
PEMBURY LIFESTYLE GROUP LIMITED
Incorporated in the Republic of South Africa
(Registration number 2013/205899/06)
Share code: PEM ISIN: ZAE000222949
("Pembury" or "the Company" or "the Group")

QUARTERLY PROGRESS REPORT

In terms of paragraph 1.11(c) of the JSE Listings Requirements of the JSE Limited ("JSE") pertaining to the continuing obligations of suspended companies, shareholders are hereby provided with a quarterly progress report on the current state of affairs of the Company.

Shareholders are referred to the quarterly progress report released on SENS on 31 December 2020, which referred to previous announcements. As set out in the announcements (and using the terms defined therein unless otherwise stated) shareholders were advised, *inter alia*, that the Board had accepted an offer from Verityhurst Proprietary Limited ("Verityhurst") to enter into a Share Subscription Agreement in terms of which Verityhurst has agreed to subscribe for 180 000 000 Subscription Shares for cash at a subscription price of 10.5 cents per share for a total consideration of R18 900 000, subject to certain suspensive conditions, which included the listing of the Subscription Shares on the JSE within five business days of the lifting of the suspension of trade in the Company's shares. The final number of shares to be listed will only be determined on the basis of the quantum of the funds received, liabilities settled and the final pricing as determined by the JSE. The other suspensive conditions have been met.

As previously announced, the JSE advised that:

- given that the Company was suspended on 1 July 2020, the Subscription Price pertaining to the subscription of the Subscription Shares by Verityhurst was subject to discussions with the JSE in terms of the Company's general authority; and
- with reference to paragraph 9.7 of the JSE Listings Requirements to which the disposal of the PLG Retirement Villages is subject, the JSE has, via the Designated Advisor, engaged with the Company in order to determine the categorisation of such disposal prior to signature of the disposal agreement.

The JSE has subsequently requested that the Company provide additional motivation around the pricing of the issue of the shares, which has been provided to the JSE during March 2021.

Shareholders are reminded that the Board has been restructured, and will seek to identify a suitable candidate to fulfil the role of the Chief Executive Officer once the Company has been turned around, which appointment may be aligned with new potential investor/s.

Despite having provided full IFRS compliant AFS for the group companies, the progress with finalising the audit has been painstakingly slow and this is a key focus area for the Board and Audit Committee. The Company is now addressing the finalisation of the audit for the financial years ended 31 December 2019 and 31 December 2020, on a back to back basis.

Shareholders are reminded of the various initiatives that have been undertaken to start turning around the Company, some of which are detailed below:

- The losses of the retirement villages are no longer being incurred by the Group from mid-2020. These amounted to more than R700 000 per month.
- Costs have been cut, where possible, primarily at head office, and the head office has been relocated to one of the schools, with a current saving of over R250 000 per month.

- Legal costs have been substantially reduced and the Company is seeking amicable solutions, where possible.
- Key appointments have been made at an HR and Marketing/IT level, both of which have been positive. All contracts are being reviewed for possible savings.
- Settlement agreements have been entered into, where possible, and previous settlement agreements which had not been fully complied with are being caught up or renegotiated.
- The Company has approached certain key creditors, with a view to settling a portion of their debt in shares. These discussions have been taking time and the Board appreciates the patience and ongoing support of such creditors.
- A certificate of compliance on the property acquired in Limpopo is still outstanding and is required as part of the school registration process in Limpopo. The Company has assisted with sourcing service providers to assist the Seller.
- Health and safety and fire audits have been conducted at each of the schools and town planners have been appointed to do dolomite and flood line studies at two of the schools to secure the rezoning of the properties.
- The Company has been notified that the Gauteng Department of Education (“GDE”) will be paying a final visit to Raslouw, Carlswald and Greenhills at any date after 15 March 2021 for the purpose of receiving the school registrations. All required documents were resubmitted during February 2021 after the full Board met with two representatives of the GDE following inspections in late 2020 and 2021. A further announcement will be made in due course.
- The old “leavers” debtors’ book, amounting to more than R7m, has been handed over to a professional debt collection agency during November 2020, which collection will be at no cost to the Company. The first proceeds were received in December 2020 and collections are ongoing. The proceeds are being allocated to Abacus, the provider of prefab units at some of the schools, and the Company’s intention is to rebuild the relationship with Abacus over time. Communication remains open.
- The Company has also handed over 120-day accounts, unless parents have approached the school and made arrangements. Collection rates have started to improve consistently from January 2021.
- Property condition audits are being done at all the schools and repairs and maintenance at certain of the properties have commenced within the current cash flow constraints. Some of the improvements are immediately visible.
- Capital projects will commence once the various settlement agreements come to an end, older creditors have been settled and free cash flow improves.
- Pupil numbers have increased in January, February and March of 2021. The quality of the education remains good and turnover of staff at the schools has stabilised over the past 9 months.
- The Company is also looking at property funding as it has extremely low gearing of R1.6m of bond finance against a property portfolio in excess of R100m. This property funding may come from existing shareholders or new interested investors as opposed to banks, although the Company has been approached in December 2020 by one of the big four banks to offer bond finance. This is now being explored but progress has been slow due to COVID-19 and banking staff working from home. The Company’s existing property funder had also been approached in March 2021.
- The Board has appointed The Learning Studio to introduce online learning into the Group during 2021, including Tutor online and training has commenced during March 2021.
- A strategy session was held during March 2021 and strategic objectives, both short term and long term, are being set. This includes the consideration of options around the property portfolio, growing revenue, containing costs and setting key performance goals for the executives and principals of the schools.
- The Board is aware of constructive discussions are being held at a shareholder level in the interests of the Company following the recent SENS announcements published on 25 February 2021, 4 March 2021 and 17 March 2021.

Whilst a number of claims and surprises keep appearing, these are less frequent and are being managed as they arise. Certain liabilities are disputed or are not those of the holding company and its remaining

subsidiaries, but the Company or the Group have been cited. It is expected that all these matters will be settled in due course.

Shareholders are reminded that it takes time to turn a business around, particularly during a period of time where the economic environment is tough due to COVID-19, the various lockdowns, the economic impact on the country and some of the school's parents, through job losses or salary cuts. The turnaround is still expected to take another 12 to 18 months.

We want to extend our thanks to all our stakeholders and specifically suppliers of the Group for showing patience and understanding during this turnaround phase. We also extend thanks to our parents, pupils and staff for the loyalty and resilience during this period.

Shareholders are reminded that the Company remains under cautionary until further announcements have been made.

Johannesburg
31 March 2021

Designated Adviser
Merchantec Capital