STADIO

HOLDINGS

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

TOWARDS

STADIO MULTIVERSITY

CURRENT BRANDS

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

EMBURY
INSTITUTE FOR HIGHER EDUCATION

LISOF
LEADERS IN FASHION EDUCATION

MILPARK EDUCATION

PRESTIGE ACADEMY

SBS
Southern Business School

SIX FACULTIES

- Faculty of Commerce, Management & Law
- Graduate School of Business
- Faculty of Creative Economies
- Faculty of Education & Humanities
- Faculty of Engineering & Information Technology
- Faculty of Agriculture & Environmental Sciences

HIGHLIGHTS

STUDENT NUMBERS
28 280
↑ 10%
25 789*

REVENUE
R409 million
↑ 38%
R297 million

EBITDAR^
R111 million
↑ 51%
R73 million

EBITDA
R105 million
↑ 75%
R60 million

CHE**
R46 million
↑ 46%
R32 million

CHEPS^^
5.7 cps
↑ 43%
4.0 cps

82
ACCREDITED QUALIFICATIONS

57
PIPELINE PROGRAMMES

Milpark's first-of-its-kind fully online **PGDA***** accredited

* *Restated to exclude second semester enrolments incorrectly included in prior year.*
^ *Earnings before interest, tax, depreciation, amortisation and rental.*
** *Core headline earnings as per Note 4.*
^^ *Core headline earnings per share as per Note 4*
*** *Post-Graduate Diploma in Accounting.*

OTHER STATISTICS

All information presented below represents the information of the underlying registered higher education institutions (***HEI***) owned by the Group, split into the illustrative faculties to be offered by STADIO.

STUDENT NUMBERS AND PROGRAMMES PER ILLUSTRATIVE FACULTY

	Student numbers – unaudited					
	ACTUALS			LIKE-FOR-LIKE[3]		
	2019 30 Jun	Restated 2018 30 Jun[1,2]	**Year-on-year growth %**	**2019 30 Jun**	2018 30 Jun	**Year-on-year growth %**
Faculty						
Commerce, Management and Law	**22 360**	21 269	5%	**22 360**	21 648	3%
Creative Economies	**3 092**	2 785	11%	**3 092**	2 889	7%
Education and Humanities	**2 758**	1 735	59%	**2 758**	1 735	59%
Engineering and Information Technology	**70**	–	–	**70**	62	13%
	28 280	25 789	10%	**28 280**	26 334	7%
Modes of learning delivery						
On-campus	**6 081**	4 857	25%	**6 081**	5 402	13%
Off-campus	**22 199**	20 932	6%	**22 199**	20 932	6%
	28 280	25 789	10%	**28 280**	26 334	7%
Made up as follows:						
% On-campus	**22%**	19%		**22%**	21%	
% Off-campus	**78%**	81%		**78%**	79%	

1 *Actuals reported in prior year (i.e. excluding Prestige Academy), restated to correctly allocate students per faculty and on-campus vs off-campus students.*
2 *Restated to exclude second semester intake incorrectly included in the prior year.*
3 *Like-for-like comparison including numbers of all underlying HEIs (i.e. including Prestige Academy).*

As at August 2019, the Group had 31 573 (August 2018: 29 156 students) enrolled, with second semester enrolments still in progress.

	Programmes – unaudited		
	Registered	Pipeline	**Total**
Faculty			
Commerce, Management and Law	49	21	70
Creative Economies	21	14	35
Education and Humanities	8	10	18
Agriculture and Environmental Sciences	–	4	4
Engineering and Information Technology	4	8	12
	82	57	139
Modes of learning delivery			
On-campus	48	37	85
Off-campus	34	20	54
	82	57	139

COMMENTARY

OVERVIEW

STADIO currently owns six private HEIs with its purpose being to widen access to quality and relevant higher education programmes in Southern Africa. It is the Group's vision to be a leading Multiversity, offering qualifications aligned with the needs of societies, students and the world of work. As a Multiversity, the Group aims to provide programmes, both undergraduate (including bachelors degrees, higher certificates and diplomas) and post graduate (including honours, masters, and doctorate degrees), that offers graduates a real chance of creating employment opportunities (entrepreneurship) or finding employment.

The Group will look to consolidate the programmes offered by its various HEIs under a single brand, STADIO Multiversity, that will allow all stakeholders to benefit from the marketing, operational and regulatory advantages of doing so. The Group has made good progress on this front, and subject to the required regulatory approvals, it is envisaged that all brands will form part of STADIO Multiversity during 2020.

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

REVIEW OF RESULTS

The Board is pleased to report the Group's interim results for the six months ended 30 June 2019 (the ***Financial Results***).

The Financial Results include the consolidation of all HEIs for the full six months, compared to the 2018 interim financial results that include the results of Milpark Education (Pty) Ltd and the business of CA Connect Professional Training Institution CPT (Pty) Ltd (collectively ***Milpark***) from their acquisition dates of 19 March 2018 and 12 April 2018, respectively. Furthermore, the 2018 interim financial results exclude Prestige Academy (Pty) Ltd (***Prestige Academy***), which was acquired by the Group on 1 November 2018.

On a like-for-like basis, the Group increased first semester student enrolments by 7% to 28 280 students (June 2018: 26 334). Over the same period, on-campus students grew by 13% to 6 081 students (June 2018: 5 402) and off-campus students grew by 6% to 22 199 students (June 2018: 20 932). The overall growth in student numbers were impacted by the enrolment of students at Milpark for the period. Excluding the impact of Milpark's student numbers, on a like-for-like basis, the Group grew student numbers by 16% for the six months ended 30 June 2019.

A part of Milpark's business is to service the higher education training needs of various corporate entities. This portion of the business is cyclical and directly impacted by various economic factors which remain outside of Milpark's control. Milpark's student numbers for the six months ended 30 June 2019 contracted by 7% to 9 166 students (June 2018: 9 909 students). Notwithstanding the decline, Milpark reported a 14% increase in revenue over the period (on a like-for-like basis). The increase is largely due to the better mix of enrolled students, with the average revenue per Milpark student increasing from R10 459/student to R12 923/student over the six month period. Furthermore, Milpark increased EBITDAR (on a like-for-like basis) by 234% through an improvement of operational efficiencies, as well as disciplined cost control. Milpark currently has 27 registered programmes, including an AMBA accredited MBA. These programmes will contribute significantly to the Graduate School of Business and the Faculty of Commerce, Management and Law as we move to one STADIO Multiversity.

The growth in revenue, EBITDAR, headline earnings per share (***HEPS***) and core headline earnings per share (***CHEPS***) from the prior reporting period is attributable to the organic growth of the underlying institutions, the inclusion of Prestige Academy's results for the first six months of June 2019, as well as the better overall financial performance of Milpark for the six months ended 30 June 2019.

CHEPS reflects HEPS 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. These core adjustments include once-off acquisition related costs, amortisation costs associated with client lists acquired (i.e. a non-cash charge arising as a result of the consolidation of the subsidiaries acquired), and non-cash finance costs on deferred purchase consideration payable in respect of acquisitions.

COMMENTARY (CONTINUED)

The increase in EBITDA of 75% was largely attributable to the adoption of IFRS 16 *Leases* (***IFRS 16***) in the current year which specifies that certain rental expenses are excluded from operating expenses but instead are reflected through an increase in depreciation and finance costs. Consequently, depreciation increased by R10 million to R22 million; and finance costs increased by R9.5 million to R12 million; for the six months ended 30 June 2019. Refer to Note 7 for further details.

Shareholders are advised that given the timing of expenses as well as the expenses to be incurred with respect to the migration to one STADIO Multiversity, costs in the second half of the current financial reporting period may be higher than reflected in the results presented to 30 June 2019.

The Group reported R141 million cash inflow from operating activities, of which R58 million relates to working capital timing differences, primarily generated from income received in advance in respect of tuition fees paid upfront (Refer to Note 6). Cash flows from operating activities, as disclosed, are also positively affected by the application of IFRS 16, whilst the repayment component of the lease liability recognised under IFRS 16, will result in a reduction of the cash flows from financing activities.

During the period the Group spent R34 million on existing facilities and moveable assets as well as on new programme development.

The Group is in a strong cash position with a cash balance of R349 million as at 30 June 2019. This cash will be utilised to fund working capital requirements, to facilitate new developments (including greenfield developments) and for potential acquisitions. The Group currently has an ungeared balance sheet and is in the process of finalising debt facility arrangements to assist in funding its known capital expansion and growth objectives.

FUTURE CAPITAL EXPANSION INITIATIVES

GREENFIELD EXPANSION OPPORTUNITIES

The Group is focused on the development of multi-faculty large-scale campuses, over time. These campuses will offer multiple faculties in a single location. STADIO has identified that potential exists to construct these large scale-campuses in the Western Cape, Gauteng and KwaZulu-Natal, and is pursuing these opportunities.

To this end, the Group is in the process of concluding the purchase of a fitting site in Centurion (Gauteng), and has already entered into an agreement, to acquire vacant land located in Durbanville (Western Cape), both of which are subject to various closing conditions. Given the respective sites' land readiness to start construction, we expect the first large-scale campus to open in Centurion in 2021, with the Durbanville campus opening in 2022.

QUALIFICATIONS

The Group is in the process of developing and expanding its programme and qualification mix offering for both on-campus and off-campus learning modes of delivery. STADIO is committed to ensuring that the curricula offered at all institutions are relevant, innovative, transformative, and effective; resulting in graduates who are highly employable, and/or have the skills to be entrepreneurs; as well as socially conscious, responsible citizens. The Group currently has 14 active international academic co-operations across the Group with internationalisation remaining a key focus area. Current institutional research projects include looking at: i) Jobs and Skills of the Future; ii) Curriculating for Social Consciousness, Responsible Citizenship, and 21st Century Skills; iii) Neuroscience to enhance student success; and iv) Graduate Employability.

The Group currently has 82 qualifications that are accredited, with an additional 57 qualifications, across both on-campus and off-campus modes of learning delivery, in the process of development and/or accreditation. Two significant additions in the first six months was the first-of-its-kind, fully online PGDA, presented by Milpark; and the launch of the first sign language teaching programme in South Africa by Embury Institute for Higher Education (Pty) Ltd.

DIVIDEND

Given the Group's current expansion plan (including greenfield campus expansions and potential acquisitions), no Group dividend was declared for the six months ended 30 June 2019 (30 June 2018: Rnil).

DIRECTORATE AND MANAGEMENT

In June 2019, Mr Khaya Sithole retired by rotation, and Ms Rojie Kisten resigned from the Board, as well as the respective Board sub-committees. In April 2019, Ms Mathukana Mokoka was appointed as an independent non-executive director, and as both the chairperson of the Audit and Risk Committee (ARC) and Remuneration and Nominations Committee. Mr Nico de Waal, a non-executive director, has been appointed as an interim member of the ARC whilst the Board finalises the appointment of an additional independent non-executive director.

As part of the Board's strategy to migrate to one STADIO Multiversity brand, supported by an appropriate organisational structure, the Board appointed Mr Johan Human, founding member and CEO of Embury; and Mr Chris Vorster, Founder and CEO of Southern Business School, as co-Chief Operating Officers. These individuals will play a pivotal role in implementing the Group's vision over the next few years.

PROSPECTS

The Group continues on its journey to establish and migrate all brands to one STADIO Multiversity, which will reap efficiencies in the long-term, but could result in additional costs in the short-to-medium term. Notwithstanding the challenging South African environment, the Board has considered the prospects of the Group and believes that the Group is well positioned to deliver on its organic and acquisitive growth objectives for the 2019 financial year.

On behalf of the board,

RH Stumpf
Chairperson

CR van der Merwe
Chief Executive Officer

23 August 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Year-on-year change %	2019 30 Jun unaudited R'000	2018 30 Jun unaudited[1] R'000	2018 31 Dec audited R'000
Revenue[1]	38%	**408 858**	296 775	632 928
Other income[1]	(16%)	**3 584**	4 277	8 981
Operating expenses (other than rental)[2]	32%	**(301 427)**	(227 736)	(480 045)
Earnings before interest, taxation, depreciation, amortisation and rental (EBITDAR)	51%	**111 015**	73 316	161 864
Rental expense[2]	(54%)	**(6 165)**	(13 457)	(33 052)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	75%	**104 850**	59 859	128 812
Depreciation and amortisation	78%	**(29 200)**	(16 405)	(33 995)
Earnings before interest and taxation (EBIT)	74%	**75 650**	43 454	94 817
Investment income	(4%)	**13 669**	14 298	25 264
Finance cost	181%	**(11 943)**	(4 249)	(6 719)
Profit before taxation	45%	**77 376**	53 503	113 362
Taxation	40%	**(25 149)**	(17 990)	(36 071)
Profit for the period	47%	**52 227**	35 513	77 291
Attributable to:				
Owners of the parent	46%	**41 864**	28 759	63 270
Non-controlling interests	53%	**10 363**	6 754	14 021
Total comprehensive income for the period	47%	**52 227**	35 513	77 291
Headline earnings (Note 3)	46%	**41 682**	28 470	62 838
Core headline earnings (Note 4)	46%	**46 482**	31 915	69 952
		Cents	Cents	Cents
Earnings per share (EPS)				
– Basic	42%	**5.1**	3.6	7.8
– Diluted	42%	**5.1**	3.6	7.7
Headline earnings per share (HEPS)				
– Basic	46%	**5.1**	3.5	7.8
– Diluted	46%	**5.1**	3.5	7.7
Core headline earnings per share (CHEPS)				
– Basic	43%	**5.7**	4.0	8.6
– Diluted	46%	**5.7**	3.9	8.5
		Million	Million	Million
Number of shares in issue				
– Basic		**818**	816	818
– Diluted		**823**	820	826
Weighted average number of shares in issue				
– Basic		**818**	805	811
– Diluted		**823**	808	819

[1] *Rental income relating to the Group's property companies was reclassified from Revenue to Other income for the six months ended 30 June 2018.*

[2] *Re-presented operating expenses to separately identify rental expense in the prior year noting the rental expense disclosed in the current year relates to low-value leases and short-term leases per IFRS 16.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	2019 30 Jun unaudited R'000	2018 30 Jun unaudited R'000	2018 31 Dec audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment[1]	**541 460**	547 303	531 298
Right-of-use asset	**99 637**	–	–
Intangible assets[1]	**209 868**	189 838	206 228
Goodwill	**749 482**	739 556	749 482
Other financial assets	**2 037**	2 555	6 727
Deferred tax asset	**116 482**	63 084	43 004
Total non-current assets	**1 718 966**	1 542 336	1 536 739
Current assets			
Inventories	**2 434**	4 347	4 372
Trade and other receivables	**139 517**	119 280	89 493
Loans to related parties	**931**	2 384	1 954
Tax receivable	**7 610**	14 008	12 180
Cash and cash equivalents	**349 181**	303 838	259 508
Total current assets	**499 673**	443 857	367 507
Total assets	**2 218 639**	1 986 193	1 904 246
EQUITY			
Share capital (Note 5)	**1 565 675**	1 558 683	1 564 283
Retained earnings	**89 600**	46 000	80 511
Other reserves	**8 319**	3 037	5 122
Total equity attributable to equity holders of the Company	**1 663 594**	1 607 720	1 649 916
Non-controlling interest	**47 999**	40 961	47 186
Total equity	**1 711 593**	1 648 681	1 697 102
LIABILITIES			
Non-current liabilities			
Borrowings	**–**	3 801	3 392
Lease liabilities	**153 986**	–	209
Trade and other payables	**20 989**	1 339	29 732
Deferred tax liability	**69 236**	32 174	35 776
Total non-current liabilities	**244 211**	37 314	69 109
Current liabilities			
Borrowings	**–**	450	758
Lease liabilities	**23 044**	–	186
Loans from related parties	**96**	623	1 137
Trade and other payables[2]	**44 312**	94 501	46 241
Income received in advance[2]	**173 704**	172 904	86 451
Tax payable	**21 679**	31 720	3 262
Total current liabilities	**262 835**	300 198	138 035
Total liabilities	**507 046**	337 512	207 144
Total equity and liabilities	**2 218 639**	1 986 193	1 904 246
Net asset value per share (cents)	**203**	197	202

[1] *Computer Software was reclassified from Property, plant and equipment to Intangible assets in 2018 and therefore 30 June 2018 has been restated accordingly.*

[2] *Trade and other payables has been re-presented to disclose contract liabilities separately in accordance with IFRS 15 as at 30 June 2018.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTHS ENDED 30 JUNE 2019

	2019 30 Jun unaudited R'000	2018 30 Jun unaudited R'000	2018 31 Dec audited R'000
Balance at the beginning of the period	**1 697 102**	1 414 671	1 414 671
Change in accounting policy (IFRS 16)	**(35 940)**	–	–
Restated balance at the beginning of the period	**1 661 162**	1 414 671	1 414 671
Total comprehensive income/(loss) for the period	**52 227**	35 513	77 291
Issue of ordinary shares	**1 400**	191 925	197 525
Share issue costs	**(8)**	(365)	(365)
Recognition of share-based payments expense	**3 197**	2 085	4 169
Dividends paid to non-controlling shareholders	**(6 385)**	(1 690)	(2 731)
Non-controlling interest acquired	**–**	6 542	6 542
Balance at the end of the period	**1 711 593**	1 648 681	1 697 102

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Year-on-year change %	2019 30 Jun unaudited R'000	2018 30 Jun unaudited R'000	2018 31 Dec audited R'000
Net cash flow from operating activities	45%	**141 243**	97 364	77 257
Cash generated from operations (Note 6)	52%	**165 941**	109 330	100 075
Interest income	(4%)	**13 669**	14 298	25 264
Finance cost	139%	**(10 168)**	(4 249)	(3 733)
Tax paid	28%	**(28 199)**	(22 015)	(44 349)
Net cash flow used in investing activities	(89%)	**(30 435)**	(280 972)	(305 161)
Purchase of property, plant and equipment	(25%)	**(22 906)**	(30 573)	(41 637)
Purchase of intangible assets and curriculum development costs	91%	**(11 011)**	(5 768)	(15 870)
Acquisition of subsidiaries, net of cash acquired	(99%)	**(2 600)**	(244 934)	(243 750)
Proceeds from sale of property, plant and equipment	(100%)	**1**	303	–
Proceeds from loans	–	**1 181**	–	96
Disposal of/(investment in) other financial assets	–	**4 900**	–	(4 000)
Net cash flow from financing activities	(87%)	**(21 135)**	(158 644)	(158 678)
Share issue costs	(98%)	**(8)**	(365)	(365)
(Repayment)/proceeds from loans	(267%)	**(1 041)**	624	(155 626)
(Repayment)/proceeds of borrowings	(97%)	**(4 149)**	(157 213)	44
Repayment of lease liabilities	–	**(9 552)**	–	–
Dividends paid to non-controlling shareholders	278%	**(6 385)**	(1 690)	(2 731)
Net movement in cash and cash equivalents for the period		**89 673**	(342 252)	(386 582)
Cash and cash equivalents at the beginning of the period		**259 508**	646 090	646 090
Cash and cash equivalents at the end of the period		**349 181**	303 838	259 508

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. STATEMENT OF COMPLIANCE

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

The Financial Results have not been reviewed or audited by the Company's auditor. The Financial Results have been prepared internally under the supervision of the Chief Financial Officer, S Totaram, CA(SA) CFA.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial results are consistent in all material respects with those applied in the annual financial statements for the year ended 31 December 2018, other than the adoption of: IFRS 16; Annual Improvements to IFRS Standards (2015 – 2017); IFRIC 23 Uncertainty over Income Tax Treatments; and Amendments to: IFRS 9: Prepayment Features with Negative Compensation; IAS 19: Plan Amendment Curtailment or Settlement; and IAS 28: Long-term Interests in Associates and Joint Ventures; all of which were effective from 1 January 2019. Other than IFRS 16, the adoption of these standards and amendments have not had a material effect on the financial results of the Group.

IFRS 16 has been adopted from 1 January 2019 using the modified retrospective approach. Accordingly, comparatives for the 2018 reporting periods have not been restated, as permitted under the specific transitional provisions in the standard. The reclassifications and resulting adjustments are therefore recognised in the opening balance sheet on 1 January 2019.

As a result of IFRS 16, the Group recognises a right-of-use asset and a corresponding lease liability, on its statement of financial position in relation to its leases. In addition, the Group classifies any sub-leases which are for the major part of the remaining term of the head lease, as finance leases, with a net investment in leases being disclosed within trade and other receivables. Refer to Note 7 for further detail.

For a full list of standards and interpretations that have been adopted by the Group, we refer you to the annual financial statements for the year ended 31 December 2018.

3. HEADLINE EARNINGS PER SHARE

	2019 30 Jun unaudited R'000	2018 30 Jun unaudited R'000	2018 31 Dec audited R'000
Reconciliation of headline earnings:			
Basic earnings	**41 864**	28 759	63 270
Adjustments attributable to parent:			
Loss/(profit) on disposal of property, plant and equipment	**204**	163	425
Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up	**(466)**	(564)	(1 025)
Tax on above	**80**	112	168
Headline earnings	**41 682**	28 470	62 838

4. OPERATING SEGMENTS

Due to all the Group's services being related to higher education services within southern Africa, the Group has only one operating segment. However, management does make decisions based on what they constitute to be reflective of the underlying financial performance of the Group and as such, the Group has two reportable segments being Core and Non-core. Non-core will include items which may distort the Group's performance from year-to-year, and by excluding this, should provide shareholders with a more consistent reflection of the underlying financial performance of the Group.

Reconciliation of core headline earnings

		30 June 2019 unaudited		30 June 2018 unaudited		31 December 2018 audited	
	Year-on-year change %	Earnings R'000	Earnings per share Cents	Earnings R'000	Earnings per share Cents	Earnings R'000	Earnings per share Cents
Headline earnings	46%	**41 682**	**5.1**	28 470	3.5	62 838	7.8
Adjustments for non-core items attributable to parent:							
Finance costs on deferred consideration	78%	**1 548**	**0.2**	868	0.1	2 604	0.3
Acquisition costs	27%	**1 397**	**0.2**	1 097	0.1	1 280	0.2
Amortisation of client list	29%	**2 660**	**0.3**	2 061	0.3	4 496	0.6
Tax on above	39%	**(805)**	**(0.1)**	(581)	–	(1 266)	(0.2)
Core headline earnings (CHE)	46%	**46 482**	**5.7**	31 915	4.0	69 952	8.6
CHEPS – basic	43%		**5.7**		4.0		8.6
CHEPS – diluted	46%		**5.7**		3.9		8.5

5. SHARE CAPITAL

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

	Number of ordinary shares (million)	Share capital (R'000)
Balance as at 1 January 2019	817.7	1 564 283
Issue of shares in respect of acquisitions	0.4	1 400
Share issue costs	–	(8)
Balance as at 30 June 2019	818.1	1 565 675

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

(CONTINUED)

6. CASH GENERATED FROM/(UTILISED BY) OPERATIONS

	Year-on-year change %	2019 30 Jun unaudited R'000	2018 30 Jun[1] unaudited R'000	2018 31 Dec audited R'000
Profit before taxation	45%	**77 376**	53 503	113 362
Non-cash and other items disclosed separately	221%	**30 507**	9 510	20 478
	71%	**107 883**	63 013	133 840
Movements in working capital	25%	**58 058**	46 317	(33 765)
Decrease in inventories	(36%)	**1 937**	3 024	2 998
(Increase)/decrease in trade and other receivables	31%	**(33 482)**	(25 575)	22 323
Increase/(decrease) in trade and other payables[1]	(60%)	**2 351**	5 843	(21 803)
Increase/(decrease) in income received in advance[1]	38%	**87 252**	63 025	(37 283)
Cash generated from operations	52%	**165 941**	109 330	100 075

[1] *Trade and other payables have been re-presented as at 30 June 2018 to disclose contract liabilities separately in accordance with IFRS 15.*

Non-cash items and trade and other payables were affected by the adoption of IFRS 16 in the current year. Refer to Note 7 for further details.

7. CHANGE IN ACCOUNTING POLICIES

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

Lease liabilities

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

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

7. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

	2019 30 Jun unaudited R'000
Operating lease commitments disclosed as at 31 December 2018	259 427
Discounted using the lessee's incremental borrowing rate at the date of initial application	142 306
Add: finance lease liabilities recognised as at 31 December 2018	395
(Less): short-term leases recognised on a straight-line basis as expense	(1 119)
(Less): low-value leases recognised on a straight-line basis as expense	(1 856)
Add/(less): adjustments as a result of a different treatment of extension and termination options[1]	39 620
Lease liability recognised as at 1 January 2019	179 346
Of which:	
Current lease liabilities	35 572
Non-current lease liabilities	143 774
	179 346

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

Right-of-use asset

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

(CONTINUED)

7. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

The adoption of IFRS 16 had the following impact on the statement of comprehensive income for the period ended 30 June 2019

	2019 30 Jun R'000
Decrease in rental expense	16 795
Increase in depreciation and amortisation	(9 537)
Increase in investment income	1 083
Increase in finance cost	(9 479)
Decrease in profit before taxation	(1 138)
Decrease in taxation	320
Decrease in non-controlling interest	46
Decrease in profit for the period attributable to parent	(772)

8. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

STATUTORY AND ADMINISTRATION

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

Directors: CR van der Merwe*, S Totaram*, D Singh*, RH Stumpf^, DM Ramaphosa^, MG Mokoka^, PN de Waal**, A Mellet** (Alternate to PN de Waal)

** Executive director ** Non-executive director ^ Independent non-executive director*

Company secretary: Stadio Corporate Services Proprietary Limited

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

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

Corporate adviser and sponsor: PSG Capital Proprietary Limited

Website: www.stadio.co.za

Announcement date
26 August 2019

NOTES

STADIO

HOLDINGS

TOWARDS

STADIO MULTIVERSITY

AFDA

EMBURY

LISOF

MILPARK EDUCATION

PRESTIGE ACADEMY

SBS Southern Business School

www.stadio.co.za