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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

COMPANY AND FINANCIAL HIGHLIGHTS:

- The Company listed on the Alternative Stock Exchange ("AltX") of the JSE with effect from 31 March 2017 successfully raising R140 million by way of a private placing of 140 000 000 shares at 100 cents each
- Revenue has grown 39.5% for the 6 months ended 30 June 2017 compared to the six months ended 31 August 2016 (noting the year end change to 31 December each year)
- Increase in number of pupils from 844 (excluding 277 Ballito students) at 31 August 2016 to 1 501 pupils at 30 June 2017
- Five of the seven campuses are operating at a positive EBITDA and are thus through the J-Curve
- Operating costs increased by 45.3% for the same period, including a number of once of costs associated with the listing
- Loss and headline loss per share improved by 32.5% to 0.81 cents from 1.20 cents, based on a higher weighted average shares in issue of 274 184 530 shares compared to 200 000 000 at 31 August 2016
- Substantial increase in net asset value from 3.39 cents per share to 39.58 cents per share
- Strengthening of the total assets of the Company from R57.5 million at 31 December 2016 to R175.9 million at the end of June.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies and method of measurement and recognition applied in the preparation of these condensed unaudited consolidated interim results are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those applied in the audited annual financial statements for the previous year ended 31 December 2016.

The unaudited consolidated interim results are prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act, 71 of 2008. The unaudited consolidated interim results are presented in terms of the disclosure requirements set out in International Accounting Standards ("IAS") 34 – Interim Financial Reporting, as well the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The Financial Director, Riaan van Jaarsveld, was responsible for the preparation of the unaudited consolidated interim results. The directors of PL Group ("the Board") take full responsibility for the preparation of the interim results.

During 2016, the Company changed its financial year end from February to December and thus the interim results for the six months ended 30 June 2017 are compared to the first six months ended 31 August 2016 of the prior reporting period ended 31 December 2016.

Statement of Financial Position

Figures in Rand	Unaudited six months ended 31 June 2017	Audited 10 months ended 31 December 2016	Reviewed six months ended 31 August 2016
ASSETS			
Non-Current Assets	**159 188 455**	**52 133 696**	**48 399 453**
Property, plant and equipment	64 688 153	47 689 789	45 707 439
Goodwill	3 152 014	3 152 014	2 692 014
Deferred Tax	2 170 180	1 291 893	-
Property Deposits	89 178 108	-	-
Current Assets	**16 705 280**	**5 396 070**	**3 513 514**
Loans to related parties	7 774 999	-	-
Trade and other receivables	4 361 375	5 395 970	3 506 297
Cash and cash equivalents	4 568 906	100	7 217
Total Assets	**175 893 735**	**57 529 766**	**51 912 967**
EQUITY AND LIABILITIES			
Equity			
Stated capital	138 042 800	400 100	100
Reserves	14 833 409	14 683 409	14 660 332
Accumulated loss	(16 960 736)	(14 746 843)	(7 880 256)
	135 915 473	**336 666**	**6 780 176**
Related party loan	-	16 528 691	-
	135 915 473	**16 865 357**	**6 780 176**
Liabilities			
Non-Current Liabilities	**16 614 556**	**19 965 463**	**33 706 471**
Loans from related parties	-	-	11 163 596
Other financial liabilities	674 517	-	747 017
Finance lease liabilities	15 922 711	19 965 463	20 054 597
Deferred tax	17 328	-	1 741 261
Current Liabilities	**23 363 706**	**20 698 946**	**11 426 320**
Trade and other payables	19 384 849	16 911 168	9 906 932
Other financial liabilities	2 297 248	2 875 024	619 807
Finance lease liabilities	1 607 438	761 144	899 581
Operating lease liability	74 171	95 578	-
Bank overdraft	-	56 032	-
Total Liabilities	**39 978 262**	**40 664 409**	**45 132 791**
Total Equity and Liabilities	**175 893 735**	**57 529 766**	**51 912 967**
Number of shares in issue	343 400 000	203 000 000	200 000 000[1]
Net asset value per share (cents)	39.58	8.42	3.39
Net tangible asset value per share (cents)	38.80	6.75	2.04

Note

1. Assumes that the sub-division of 100 shares at 31 August 2016 to 200 000 000 shares ahead of the listing on 31 March 2017 was effective in the prior year for purpose of comparison on a per share basis.

Consolidated Statement of Comprehensive Income

Figures in Rand	Unaudited six months ended 31 June 2017	Reviewed six months ended 31 August 2016
Revenue	**28 796 491**	**20 635 210**
Other operating income	79 174	5 910
Operating expenses	(31 770 406)	(21 871 131)
EBITDA	**(2 894 741)**	**(1 230 011)**
Depreciation and amortisation	(308 594)	(202 274)
Operating Loss	**(3 203 335)**	**(1 432 285)**
Investment income	138 313	2 903
Finance costs	(9 831)	(1 417 297)
Loss before taxation	**(3 074 853)**	**(2 846 679)**
Taxation	860 959	449 954
Loss for the six months	**(2 213 894)**	**(2 396 725)**
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Gains on property revaluation	-	18 892 181
Income tax	-	(4 231 849)
Other comprehensive income for the six months net of taxation	**-**	**14 660 332**
Total comprehensive (loss)/profit for the six months	**(2 213 894)**	**12 263 607**
Per share information:		
Weighted average shares in issue	274 184 530	200 000 000[1]
Loss per share (cents)		
Basic loss per share	(0.81)	(1.20)
Diluted loss per share	(0.81)	(1.20)

Note 1:
Assumes that the sub-division of 100 shares at 31 August 2016 to 200 000 000 shares ahead of the listing on 31 March 2017 was effective in the prior year for purpose of comparison on a per share basis.

Consolidated Statement of Changes in Equity

Figures in Rand	Stated capital	Revaluation reserve	Share-based payment reserve	Total reserves	Accumulated loss	Total equity attributable to equity holders of the Group	Related party loan	Total equity
Total equity for the period - 31 August 2016	**100**	**14 660 332**	**-**	**14 660 332**	**(7 880 256)**	**6 780 176**	**-**	**6 780 176**
Loss for the period	-	-	-	-	(6 866 587)	**(6 866 587)**	-	**(6 866 587)**
Issue of shares	400 000	-	-	-	-	**400 000**	-	**400 000**
Share-based payment expense	-	-	23 077	23 077	-	**23 077**	-	**23 077**
Convertible related party loan	-	-	-	-	-		16 528 691	**16 528 691**
Total equity for the period - 31 December 2016	**400 100**	**14 660 332**	**23 077**	**14 683 409**	**(14 746 843)**	**336 666**	**16 528 691**	**16 865 357**
Loss for the period	-	-	-	-	(2 213 893)	**(2 213 893)**	-	**(2 213 893)**
Issue of shares (net of issue costs)	137 642 700	-	-	-	-	**137 642 700**	-	**137 642 700**
Share-based payment expense	-	-	150 000	150 000	-	**150 000**	-	**150 000**
Convertible related party loan – Shares issued	-	-	-	-	-	**-**	(16 528 691)	**(16 528 691)**
Total equity for the period – 30 June 2016	**138 042 800**	**14 660 332**	**173 077**	**14 833 409**	**(16 960 736)**	**135 915 473**	**-**	**135 915 473**

Consolidated Statement of Cash Flows

Figures in Rand	Unaudited six months ended 31 June 2017	Reviewed six months ended 31 August 2016
Cash flows from operating activities		
Cash receipts from customers	27 941 413	18 575 065
Cash paid to suppliers and employees	(7 068 812)	(19 295 045)
Cash used in operations	20 872 601	(719 980)
Interest income	138 313	2 903
Finance costs	(9 831)	(1 417 296)
Net cash used in operating activities	**21 001 083**	**(2 134 373)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(18 980 714)	(800 963)
Deposits for acquisition of property, plant and equipment	(28 178 108)	-
Net cash used in financing activities	**(47 158 822)**	**(800 963)**
Cash flows from financing activities		
Proceeds on share issue	51 402 940	-
Proceeds of other financial liabilities	1 604 941	-
Repayment of other financial liabilities	-	(492 624)
Proceeds from related party loans	-	3 594 342
Repayments of related party loans	(2 083 116)	
Related party loans capitalised	(9 080 480)	-
Loan to related parties	(7 774 999)	-
Finance lease payments	(3 349 858)	(181 175)
Net cash from financing activities	**30 719 428**	**2 920 543**
Total cash movement for the period	**4 561 689**	**(14 693)**
Cash at the beginning of the period	7 217	21 910
Total cash at end of the period	**4 568 906**	**7 217**

SEGMENTAL ANALYSIS

The following tables relate to PL Group's segmental financial information:

Six month period ended 30 June 2017

	Total	Head Office	PLG Willow View	PLG Hartbeespoort	PLG Mellow Oaks	PLG Northriding	PLG Allens View	PLG Raslouw	PLG Springs	PLG Properties	PLG Holdings
Revenue	**28 796 491**	-	4 569 022	7 889 321	6 663 077	4 586 882	1 145 739	2 841 125	1 101 325	-	-
Other income	**79 174**	5 910	420	61 114	5 495	1 800	2 785	530	1 120	-	-
Operating expenses	**(31 770 406)**	(4 705 846)	(2 480 193)	(6 592 525)	(4 979 015)	(2 122 607)	(1 469 743)	(2 606 283)	(1 159 602)	(1 094 202)	(4 560 390)
EBITDA	**(2 894 741)**	**(4 699 936)**	**2 089 249**	**1 357 910**	**1 689 557**	**2 466 075**	**(321 219)**	**235 372**	**(57 157)**	**(1 094 202)**	**(4 560 390)**
Depreciation and amortisation	**(308 594)**	(100)	(53 938)	(126 894)	(45 128)	(34 151)	(16 275)	(14 562)	(17 546)	-	-
Interest received	**138 313**	-	10	652	525	346	58	169	152	-	136 401
Finance cost	**(9 831)**	-	(6 310)	(2495)	-	(97)	(929)	-	-	-	-
Profit/(Loss) before tax	**(3 074 853)**	**(4 700 036)**	**2 029 011**	**1 229 173**	**1 644 954**	**2 432 173**	**(338 365)**	**220 979**	**(74 551)**	**(1 094 202)**	**(4 423 989)**
Total assets	**175 893 735**	12 845 634	7 888 349	46 746 459	6 633 428	5 130 483	1 141 629	2 413 712	1 290 028	84 663 684	7 140 329
Total liabilities	**(39 978 262)**	(4 076 794)	(2 023 783)	(5 915 916)	(711 025)	(952 287)	(463 151)	(564 971)	(371 863)	(24 120 932)	(777 540)

Six month period ended 31 August 2016

	Total	Head Office	PLG Willow View	PLG Hartbeespoort	PLG Mellow Oaks	PLG Northriding	Ballito
Revenue	**20 635 210**	-	3 471 275	5 418 767	3 835 374	3 066 934	4 842 859
Operating expenses	**5 910**	-	-	5 910	-	-	-
Pre-incorporation expenses	**(21 871 131)**	(828 858)	(4 039 264)	(4 865 270)	(2 732 678)	(3 795 565)	(5 609 497)
EBITDA	**(1 230 011)**	**(828 858)**	**(567 988)**	**559 407**	**1 102 696**	**(728 630)**	**(766 637)**
Depreciation and amortisation	**(202 274)**	-	(47 421)	(67 879)	(16 123)	(22 487)	(48 364)
Interest received	**2 903**	-	68	1 088	845	849	53
Finance cost	**(1 417 296)**	(128 696)	(290)	(1 281 774)	(1 118)	(3 695)	(1 723)
Profit/(Loss) before tax	**(2 846 679)**	**(957 554)**	**(615 631)**	**(789 158)**	**1 086 301**	**(753 964)**	**(816 672)**
Total assets	**51 912 967**	356 130	1 725 264	44 600 332	2 013 613	1 289 664	1 927 964
Total liabilities	**(45 132 791)**	(10 047 750)	(1 980 116)	(25 348 668)	(967 286)	(2 639 180)	(4 149 791)

COMMENTARY

The directors of PL Group are pleased to present the Company's results for the six months ended 30 June 2017.

Revenue has grown 39.5% for the 6 months ended 30 June 2017 to R28.8 million compared to the six months ended 31 August 2016, with growth in pupil numbers at the 5 campuses held during 2016 and the launch of three new campuses in January 2017. The growth in pupil numbers has been negatively impacted by the delay in capital expenditure caused by the Company listing later than expected as well as the Company tightening its credit policies during the first term. Furthermore, as previously advised, in order to remove uncertainty for parents and pupils, early in 2016 the Company took the decision to close down its school in Ballito following protracted negotiations and increasing legal costs to try to obtain special consent from the local town council. Thus the growth in pupil numbers is skewed. However, subsequent growth in pupil numbers is being achieved.

Operating costs increased by 45.3% for the same period to R31.8 million, which increase is primarily associated with the expansion of the group and some once-off costs associated with the listing of the Company during the period under review, which amounted to around R1.25 million. The costs of the holding company, head office and the new property operations amounted to more than R10 million for the six months ended 30 June 2017. Costs are centrally monitored and management is investing in an aggressive marketing campaign to increase pupil numbers.

Finance costs decreased by over R1.4 million and investment income increased by R136 000 due to the raising of capital at listing, the corresponding decrease in interest-bearing obligations and the increase in cash reserves.

As a result of the above, the loss for the period was slightly lower at R2.2 million compared to a loss of R2.4 million for the previous six month period. The loss and headline loss per share improved by 32.5% to 0.81 cents from 1.20 cents, based on a higher weighted average shares in issue of 274 184 530 shares compared to 200 000 000 at 31 August 2016.

During the prior period, the Hartbeespoort property was independently valued on a depreciated replacement cost basis at R40 million, which resulted in a once off revaluation gain recognised in Other Comprehensive Income, net of deferred taxation at the capital gains taxation rate.

Stated capital increased due to the capital raised ahead of the Company's listing on the Alternative Exchange of the JSE. The funds were primarily applied towards the acquisition of various properties and/or the issuing of guarantees (termed property deposits where the properties had not been transferred into the group as at 30 June 2017) as well as to reducing liabilities, including the capitalisation of a related party loan (Pembury Services) of R16 528 691 as at 31 December 2016.

At the end of December 2016, the group took a conservative approach to its accounts receivable and provided for doubtful debts in the amount of R3 268 878, the majority of which relates to PLG Ballito. Management has implemented strict controls over the debtors and has started with a debtor recovery plan, which includes hiring debt recovery agents for older debt, while a stringent policy on short term defaulters is enforced.

This has contributed to a reduction in student numbers from the beginning of the year but has resulted in an improvement in the debtor position as at 30 June 2017. New procedures have been implemented for new pupils, with debit orders being put in place.

Trade and other payables were slightly higher than 31 December 2016 primarily due to a higher number of schools in existence in the period under review and capital expenditure.

Currently, the group is operating with no overdraft facilities. Management is in the process of securing bond facilities to fund property expansions.

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

Headline earnings Reconciliation:		
Net loss after taxation	(2 213 894)	(2 396 725)
Adjusted for:	-	-
Headline loss for the six months	**(2 213 894)**	**(2 396 725)**
Per share information:		
Weighted average shares in issue	274 184 530	200 000 000[1]
Loss per share (cents)		
Basic loss per share	(0.81)	(1.20)
Diluted loss per share	(0.81)	(1.20)
Headline loss per share (cents)		
Basic headline loss per share	(0.81)	(1.20)
Diluted headline loss per share	(0.81)	(1.20)

Note 1

Assumes that the sub-division of 100 shares at 31 August 2016 to 200 000 000 shares ahead of the listing on 31 March 2017 was effective in the prior year for purpose of comparison on a per share basis.

The segmental report for the 6 months ended 30 June 2017 shows that five of the seven schools are now profitable at EBITDA level. As student numbers grow, these campuses will enhance profitability and cash flows. The two remaining campuses, which were opened in January 2017 are marginally negative at an EBITDA level but should become positive in the second year of operations.

The company has secured four new properties subsequent to listing and thus aims to open at least four new campuses in January 2018, comprising 12 schools, namely PLG Greenhills Academy in Randfontein, PLG Carlswald Academy in Midrand, PLG Midview Academy and a recently acquired property in Modimolle.

The Company issued its prospectus on 9 March 2017 ahead of its listing on the AltX of the JSE. The prospectus contains the following profit forecast for the years ending 31 December 2017 and 31 December 2018.

	31 December 2017	31 December 2018
Revenue	**68 558 960**	**135 617 381**
Operating expenses	(69 161 737)	(106 644 002)
(Loss)/Profit before interest, taxation depreciation and amortisation	**(602 778)**	**28 973 379**
Amortisation	-	-
Depreciation	(765 968)	(1 459 631)
(Loss)/Profit before interest and tax	**(1 368 745)**	**27 513 748**
Interest received	-	-
Interest paid	(4 986 268)	(9 518 011)
(Loss)/Profit before taxation	**(6 355 013)**	**17 995 737**
Taxation	1 779 404	(5 038 806)
Net (loss)/profit after taxation	**(4 575 610)**	**12 956 931**
Other comprehensive income	**33 678 400**	**-**
Revaluation of properties to fair value	43 400 000	-
Deferred taxation	(9 721 600)	-
Total comprehensive income	**29 102 790**	**12 956 931**
Total comprehensive loss for the year attributable to:		
Owners of the parent company	**29 102 790**	**12 956 931**
Non-controlling interest	**-**	**-**
Net (loss)/profit for the year attributable to:		
Owners of the parent company	**(4 575 610)**	**12 956 931**
Non-controlling interest	**-**	**-**
Net (loss)/profit after taxation	**(4 575 610)**	**12 956 931**
Headline earnings adjustment – impairment of property	1 500 000	-
Headline (loss)/earnings	**(3 075 610)**	**12 956 931**
Per share information (assuming fully diluted)	353 000 000	353 000 000
(Loss)/Earnings per share (cents)	(1.30)	3.67
Headline (loss)/earnings per share (cents)	(0.87)	3.67

For details of the assumptions behind the profit forecast, shareholders are referred to the Company's prospectus which can be found on the Company's website at www.plgschools.co.za.

Shareholders are also referred to the acquisition of Pembury Retirement Villages, with effect from 1 July 2017, which business is profitable and generates positive cash flows as previously announced on 16 May 2017. The retirement segment for the six months ending 31 December 2017 is not included in the above profit forecast.

ACQUISITIONS AND DISPOSALS

There were no other acquisitions or disposals during the six months ended 30 June 2017 other than the three properties in Randfontein, Carlswald and Mnandi (Centurion) as mentioned above.

COMMITMENTS AND SUBSEQUENT EVENTS

As at 30 June 2017, the Company had commitments in relation to the following property acquisition agreements as set out below:

- the acquisition of Portion 57 of the Farm Knopjeslaagte No 385, City of Tshwane Metropolitan Municipality, Registration Division JR, Gauteng being the location of PLG Midview Academy set to open in January 2018, for a purchase consideration of R14 000 000, including VAT;
- the acquisition of Holding 126 Carlswald Agricultural Holdings being the location of PLG Carlswald Academy set to open in January 2018, for a purchase consideration of R7 500 000, including VAT;
- the acquisition of a Portion of Portion 163 of the Farm Elansvlei 249, Registration Division IQ, Greenhills Extension 3 being the location of PLG Greenhills Academy set to open in January 2018, for a purchase consideration of R6 000 000, including VAT & commission;

With effect from 1 July 2017, the Company acquired the retirement business, including current lease agreements with third parties, comprising 6 retirement villages. The retirement business is profitable with positive cash flows and supported the establishment and growth of the education business prior to the listing of PL Group. The retirement business will be acquired by PLG Retirement Villages Proprietary Limited, a wholly owned subsidiary of PL Group. The total acquisition consideration is R39 500 000. Of this amount, R7 000 000 will be settled in cash (payable from future positive cash flows generated by the group), while the remaining R32 500 000 will be settled imminently through the issue of 32 500 000 ordinary shares at an issue price of R1.00 per share. The profit after taxation extracted from the unaudited management accounts for the year ended 28 February 2017 was R5.5 million, noting that Pembury Sandton was only operational as a lodge for 4 months of the prior year.

In addition, the Company acquired a property in Modimolle, Limpopo, measuring 19 hectares, with over 4 000 m^2 suited up to 1 200 pupils. Approximately 8 hectares of the property will be utilised for PL Group's retirement business.

SHARE ISSUES AND REPURCHASES

PL Group entered into a share sale and subscription agreement with BMFI to acquire a shareholding in PL Group for R55 million during the period under review.

Subsequent to year end and following the satisfactory completion of the due diligence process, BMFI has acquired 57 000 000 shares by way of:

➢ an acquisition of 37 000 000 existing shares from property vendors of PL Group at R1.00 per share totalling an acquisition consideration of R37 000 000; and
➢ the subscription for 20 000 000 new PL Group shares at a subscription price of R0.90 per share, totalling a purchase consideration of R18 000 000.

There have been no repurchases of shares by the Company or any of its subsidiaries during the period under review.

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

	Six months ended 30 June 2017 R	Ten months ended 31 December 2016 R
Related party loan		
Pembury Services Proprietary Limited (treated as equity at 31 December 2016 and capitalised during the period ended 30 June 2017)	-	(16 528 691)
Pembury Services	7 774 999	-

During the period under review, Pembury Services capitalised a loan of R19 028 060 ahead of the listing at R1.00 per share.

GOING CONCERN
The financial statements 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.

CHANGES TO THE BOARD OF DIRECTORS
As at 30 June 2017, the Board was composed of two executive directors and four non-executive directors, of which three are independent. There were no changes for the period under review. Subsequent to 30 June 2017 and pursuant to the acquisition of shares by BMFI, Mr Njabulo Mthembu has been appointed as a non-executive director of PL Group.

DIVIDEND
The Company has not historically declared interim and final dividends and does not have a formal dividend policy as at the date of this report.

For and on behalf of the Board
ANDREW MCLACHLAN
Chief Executive Officer

RIAAN VAN JAARSVELD
Group Financial Director

29 August 2017

Executive Directors
Andrew McLachlan (Chief Executive Officer)
Riaan van Jaarsveld (Financial Director)
Independent Non-executive directors
Lou Brits (Chairman)
Barry Moyo
Grant Waters
Non-executive directors
Christo Hechter
Njabulo Mthembu
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Designated Advisor
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