**PEMBURY LIFESTYLE GROUP LIMITED**
(Incorporated in the Republic of South Africa)
(Registration number 2013/205899/06)
("PL Group" or "the Company")
ISIN Code: ZAE000222949 JSE Code: PEM

# REVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors are pleased to present the reviewed interim results for the six months ended 30 June 2019, which are continuing to show positive developments in line with the long-term strategy of the group, particularly evidenced in the Schools segment. The interim results for the six months ended 30 June 2019 include the struggling retirement villages business, which management intends to dispose of before year-end. Accordingly, the retirement villages segment is reflected as discontinuing operations in these interim results and the prior period comparative information has been re-presented in line with IFRS 5. The schools segment, property segment and head office are reflected as continuing operations.

## BUSINESS OVERVIEW

The period under review has seen tough decisions being taken to steadily resolve the issues facing the group, to reposition the group back to an education business and ensure the long-term sustainability and growth of the group.

### School Business Unit (including school properties)

The major focus is on finalising the property acquisitions to ease operational cash flows and increase the profitability per school to get all remaining campuses through the J-Curve and contributing positively towards the Group, which aims to limit classroom sizes to between 25 and 28 pupils per classroom. Once all campuses have stabilised and contribute positively to the Group, management will look to expand sustainably by adding more campuses during the 2020 financial year, with the key focus being on organically expanding the High Schools. The pupil teacher ratio is between 10 and 19 across all the campuses, which is below the long-term strategy of the Group. Following IEB and Caps curriculums in the different schools, the focus for the remainder of 2019 is to standardise the curriculum across all campuses for 2020 and aiming for a high pass rate for our 2019 grade 12's results. The Company will consider acquiring smaller existing private schools which show growth potential, although this will be done on a conservative basis. Management continues to interact with the Gauteng Department of Education to finalise the registration of the remaining schools, as the finalisation of the registration is a material element to the continued operations of the Schools. Management has assessed the Allens View and Midview campus and has decided to close the campuses at the end of the 2019 financial year due to poor long-term growth prospects in the area and concerns around the sustainability of the two campuses.

Management are concentrating on finalising the outstanding property transactions to secure the assets of the group in the property division, with one acquisition set to be finalised by 31 December 2019 and the remainder during the 2020 financial year. Management are furthermore focussing on growing the EBITDA of the school campuses and considering the closure of loss-making campuses for which the growth potential is not in line with the long-term strategy of the Group.

**Retirement Villages Business Unit**

In 2019 the Board decided to dispose of the retirement villages business unit, after considering the financial performance of the business unit from date of acquisition up to the end of the previous financial year, as well as feedback from the market. The disposal of this business unit will allow management to focus its efforts on the education business in line with the original long-term strategy of the Group.

**COMPANY AND FINANCIAL HIGHLIGHTS:**

- Revenue from continuing operations has grown 23% for the 6 months ended 30 June 2019 compared to the six months ended 30 June 2018. The schools segment continued to show increased revenue as result of annual fee increases as well as increased pupil numbers.
- Increase in number of pupils to 2 458 at 30 June 2019 up from 2 185 pupils at 30 June 2018.
- Nine of the eleven campuses are operating at a positive EBITDA and are thus through the J-Curve. Two of the loss-making campuses are set to close at the end of the 2019 financial year.
- Results for the Group include the impact of adopting IFRS 16 for the first time, with the modified retrospective approach elected and the net impact for the comparative period recognised against the right-of-use asset at the date of initial application.
- Results for the Pembury Retirement Villages include losses from the discontinued Sandton retirement village, effective 1 March 2019, as well as losses from disposal of the Melrose retirement village, effective 30 June 2019. Refer Note 3 for Discontinued Operations.
- Decrease in net asset value from 35.38 cents per share as at 31 December 2018 to 30.40 cents per share as at 30 June 2019, primarily due to the losses from the Discontinued Operations.
- Decrease in net tangible asset value from 28.79 cents per share as at 31 December 2018 to 26.67 cents per share as at 30 June 2019.
- Basic loss per share increased to 5.40 cents as at 30 June 2019 from 1.51 cents as at 30 June 2018, mainly due to once off losses on disposal and the continuing impact of the newly adopted IFRS 16, with headline loss per share of 2.14 cents as at 30 June 2019, with 0.35 cents per share attributable to losses from continuing operations.

Refer pages 3 to 6 for the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity, as well as pages 7 to 17 for further information related to these Condensed Consolidated Financial Statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Reviewed six months ended 30 June 2019 | Audited year ended 31 December 2018 | Unaudited six months ended 30 June 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | **211,157,396** | **237,790,139** | **180,135,039** |
| Property, plant and equipment | 193,670,258 | 197,448,633 | 144,818,567 |
| Right-of-use asset | 3,940,630 | 0 | 0 |
| Goodwill | 2,692,014 | 7,042,196 | 7,502,196 |
| Intangible assets | 0 | 19,726,654 | 25,714,276 |
| Deferred tax | 5,704,495 | 8,672,656 | 0 |
| Prepayments | 5,050,000 | 4,900,000 | 2,100,000 |
| **Current Assets** | **6,854,522** | **5,693,430** | **83,581,215** |
| Loans to related parties | 0 | 0 | 296,835 |
| Trade and other receivables | 4,884,184 | 4,076,868 | 7,286,137 |
| Other financial assets | 0 | 0 | 1,300 |
| Prepayments | 0 | 0 | 74,464,394 |
| Cash and cash equivalents | 1,970,338 | 1,616,562 | 1,532,549 |
| **Assets held for sale** | **31,347,600** | 0 | 0 |
| **Total Assets** | **249,259,518** | **243,483,569** | **263,716,254** |
| **Equity and Liabilities** | | | |
| **Equity** | **121,811,128** | **143,757,618** | **184,085,245** |
| Stated capital | 182,213,799 | 182,213,799 | 184,661,769 |
| Reserves | 37,541,007 | 37,541,007 | 46,834,342 |
| Accumulated loss | (97,943,678) | (75,997,188) | (47,410,866) |
| **Non-Current Liabilities** | **33,388,118** | **36,852,943** | **34,249,789** |
| Other financial liabilities | 1,608,026 | 1,622,694 | 1,640,058 |
| Lease liability | 26,857,465 | 25,212,688 | 24,221,153 |
| Contract liability | 0 | 849,822 | 0 |
| Deferred tax | 4,922,626 | 7,960,339 | 7,896,307 |
| Life right liability | 0 | 1,207,400 | 492,271 |
| **Current Liabilities** | **57,650,887** | **62,873,008** | **45,381,220** |
| Trade and other payables | 35,100,971 | 35,536,408 | 32,380,851 |
| Loans from related parties | 23,258 | 136,585 | 4,651,783 |
| Other financial liabilities | 297,809 | 430,009 | 580,165 |
| Lease liability | 2,605,104 | 1,917,343 | 2,577,485 |
| Operating lease liability | 0 | 2,369,693 | 2,092,099 |
| Deferred income | 0 | 0 | 1,551,508 |
| Contract liability | 7,461,427 | 9,803,630 | 0 |
| Current tax payable | 525,242 | 525,242 | 525,242 |
| Provisions | 11,637,075 | 11,637,075 | 221,866 |
| Life right liability | 0 | 514,645 | 0 |
| Bank overdraft | 0 | 2,378 | 800,221 |
| **Liabilities directly associated with assets held for sale** | **36,409,385** | 0 | 0 |
| **Total Liabilities** | **127,448,390** | **99,725,951** | **79,631,009** |
| **Total Equity and Liabilities** | **249,259,518** | **243,483,569** | **263,716,254** |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Reviewed six months ended 30 June 2019 | Audited year ended 31 December 2018 (Re-presented) | Unaudited six months ended 30 June 2018 (Re-presented) |
|---|---|---|---|
| Revenue | 55,015,224 | 82,313,962 | 44,740,350 |
| Other operating income | 288,147 | 1,383,098 | 500,222 |
| Operating expenses | (48,177,235) | (123,308,080) | (46,084,386) |
| Credit loss allowances | (4,620,580) | (3,168,296) | 0 |
| Depreciation and amortisation | (1,378,652) | (675,967) | (460,867) |
| **Operating Profit/(Loss) for the period** | **1,126,905** | **(43,455,283)** | **(1,304,681)** |
| Finance income | 5,864 | 62,928 | 34,646 |
| Finance costs | (2,203,979) | (4,434,001) | (1,665,148) |
| **Loss for the period before taxation** | **(1,071,210)** | **(47,826,356)** | **(2,935,183)** |
| Taxation | 732,058 | 13,532,998 | 834,310 |
| **Loss for the period from continuing operations** | **(339,153)** | **(34,293,358)** | **(2,100,873)** |
| Loss from discontinued operations | (21,607,337) | (6,423,106) | (4,017,398) |
| **Loss for the period** | **(21,946,490)** | **(40,716,464)** | **(6,118,271)** |
| Other comprehensive income | 0 | (1,978,665) | 0 |
| **Total comprehensive loss for the period** | **(21,946,490)** | **(42,695,129)** | **(6,118,271)** |
| **Weighted average number of shares in issue** | **406,285,050** | **405,991,394** | **405,693,119** |
| **Basic loss per share (cents)** | | | |
| Continuing operations | **(0.08)** | **(8.45)** | **(0.52)** |
| Discontinued operations | **(5.32)** | **(1.58)** | **(0.99)** |
| **Diluted loss per share (cents)** | | | |
| Continuing operations | **(0.08)** | **(8.45)** | **(0.52)** |
| Discontinued operations | **(5.32)** | **(1.58)** | **(0.99)** |
| **Headline profit/(loss) per share (cents)** | | | |
| Continuing operations | **(0.08)** | **(3.97)** | **(0.52)** |
| Discontinued operations | **(2.06)** | **(0.04)** | **(0.99)** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Reviewed six months ended 30 June 2019 | Audited year ended 31 December 2018 | Unaudited six months ended 30 June 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | 68,130,012 | 129,382,856 | 72,327,408 |
| Cash paid to suppliers and employees | (62,724,195) | (107,045,829) | (64,930,281) |
| **Cash generated from operations** | **5,405,817** | **22,337,027** | **7,397,127** |
| Finance income | 5,864 | 62,934 | 34,646 |
| Finance costs | (2,298,143) | (4,917,720) | (1,768,092) |
| **Net cash generated from operating activities** | **3,113,538** | **17,482,241** | **5,663,681** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 0 | (9,573,696) | (9,234,903) |
| Sale of financial assets | 0 | 0 | (1,300) |
| Repayment of loans to related parties | 0 | (5,473,178) | 0 |
| **Net cash used in investing activities** | **0** | **(15,046,874)** | **(9,236,203)** |
| **Cash flows from financing activities** | | | |
| Proceeds on share issue | 0 | 560,831 | 4,052,360 |
| Repayment of other financial liabilities | (100,159) | 0 | (1,041,659) |
| Debenture paid | 0 | (122,128) | 0 |
| Repayment of life right liability | (412,500) | 0 | (245,507) |
| Proceeds from life right liability | 0 | 662,243 | 0 |
| Finance lease (payments) /receipts | (2,010,633) | (3,799,052) | 412,902 |
| Repayment of loans from related parties | 0 | 0 | (750,169) |
| **Net cash from financing activities** | **(2,523,292)** | **(2,698,106)** | **2,427,927** |
| **Total cash movement for the period** | **590,246** | **(262,739)** | **(1,144,595)** |
| **Cash at the beginning of the period** | **1,614,184** | **1,876,923** | **1,876,923** |
| **Total cash at end of the period** | **2,204,430** | **1,614,184** | **732,328** |
| - Cash and cash equivalents | 1,970,338 | | |
| - Cash and cash equivalents classified as assets held for sale | 234,092 | 1,614,184 | 732,328 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Stated capital | Revaluation reserve | Share-based payment reserve | Total reserves | Accumulated loss | Total attributable to equity holders of the Group |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | **180,609,409** | **45,791,342** | **1,043,000** | **46,834,342** | **(41,552,394)** | **185,891,357** |
| Loss for the year | 0 | 0 | 0 | 0 | (40,716,464) | (40,716,464) |
| Other comprehensive income | 0 | (1,978,665) | 0 | (1,978,665) | 0 | (1,978,665) |
| **Total comprehensive loss for the year** | **0** | **(1,978,665)** | **0** | **(1,978,665)** | **(40,716,464)** | **(42,695,129)** |
| Issue of shares | 561,390 | 0 | 0 | 0 | 0 | 0 |
| Transfer to share capital | 1,043,000 | 0 | (1,043,000) | (1,043,000) | 0 | 0 |
| Realisation of revaluation due to forced disposal | 0 | (6,271,670) | 0 | (6,271,670) | 6,271,670 | 0 |
| **Total contributions by and distributions to owners of company recognized directly in equity** | **1,604,390** | **(6,271,670)** | **(1,043,000)** | **(7,314,670)** | **6,271,670** | **561,390** |
| **Balance at 31 December 2018** | **182,213,799** | **37,541,007** | **0** | **37,541,007** | **(75,997,188)** | **143,757,618** |
| Loss for the year | 0 | 0 | 0 | 0 | (21,946,490) | (21,946,490) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 |
| **Balance at 30 June 2019** | **182,213,799** | **37,541,007** | **0** | **37,541,007** | **(97,943,678)** | **121,811,128** |

**Reportable segments**

The Group's reportable segments are PLG Properties and PLG Schools, with support services rendered by PLG Holdings, which represent the structures used by the chief operating decision maker, to make key operating decisions and assess performance.

The revenue earned by the Schools segment is derived from educational services. The major sources of revenue are school fees, boarding fees, aftercare fees, registration fees and sundry income. The revenue of PLG Properties comprises inter-segmental revenue, being rent charged on owner occupied properties.

The Group's reportable segments are operating segments which are differentiated by the activities that each undertake, and the markets they operate in are identified on a service basis.

As at 30 June 2019 the PLG Retirement Villages segment is disclosed as a discontinued operation in line with IFRS 5. Refer to note 3 for details of this segment.

The Group's reportable segments from the continuing operations are set out below:

**Six-month period ended 30 June 2019**

| | **PLG Holdings** | **PLG Properties** | **PLG Schools** | **Inter-Segment Eliminations** | **PLG Group** |
|---|---|---|---|---|---|
| Revenue | 52,783 | 6,294,787 | 55,015,224 | (6,347,570) | 55,015,224 |
| Other operating income | 7,223 | 0 | 280,924 | 0 | 288,147 |
| Operating expenses | (7,818,675) | (6,764,100) | (39,942,030) | 6,347,570 | (48,177,235) |
| Credit loss allowances | 0 | 0 | (4,620,580) | 0 | (4,620,580) |
| Depreciation and amortisation | (18,272) | (552,574) | (807,805) | 0 | (1,378,652) |
| **Operating Profit/(Loss)** | **(7,776,941)** | **(1,021,887)** | **9,925,733** | **(0)** | **1,126,905** |
| Finance income | 483 | 0 | 5,381 | 0 | 5,864 |
| Finance costs | (74,777) | (187,710) | (1,941,492) | (0) | (2,203,979) |
| **Profit/(Loss) before taxation** | **(7,851,235)** | **(1,209,597)** | **7,989,622** | **(0)** | **(1,071,210)** |
| | | | | | |
| **Total Assets** | **14,777,135** | **193,453,749** | **83,160,341** | (73,479,306) | **217,911,918** |
| **Total Liabilities** | **23,249,557** | **43,077,590** | **74,958,372** | (50,246,514) | **91,039,005** |

**Six-month period ended 30 June 2018**

| | PLG Holdings | PLG Properties | PLG Schools | Inter-Segment Eliminations | PLG Group |
|---|---|---|---|---|---|
| Revenue | 180,466 | 10,098,097 | 45,543,390 | (11,081,603) | 44,740,350 |
| Other operating income | 0 | | 1,427,835 | (927,613) | 500,222 |
| Operating expenses | (3,573,622) | (12,473,781) | (37,134,705) | 7,097,722 | (46,084,386) |
| Credit loss allowances | 0 | 0 | 0 | 0 | 0 |
| Depreciation and amortisation | (43,826) | (158,837) | (258,204) | 0 | (460,867) |
| Gain/(Loss) on disposal of assets | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit/(Loss)** | **(3,436,982)** | **(2,534,521)** | **9,578,316** | **(4,911,494)** | **(1,304,681)** |
| | | | | | |
| Finance income | 0 | 0 | 34,646 | 0 | 34,646 |
| Finance costs | (22,191) | (188,316) | (1,454,641) | 0 | (1,665,148) |
| **Profit/(Loss) before taxation** | **(3,459,173)** | **(2,722,837)** | **8,158,321** | **(4,911,494)** | **(2,935,183)** |
| | | | | | |
| **Total Assets** | **200,268,669** | **190,511,094** | **54,562,413** | (181,625,922) | **263,716,254** |
| **Total Liabilities** | **8,736,938** | **37,711,174** | **67,544,216** | (34,361,319) | **79,631,009** |

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The reviewed condensed consolidated interim results are prepared in accordance with the International Financial Reporting Standards ("IFRS"), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the JSE Limited Listings Requirements , the requirements of the Companies Act of South Africa and the presentation and disclosure requirements set out in International Accounting Standards ("IAS") 34 – Interim Financial Reporting.

The accounting policies applied in the preparation of these reviewed condensed consolidated interim results are materially consistent with those applied in the audited annual financial statements for the previous year ended 31 December 2018, except for the mandatory adoption of IFRS 16: Leases which became effective 1 January 2019. Refer to Note 2 for further information related to the impact associated with the change in accounting policy related to IFRS 16. Other than IFRS 16, the adoption of these standards and amendments have not had a material effect on the financial results of the Group.

The interim condensed consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets where required or permitted by IFRS. Shareholders are referred to the Going Concern paragraph under section 5 below.

These condensed consolidated interim financial statements incorporate the financial results of the Company and its subsidiaries.

The Financial Director, Willem Marais CA (SA), was responsible for the preparation of the reviewed condensed consolidated interim results. The directors of PL Group ("the Board") take full responsibility for the preparation of the interim results.

## 2. CHANGE IN ACCOUNTING POLICY

IFRS 16: Leases was adopted using the modified retrospective approach with the date of initial application being 1 January 2019. The weighted average incremental borrowing rate applied across all leases range between 13.25%. The comparative figures were not restated, with the cumulative impact of initially adopting the standard recognised as an adjustment to the opening balance sheet on 1 January 2019.

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

- Modified retrospective adoption – no comparatives required to be adjusted;
- Exemption of short-term leases and low value assets;
- Interest rate based on remaining lease term for existing leases at transition date.

Finance leases previously recognised under the principles of IAS 17 Leases, have been re-classified as Lease Liabilities recognised at the carrying amount of the finance lease liability immediately before implementation of IFRS 16.

The impact on the Consolidated Statement of Financial Position is as follows at 30 June 2019:

| | R (million) |
|---|---|
| Increase in right-of-use assets | 3.9 |
| Increase in lease liability current | 1.5 |
| Increase in lease liability non-current | 2.7 |

The impact on the Consolidated Statement of Comprehensive Income is as follows for the period ended 30 June 2019:

| | R (million) |
|---|---|
| Increase in depreciation | 1 |
| Decrease in IAS 17 lease expense | (1) |
| Increase in finance cost | 0.2 |

## 3. DISCONTINUED OPERATIONS

The Board of Directors has resolved to dispose of the Retirement Villages business unit which has resulted in the application of IFRS 5 to this segment. The Board of Directors are satisfied that all requirements of IFRS 5 have been met, and that it is appropriate to present the Retirement Villages as a discontinued operation for the interim period ended 30 June 2019. The assets, together with the liabilities associated with the assets of the Retirement Villages business unit has been re-allocated to non-current assets held for sale.

The major classes of assets and liabilities in the disposal group classified as held for sale are as follows:

| | 30 June 2019 |
|---|---|
| **Assets** | |
| Property, plant and equipment | 3,223,414 |
| Right-of-use asset | 18,876,164 |
| Goodwill | 2,064,548 |
| Intangible assets | 6,866,279 |
| Trade and other receivables | 82,618 |
| Cash and cash equivalents | 234,578 |
| | |
| **Liabilities** | |
| Contract liability | 2,582,410 |
| Life right liability | 1,352,408 |
| Trade and other payables | 10,825,760 |
| Lease liability | 21,648,322 |
| Bank overdraft | 485 |

| | 30 June 2019 | 1 December 2018 | 30 June 2018 |
|---|---|---|---|
| Revenue | 21,256,280 | 51,860,157 | 27,600,777 |
| Other operating income | 689,098 | 2,019,591 | 628,440 |
| Operating expenses | (24,194,803) | (56,476,090) | (31,595,032) |
| Credit loss allowances | (602,319) | (461,180) | 0 |
| Depreciation and amortisation | (3,680,196) | (2,881,871) | (548,639) |
| Loss on disposal of assets | (13,256,190) | 0 | 0 |
| **Operating Loss for the period** | (19,788,130) | (5,939,393) | (3,914,454) |
| Finance income | 3 | 6 | 0 |
| Finance costs | (1,819,210) | (483,719) | (102,944) |
| **Loss for the period before taxation** | (21,607,337) | (6,423,106) | (4,017,398) |
| Taxation | 0 | 0 | 0 |
| **Loss for the period from discontinued operations** | (21,607,337) | (6,423,106) | (4,017,398) |

| | 30 June 2019 |
|---|---|
| Cash flow from operating activities | 922,536 |
| Cash flow from investing activities | 0 |
| Cash flow from financing activities | (412,500) |

## 4. AUDITORS' REVIEW

These condensed consolidated interim financial statements for the six months ended 30 June 2019 have been reviewed by Nexia SAB&T, who expressed an unmodified review conclusion. The review was performed in accordance with ISRE 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's external auditors.

The auditor's report contained the following Going Concern, Other matter and Reportable Irregularity Paragraphs:

"Material uncertainty related to going concern

We draw attention to the going concern section of the condensed consolidated interim financial statements which indicates that the Group had accumulated losses of R 97.9 million (December 2018: R 76.0 million), the Group's current liabilities exceeded its current assets by R 55.8 million (December 2018: R 57.2 million) and the Group incurred a loss after taxation of R 21.9 million (December 2018: R 40.7 million).

As stated in the going concern section of the condensed consolidated interim financial statements, these events or conditions, along with the other matters as set forth in this going concern section of the condensed consolidated interim financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our review conclusion is not modified in respect of this matter.

Other matter

The condensed consolidated interim financial statements of Pembury Lifestyle Group Limited includes comparative financial information for the six months ended 30 June 2018 which have not been reviewed or audited as there was no requirement for this preceding corresponding period to be reviewed or audited.

Our review conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Reportable Irregularity

Certain independent schools were not registered with the Head of Department (the Provincial Department of Education) as required by section 46 of the South African Schools Act, No 84 of 1996."

A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report.

**5. RESULTS COMMENTARY**

The Company is a holding company of three subsidiaries, namely:

- Pembury Schools Proprietary Limited, known as PLG Schools, the education business;
- PLG Properties Proprietary Limited, which owns the group properties; and
- PLG Retirement Villages Proprietary Limited, known as Pembury Retirement Villages, the retirement segment, which is to be discontinued.

PLG Group originally focused on providing accessible, affordable, private education through its schools. From 1 July 2017 it expanded into retirement accommodation and associated services. Subsequent to the results reported for 31 December 2018, which included results from all the above-mentioned segments, the group decided to dispose of the Retirement Villages business unit, and therefore the performance of the continuing group would include only PLG Holdings, PLG Properties and PLG Schools.

Where possible, PL Group acquires the properties from which its schools operate. This was facilitated by the listing on the JSE. The intention going forward is to finalise the acquisition of the properties associated with PLG Schools.

Revenue from continuing operations has grown 23% for the six months ended 30 June 2019 to R55 million compared to R44.7 million for the comparable period ended 30 June 2018, with growth in pupil numbers at the eleven campuses to 2 458 pupils at 30 June 2019.

Other operating income comprised income from the sale of food, drinks, tuck shop sales and sundry income. The tuck shop sales for the comparative period now includes rental charged to outsourced suppliers.

Operating costs from continuing operations decreased by 2% from R46.1m to R45.2m, which is primarily as result of the following changes implemented by management:

- Adoption of IFRS 16 – Refer Note 2 for further information.
- Cost saving measures implemented to streamline operations

The costs of the holding company, which mainly comprise Group audit fees, listing fees, Group support Staff and Group directors, amounted to R7.8m. These costs are not expected to grow in line with growth in revenue.

The operating loss from continuing operations for the period has decreased from R2.1m to R1.4m, which includes a distorting effect from the IFRS 9 credit loss allowance included in the 30 June 2019 operating profit of R4.6m.

Finance costs increased from R1.7m to R2.2m, mainly as result of the adoption of IFRS 16 which requires an unwinding of the lease liability.

Despite the impact of the above, the basic loss per share of continuing operations decreased from 0.52 cents to 0.08 cents, comparing the results as at 30 June 2019 to the results as at 30 June 2018, reflecting the overall improvement in the continuing operations.

The adoption of IFRS 16 has increased total assets by R24.5m and total liabilities by R25.8m. A reduction in goodwill and intangible assets from R7m and R19.7m as at 31 December 2018 to R2.7m and R0 as at 30 June 2019 respectively is as result of the discontinuation of the Retirement Villages – Refer to Note 3.

Trade and other receivables have remained relatively constant from 31 December 2018, with the R800 000 increase being as result of a R5.4m increase in trade receivables and an R4.6m increase in the allowance for credit losses.

Trade and other payables have decreased from R35.5m at 31 December 2018 to R35.1m at 30 June 2019.

Management is continuously engaging with potential investors and financial institutions to provide secured property finance to extinguish current liabilities and replace them with long-term debt, to ease monthly operational cash flow and return PLG to sustainably operating school campuses from the 2020 financial year onwards.

### 6. RECONCILIATION OF THE HEADLINE LOSS PER SHARE

Details of the headline loss reconciliation and per share information are set out below:

| | Reviewed six months ended 30 June 2019 | Audited year ended 31 December 2018 | Unaudited six months ended 30 June 2018 |
|---|---|---|---|
| Net loss after taxation | (21,946,490) | (40,716,464) | (6,118,271) |
| Adjusted for (net of tax) | | | |
| Impairment of Property, Plant and Equipment | - | 2,951,836 | - |
| Impairment of Goodwill and Intangibles | - | 4,057,363 | - |
| Impairment of related party loans | - | 4,314,161 | - |
| Loss on disposal of assets | 13,256,190 | 13,083,288 | - |
| Headline loss after taxation | (8,690,300) | (16,309,816) | (6,118,271) |
| Weighted average shares in issue | 406,285,050 | 405,991,394 | 405,693,119 |
| Basic loss per share (cents) | (5.40) | (10.03) | (1.51) |
| Basic diluted loss per share (cents) | (5.40) | (10.03) | (1.51) |
| Basic headline loss per share (cents) | (2.14) | (4.02) | (1.51) |
| Basic headline diluted loss per share (cents) | (2.14) | (4.02) | (1.51) |
| **Basic headline loss per share (cents) attributable to:** | | | |
| Continuing operations | (0.08) | (3.97) | (0.52) |
| Discontinued operations | (2.06) | (0.04) | (0.99) |

### 7. ACQUISITIONS AND DISPOSALS

During the period under review, the group disposed of Melrose retirement village. The Group recognised a loss on disposal of the retirement village in the amount of R13.2 million

Management are continuing to finalise the transactions for the remaining property deals of the Group, with one transfer for PLG Sanrock to be finalised before the end of the 2019 financial year.

## 8. COMMITMENTS

As at 30 June 2019, the Company had commitments in relation to the following property acquisition agreements as set out below:

- the acquisition of unregistered portions of the remainder of Portion 163 of the Farm Elandsvlei 249 IQ Elandsvlei, being the current location of PLG Greenhills Academy, which opened in 2018, for R6 000 000 (including VAT and commission), of which R1.6m remains outstanding at 30 June 2019, which agreement has been converted to a three-year lease with an option to purchase for the remaining consideration; and
- the acquisition of ERF 1729, Strubenvale EXT. 2, Springs, being the current location of PLG Springs Academy which opened in January 2017, for a purchase consideration of R3 500 000, including VAT), of which R2.8m remains outstanding at 30 June 2019.

## 9. SHARE ISSUES AND REPURCHASES

During the period under review, the Company has not issued shares for cash under its general authority. There have been no repurchases of shares by the Company or any of its subsidiaries during the period under review.

## 10. RELATED PARTY DISCLOSURE

The following related party information, which is material to an understanding of these results, is disclosed below:

| | 30 June 2019 | 31 December 2018 | 30 June 2018 |
|---|---|---|---|
| **Loans receivable/(payable)** | | | |
| Pembury Services Proprietary Limited | 0 | 0 | 296,835 |
| Pembury Lodges CC | 0 | 0 | (4,465,741) |
| Kygoway Proprietary Limited | (252,557) | (136,585) | (186,042) |
| AR McLachlan | 23,258 | 0 | 0 |
| **Trade and other payables** | | | |
| Kygoway Proprietary Limited | (2,790,684) | (3,323,802) | (3,456,835) |
| Joan McLachlan | (99,200) | (99,200) | 0 |
| Munch Mates | (164,298) | 0 | 0 |
| Greenoaks | (43,200) | 0 | 0 |
| **Rent paid to (received from)** | | | |
| Joan McLachlan | 260,333 | 499,200 | 259,200 |
| Greenoaks | 278,400 | 772,003 | 240,000 |

Pembury Services Proprietary Limited provided head office and administration services to the PL Group and a management services contract for shared services was in place. This service contract was terminated with the related party acquisition of Retirement Villages with effect from 1 July 2017, which gave rise to the amount owing to Pembury Lodges CC.

Kygoway Proprietary Limited provides construction and maintenance services to the group. Pembury Services, Pembury Lodges CC and Kygoway have common directors and shareholders as the PL Group.

Joan McLachlan rents the head office building to PL Group for a market related rental.

Greenoaks rents the property from which the Magaliesburg Retirement Village is operated to PL Group for a market related rental.

**11. GOING CONCERN**

The reviewed interim condensed consolidated results have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We draw attention to the fact that at 30 June 2019, the Group had accumulated losses of R97.9 million (December 2018: R76 million) and that the Group's current liabilities exceeded its current assets by R55.8 million (December 2018: R 57.2 million). The Group incurred a loss after taxation of R21.9 million (December 2018: R 40.7 million), of which R21.6 million relates to a discontinued operation. It should be noted that a large portion of the current liabilities relate to provisions raised at 31 December 2018 or the current portion of long-term liabilities, whereas the current assets may only reflect one months of receivables. The group remains highly solvent and is steadily addressing the tight cash flow constraints, which are improving each month through actions taken by management.

The Group is involved in a number of legal matters as disclosed in the contingent liability section of the interim results.

These events or conditions indicate that material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

However, the directors have satisfied themselves that the Group is in a sound financial position in terms of the overall balance sheet and that it should be able to meet its foreseeable cash requirements, on the basis of the information below:

- The PLG Schools business continues to reflect positive EBITDA for the interim period ended June 2019, with growth expected to continue upward throughout the schools' business due to the continued increase in pupil numbers at the nine campuses, which are already profitable;
- Closure of non-profitable schools in order to decrease operational cost for the foreseeable future associated with schools not through the J-Curve;
- Proposed disposal of the remaining villages segment to free up further cash resources to be utilised to settle short term debt;
- Negotiations with financial institutions to raise funding against capital assets in order to conclude outstanding purchase agreements, and decrease occupational rental charges as well as restructure debt obligations for the foreseeable future;
- Securing additional funding through equity investments.

Management has assessed the Group's and Company's cash flow forecast for the next 12 months and identified the need to obtain additional funding for the operations during the next 12 months. To this end, the company is well advanced with negotiations with two funding institutions, one for bond finance and the other for structured finance. Furthermore, the Company is continuing to engage with interested investors with the aim of securing a long-term equity partner for the group.

The directors are not aware of any new material changes that may adversely impact the Group and a conservative approach has been adopted in preparation of the results for both the year ended 31 December 2018 and the six-months ended 30 June 2019.

The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group, other than those reflected in the litigation section of these results. However, it should be noted that a number of the Groups' schools are in the process of being registered with the respective regulatory bodies. Whilst the process is ongoing, the schools continue to be inspected by the Gauteng Department of Education ("GDE") and the headmasters are attending the quarterly GDE meetings. Subsequent to 30 June 2019, the Umalusi application for registration of three PLG schools has been approved with "Green Status", which allows the matriculants to write their exams at the PLG schools.

Due to the above, the directors believe that the Group has adequate assets and financial resources to continue in operation for the foreseeable future and accordingly, the condensed consolidated interim results have been prepared on a going concern basis.

## 12. SUBSEQUENT EVENTS

**Special General Meeting**
The board received correspondence from a shareholder on 26 September 2019 holding at least 10% of the voting rights of the issued share capital of the Company, requiring the Board to call a meeting in terms of section 61(3) of the Companies Act, 2008, to consider various resolutions for purposes of, inter alia, reconstituting the Board.

## 13. CONTINGENT LIABILITY

Retirement Villages currently has an agreement with tenants where an amount is to be refunded to the tenant at the end of their life expectancy period. Pembury Retirement Villages could be held liable for the life rights sold by the previous owner when the life rights are sold in the future even though the Group is not contractually obligated to. This is due to the fact that the Retirement Villages is currently paying this liability on behalf of the previous owner which could lead to a constructive obligation. The Group has a warranty from the previous owner that it would be liable for this debt and reimburse the group, if and when the liability crystallises.

A valuation was performed on all life rights within the Group as at 31 December 2018. The value of the liability that could potentially be paid out to tenants amounted to R10 251 919.

## 14. LITIGATION

The Group is currently involved in litigation with the following parties which may have a significant impact on the Group:

- ❖ Artificial Grass SA – Management is in the process of settling this matter and expect to settle this matter before year-end.
- ❖ WACO Africa – Management is in the process of negotiating a settlement with this creditor, which has provided services to the PLG Properties segment.
- ❖ The settlement of numerous life right liabilities, with settlements signed and payments have been made – Refer "Cash flow from Financing Activities". This matter affects only the discontinued operations of the Group.
- ❖ Management is furthermore involved in pending litigation regarding the settlement of a liability of R4.8 million, whereby its Mellow Oaks property was attached and an attempt made to auction the property, which process was considered flawed as previously announced on SENS. This resulted in a forced disposal, which was recognised during the year ended 31 December 2018. Management aims to resolve this matter before the financial year-end, to ensure the continued stability of the Mellow Oaks Academy and to capitalise the asset back into the PL Group, which property is still currently owned by PLG Properties.

## 15. FINANCIAL INSTRUMENTS

The directors consider that the carrying amount of the financial assets and financial liabilities recognised in the condensed consolidated interim financial statements at amortised cost approximate their fair values.

## 16. FAIR VALUE MEASUREMENTS

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- ❖ Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- ❖ Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- ❖ Level 3 inputs are unobservable inputs for the asset or liability.

The Group carries land and buildings and life right liabilities at fair value. There has been no change in the fair value measurement categorisation since year end.

## 17. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated annual financial statements as at and for the year ended 31 December 2018.

## 18. DIVIDEND

No dividend has been declared for the period under review (2018: Nil).

**19. CHANGES TO THE BOARD OF DIRECTORS**

During the period under review, Ms S Thomas CA(SA) was appointed as an independent non-executive director and the chair the Audit and Risk Committee. Mr G Waters resigned as an independent non-executive director on the same day.

Furthermore, the former Financial Director Mr R van Jaarsveld resigned as Financial Director from 1 June 2019 and Mr W Marais was appointed in his stead, with effect from 12 June 2019.

As at 30 June 2019 the Board comprised of three executive directors and four non-executive directors, of which three are independent.

For and on behalf of the Board

| | |
|---|---|
| **ANDREW MCLACHLAN** | **WILLEM MARAIS** |
| Chief Executive Officer | Group Financial Director |

3 October 2019

**Executive Directors**
Andrew McLachlan (Chief Executive Officer)
Willem Marais (Financial Director)
**Independent Non-executive directors**
Lou Brits (Chairman)
Shelley Thomas
Grant Waters
**Non-executive directors**
Christo Hechter
Njabulo Mthembu
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(PO Box 73723, Fairlands, Gauteng, 2030)
**Company Secretary**
Arbor Capital Corporate Services Proprietary Limited
**Designated Advisor**
Arbor Capital Sponsors Proprietary Limited
**Transfer Secretaries**
Link Market Services South Africa Proprietary Limited