would result in an increase in profit of R0.1 million (2016: Rnil) for the Group, primarily due to the money market, and a decrease of R0.1 million (2016: Rnil) 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 and the Company do not trade in foreign currency or incur any expenditure in foreign currency, except for the Namibian operations, which have a 1:1 exchange rate; and Botswana operations which are not material. As such, the Group and Company has no material foreign currency risk.

iii) Credit risk

Credit risk consists mainly of cash deposits, cash and cash equivalents (excluding petty cash), loans to related parties and trade receivables.

The Group and Company only deposit cash with major banks that are independently rated or, in the case of the money market, a reputable organisation whose individual credit rating is A- (ie. high credit quality) and whose underlying investments are independently rated. The credit quality of cash and cash equivalents (excluding petty cash) as at 31 December 2017 can therefore be assessed by reference to their external credit rating as follows:

Credit agency	Credit rating	Credit rating definition	2017 Amount R'000
Moodys	Aa1	High quality with low credit risk	483 682
Moodys	Government	Low risk	145 177
S&P	BB	Speculative characteristic however less vulnerable to non-payment than other speculative issues.	11 505
GCR	Aa1	Very high credit quality	5 687
			646 051

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. An upfront deposit is received from customers at enrolment and customers are monitored on a continuous basis with engagement and communication between the relevant institution and customer occurring throughout the year. At 31 December 2017, the Group did not consider there to be any significant concentration of credit risk which had not been adequately provided for because individual debtors are assessed on an individual basis.

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

	2017 R'000	2016[1] R'000
Cash and cash equivalents	**646 051**	147 271
Trade and other receivables	**34 215**	1 886
Other current assets	**2 500**	229
Other non-current assets	**1 898**	–
	684 664	149 386

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

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 available-for-sale investments in unit trusts which are traded in active markets and valued at the closing market price at the reporting date.

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

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

The Group recognises identifiable assets, liabilities and contingent liabilities which meet the recognition criteria of IFRS 3 Business Combinations at their fair values arising at the acquisition date of the respective subsidiaries. In assessing the fair value of separately identifiable intangible assets to be recognised, Trademarks were valued using the Royalty Relief method, Client Lists were valued using a value-in-use method and Curriculum material was valued using the Replacement Cost method. An adjusted WACC was used where relevant. Intangible assets totalling R67.9 million was recognised on acquisitions during the year, refer to Note 32.

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

As at 31 December 2017	**Trademarks**	**Curriculum material**	**Client lists**
Valuation methodology applied	Royalty relief	Replacement cost	Value in Use
Pre-tax discount rate applied in the value in use	n/a	n/a	20% – 21%
Annual growth rate in valuation of trademarks	6%	n/a	n/a

Fair value hierarchy	Note	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**
Other investments	21	1 898	–	–
Business combinations – intangible assets	32	–	–	67 900

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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28. RELATED PARTIES

Related parties include all subsidiaries of the Group as noted in Note 16 as well as the following:

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

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

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

Group	2017 Amount of transactions R'000	2017 Outstanding balance R'000	2016[1] Amount of transactions R'000	2016[1] Outstanding balance R'000
Net loans from related parties (refer to Note 22)[2]	–	(116 542)	–	(210 435)
Cash and cash equivalents				
PSG Collective Investments (RF) Limited[3]	–	547 838	–	–
Trade and other receivables				
Curro Holdings Limited	–	–	–	120
PSG Wealth Financial Planning Proprietary Limited	–	122	–	–
Trade and other payables				
Curro Holdings Limited	–	(93)	–	–
PSG Corporate Services Proprietary Limited	–	(1 603)	–	–
Other net income				
Curro Holdings Limited	(124)	–	(522)	–
Investment income				
PSG Collective Investments (RF) Limited	(5 838)	–	–	–
Finance costs				
Curro Holdings Limited[4]	7 401	–	–	–
Share issue costs				
PSG Corporate Services Proprietary Limited	14 121	–	–	–
Curro Holdings Limited	93	–	–	–
Merger and acquisition costs				
PSG Corporate Services Proprietary Limited	2 441	–	–	–
Listing fees				
PSG Corporate Services Proprietary Limited	1 710	–	–	–
Rental paid				
Almika Properties 90 Proprietary Limited	2 423	–	2 203	–
Citac Africa Proprietary Limited	575	–	–	–
Insurance expense				
PSG Corporate Services Proprietary Limited	25	–	–	–
PSG Wealth Financial Planning Proprietary Limited	7	–	–	–
	22 834	429 722	1 681	(210 315)

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

[2] *The above loans as at 31 December 2017 are interest free, unsecured and repayable on demand (Refer to Note 22).*

[3] *Relates to cash from related parties held in a money market account (Refer to Note 23).*

[4] *During the year, as part of the Group reorganisation, Curro provided bridge funding to the Group to allow it to fund various acquisitions at an interest rate of between 10% and 14%. This bridge funding was repaid during the 2017 financial year.*

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

Company	2017 Amount of transactions R'000	2017 Outstanding balance R'000	2016 Amount of transactions R'000	2016 Outstanding balance R'000
Net loans to related parties (refer to Note 22)	–	633 230	–	–
Trade and other payables				
Curro Holdings Limited	–	(93)	–	–
PSG Corporate Services Proprietary Limited	–	(1 603)	–	–
Finance costs				
Curro Holdings Limited[1]	2 926	–	–	–
Share issue costs				
PSG Corporate Services Proprietary Limited	14 121	–	–	–
Curro Holdings Limited	93	–	–	–
	17 140	631 534	–	–

[1] *During the year, as part of the Group reorganisation, Curro provided bridge funding to the Company at an interest rate of between 10% and 14%. This bridge funding was repaid during the 2017 financial year.*

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

29. COMMITMENTS AND GUARANTEES

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

	GROUP 2017 R'000	GROUP 2016 R'000	COMPANY 2017 R'000	COMPANY 2016 R'000
Within one year	13 912	–	–	–
Within two to five years	38 252	–	–	–
Five years or later	79 902	–	–	–
Cash outflow total	132 066	–	–	–
Total authorised capital expenditure are as follows:				
Authorised capital expenditure				
Authorised and contracted	18 214	–	–	–
Authorised but not yet contracted	91 441	–	–	–
	109 655	–	–	–

The lease included in the future minimum lease payment commitments above primarily relates to the lease of the new Waterfall campus, which opened in 2018.

The Group has, in the normal course of business, given guarantees as required by the Department for Higher Education and Training to the value of R2.8 million. There are no guarantees relating to the Company.

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30. CONTINGENT LIABILITIES

The Group and Company has no contingent liabilities as at 31 December 2017 or 31 December 2016.

		GROUP		COMPANY	
		2017 R'000	2016[1] R'000	2017 R'000	2016 R'000
31.	**NOTES TO THE CASH FLOW STATEMENT**				
31.1	**Cash (utilised by)/generated from operations**				
	(Loss)/profit before taxation	**(2 316)**	10 392	**(6 150)**	–
	Non-cash items:				
	Depreciation	**6 403**	1 045	**–**	–
	Amortisation	**3 666**	1 186	**–**	–
	Investment income	**(14 914)**	(1 653)	**(231)**	–
	Finance costs	**7 630**	–	**2 926**	–
	Foreign exchange loss	**8**	–	**–**	–
	Share-based payment expense	**953**	–	**–**	–
	Profit on disposal of property, plant and equipment	**(1)**	(8)	**–**	–
	Other non-cash expenditure	**781**	–	**–**	–
		2 210	10 962	**(3 455)**	–
	Movements in working capital:				
	Increase in inventories	**(3 561)**	(1 090)	**–**	–
	Decrease/(increase) in trade and other receivables	**(2 760)**	1 073	**–**	–
	(Decreases)/increase in trade and other payables	**(33 122)**	822	**3 800**	–
		(37 233)	11 767	**345**	–
31.2	**Tax paid**				
	Amounts at the beginning of the year	**3 808**	1 245	**–**	–
	Acquisitions	**(23 703)**	–	**–**	–
	Current tax recovery	**5 095**	–	**–**	–
	Amount at the end of the year	**(2 988)**	(3 808)	**–**	–
	Tax paid	**(17 788)**	(2 563)	**–**	–

[1] *The Group's 2016 figures have been prepared on the capital reorganisation accounting method. Refer to Note 2.5.*

32. ACQUISITIONS

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

Acquisition date	Subsidiary	Percentage acquired	Consideration R'000	Fair value of net assets acquired R'000	Goodwill arising on acquisition R'000	Costs R'000
24 August 2017	The South African School of Motion Picture Medium and Live Performance Proprietary Limited, Intraframe Proprietary Limited, Ekosto 1067 Proprietary Limited (collectively AFDA)	100%	388 816	162 424	226 392	512
8 November 2017	Southern Business School Proprietary Limited (SBS), Southern Business School of Namibia Proprietary Limited (SBS Namibia) (collectively SBS Group)	74%	200 000	56 650	143 350	898
			588 816	219 074	369 742	1 410

Net assets acquired	AFDA R'000	SBS Group R'000	Total R'000
Property, plant and equipment	104 289	10 141	**114 430**
Intangible assets	34 278	33 637	**67 915**
Other investments	–	1 886	**1 886**
Trade and other receivables	13 792	25 210	**39 002**
Trade and other payables	(62 191)	(7 364)	**(69 555)**
Cash and cash equivalents	80 105	41 347	**121 452**
Borrowings	–	(4 266)	**(4 266)**
Deferred tax asset	15 707	862	**16 569**
Deferred tax liability	(7 331)	(3 587)	**(10 918)**
Tax payable	(16 225)	(7 478)	**(23 703)**
Non-controlling interest	–	(33 738)	**(33 738)**
Total identifiable net assets acquired	162 424	56 650	**219 074**
Goodwill	226 392	143 350	**369 742**
Total consideration	388 816	200 000	**588 816**
Satisfied by:			
Cash consideration	180 000	100 000	**280 000**
Share issue	120 000	100 000	**220 000**
Deferred consideration	88 816	–	**88 816**
Total consideration	388 816	200 000	**588 816**
Net cash flow on acquisitions			
Cash consideration	180 000	100 000	**280 000**
Cash and cash equivalents acquired	(80 105)	(41 347)	**(121 452)**
Net cash outflow on acquisitions	99 895	58 653	**158 548**

32. ACQUISITIONS (continued)

32.1 **AFDA**

On 24 August 2017, the Group successfully concluded the acquisition of 100% of AFDA, including the related properties, for a total purchase consideration of R388 million. AFDA is a registered private higher education institution (primarily focused on the film, television and live performance industry) currently with nine accredited programmes (ranging from higher certificates to master's programmes). In 2017 AFDA had approximately 2 000 students across four campuses in Johannesburg, Cape Town, Durban and Port Elizabeth. The Group expects the acquisition to result in synergies and economies of scale across the Group by combining the entities. In addition to the net assets recognised above, the Group acquired other intangible assets which did not qualify for separate recognition and therefore form part of goodwill. AFDA contributed R49.4 million to group revenue and generated R13.3 million profit after taxation in the period since acquisition.

32.2 **SBS Group**

On 8 November 2017, the Group successfully acquired a 74% interest in SBS, which included a 51% interest in SBS Namibia (collectively the SBS Group), for a purchase consideration of R200 million. SBS is a South African registered private higher education institution offering 11 accredited distance learning programmes primarily through the School of Business and Economics, the School of Safety in Society and the School of Law. In December 2017, SBS increased its stake in SBS Namibia to 74% for an additional investment of R5.4 million. The SBS Group collectively enrolled approximately 10 000 students in 2017. The Group's financial results for the year ended 31 December 2017 include two months of SBS Group's results. SBS contributed R20.2 million to revenue and generated R6.4 million profit after taxation in the period since acquisition, of which R1.9 million was allocated to non-controlling interests (refer to Note 16).

The following summary presents the Group as if the businesses were acquired on 1 January 2017.

	2017 R'000
Revenue	**346 850**
Profit for the year	**52 348**

33. EVENTS AFTER THE REPORTING DATE

LISOF

The Group acquired 100% of Lisof Proprietary Limited (including the associated property companies Wadam 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 STADIO 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 2017 LISOF had in excess of 686 students across its qualifications and short learning programmes.

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, 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 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 SPV Proprietary Limited 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 and further education and training qualifications and provides the Group with a wide variety of additional qualifications in the School of Business and Commerce which will assist the Group in widening access to higher education in South Africa. The majority of Milpark's programmes are offered through the distance learning mode of delivery. Milpark currently has approximately 14 735 students registered for its various programmes.

AFDA

The Group settled the AFDA top-up consideration through the issue of 10.8 million shares, valued at R74.4 million, on 16 March 2018 and through a final cash payment of R14.4 million on 20 March 2018.

Curro loan

The Group repaid the R119 million loan due to Curro, plus interest thereon, on 7 March 2018. Refer to Note 22.

34. 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 and Company incurred significant once-off expenses relating to listing on the JSE and conclusion of a number of acquisitions which negatively impacted the profit for the period. In 2017, the Group raised R840 million in cash during the year and has a strong cash balance in excess of R640 million as at 31 December 2017. 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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

35. 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:

2017

Name	Basic salary/ director's fees R'000	Bonuses[6] R'000	Share based incentive payments[6] R'000	Pension contributions paid R'000	Total R'000
CR van der Merwe[1, 2]	2 356	2 224	5 067	123	9 770
S Totaram[3, 4]	1 672	995	2 019	57	4 743
D Singh[5]	1 084	–	–	105	1 189
Non-executive					
PN de Waal	–	–	–	–	–
A Mellet (alternate for PN de Waal)	–	–	–	–	–
Independent Non-Executive					
RH Stumpf	95	–	–	–	95
R Kisten	83	–	–	–	83
KS Sithole	87	–	–	–	87
Total	5 377	3 219	7 086	285	15 967

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

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

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

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

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

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

No directors' fees were paid by the Company or the Group in 2016.

GENERAL INFORMATION

SHAREHOLDERS' ANALYSIS

AS AT 31 DECEMBER 2017

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

Shareholder spread

To the best knowledge of the Directors and after reasonable enquiry, the spread of shareholders as at 31 December 2017 were as follows:

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

Major shareholders

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

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

Share information

	2017
Closing price at period end (cents)	**805**
JSE market high (cents)	**950**
JSE market price low (cents)	**520**
Total number of transactions on JSE	**34 129**
Total number of shares traded	**90 622 900**
Total value of shares traded (R)	**629 104 744**
Average price per share (cents)	**725**
Shares in issue	**785 930 219**
Percentage volume traded to shares in issue	**11.5%**

NOTICE OF ANNUAL GENERAL MEETING

Stadio Holdings Limited
(Previously Embury Holdings Proprietary Limited)
Incorporated in the Republic of South Africa
Registration number: 2016/371398/06
JSE share code: SDO
ISIN: 2AE 000248662
(STADIO, or the Group, or the Company)

Notice is hereby given of the Annual General Meeting of shareholders of STADIO to be held at Curro Durbanville School, CR van der Merwe School Hall, 1 Memento Drive, Sonstraal Heights, Cape Town at 14:00 on Monday, 4 June 2018 (the AGM).

PURPOSE

The purpose of the AGM is to transact the business set out in the agenda below.

AGENDA

- Presentation of the audited consolidated and separate annual financial statements of STADIO and its subsidiaries, including the reports of the Directors and the Audit and Risk Committee, for the year ended 31 December 2017. The 2017 Integrated Report of the Group containing the audited consolidated and separate annual financial statements is available at **www.stadio.co.za** or can be obtained from the Company at its registered office.
- To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

Note:

For any of the ordinary resolutions numbers 1 to 13 and 15 to 16 (inclusive) to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution number 14, more than 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof. For special resolutions numbers 1 to 4 to be adopted, at least 75% of the voting rights exercised on such resolution must be exercised in favour thereof.

1. CONFIRMATION OF APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

1.1 Ordinary resolution number 1

Resolved that Mr DM Ramaphosa's, appointment as director in terms of the Listings Requirements of the JSE Limited, be and is hereby confirmed.

Summary curriculum vitae of Mr Douglas Maitakhole Ramaphosa (Douglas)

Mr Ramaphosa offers a wealth of experience, having served on the boards of numerous companies as well as holding various other senior executive positions in the private sector. Douglas was appointed as an independent non-executive of Curro Holdings Limited on 26 January 2018. He is also a Non-Executive Director of EnviroServ, a waste-management company, as well as of the Wildlife and Environment Society of South Africa (WESSA), and chairperson and director of Satori Tech Hub. Previously, Douglas served as group executive of corporate affairs at Altron, was CEO of Bytes Healthcare Solutions and, prior to that, managing director of Bytes Specialised Solutions. Douglas has more than 25 years of business experience through various director and board memberships. He worked at senior executive level for a number of large organisations, including Transnet, ABSA and Anglo American. He served on the board of Eskom Enterprises for five years and was director and chairperson of Rotek Industries.

Qualifications: MA Social Sciences

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

1.2 Ordinary resolution number 2

Resolved that Prof RH Stumpf, who retires by rotation in terms of the Listings Requirements of the JSE Limited, and, being eligible, offers himself for re-election, be and is hereby re-elected as director.

1.3 Ordinary resolution number 3

Resolved that Ms R Kisten, who retires by rotation in terms of the Listings Requirements of the JSE Limited, and, being eligible, offers herself for re-election, be and is hereby re-elected as director.

1.4 Ordinary resolution number 4

Resolved that Mr KS Sithole, who retires by rotation in terms of the Listings Requirements of the JSE Limited, and, being eligible, offers himself for re-election, be and is hereby re-elected as director.

1.5 Ordinary resolution number 5

Resolved that Mr PN de Waal, who retires by rotation in terms of the Listings Requirements of the JSE Limited, and, being eligible, offers himself for re-election, be and is hereby re-elected as director.

1.6 Ordinary resolution number 6

Resolved that Mr A Mellet, who retires by rotation in terms of the Listings Requirements of the JSE Limited, and, being eligible, offers himself for re-election, be and is hereby re-elected as an alternate director to Mr PN de Waal.

1.7 Ordinary resolution number 7

Resolved that Dr CR van der Merwe, who retires by rotation in terms of the Listings Requirements of the JSE Limited, and, being eligible, offers himself for re-election, be and is hereby re-elected as director

1.8 Ordinary resolution number 8

Resolved that Ms S Totaram, who retires by rotation in terms of the Listings Requirements of the JSE Limited, and, being eligible, offers herself for re-election, be and is hereby re-elected as director

1.9 Ordinary resolution number 9

Resolved that Dr D Singh, who retires by rotation in terms of the Listings Requirements of the JSE Limited, and, being eligible, offers herself for re-election, be and is hereby re-elected as director

The reason for ordinary resolution number 1 is that the Listings Requirements of the JSE Limited (JSE) require that any new appointment to the Board of the Company be confirmed by the shareholders at the AGM. The Board of STADIO announced on 13 March 2018 that Mr Ramaphosa be appointed as independent Non-Executive Director of STADIO effective 9 March 2018.

The reason for ordinary resolution numbers 2 to 9 (inclusive) is that the Listings Requirements of the JSE Limited, and, to the extent applicable, Companies Act of South Africa (the Companies Act), require that all Non-Executive Directors rotate at the first Annual General Meeting of the Company and, being eligible, may offer themselves for re-election as directors. Going forward, one-third of Non-Executive Directors will retire at the Company's AGM. Some brief *curriculum vitae* of each of the Directors eligible for re-election and confirmation to the Board appears on pages 53 to 55 of the 2017 Integrated Report.

2. REAPPOINTMENT OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE OF THE COMPANY

Note:

For the avoidance of doubt, all references to the Audit and Risk Committee of the Company are a reference to the Audit Committee as contemplated in the Companies Act.

2.1 Ordinary resolution number 10

Resolved that Mr KS Sithole, subject to the approval of ordinary resolution number 4 above, being eligible, be and is hereby reappointed as a member and chairperson of the Audit and Risk Committee of the Company, as recommended by the Board of Directors of the Company, until the next Annual General Meeting of the Company.

2.2 Ordinary resolution number 11

Resolved that Ms R Kisten, subject to the approval of ordinary resolution number 3 above, being eligible, be and is hereby reappointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board of Directors of the Company, until the next Annual General Meeting of the Company.

2.3 Ordinary resolution number 12

Resolved that, subject to the approval of ordinary resolution number 1 above, Mr DM Ramaphosa, being eligible, be and is hereby appointed as a member of the Audit and Risk Committee of the Company, as recommended by the Board of Directors of the Company, until the next Annual General Meeting of the Company.

The reason for ordinary resolutions numbers 10 to 12 (inclusive) is that the Company, being a public listed company, must appoint an Audit Committee and the Companies Act requires that the members of such Audit committee be appointed, or reappointed, as the case may be, at each AGM of the Company.

3. REAPPOINTMENT OF AUDITOR

3.1 Ordinary resolution number 13

Resolved that PricewaterhouseCoopers Inc. be and are hereby reappointed as the auditors of the Company for the ensuing year on the recommendation of the Audit and Risk Committee of the Company.

The reason for ordinary resolution number 13 is that the Company, being a public listed company, must have its annual consolidated and separate financial statements audited, and such auditors must be appointed or reappointed each year at the Annual General Meeting of the Company, as required by the Companies Act.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

4. GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

4.1 Ordinary resolution number 14

Resolved that the Directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements of the JSE, and subject to the provision that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution shall be limited to 10% of the issued share capital of the Company at the date of this notice of AGM, provided that:

- The approval shall be valid until the date of the next Annual General Meeting of the Company, provided it shall not extend beyond fifteen months from the date of this resolution;
- The general issues of shares for cash in any one financial year may not exceed, in the aggregate, 10% of the Company's issued share capital (number of securities) of that class as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer or in consideration for acquisitions or shares issued to the Stadio Group Share Incentive Trust (Trust) or options granted by the Trust in accordance with the Listings Requirements of the JSE shall not diminish the number of ordinary shares that comprise the 10% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 10% of the issued ordinary shares of the Company amounts to 81 624 781 ordinary shares;
- In determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30 business-day period;
- Any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements of the JSE and not to related parties;
- Any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- If the issued securities represent, on a cumulative basis, 5% or more of the number of securities in issue, prior to that issue, an announcement containing full details of such issue shall be published on SENS.

For listed entities wishing to issue shares for cash (other than issues by way of rights offers and/or in consideration for acquisitions and/or to share incentive schemes, which schemes have been duly approved by the JSE and by the shareholders of the Company), it is necessary for the Board to obtain the prior authority of the shareholders in accordance with the Listings Requirements of the JSE and the memorandum of incorporation of the company. The reason for ordinary resolution number 14 is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements of the JSE and the memorandum of incorporation of the Company.

At least 75% of the shareholders present in person or by proxy and entitled to vote at the AGM must cast their vote in favour of this resolution.

5. NON-BINDING ADVISORY VOTE ON STADIO'S REMUNERATION POLICY

5.1 Ordinary resolution number 15

Resolved that the Company's remuneration policy, as set out on pages 59 to 61 of this 2017 Integrated Report, be and is hereby endorsed by way of a non-binding advisory vote.

The reason for and effect of ordinary resolution number 15 is that the King IV Report on Corporate Governance for South Africa, 2016™ (King IV™) recommends, and the Listings Requirements of the JSE require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each AGM. This enables shareholders to express their views on the remuneration policy adopted. Ordinary resolution 15 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

5.2 Ordinary resolution number 16

Resolved that the Company's implementation report in regard to the remuneration policy, as set out on page 62 of this 2017 Integrated Report, be and is hereby endorsed by way of a non-binding advisory vote.

The reason for and effect of ordinary resolution number 16 is that King IV™ recommends that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each Annual General Meeting. This enables shareholders to express their views on the implementation of a company's remuneration policy. Ordinary resolution 16 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

To consider and, if deemed fit, approve, with or without modification, the following special resolutions:

6. REMUNERATION OF NON-EXECUTIVE DIRECTORS

6.1 Special resolution number 1

Resolved in terms of section 66(9) of the Companies Act that the Company be and is hereby authorised to remunerate its Non-Executive Directors for their services as Directors on the basis set out below, provided that this authority will be valid until the next AGM of the Company.

Non-Executive Directors' fees (excluding value-added tax)	Annual fee 2018
Board:	
Chairperson of the board	R160 000
Board members	R120 000
Additional fee payable to the chairpersons of the Board sub-committees:	
Audit and Risk Committee	R10 000 per meeting
Remuneration Committee	R10 000 per meeting
Social and Ethics Committee	R10 000 per meeting
Additional fee payable to the members of the Board sub-committees:	
Audit and Risk Committee	R5 000 per meeting
Remuneration Committee	R5 000 per meeting
Social and Ethics Committee	R5 000 per meeting

Notes:
1. Fees are paid for service rendered as Directors.
2. The fees are paid monthly.

The reason for special resolution number 1 is for the Company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its Non-Executive Directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the Company will be able to pay its Non-Executive Directors for the services they render to the Company as Directors without requiring further shareholder approval until the next AGM of the Company.

7. INTER-COMPANY AND RELATED FINANCIAL ASSISTANCE

7.1 Special resolution number 2: Inter-company financial assistance

Resolved in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the Board of the Company be and is hereby authorised to approve that the Company provide any direct or indirect financial assistance ('financial assistance' will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related ('related' or 'inter-related' will herein have the meaning attributed to it in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the Board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next AGM of the Company.

The reason for and effect of special resolution number 2 is to grant the Directors of the Company the authority, until the next AGM, to provide direct or indirect financial assistance to any company or corporation that is related or inter-related to the Company. This means that the Company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

7.2 Special resolution number 3: Financial assistance for the subscription and/or the acquisition of shares in the Company or a related or inter-related company.

Resolved that, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, the Board of the Company be and is hereby authorised to approve that the Company provide any direct or indirect financial assistance ('financial assistance' will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the Board of the Company may deem fit to any person (including a juristic person) for purposes of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company ('related' or 'inter-related' will herein have the meaning attributed to it in section 2 of the Companies Act), on the terms and conditions and for amounts that the Board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next AGM of the Company.

The reason for and effect of special resolution number 3 is to grant the Directors the authority, until the next AGM, to provide financial assistance to any person for purposes of, or in connection with, the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation. This means that the Company is authorised, *inter alia*, to grant loans to any person (including its subsidiaries) or to guarantee and furnish security for the debt of any person where any such financial assistance is directly or indirectly related to that person subscribing for options, shares or securities in the Company or its subsidiaries or purchasing options, shares or securities in the Company or its subsidiaries. A typical example of where the Company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

8. SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES

8.1 Special resolution number 4

Resolved, as a special resolution, that the Company and the subsidiaries of the Company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the Directors may from time to time determine, but subject to the provisions of section 46 and 48 of the Companies Act, the memorandum of incorporation of the Company and the Listings Requirements of the JSE, including, inter alia, that:

- The general repurchase of the shares may only be implemented on the open market of the JSE and must be done without any prior understanding or arrangement between the Company and the counterparty;
- This general authority shall only be valid until the next AGM of the Company, provided that it shall not extend beyond 15 months from the date of this resolution;
- An announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- The general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- A resolution has been passed by the Board of Directors approving the repurchase, that the Company and its subsidiaries have satisfied the solvency and liquidity test as defined in the Companies Act, and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Group;
- The general repurchase is authorised by the Company's memorandum of incorporation;
- Repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five business-day period;
- The Company may at any point in time appoint only one agent to effect any repurchase(s) on the Company's behalf; and
- The Company and/or its subsidiaries may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless a repurchase programme, as contemplated in terms of 5.72(h) of the Listings Requirements of the JSE, has been submitted to the JSE in writing and executed by an independent third party.

The reason for and effect of special resolution number 4 is to grant the Directors a general authority in terms of the Company's memorandum of incorporation and the Listings Requirements of the JSE for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 4.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not collectively hold more than 10% in aggregate of the number of the issued shares of a Company. In order to avoid doubt, a *pro rata* repurchase by the Company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

8.2 Information relating to special resolution number 4

1. The Directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company, as set out in special resolution number 4, to the extent that the Directors, after considering the maximum shares to be purchased, are of the opinion that the position of the Company and its subsidiaries (the Group) would not be compromised as to the following:
   - The Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the repurchase;
   - The consolidated assets of the Group will, at the time of the AGM and at the time of making such determination, be in excess of the consolidated liabilities of the Group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group;
   - The ordinary capital and reserves of the Group after the purchase will remain adequate for the purpose of the business of the Group for a period of 12 months after the AGM and after the date of the share repurchase; and
   - The working capital available to the Group after the repurchase will be sufficient for the Group's requirements for a period of 12 months after the date of the notice of the AGM; and
   - The Directors have passed a resolution authorising the repurchase, resolving that the Company has satisfied the solvency and liquidity test as defined in the Companies Act and resolving that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Group.
2. The Directors, whose names appear on pages 53 to 55 of the 2017 Integrated Report, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made, and that the AGM notice contains all information required by the Listings Requirements of the JSE.

9. INCREASE IN AUTHORISED SHARE CAPITAL

9.1 Special resolution number 5

Resolved, as a special resolution, that in accordance with the provisions of section 36 of the Companies Act, the Company's authorised ordinary share capital be increased by the creation of a further 1 000 000 000 (one billion) ordinary no par value shares in the authorised ordinary share capital of the Company, so as to result in a total of 2 000 000 000 (two billion) ordinary no par value shares in the authorised ordinary share capital of the Company.

The reason for and effect of special resolution number 5 is to increase the authorised ordinary share capital of the Company. The effect of special resolution number 5, if passed, is that the authorised ordinary share capital of the Company will be increased from 1 000 000 000 to 2 000 000 000.

10. OTHER BUSINESS

To transact such other business as may be transacted at an AGM or raised by shareholders with or without advance notice to the Company.

10.1 Voting

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the Company (the share register) for purposes of being entitled to receive this notice is Friday, 20 April 2018.
2. The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at this meeting is Friday, 25 May 2018, with the last day to trade being Tuesday 22 May 2018.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairperson of the AGM and must accordingly bring a copy of their identity document, passport or driver's licence to the AGM. If in in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

4. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy in which the relevant instructions for its completion are set out is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by no later than 11:30 (South African time) on Thursday, 31 May 2018, provided that any form of proxy not delivered to the transfer secretaries by this time may be handed to the chairperson of the AGM prior to the commencement of the AGM, at any time before the appointed proxy exercises any shareholder rights at the AGM.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person will need to request their Central Securities Depository Participant (CSDP) or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and the CSDP or broker in the manner and time stipulated therein.
8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, have one vote in respect of each share held.

By order of the Board

Stadio Holdings Limited

23 April 2018

Registered office:	Unit 13, San Domenico 10 Church Street Durbanville, South Africa, 7550 (PO Box 2161, Durbanville, South Africa, 7551
Transfer secretaries:	Computershare Investor Services Proprietary Limited Rosebank Towers 15 Biermann Avenue Rosebank, South Africa, 2196 (PO Box 61051, Marshall town, South Africa, 2107)
Sponsor:	PSG Capital Proprietary Limited 1st Floor, Ou Kollege Building 35 Kerk Street, Stellenbosch South Africa, 7600 (PO Box, 7403, Stellenbosch, South Africa, 7599

FORM OF PROXY

Stadio Holdings Limited
(Previously Embury Holdings (Pty) Ltd)
Incorporated in the Republic of South Africa
(Registration number: 2016/371398/06)
JSE Share Code: SDO
ISIN: ZAE000248662
(STADIO or the Group)

Form of proxy – for use by certificated and own-name dematerialised shareholders only

For use at the Annual General Meeting of ordinary shareholders of the Company to be held at Curro Durbanville School, CR van der Merwe School Hall, 1 Memento Drive, Sonstraal Heights, Cape Town at 14:00 on Monday, 4 June 2018 (the AGM).

I/we (full name in print) ....

of (address) ....

Telephone: (work) area code (........) .... Telephone: (home) area code (........) ....

Cellphone number: (........) ....

being the registered holder of .... shares in the company, I hereby appoint

1. .... or failing him/her
2. .... or failing him/her
3. .... the chairperson of the AGM,

as my/our proxy to attend, speak and vote for me/us at the AGM for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instruction (see notes):

	In favour of	Against	Abstain
Ordinary resolution number 1: To confirm Mr DM Ramaphosa's appointment as Non-Executive Director			
Ordinary resolution number 2: Retirement and re-election of Prof RH Stumpf as Non-Executive Director			
Ordinary resolution number 3: Retirement and re-election of Ms R Kisten as Non-Executive Director			
Ordinary resolution number 4: Retirement and re-election of Mr KS Sithole as Non-Executive Director			
Ordinary resolution number 5: Retirement and re-election of Mr PN de Waal as Non-Executive Director			
Ordinary resolution number 6: Retirement and re-election of Mr A Mellet as an alternate Non-Executive Director to Mr P N de Waal			
Ordinary resolution number 7: Retirement and re-election Dr CR van der Merwe as an Executive Director			
Ordinary resolution number 8: Retirement and re-election of Ms S Totaram as an Executive Director			
Ordinary resolution number 9: Retirement and re-election of Dr D Singh as an Executive Director			
Ordinary resolution number 10: To reappoint Mr KS Sithole as a member of the Audit and Risk Committee of the Company			
Ordinary resolution number 11: To reappoint Ms R Kisten as a member of the Audit and Risk Committee of the Company			
Ordinary resolution number 12: To appoint Mr DM Ramaphosa as a member of the Audit and Risk Committee of the Company subject to approval of ordinary resolution number 1			
Ordinary resolution number 13: To reappoint PricewaterHouseCoopers Inc. as the auditor			
Ordinary resolution number 14: General authority to issue ordinary shares for cash			
Ordinary resolution number 15: Non-binding endorsement of STADIO's remuneration policy			
Ordinary resolution number 16: Non-binding endorsement of STADIO's implementation report			
Special resolution number 1: Remuneration of Non-Executive Directors			
Special resolution number 2: Inter-company financial assistance			
Special resolution number 3: Financial assistance for the subscription and/or the acquisition of shares in the Company or a related or inter-related company			
Special resolution number 4: Share repurchases by the Company and its subsidiaries			
Special resolution number 5: Increase in authorised share capital			

Please indicate your voting instruction by inserting a cross in the space provided.

Signed at .... on this .... day of .... 2018.

Signature(s ....

Assisted by (where applicable) (state capacity and full name) ....

Each STADIO shareholder is entitled to appoint one or more proxy(ies) (who need not be shareholder(s) of the Company) to attend, speak and vote in his/her stead at the AGM.

Please read the notes overleaf.

FORM OF PROXY (CONTINUED)

Notes:

1. A STADIO shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the chairperson of the AGM'. The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A STADIO shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairperson of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect of which abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders are present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares, or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any shares stand shall be deemed joint holders thereof.
4. Proxy forms should be lodged with the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them not later than Thursday, 31 May 2018, at 11:30 (South African time), provided that any form of proxy not delivered to the transfer secretaries by this time may be handed to the chairperson of the AGM prior to the commencement of the AGM, at any time before the appointed proxy exercises any shareholder rights at the AGM.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairperson of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

COMPANY INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment holding company in private higher education industry
Directors	**Executive** CR van der Merwe S Totaram D Singh **Non-Executive** PN de Waal * *A Mellet (alternate Director to PN de Waal) **Independent Non-Executive** RH Stumpf R Kisten KS Sithole DM Ramaphosa
Company Secretary	Stadio Corporate Services Proprietary Limited
Registered office and business address	Unit 13, San Domenico 10 Church Street Durbanville, South Africa, 7550 (PO Box 2161, Durbanville, South Africa, 7551)
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

GLOSSARY OF TERMS

The words in the first column shall have the corresponding meanings stated opposite them in the second column:

AFDA	Collectively, The South African School of Motion Picture Medium and Live Performance Proprietary Limited including the associated property companies Intraframe and Ekosto
AFS	Annual Financial Statements
AGM	Annual General Meeting
ASACOM	Academic and Student Affairs Committee
BA	Bachelor of Arts
B-BBEE	Broad-Based Black Economic Empowerment
BCom	Bachelor of Commerce
BEd	Bachelor of Education
Black people	Black people as defined in the B-BBEE Act
Brimstone	Brimstone Investment Corporation Limited
CAGR	Compound Annual Growth Rate
CAO	Chief Academic Officer
CA Connect	CA Connect Professional Training Institution CPT Proprietary Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CHE	The South African Council on Higher Education
CL	Contact learning
Companies Act	The Companies Act, No. 71 of 2008, as amended
Core HEPS	Core Headline Earnings Per Share – headline earnings are adjusted 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
CSR	Corporate Social Responsibility
Curro	Curro Holdings Limited
DHET	The South African Department of Higher Education and Training
DL	Distance learning
EBIT	Earnings Before Interest and Taxation
EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation
ECD	Early Childhood Development
Ekosto	Ekosto 1067 Proprietary Limited, a private company incorporated under the laws of South Africa, 100% of the issued share capital of which is held by Intraframe
Embury	Embury Institute for Higher Education Proprietary Limited, a private company incorporated under the laws of South Africa, of which 100% of the issued share capital is held by SIH
EPS	Earnings per Share
FET	Further Education and Training
GTER	Gross Tertiary Enrolment Rate – defined as total student enrolments divided by the school leaver age-cohort in the national population
HC	Higher Certificate
HEI	Higher Education Institutions
HEPS	Headline Earnings per Share
Histodox	Histodox Proprietary Limited, a private company incorporated under the laws of South Africa, of which 100% of the issued share capital is held by SIH
IASB	International Accounting Standards Board
ICT	Information, Communication and Technology

IFRS	International Financial Reporting Standards
IIRC	International IR Framework
Intraframe	Intraframe Proprietary Limited, a private company incorporated under the laws of South Africa, of which 100% of the issued share capital is held by SCS
JSE	JSE Limited
King IV	King Code on Corporate Governance 2016
LISOF	Lisof Proprietary Limited (including the associated property companies Wadam and Histodox), a private company incorporated under the laws of South Africa, 100% of the issued share capital is held by SIH
Listing date	STADIO listed on the main board of the JSE on 3 October 2017
MBA	Masters of Business Administration
MBS Education	MBS Education Investments Proprietary Limited, a private company incorporated under the laws of South Africa, of which 100% of the issued share capital is held by Milpark SPV
Milpark	Milpark Education Proprietary Limited, a private company incorporated under the laws of South Africa, of which 100% of the issued share capital is held by MBS Education
Milpark SPV	Milpark Investments SPV Proprietary Limited, a private company incorporated under the laws of South Africa, of which 74.9% of issued share capital is held by SIH and 25.1% of issued share capital is held by Newshelf 1409 Proprietary Limited, which is a special purpose vehicle held by SIH (49%) and Brimstone (51%)
MOI	The memorandum of incorporation of STADIO, as approved by Shareholders on 14 July 2017
NDP	National Development Plan
NQF	The South African National Qualifications Framework
NRF	National Research Foundation
OECD	Organisation for Economic Cooperation and Development
PLS	Pre-Listing Statement
PSET	Post-School Education and Training
PSG	PSG Group Limited
PwC	PricewaterhouseCoopers Inc.
RemCo	Remuneration Committee
SAICA	The South African Institute of Charted Accountants
SAPS	South African Police Service
SBS	Southern Business School Proprietary Limited, a private company incorporated under the laws of South Africa, 100% of the issued share capital is held by SIH
SBS Group	Collectively SBS and SBS's interest in SBS Namibia
SBS Namibia	Southern Business School of Namibia Proprietary Limited, a private company incorporated under the laws of Namibia, 74% of the issued share capital is held by SBS
SCS	Stadio Corporate Services Proprietary Limited, a private company incorporated under the laws of South Africa, of which 100% of the issued share capital is held by SIH
SIH	Stadio Investment Holdings Proprietary Limited, a private company incorporated under the laws of South Africa, of which 100% of the issued share capital is held by STADIO
STADIO or **the Group**	Stadio Holdings Limited and its underlying subsidiaries
UN	United Nations
UNISA	University of South Africa
USA	United States of America
VALA	Value Added Learning Assessment, a system used to make learning inputs market related
Wadam	Wadam Proprietary Limited, a private company incorporated under the laws of South Africa, of which 100% of the issued share capital is held by SIH

STADIO

HOLDINGS

CREATING A MULTIVERSITY

www.stadio.co.za