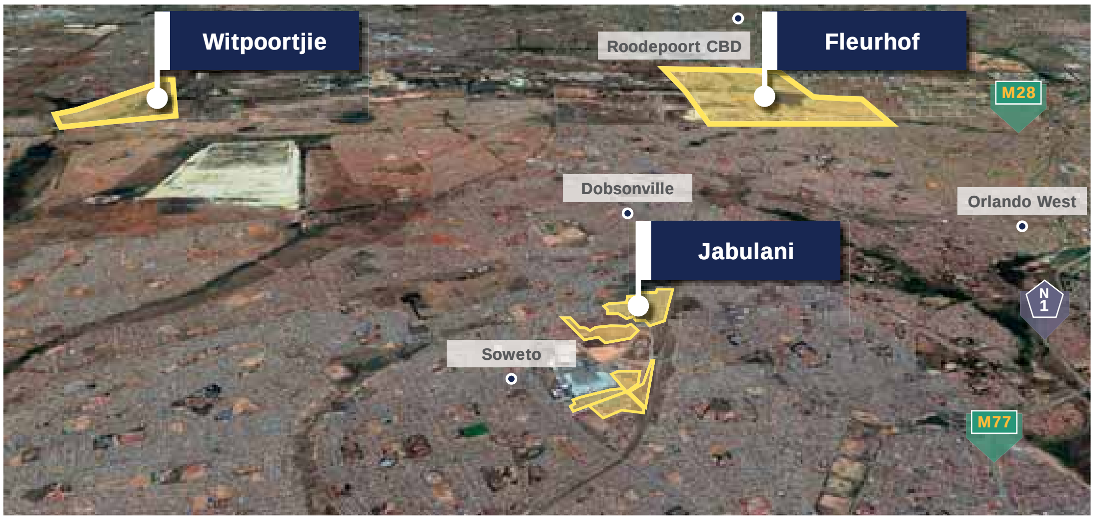
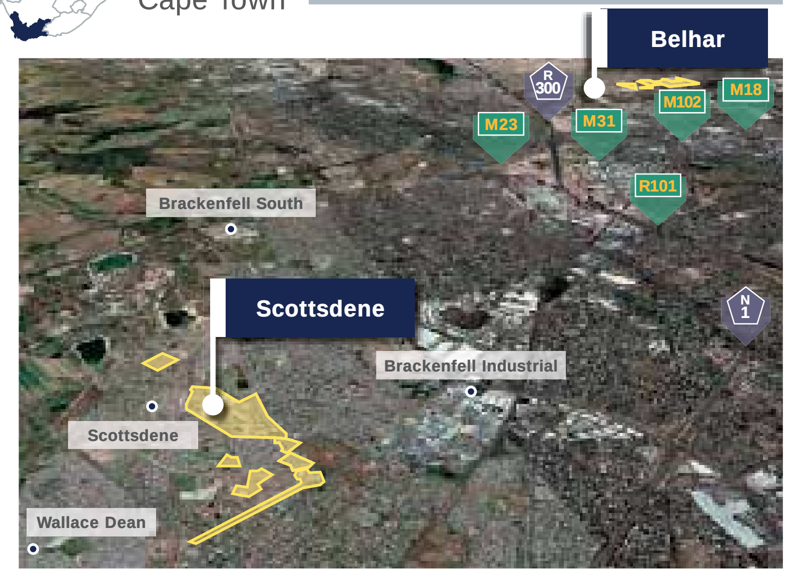
Project locations

Illustrations on the locations of some projects on the pipeline

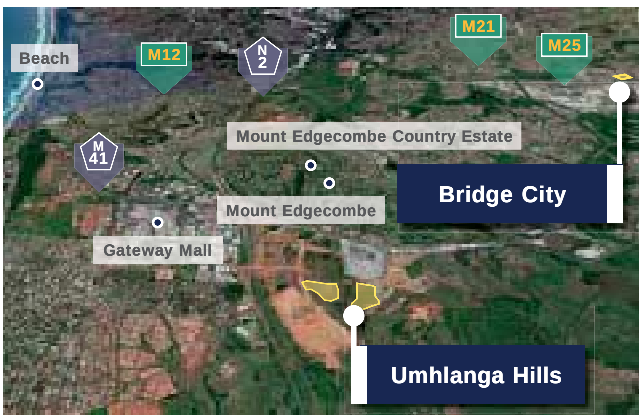
Gauteng



Cape Town



KwaZulu-Natal



Eastern Cape

Residential Property Development

Typical illustration of Calgro M3 project locations and amenities

Residential Property Development *(continued)*

Page over

Residential Property Development *(continued)*

Calgro M3 provides homes, not merely houses, in a constant drive to change lives and provide South Africans with an asset and a lifestyle to support economic dignity.

South Hills

Calgro M3's Residential Property Development business operates mainly within a sector of the market where there is a dire shortage of housing. The Constitution provides a right to shelter for all. In 1994 the Government endeavoured to eradicate the housing backlog based on a housing code that was aimed at providing housing to previously disadvantaged South Africans. According to Statistics South Africa ("StatsSA"), the total population is in the region of 54 million people. At 3.375 people per household (Community Survey performed by StatsSA), total residential properties required in South Africa is calculated to be around 16 million. The Deeds Registry shows the total residential sector at 5.9 million registered properties. This puts the housing shortfall in South Africa in the region of 10 million properties.

The Residential Property Development model is based on the principles of seamlessly bridging the gap between the fully subsidised, social housing, rental, GAP and the affordable market segments by providing housing, schooling and communal facilities to all levels of income earners within one integrated community.

The integrated development model offers homeowners a platform to improve their lifestyle or living conditions in line with their financial capability, whilst remaining in the same community. This enhances social upliftment within communities by retaining role models in those communities, resulting in more sustainable, integrated suburbs.

Social integration is a highly desirable outcome that reflects the existence of social cohesion and a strong culture of acceptance. Societies are better off if social integration is promoted through inclusive policies and human settlements that reduce economic inequality and poverty and supports sustainable and equitable development. This was the base of a study by Amartya Sen in 1999, "The Process of Expanding Human Freedoms," that was endorsed by the United Nations in 2008. Due to the qualitative nature of human settlements, social integration can be proxied by using variables that capture and measure how much social integration exists in a community at any given point in time. A group will strive to succeed with social integration and this is more viable when societies move toward sound economic goals and there are key non-economic elements that exists, for instance schools, parks, and the likes of community centres, that form the foundation of building integrated and cohesive societies.

The result of this valuable research is that good housing makes for good economies and healthy families, and the need is significant.

Renewed commitments have been made by Government to ensure that developments include all social classes to promote this social cohesion. The Group is in the fortunate position of being responsive and flexible between markets in these integrated developments, thereby reducing development risk when affordability declines in any one of the market segments. Integrated developments offer consumers a wide range of ownership and rental opportunities. The housing types cater for various income levels, targeting income earners from below R3 500 up to R30 000+ per month in combined income.

Calgro M3 housing segments

Sector	Value	Segment
Private sector	**R700 001** up to **R3 000 000+**	**Mid to high income housing** ▸ Full and sectional title residential units aimed at homeowners in the bonded market, outside the Financial Services Charter ("FSC")* ▸ Targets income earners > R30 000 pm
Private sector	**Up to R700 000**	**Affordable Housing** ▸ Full and sectional title residential units aimed at homeowners in the bonded market regulated by the FSC ▸ Targets income earners > R15 001 pm
Private sector	**Up to R450 000 – subject to change**	**GAP, FLISP and private rental housing segment** ▸ Grassroots affordable peoples' ("GAP") homes cater for people excluded from the subsidised programme but with incomes too low to qualify for traditional affordable homes ▸ Finance linked individual subsidy programme ("FLISP"). The product was introduced when the affordability level to qualify for subsidised housing was removed, allowing people previously disqualified based on income, to qualify for a partly subsidised home ▸ Targets income earners up to R15 000 pm move to next housing segment depending on increased income level
Private sector	**Provincial and institutional subsidy and private sector funding to value of R300 000**	**Social housing** (subsidised rentals) ▸ Social Housing is a rental or co-operative housing option of subsidised rentals owned by section 21 social housing institutes ▸ Targets income earners < R7 500 pm ▸ Move to next housing segment if monthly earnings > R7 500 ▸ Subsidy risk taken by social housing company, not Calgro M3
Public sector	**Subsidy as per national community residential units ("CRU") policy**	**Community residential units ("CRU")** (subsidised rentals – council) ▸ The community residential unit ("CRU") programme comprises subsidised rental units owned by the public sector ▸ Targets income earners < R7 500 pm ▸ Move to next housing segment depending on increased income level > R7 500
Public sector	**Subsidy of the day**	**Breaking new ground ("BNG") fully subsidised** ▸ Providing fully subsidised units to qualifying South Africans (updated version of Reconstruction and Development Programme ("RDP") housing) ▸ Targets income earners below R3 500 pm ▸ Move into CRU if monthly earnings > R3 500 pm

* *In October 2014, a social contract was entered into with banks and insurance companies under the leadership of the Minister of Human Settlements, Lindiwe Sisulu. This followed from the Financial Services Charter and the Comprehensive Plan for the Development of Sustainable Human Settlements adopted by all stakeholders in 2005, to extend housing finance on a sustainable basis to low-income borrowers.*

Residential Property Development *(continued)*

Highlights

- Successfully achieved higher private sector exposure
- Strong property development pipeline of 54 121 opportunities (R25.3 billion), **after the Leratong and Namibian projects are removed** (please see Message from the CEO and FD for additional detail)
- Secured two projects in KwaZulu-Natal, a new provincial location for Calgro M3, with the commencement of construction imminent on the first project
- New development projects secured are all primarily private sector focused
- First rental units handed over to the REIT JV
- Capacity building progressing well with approximately 5 000 units currently under construction
- Internal process and technological development to support future growth phase
- Successful appointment of managers with deep industry knowledge and credentials

Challenges

- Continuing slowdown in public sector spend
- Cash flow constraints resulting from increased exposure to private sector coupled with delays in debt raising
- Challenging South African labour market
- Changing political landscape
- Regulatory changes in the development space (such as the new Town Planning Act)
- Community unrest in the areas we operate in

Outlook

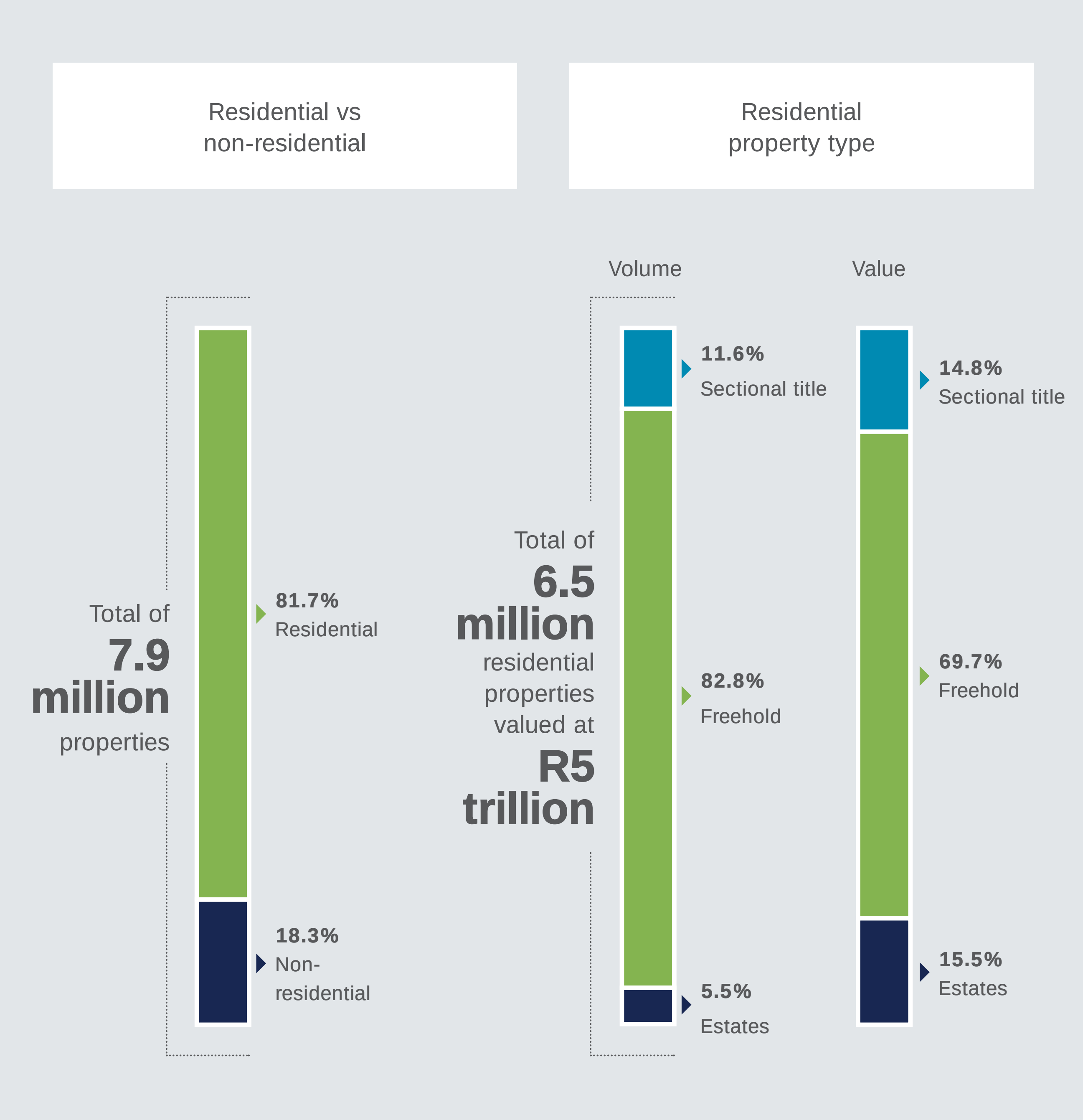
- Increasing focus on marketing and sales initiatives to stimulate private sector sales
- Development in KwaZulu-Natal and Eastern Cape provides new strategic provincial exposure
- Growth in private sector focused pipeline projects accompanied by focus on roll-out
- Securing additional properties in current operating areas to capitalise on bulk infrastructure already created
- Remaining flexible in exposure between public and private sector
- Realising various retail, commercial and industrial sites on developments

The market we operate in

The property market has shifted notably over the past 18 months as the fall-out from the weak political and economic climate, poor growth and credit downgrades continued. It was inevitable that this rather good performing economic sector would take strain. However, as Dr Andrew Golding, Chief Executive of the Pam Golding Property group, said: “From a housing perspective, the fact is there is a pent-up demand from a groundswell of aspirant buyers wanting to acquire a foothold in the property market, while others in the marketplace – both first-time buyers and existing homeowners – are seeking homes to buy or rent as career and lifestyle changes dictate a change in address.”

Factors which will continue to fuel activity in the residential property market incorporate a number of ongoing trends. These include an increasing demand for sectional title properties in convenient locations close to the workplace with all amenities to first-time buyers and those downscaling or seeking a more manageable, lock-up-and-go property with reduced operating costs and more security to cater for a flexible lifestyle. In the major cities and economic hubs it is evident that densification is a factor that will increasingly drive demand in the residential property market. Town planning departments around the country are focusing more and more on densities and have a reluctance to allow city sprawl while in Cape Town, in line with this trend, municipal by-laws were recently amended, giving homeowners the right to build a second dwelling on most properties, as long as certain criteria are met.

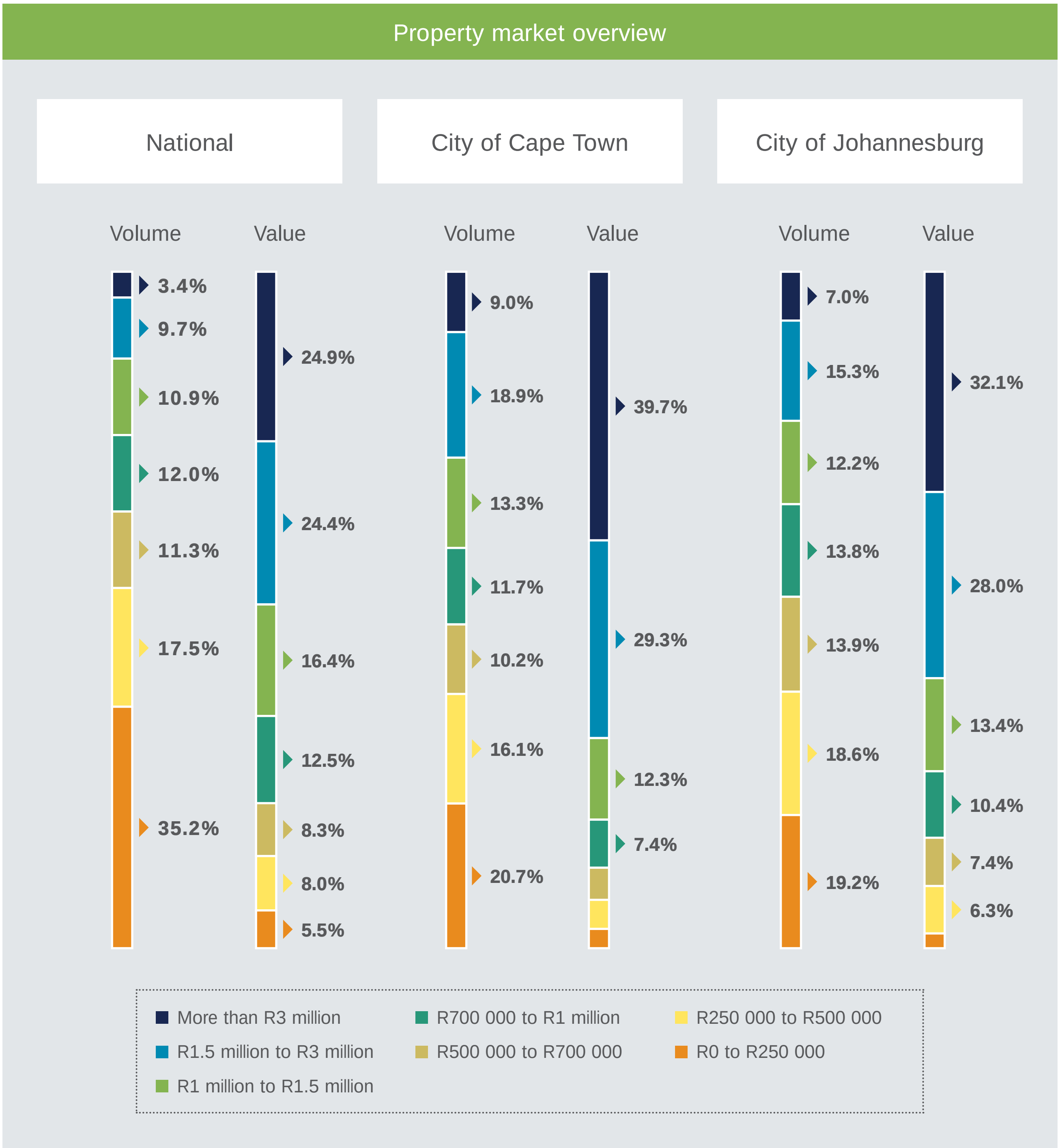
Property market overview



www.propertywheel.co.za – Lightstone's overview of the current property landscape – November 2017.

At Calgro M3, we believe that the affordability of our homes, coupled with a rebound in demand from first-time buyers and a revival in South Africa's economic growth prospects, suggests a general upswing in our market which we expect to take place during the course of 2018. Furthermore, the first-time homeowner makes up more than 55% of the market and is 34 years of age according to Ooba bond originator data. Census data reveals that approximately two thirds of South Africa's population is below the age of 35 years – suggesting strong demand from first-time buyers for the next decade or so. Data from South African major banks reveal the average bond amount granted during 2017 was around R1.051 million. This bodes well when compared to the average Calgro M3 home selling price of R491 561.

Residential Property Development *(continued)*



www.propertywheel.co.za – Lightstone's overview of the current property landscape – November 2017.

In last year's Integrated Annual Report we profiled Eighty20 research estimates that showed the market size for households earning between R3 500 (upper limit to qualify for Government fully subsidised house) and R15 000 (income required for a mortgage bond in the affordable housing market) per month to be 6.4 million households in 2016 (which amounts to 40% of the population). The deeds registry puts the total registered residential properties valued at less than R600 000 at 3.6 million of which 1.8 million represent fully subsidised properties. This sets the rental and bonded market shortfall at 4.6 million properties (6.4 million less 1.8 million (registered properties) less than R600 000, excluding fully subsidised properties) and if the 60% metro/capital-based calculation is applied, the shortfall is 2.76 million properties.

Research performed by the Centre for Affordable Housing Finance in South Africa, various Statistics SA reports as well as ABSA and FNB Bank home loan research together with additional in-house research and analysis of information, estimates the above numbers to be slightly more conservative and a calculation can be performed as follows:

Calculation facts

- Total housing shortfall estimated at 10 million properties (see calculation on page 44);
- 8% of the population is considered elderly;
- The elderly who live below the lower bound poverty line is estimated at 76.2% and assumed as not having formal accommodation;
- Unemployment rate 26.6%;
- Approximately 60% of the total formal residential property market is found in the eight metro municipalities; and
- There are approximately 2.19 million households living in informal settlements, which amounts to 13% of the population.

	Million (rounded)
Total housing shortfall (as per the introduction)	**10.00**
Less: Elderly below lower bound poverty line (8.1% x 76.2%) – August 2017	**(0.62)**
	9.38
Less: Unemployed (26.7%) – January 2018	**(2.67)**
	6.71
Calgro M3 focus area (capital/metro bound) (60%)	**4.06**
Shortfall: Fully subsidised	**2.19**
Shortfall: Bonded and rental market	**1.87**

Residential Property Development *(continued)*

83.4% of households in South Africa earn **less than R20 000 per month** and 30% of households receive social grants. Building costs are rising faster than inflation and the Government subsidised housing programme is distorting the base prices of an entry-level house.

Calgro M3 is proud that our building cost escalation for the past few years, is below inflation, making our products much more affordable.

The Centre for Affordable Housing Finance in Africa, which is regarded as one of the leading researchers in the property market for South Africa, indicated in the Housing Finance in Africa 2017 yearbook that in the South African property market: "Very clear opportunities exist in the below R600 000 market for developers, lenders and investors – the demand is significant and current supply is insufficient. There is a great demand for affordable rental accommodation in centres of economic development for low income earners and students – and some developers have been responding to this.

The affordable housing market in 2017 still is desperate for innovative solutions which might be found in the resale of government-subsidised housing, the delivery of incremental housing on serviced stands, inner city rental, or conversion of office blocks to residential accommodation for sale or for rent. While the state housing subsidy creates some market distortion, demand should be responsive to alternative housing and financing approaches. Large and successful non-governmental funders in affordable housing projects have learned that the key to successfully funding affordable housing developments in South Africa is flexibility."

Interest rate cycle

It is Calgro M3's experience across two decades of existence that the interest rate cycle has a limited effect on lower end market sales. What typically happens, is that a client who previously qualified for a 56 m^2 house, may now qualify for a slightly smaller 52 to 55 m^2 house, based on affordability, in an environment where interest rates are increasing. What should be pointed out is that with each interest rate adjustment the new homeowner takes time to process the adjustment. Housing in South Africa is a necessity and not a luxury in this segment of the market, and although time is taken to consider the impact of the change in the interest rate, a decision to buy is ultimately based on a dire need for quality, affordable, secure housing together with tenure of ownership. An evolving set of social, economic, political and environmental imperatives affecting the interest rate requires the Group's skilful response.

Interest rate increase effects on the consumer

Assumptions:

Home sales price	**R440 000**	Number of periods	**240 (20 years)**

Assumed interest rate of

	9.75%	**10.25%**	**10.75%**
Monthly repayment	**R4 173.47**	**R4 319.23**	**R4 467.01**

Difference

R145.76	**R147.78**

The information quoted in this section was extracted from publicly available documents and is not the opinion of Calgro M3.

Scottsdene

Residential Rental Investments

Residential Rental Investments *(continued)*

Our rental product offering allows the Group to capitalise on infrastructure created in its Residential Property Development as well as to address the lack of sufficient affordable rental opportunities in metropolitan areas.

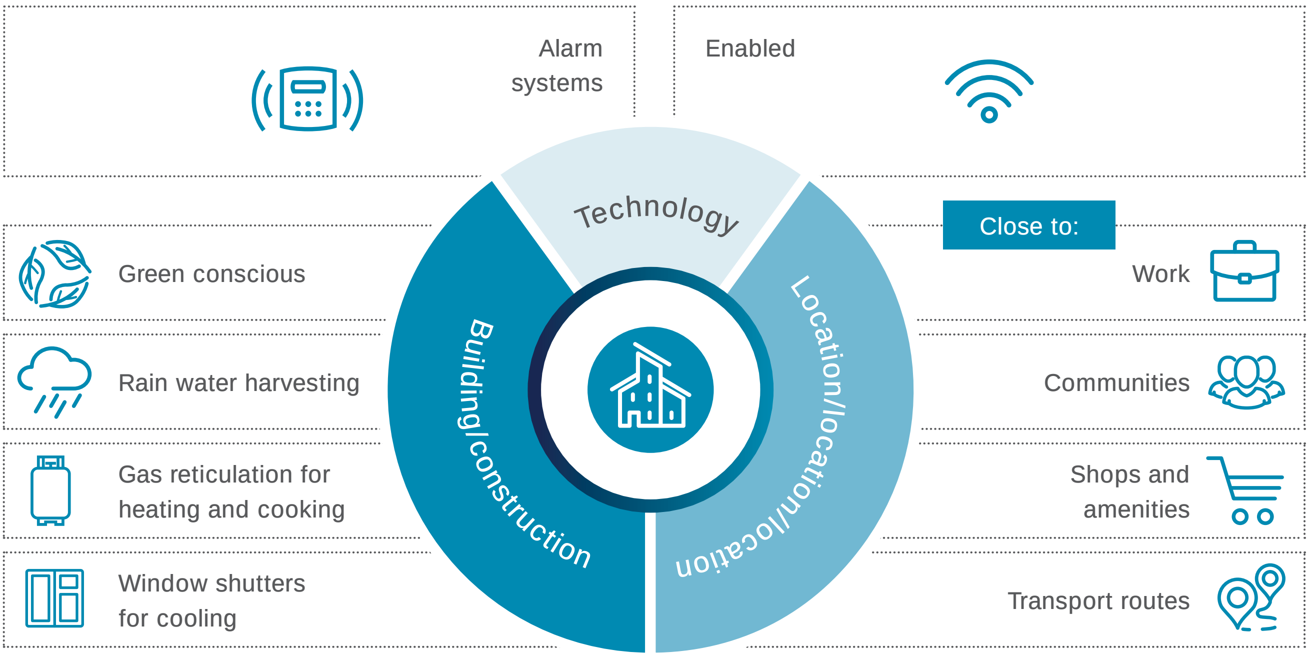
In line with our medium to long-term strategy, the Group entered this space to secure annuity revenue for use as operating cash within the Group. In addition to this, a property developer's biggest risk, when starting a project, is the availability and creation of bulk and link infrastructure. Each time a development is begun, infrastructure is created, but it is sold off and new infrastructure is again created at a new project.

This strategy further aligns to assist Government in the eradication of the housing backlog without exposing the Group to diminished public-sector spend.

For a long time now Calgro M3 has investigated participating in the residential rental market. This has led to partnering with SA Corporate Real Estate (through their wholly owned subsidiary Afhco) for the first phase of our investment and resulted in the announcement of the Afhco Calgro M3 Consortium (a Real Estate Investment Trust ("REIT")), to service the residential rental market in South Africa. Of the first tranche of 3 852 units, 648 units have been completed and handed over to the consortium since November 2017. The remaining units will be handed over in a staggered manner over the coming months, with Belhar delayed due to the water challenges in Cape Town.

The Afhco Calgro M3 Consortium is to target net property income yields of circa 10.5%.

The joint venture harnesses the credentials of each partner and focuses on the development and expansion of high-quality residential portfolios that offer sustainable growth opportunities and capital appreciation in the medium to long term – all the while remaining mindful of building legacies, changing lives.



The Calgro M3 turnkey model, able to trap margin, ensures that pricing remains competitive whilst ensuring **superior finishes and a quality build**.

Calgro M3 remains committed to the real estate investment phases as set out in the diagram below:

Initial phase

Acquisition of property portfolio from Calgro M3 – valued at **R1.7 billion**

Future phases

Future acquisitions from Calgro M3's pipeline, other developments and the acquisitions of established portfolios

Target

Portfolio of R10 billion to **R15 billion**

Highlights

- First units in phase I handed over
- First third party units secured to diversify across South Africa
- Units environmentally and technologically advanced
- Unique unit offering in "village" design concept
- Designs are fresh and modern within well located areas

Challenges

- Lack of available properties in well located metropolitan areas
- Remaining at the forefront of innovative product offerings in the residential rental market
- Diversification across markets and geographic locations
- Balancing yield targets with escalating costs

Outlook

- The Group estimates a shortage of 1.5 million residential rental units in South Africa
- Investigating other developments for acquisition opportunities
- Commitment to growing our investment to more than R5 billion
- Environmentally and technologically advanced units
- Diversification across markets and geographic locations

Residential Rental Investments *(continued)*

The market we operate in

Depending on a person's financial situation and preferred style of living, there are many advantages to renting. The demand for affordable residential rental accommodation in centres of economic development for low income earners, students and hostel dwellers, currently far exceed supply.

Advantages of renting a home

- Renting in an area is less expensive than buying, especially if the area is upmarket;
- No long-term commitment
- Ability to move with a job which also reduces travel time and costs
- Flexibility is key, with a tenant finding it easier to relocate than a homeowner
- Monthly spend is predictable and includes home content insurance, but no maintenance, bond repayments, body corporate accounts or special levies;
- Excess funds can be invested in various asset classes other than a bond.

Increasingly low confidence levels and mounting affordability pressures amongst South Africans indicate that there is increased demand for residential rental properties across the country. The PayProp Rental Index, which outlines trends on a quarterly basis in the residential rental market, reported that at the end of 2017 the weighted average national rental exceeded R7 000 for the first time.

For some time, Gross Domestic Product growth was lower than population growth, which translates into the average person becoming poorer with mounting financial pressure, making rentals a more attractive option. Gauteng is experiencing an influx of people from other provinces, which has increased demand, leading to higher rental prices.

Global exposure to residential markets through the REIT market is much higher than in South Africa. The global trend to rent rather than to buy is much stronger than in South Africa. Calgro M3 believes that the South African market is beginning to be more accepting of the advantages of renting and for this reason, the Group is readying to be part of the transition.

See research performed under the Residential Property Development section on pages 46 to 49 for a detailed analysis of the housing and residential rental market.

Memorial Parks

Memorial Parks *(continued)*

Calgro M3 Memorial Parks allow families the opportunity to lay their loved ones to rest in a tranquil, beautiful, safe and well maintained setting.

Nasrec Memorial Park

The concept of Memorial Parks originated from the need to find alternative uses for large portions of Calgro M3-owned land, that was not suitable for residential or other commercial purposes within its turnkey property development portfolio. Calgro M3 Memorial Parks is an alternative to traditional cemeteries, adds value to existing developments, introduces an alternative burial option that is dignified and secure and allows for annuity income for the Group.

Calgro M3 ventured into the development of memorial parks three years ago with its flagship development in Nasrec, Soweto as the pilot project. The creation of privately managed memorial parks on this land is beneficial to the surrounding communities and can be used as parks or for recreational activities. The first development in our Witpoortjie residential development is close to obtaining regulatory approval.

Our Memorial Parks feature a fully functional administration and sales office, 24-hour state-of-the-art security with roaming security guards, manicured gardens, a non-denominational chapel, as well as tranquil dams and streams with abundant bird life. Nasrec Memorial park is completely off the electricity grid, with solar powered system and backup generators.

Private sector (price range)

- **R30 000+**
- **R25 000**
- **R20 000**
- **R15 000**
- **R10 000**
- **R8 500**

- Focus on family burials
- Direct pre-death sales
- Lower-end facilitated through customised funeral policies for entire family
- Annuity income

Integrated turnkey approach to product delivery

Highlights

- Increase in sales
- Integration of Fourways Memorial Park
- Acquisition of the Durbanville Memorial Park (1 March 2018)
- Dedicated sales call centre and sales department established
- Positive market feedback

Challenges

- Market acceptance as alternative to traditional cemeteries
- Securing Funeral Director buy-in
- Market education
- Ensuing greater brand awareness and aspiration
- Policy sales

Outlook

- Overcrowding of traditional government cemeteries provide opportunities
- Efficient call centre and sales team being put in place
- Increased marketing campaigns to ensure increased sales
- Increase policy sales to support annuity income
- Venture into Free State, KwaZulu-Natal and Eastern Cape

The market we operate in

Death and burial services are topics not often dwelled upon. The reality is, however, that every person will at a point in time go through the process, and as a result, death has become a global industry worth billions of dollars a year.

According to a study released by Forbes in June 2017, half a million funerals take place in South Africa every year with an estimated value of R9 billion. Besides the actual funerals, there is a flourishing funeral insurance industry. In fact, funeral insurance is the most popular insurance cover in South Africa, and according to research undertaken worth over R7 billion.

A typical funeral in South Africa can cost anything from R10 000, for a basic service, to quantums more for additional requirements. The cost depends on the size of the event, determined by the number of people that attend, and most importantly, traditional requirements, based on the individuals' ethnicity and culture. In our research the funerals cost typically range between R15 000 and R40 000.

Due to the relative affordability of funeral cover in South Africa, funeral insurance has increased significantly. It is reported that currently there are 7.6 million policy holders. If we follow the calculations laid out in the Residential Property Development section (page 44) and assume 10 million households in the country, this demonstrates an extremely high potential penetration rate for this product, which covers the main policy holder and their immediate family (or the nominated persons).

Additional research demonstrates strong future growth in the region of 12% per annum expected over the next five years in the funeral industry across all major cities. This growth is driven primarily by three elements:

1. Employers are increasingly offering funeral cover as part of a standard benefit package;
2. Urbanisation is rapidly driving rural dwellers to the city. These new arrivals typically do not have the rural network where informal burial societies still cater for a large proportion of funeral costs. As they move into the formal economy, they typically engage in credit-related activities and a funeral policy supports the required need; and
3. Despite urbanisation, people do not lose their traditional customs and yearn for cultural burials.

Memorial Parks *(continued)*

The challenges faced by the industry in South Africa

Shortage of burial land	Informal or illegal cemeteries
Insufficient funds from Government for the development and maintenance of cemeteries	High price of conventional and traditional burials

Resistance by communities to adopt alternatives to burials such as

Cremation	Recycling of graves

Nasrec

Current status of provinces

Free State
Bloemfontein

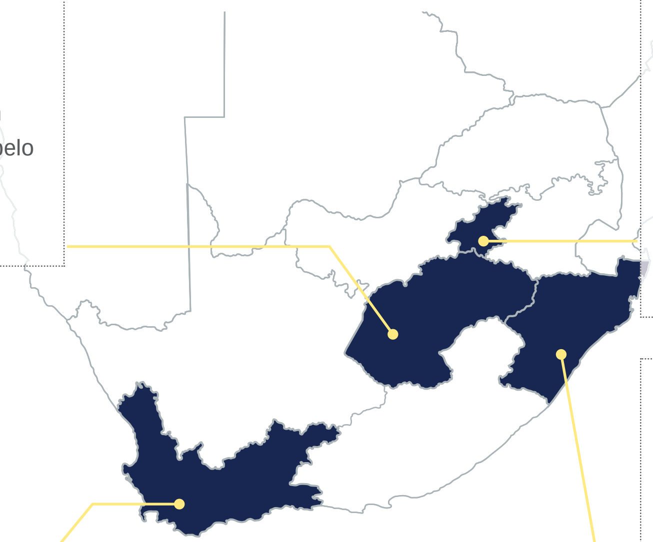
Only three of the **12 cemeteries** in Bloemfontein and Botshabelo still have burial space

Gauteng
Johannesburg

City Parks in Johannesburg is encouraging residents to consider other options of committal. Of Johannesburg's **35 cemeteries, 28 are full**

Ekurhuleni

Investigating alternatives with grave space becoming scarce



Western Cape
Cape Town

Opening two new cemeteries:
Metro South-East Cemetery in Mfuleni with a capacity of **24 800 graves**

New cemetery located between Somerset West and Firgove with a capacity of **26 000 graves**

KwaZulu-Natal
eThekwini

Three of the city's cemeteries are already full and the expectation is that they will run out of burial space soon

South Africa faces a shortage of approximately **8 million graves** over the next 15 years given current mortality rates. According to the World Health Organisation, this figure will most likely exceed 10 million in the same period for sub-Saharan Africa.

LEADERSHIP, SUSTAINABILITY AND GOVERNANCE

3

Leadership and governance forms the core principles with which we engage with our stakeholders.

5

COMMITTEES FOR EFFECTIVE MANAGEMENT OF THE GROUP

1

LEAD INDEPENDENT DIRECTOR

3

INDEPENDENT NON-EXECUTIVE DIRECTORS

Board of Directors

Calgro M3 Board of Directors

Independent Chairperson

Pumla Radebe

Lead Independent Director

Ralph Patmore

Executive Directors

- Wikus Lategan (CEO)
- Waldi Joubert (FD)
- Derek Steyn
- Manda Nkuhlu
- Wayne Williams

Independent Non-Executive Directors

- Mdu Gama
- Hatla Ntene
- Hugh Cameron*
- Venete Klein

Non-Executive Director

- Ben Pierre Malherbe

Audit and Risk Committee

- Hugh Cameron* – Chairperson
- Ralph Patmore – Acting Chairperson
- Mdu Gama
- Wikus Lategan#
- Waldi Joubert#

Remuneration and Nominations Committee

- Pumla Radebe – (Chairperson Nominations Committee)
- Ralph Patmore – (Chairperson Remuneration Committee)
- Venete Klein
- Wikus Lategan#

Social and Ethics Committee

- Mdu Gama – Chairperson
- Hatla Ntene
- Waldi Joubert

Investment Committee

- Ben Pierre Malherbe – Chairperson
- Hatla Ntene
- Hugh Cameron*
- Wikus Lategan
- Waldi Joubert

Stakeholder Relations

- Wikus Lategan
- Waldi Joubert
- Wayne Williams

 # Invited to committee meetings in FY2018.

***** *Hugh Cameron passed away on 6 April 2018. The process of selecting an appropriate replacement has begun. Ralph Patmore will act as interim Chairperson of the Audit and Risk Committee.***

Board of Directors *(continued)*

Chairperson | **Lead Independent Director**

Pumla Radebe

Ralph Patmore

Non-Executive Director

Ben Pierre Malherbe

Company Secretary

Tumi April

Independent Non-Executive Directors

Mdu Gama

Hatla Ntene

Venete Klein

Hugh Cameron

Executive Management

Wikus Lategan

Waldi Joubert

Derek Steyn

Manda Nkuhlu

Wayne Williams

Chairperson

Pumla Fundiswa Radebe *(62) CD(SA), BA (Social Sciences)*

Mrs Radebe is a Chartered Director and a member of the Institute of Directors Southern Africa. She is a Non-Executive Director of the Institute of Directors and the Chairperson of its Social and Ethics Committee, a member of the Remuneration Committee and Nominations Committee. She is also a Non-Executive Director of Jasco Electronics Holdings Limited and Chairperson of its Social and Ethics Committee and a member of its Audit/Risk Committee. She is the Chairperson of Khuselo Investments and the Managing Executive of Bungane Development Consultants.

Skills set

Specialises in social analysis, project planning and management and with more than 20 years' experience at local and regional Government level. It is experience such as this which is highly regarded within the Group, given its operational exposure to Government.

Lead Independent Director

Ralph Bruce Patmore *(64) BCom, MBL (SBL)*

Ralph brings a valuable 10 years' experience in building materials distribution as former CEO of Iliad, as well as a wealth of industrial manufacturing experience, as a former director of Everite and Group Five. Ralph currently serves as a non-executive director on the boards of ARB Holdings Limited, Mustek Limited, Unicorn Capital Partners Limited and Accentuate Limited.

Skills set

With his vast industry experience, including, but not limited to being a former executive director of Everite, Group Five, Illiad and subsidiaries in Unihold and Malbak, comes a valuable approach to specific industry thinking and expertise.

Independent Non-Executive Directors

Dr Mduduzi Edward (Mdu) Gama *(48) PhD (Finance)*

Mdu holds a PhD (Finance) degree and various management qualifications from South African, US and UK universities. Mdu is currently CEO of Resultant Finance (Proprietary) Ltd and is a non-executive director of Mustek Limited. He is a founder, director and a significant shareholder of various other companies.

Skills set

A doctorate in finance combined with an entrepreneurial flair blends exceptionally well with Calgro M3.

Hatla Ntene *(63) BSc (QS), Dip. Con. Econ, Dip. Civ. Eng, PRQS, PMAQS, Pr.CPM*

Hatla obtained his Bachelor of Science (Quantity Surveying) University of Dublin, Diploma in Construction Economics (Bolton Street College of Technology) Republic of Ireland and Diploma in Civil Engineering, Lerotholi Polytechnic.

Hatla is currently Executive Chairman of Mvua Property Partners and Pulaprop. He is a Non-Executive Director of a listed Retail Property Fund Company.

Hatla was previously a Partner in Farrow Laing Ntene, one of the largest Quantity Surveyor firms in South Africa. Hatla was also the Property Executive Manager of Propnet (Property Division of Transnet) for three years.

Skills set

Finding a person with 30 years of experience in the property industry is rare and the insight which Hatla provides to the Board is highly regarded. Potential pitfalls are pointed out early to avoid wastage of time and money.

Venete Jarlene Klein *(59) CD(SA)*

Venete was appointed as an Independent Non-Executive Director with effect from 1 January 2016. Venete has more than 30 years' experience as a senior executive in the financial services industry. Amongst her directorships were appointments as executive director of Absa Retail and Business Bank, Ecobank Transnational, and appointments as non-executive director of Post Bank SA, AllPay Consolidated Investment Holdings, Absa Trust, Absa Brokers, National Business Initiative, The Banking Association of South Africa, Ombudsman for Banking Services, Old Mutual Wealth, ACSIS Wealth Managers, The South African Bureau of Standards, Eskom Holdings and the Institute of Directors of South Africa. Venete is currently a Non-Executive Director on the boards of the South African Reserve Bank, DB Schenker and PG Group Holdings. She serves on several Audit and Risk, Social and Ethics and Remuneration Committees of the boards of directors that she serves.

Skills set

30 years of unsurpassed experience goes a long way and the value of this experience is very difficult to measure. Venete guides the Group in her knowledge of corporate governance and business principles ensuring that the correct methodology and implementation is used on each occasion.

Board of Directors *(continued)*

In memory of:

Hugh Colin Cameron *(66) CA(SA)*

Hugh was appointed as an Independent Non-Executive Director with effect from 8 May 2015 and was the Chairman of the Group's Audit and Risk Committee. Hugh was a retired partner of PricewaterhouseCoopers where he was appointed as the firm's mining leader, responsible for Europe, the Middle East and Africa in 1999. In 2002 he became PwC's global mining leader. He also gained extensive experience in other industries, notably property, construction, insurance and investments and industrial products. He was a member of PwC's governing Board for 12 years until retirement in 2010 and served as a member of the advisory panel of the International Accounting Standards Board. Hugh was an independent non-executive director of Impala Platinum Holdings and a trustee of the Sishen Iron Ore Community Development Trust.

Skills set

To have the expertise of a retired PricewaterhouseCoopers partner on the Board was invaluable. When mixed with specific industry experience as well as the experience of serving on the advisory panel of the International Accounting Standards Board ensure that the highest standards of guidance were imparted to Calgro M3 by Hugh. He was able to assist with complex problem solving.

It is with great sadness that we announced the passing of Mr Hugh Cameron, an Independent Non-Executive board member and Chairperson of the Audit and Risk Committee, on 6 April after a short illness. Hugh served on the Calgro M3 Board from 8 May 2015 and fulfilled his roles with enthusiasm, dedication and distinction, making an immeasurable contribution to the Group. Our condolences are extended to his wife, children, grandchildren, family and friends.

Non-Executive Director

Ben Pierre Malherbe *(52) BSc (QS), MBA*

Ben Pierre began his career as a quantity surveyor. After spending seven years as project manager in the affordable housing market segment, he and his brother joined forces with the Steyn brothers in 2001 to form Calgro M3, specialising in residential development. He was appointed Calgro M3's COO when the Group was listed in 2007 and took over the function of acting CEO in January 2009 and was appointed as CEO with effect from 11 December 2009. On 28 February 2017, after eight years, he stepped down as CEO but is retained as a Non-Executive Director with major equity ownership.

Skills set

Ben Pierre joined the Board in 2017 as non-executive director after serving as the Calgro M3 CEO for eight years. With two decades of experience in integrated developments and with a strong relationship with our most important stakeholder, Government, Ben Pierre's wealth of experience is retained within the Group.

Company Secretary

Tumi April *(35) LLB (UNW)*
Tumi was appointed as the Group Company Secretary with effect from 11 May 2016. She assists with various legal matters within the company and is a qualified attorney with eleven years' experience in commercial and company law, and six years' company secretarial experience.

Executive Management

Willem Jakobus (Wikus) Lategan *(37) CA(SA)*
Wikus joined Calgro M3 in 2008 as Financial Director and was subsequently appointed as Group Managing Director with effect from 1 June 2015, responsible for the overall operational activities of the Group. Wikus served as a member of the SAICA National Members on the Business Executive and is also Chairperson of the SAICA Northern Region and Business Council. He has vast experience in business restructuring and management and became CEO effective March 2017.

Willem Adolph (Waldi) Joubert *(32) CA(SA)*
Waldi was appointed as Financial Director with effect from 1 June 2015. He is a qualified chartered accountant, having completed his articles with PricewaterhouseCoopers, where he gained vast experience in a variety of industries including manufacturing, construction, insurance and fast-moving consumer goods. Waldi joined the Group in January 2012 as Group Financial Manager.

Frederik Johannes (Derek) Steyn *(55) BSc (QS)*
Derek worked as a quantity surveyor for five years at Eskom, after which he became a project manager at Safrich, an established Residential Property Development company specialising in the affordable housing market sector. Calgro was started in 1995 by Derek and his brothers, Deon and Douw. Derek is responsible for all new projects and business opportunities for the Group. He is a specialist in residential developments, land acquisitions as well as project funding.

Manda Njongonkulu Nkuhlu *(37) BSc (Honours), MBA*
Manda joined Calgro M3 in 2014 having held a number of senior management positions in both the private and public sector. He has been on Group Exco since September 2014, before taking on a larger role as an Executive Director with Board representation from March 2017. Manda was appointed as Managing Director of Calgro M3 Developments, the Residential Development business from September 2017.

Wayne Williams *(49) BProc*
Wayne joined Calgro M3 in 2012 and was appointed as Executive Director with effect from 1 June 2015. He is a qualified attorney who was in private practice for 20 years, specialising in commercial and corporate law where he obtained extensive experience in commercial transactions and property-related negotiations and acquisitions. Wayne leads all acquisition negotiations and structuring of transactions within the different divisions of the Group and supports the Group legal department with complex legal issues.

Scottsdene

Chairperson's report

Pumla Radebe

As Calgro M3 we acknowledge our responsibility as a member of the private sector to assist Government in the delivery of products and services that enable us to remain true to: **Building legacies and changing lives**.

Introduction

Being a publicly listed company for 10 years and having been in existence for 23 years, actively demonstrates the Group's resolve to push forward and deliver to South Africa much-needed housing and memorial park solutions.

The year under review was one that presented several challenges to Calgro M3. I am, however, pleased to report that the exceptional management team, under the leadership of Wikus Lategan, navigated the hurdles carefully and responsibly and, in so doing, helped safeguard the continued sustainability of the Group in the long term.

We have ensured that Calgro M3 remains relevant to South Africans and stands ready to support Government by providing homes for people to buy and rent and dignified burial parks.

The diversification drive includes the introduction of rental units in the form of a Real Estate Investment Trust ("REIT") in collaboration with SA Corporate, as well as introducing additional Memorial Parks to our offering through the purchase of Fourways Memorial Park, Enokuthula, Durbanville and Avalon Memorial Parks. Not only have these acquisitions added a further 85 593 burial sites to our pipeline, but our memorial parks footprint is becoming more national and that is set to continue.

The mainstay of Calgro M3 has always been Residential Property Development and this business continues to be the driving force of the Group. We are mindful of constrained public sector spending and have thus positioned ourselves to focus on the private sector, with total unit sales of 935 homes to individual clients in the private sector.

Ensuring sustainable growth

Through stakeholder engagement and strategic marketing, Calgro M3 strives to ensure the Group remains relevant and sustainable. The current market demand, which guides our marketing strategy, amounts to roughly two million units. Through our relationships with the private and public sector, the Group has exposure to various market segments that are continuously monitored and adjusted to cater for changing demand and availability of funding. We will continue to focus on the marketing of our products to ensure that sales are maintained at the highest levels.

The Group's product range caters to a cross section of the population, from those people who cannot afford a house, but who qualify for a fully subsidised home, to various income bands, through to subsidised rentals and open market rentals and finally to the upper-end bonded market. Given this involvement, Calgro M3, with more than two decades of experience, fully understands the cycles of housing delivery and can adjust its focus and exposure to the sector and housing products it offers.

Public sector cycles are considered with an emphasis on Government's need to deliver subsidised housing to meet electoral pledges (which results in higher exposure to fully subsidised units); and its drive for delivery of bonded properties to increase the tax base.

The performance of Calgro M3 is discussed in detail in the Message from the CEO and FD on pages 14 to 25 of this Integrated Annual Report. Briefly, however, the overall set of results was adversely affected by weak economic conditions, market volatility and cash flow constraints. Combined revenue increased by 16.71% to R2.3 billion and core headline earnings per share, a new metric introduced to measure our performance, increased by 6.97% to 143.47 cents (see page 5 for further explanations). The diversification strategy is supported by the Memorial Parks segment contributing 5.14% to Group profit after tax, which has improved from

0% in 2017. The remaining contribution was made by the Residential Property Development segment.

Governance and leadership

The adherence to governance within Calgro M3 is strongly entrenched. As a good corporate citizen, the Group complies with all necessary regulatory principles and corporate governance guidelines. The Group has committee structures consisting of: Audit and Risk, Remuneration and Nominations, Investment and Social and Ethics. A Stakeholder Relations grouping is in place as stakeholder relations is an extremely important function to Calgro M3.

Divisional management and leadership has been strengthened, with several new appointments made during the period under review. The Executive Committee of the Residential Property Development business was bolstered to ensure it is optimally managed to deliver results for shareholders and stakeholders alike.

We continue to assess the quality of leadership and management to ensure that we have strong leaders, able to think strategically and execute efficiently. We are pleased to report that Manda Nkuhlu, who joined the Board as an Executive Director, in 2017 is now operating as the Managing Director for the Residential Property Development business and is assisted by Deon Steyn, Derek Steyn, Urvash Kissoon Singh and Allistiar Langson.

With a heavy heart, I pay my respects to fellow board member Hugh Cameron who passed away on 6 April 2018. We served together on the board since his appointment three years ago. Hugh was meticulous in his assessment of Audit and Risk matters and provided astute input on board matters. His dedication and openness will be missed. May he rest in peace.

Material issues and risks

Our six main risks, which impact across the businesses of Residential Property Development, Residential Rental Investments and Memorial Parks, are discussed in the CEO and FD's report to shareholders on page 24. These key risks are the impact of land invasion/grabs, macro-economic environment on the Group, B-BBEE, public and private sector exposure, cash flow and liquidity, and the retention of staff. From a Board perspective we are comfortable that the mitigation strategies are well considered and implemented.

Black Economic Empowerment

I am pleased to announce that Calgro M3 is now a recognised Level 1 BEE contributor. Our goal remains to ensure that Calgro M3 is a truly transformed organisation with a strong consciousness of empowerment across the Group.

Corporate social investment and skills development

Our slogan of **Building legacies and changing lives** is at the core of all we do and how we care about the communities in which we are involved. Each year we strive to do more than the past year, and this year is no exception. I am proud to report that as a Group, Calgro M3 has invested R9.6 million in various corporate social investment initiatives. Our areas of involvement include schooling, education, sports, community facilities, urban agriculture and the training and development of the youth. You can find detail on our various projects on pages 72 to 77 of this Integrated Annual Report, as well as in our Sustainability Report 2018, which can be found on the website.

Likewise, human capital development and skills transfer are equally important. It is our belief that investment in these areas have a lasting impact. During the year, the Group spent approximately R3.2 million on skills, enterprise and supplier development, of which 100% was spent on black beneficiaries. Goods and services worth over R590.1 million were procured from businesses that are more than 50% black-owned.

Appreciation and looking forward

2017 was politically and economically charged and resulted in the appointment of new leadership in our country. There are already indications that growth is improving, and that the socio-economic environment is more positive. Together with our stated intention of diversification, the goal of which is an equal profit contribution across the three businesses, I believe the future of the Group is secure.

I wish to thank my fellow Board members for their commitment and support to Calgro M3. Under the leadership of Wikus, the executive management team and leadership are able to steer the businesses and extract value for shareholders.

To all our customers, shareholders, business partners, employees and stakeholders, I wish to extend my gratitude for your support of the products and services across our Group. Your support and feedback allows us to ensure that we remain relevant to the people of South Africa.

Pumla Radebe
Chairperson

11 May 2018

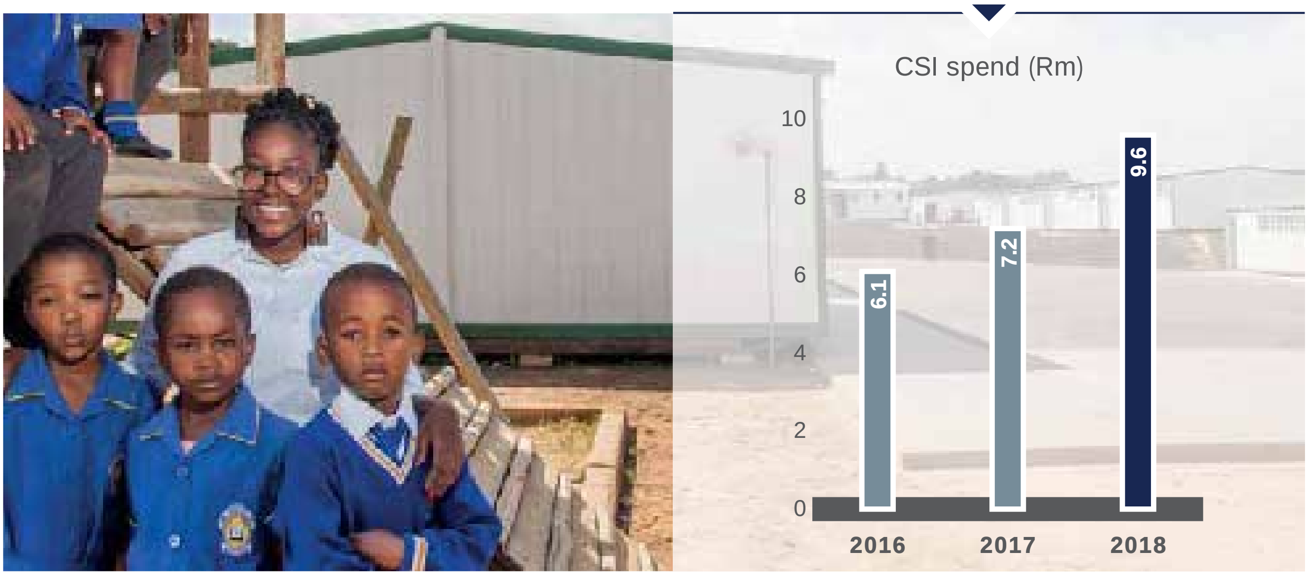
Abridged sustainability report

The principle of sustainability underpins core business imperatives such as ensuring stable business growth and maximising profit for shareholders. In South Africa, where historical inequality has created a huge shortfall in housing, our role as a developer of Integrated Residential Property, Memorial Parks and Rental Investments is an important one. As our business grows, so does our potential to deliver on a positive social and developmental impact. A strategic focus of Calgro M3, to enhance sustainability, is to ensure and drive larger revenue and profitability from the two newly established segments namely Memorial Parks and Rental Investments, to a point where all three contribute equally to the business. In this way supplying sustainability and diversification.

Signatory to the United Nations Global Compact (“UNGC”)

Corporate social investment

Calgro M3 adheres to the sustainability principles of:



Schooling

Fleurhof	Meadowlands
Future Nations School	Letsibogo Secondary Girls School
Calgro M3 constructed school and donated land	Construction of school hall
Children attend for R15 000 pa	Serves as hall and exam venue
Phase II construction begun to accommodate additional learners	In 2019 FY Calgro M3 will equip classrooms with heaters

Community facilities

Across all Calgro M3 projects

Parks and recreational facilities at Fleurhof, Scottsdene, La Vie Nouvelle, Summerset, South Hills, Jabulani, Witpoortjie
Schools, Créche's and business locations
Access to non-motorised transport systems and transportation routes (Rea Vaya)

Sports and education

South Hills

Assistance to Linn Hill Soccer Club in the relocation of current facilities

Urban Agriculture

Fleurhof

Local food security programme
Partner with City of Joburg – Social development partnered to develop the identified open spaces in Fleurhof for urban agriculture use to support a food resilience

Youth training development

Nasrec Memorial Park

Three-month skills training programme for graduates of the Namedi Secondary School who cannot find jobs
Programme focuses on security guard training and emergency and ambulance services training

Abridged sustainability report *(continued)*

2019 planned initiatives

Early Childhood Development Centre at Fleurhof on donated land from Calgro M3
Multi-purpose sporting facilities to accommodate soccer, netball and tennis for the Fleurhof community
Cosmetic and storm water repairs to the MES Kids Academy at Fleurhof and donations in kind
Active recreational space at Witpoortjie complete with clubhouse, braai area, outdoor gym, art space and sporting facilities
Calgro M3 is one of the main sponsors of Primestars which uses Ster-Kinekor Cinemas across the country as "Educational Theatres of Learning". This financial literacy programme is designed to teach learners about financial concepts such as managing debt, looking after one's savings and spending wisely
Waste management and recycling initiatives will be supported at Fleurhof, South Hills and KwaNobuhle
Inclusive education South Africa | Africa Rising | Keeping Girls in School | Take a Girl Child to Work Day

Economic sustainability

While our financial performance is a fundamental measure of sustainability, the Company's contribution to the larger economic system can be seen in its impact on society and the flow of capital among its stakeholders. Our approach to economic sustainability focuses on:

- Organisational and operational excellence;
- Providing greater value to all stakeholders; and
- Positioning the Company for future growth.

Calgro M3 Residential Property Development and Memorial Parks pipeline –
R27.5 billion

Total wealth created –
R319.3 million

Distribution of wealth

- Employees 38.75%
- Lenders 0%
- Reinvested 34.35%
- Subcontractors 10.94%
- Taxation 15.96%

Skills training and social development

Programmes in place at Calgro M3:

Chartered Institute of Management Accountants mentorship

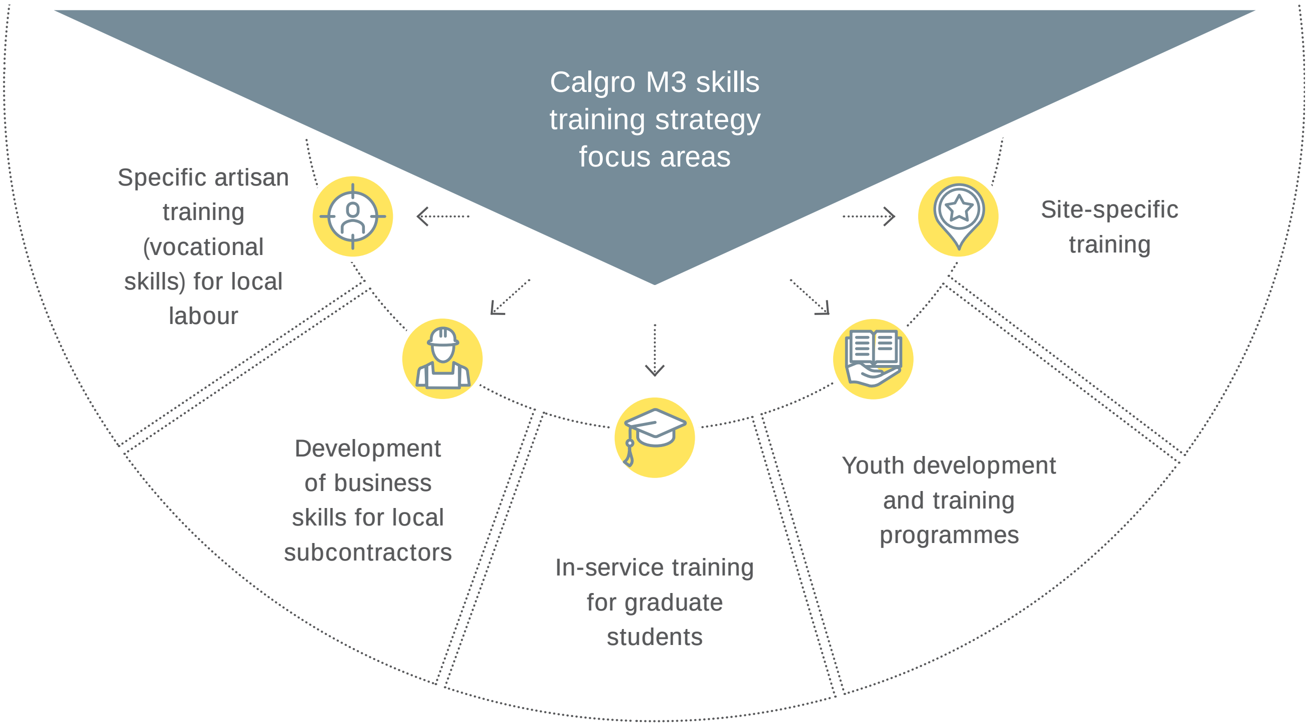
- Third year in operation
- Improve skills
- Turn managers into future leaders

Internship – Urban and Regional Planning

- Begun in 2015
- Provides urban and regional planning students the opportunity to do their honours research projects within the Calgro M3 Group that exposes them to a more practical approach to their theoretical research.

Skills Development

- Empowers trainees who have completed courses to be part of a preferential procurement list from which subcontractors can source local labour.
- This training develops a productive workforce by delivering practical on-the-job training that effectively upskills and uplifts those who participate.



Abridged sustainability report *(continued)*

Environment

Energy

- Reduced electricity requirement on majority of developments from 3.5 kVA to ± 1.5 kVA – saving 50% on electricity consumption
- Green building principles in place – the Jabulani CBD development includes 384 rental units which have been designed to receive full EDGE certification from the Green Building Council of South Africa

Heat pumps

266 units equipped

40% to 50% saving in consumption

Induction geysers

244 units equipped

25% to 35% electrical consumption saving

Solar geysers

130 units equipped

346 rental units to be equipped during the 2019 financial year

Solar

Nasrec Memorial Park has no dependency on the national electricity grid

Gas

Developments of Manyaleti, Cedar Crest, 22-on-Campbell, Silver Oaks, Sagewood, Summerset, La Vie Nouvelle and South Hills make use of internal gas reticulation serviced from centrally positioned gas banks within each development

Green spaces

On average, Calgro M3 provides 380% > green spaces than legally required.

Water

Finding innovative ways to conserve and manage water use have seen Calgro M3 commit to implementing effective water harvesting and management systems wherever possible.

Calgro M3 commitments to water saving initiatives include:

Calgro M3 is making use of a device called **"Save a Flush"** by Dry Planet SA (Pty) Ltd. Placed in a toilet, the device reduces water consumption per flush by one litre. According to calculations, verified by an independent external party, these devices installed in dual-flush toilet cisterns, standard across the Calgro M3 product range, will become "water neutral" within three months. The result of the calculation – based on the construction of a 40 m2 residential unit – is that by using "Save a Flush" in combination with a dual-flush toilet, and based on 11 flushes per day, the Group will be rendered "water neutral" for each unit it develops within just 84 days of being occupied.

Countrywide Calgro M3 has initiatives with the ability to recoup approximately **8 500 litres of water per unit** that is used in the construction phase, both on and off-site, within three months after completion of construction.

As standard practice Calgro M3 implements rain water harvesting, preserves natural water sources and rehabilitates wetlands across all developments.

Products and services

To mitigate the environmental impacts of its products and services, Calgro M3:

- Performs environmental and social impact studies prior to the acquisition/commencement of each Integrated Development and Memorial Park
- Implements a formal environmental plan addressing the risks identified in the studies
- Puts in place ecological management plans where needed
- Monitors compliance through an independent environmental control officer appointed at each Integrated Development or Memorial Park
- Uses a follow-up system to ensure red-flag issues are addressed
- Develops innovative housing and Memorial Park typologies that comply with new environmental and safety ratings

Human capital development

83.93% of additional staff employed are from previously disadvantaged groups

100% of internal skills development spent on black employees

84.3% of total group spend is dedicated to black business to support enterprise development

Calgro M3 adheres to the protection of rights

Health and safety is adhered to with the adoption of the principles of OHSAS 18001

2018 was **fatality-free** and free of serious injury

R590.1 million procured from businesses that are more than 50% black-owned

24/7

24 Hour Ethics Hotline in place – with no material matters reported across this financial year.

Detail on the seriousness Calgro M3 places on ethics and our group wide approach can be found on pages 44 to 46 of the Sustainability Report contained on the website.

Risk management

Introduction

Effective risk management processes and procedures are vital for the Group to achieve its strategic and operational goals, particularly in the current environment of change and uncertainty. The Board recognises that risk is intrinsic to the Group's operations. There is, however, a balance to be struck between managing risk and exploiting opportunities.

Refer to the Message from the CEO and FD on pages 4 to 25 for a register for the six key risks identified by the Group.

Risk management process

The Board assesses the Group's operational and strategic business risks with a view to eliminating, minimising or mitigating such risks and their effects on the Group's strategies and operations. Exco is responsible for managing risk through the day-to-day roll-out of effective risk management processes.

The Board defines acceptable risk tolerance levels and has tasked the Audit and Risk Committee to continually identify key risks and ensure acceptable risk tolerances through the executive risk control processes across business-specific risk areas. This sets the matrix for regular and extraordinary reporting, if required, by management to the Audit and Risk Committee and the subsequent reporting to the Board.

The Audit and Risk Committee oversees risk management in the Group and relies on the internal and external auditors as well as systems of internal control, to obtain comfort that risks are reduced to tolerable levels. Furthermore, the Audit and Risk Committee oversees cooperation between the internal and external auditors and serves as a link between the Board and these functions.

The systems of internal control are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the Annual Financial Statements, to safeguard and maintain accountability of the Group's assets and to identify and minimise fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations. There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. The system is therefore designed to effectively manage rather than eliminate risk.

The Board receives feedback on the effectiveness of internal controls to mitigate risk via the following:

- Quarterly operational risk management reporting from Exco;
- Assurance provided by the various Board Committees on certain or specific risks and actions taken to mitigate them;
- Audit and Risk Committee feedback from internal and external auditors; and
- Management feedback on the reliability and efficiency on the systems of internal control.

The Board believes the systems of internal control have continued to improve during the reporting period and are sufficient to minimise the risk of material loss and to provide accurate and reliable reporting. The Board is satisfied that systems of control have provided reasonable but not absolute assurance and nothing has come to their attention during the year to indicate a material breakdown in the systems of internal control.

Further details on financial risk management, including the Group's exposure to interest rate risk, credit risk and liquidity risk, are contained in note 3 to the annual financial statements.

Management of key risk

Calgro M3 classifies risks that could have a material impact on the Group into the categories of: Operations, Financial, Reputation and Strategic. The risks listed below are the top six risks identified and are grouped according to importance within the Group and include company specific actions that are implemented in order to mitigate these risks.

The below table should be read in conjunction with the "Our key risk items and the way we mitigate risk" analysis in the Message from the CEO and FD on pages 4 to 25.

Risk	Level	Company specific actions
Land invasion/ land grabs		Increased security as well as assisting local and provincial government to eradicate the housing shortage.
Macro environmental impact		Consideration of medium to long-term economic outlook when pursuing new projects or extending current projects (management have contacted various external providers to assist with industry specific information); Consideration of the financial means of communities to participate in projects and the social conditions relevant to these communities; Consideration of technological changes on a regular basis; Consideration of changes in legislation on a regular basis; Ensuring compliance with current and changing legislation; and Maintain relationships and a good open channel of communication with debt providers/stakeholders.
B-BBEE compliance		Appointment of qualifying personnel on all seniority levels that are in line with South Africa's demographic composition; Internal B-BBEE Committee established to implement and monitor initiatives to ensure compliance on all levels; B-BBEE targets and progress measurement are a standard meeting agenda item for Exco meetings; Engagement with B-BBEE consultant firm to provide guidance across all areas; Skills and enterprise development programmes from individuals to large contractors; and Establishment of a B-BBEE trust to provide financial assistance to black beneficiaries for education across Calgro M3 developments.
Public vs private sector exposure		Regular monthly review of all exposures; Specific tolerance levels set that governs exposure; Monitoring of cash flow; and Maintaining a neutral position with regards to political parties.
Cash flow and liquidity		Centralised cash flow control; Strict budgets and expense approvals; Capital expenditure planning by Investment Committee and Group Exco; Strategic decision to prioritise the implementation of existing projects rather than securing new projects to assist with capital requirements; Project cash flows monitored monthly to identify and plan cash flow requirements; and Longer lead times to raise working capital.
Retention of staff		Short-term performance-based incentive scheme implemented for senior/key personnel; Executive and Employee Share Incentive Scheme; Key talent identified and incentivised accordingly; and Ongoing staff and human resource improvement projects under way.

Group value added statement

	2018	2017	2016	2015	2014
Revenue	**1 742 602 162**	1 554 679 657	1 204 063 379	932 204 729	784 942 989
Less: Cost of materials, facilities and services	**(1 445 773 397)**	(1 198 172 735)	(900 892 036)	(754 318 891)	(605 938 240)
Value added	**296 828 765**	356 506 922	303 171 343	177 885 838	179 004 749
Other income	**12 921 627**	16 599 999	19 465 682	8 520 994	1 792 524
Share of profit on joint ventures	**9 560 505**	6 269 280	67 233 693	86 826 674	66 161 456
Total wealth created	**319 310 897**	379 376 201	389 870 718	273 233 506	246 958 729
Distributed to					
Employees – salaries, wages and other benefits	**123 718 039**	122 654 097	149 699 004	90 283 593	63 984 709
Subcontractors – labour only	**34 922 929**	20 408 293	11 400 118	10 660 461	61 597 783
Government – company taxation	**50 948 964**	63 176 484	46 090 117	22 519 972	9 519 342
Net finance (income)/costs	**(12 269 138)**	1 924 616	(11 874 468)	2 478 797	3 797 429
Maintain and expand the Group					
▸ Profits retained	**120 806 675**	170 132 841	193 184 722	145 629 072	105 695 319
▸ Depreciation, amortisation and impairment	**1 183 428**	1 079 869	1 371 225	1 661 611	2 364 147
Total wealth distributed	**319 310 897**	379 376 200	389 870 718	273 233 506	246 958 729

Numbers above are based on IFRS reported results.

Distribution of wealth

- Employees 38.75%
- Lenders 0%
- Reinvested 34.35%
- Subcontractors 10.94%
- Taxation 15.96%

- Employees 32.33%
- Lenders 0.51%
- Reinvested 45.13%
- Subcontractors 5.38%
- Taxation 16.65%

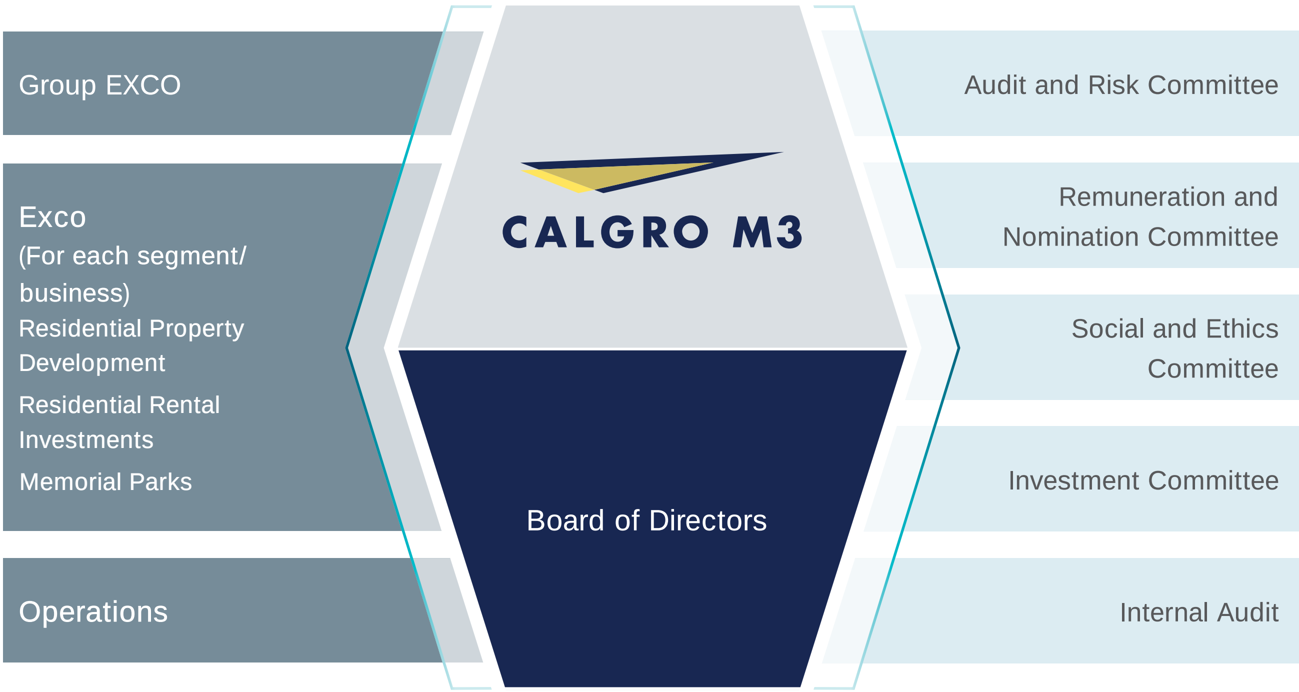
Corporate governance report

Corporate governance

The Board of Directors ("the Board") believes that sound corporate governance structures and processes are crucial to delivering responsible and sustained growth of the Company for the benefit of all stakeholders. The Company has implemented controls to provide reasonable assurance of its compliance with these requirements, insofar as they are applicable. Transparency, accountability and openness in reporting and disclosure of information, both operational and financial, are vital to the practice of good corporate governance. Achieving these objectives demonstrates the Group's commitment to good corporate governance and that it conducts its business within acceptable ethical standards and prudent risk parameters.

Corporate governance structure

The Group is committed to transparency in its communication and reporting and manages the business along the lines of best practice principles.



Statement of compliance

JSE Limited and King IV Corporate Governance

The Group endorses the ongoing disclosure, corporate governance and other requirements by the JSE. The Group also supports and complies with the principles of the new King Report on Corporate Governance ("King IV") and the International Integrated Reporting Framework.

The Group remains committed to sound corporate governance, sustainability principles and compliance with the JSE Listings Requirements and King IV Report. In terms of paragraph 8.63(a) of the JSE Listings Requirements, the Group has published its King IV application register on its website www.calgrom3.com.

The Board is satisfied that there have been no material instances of non-compliance with King IV or the JSE Listings Requirements during the year.

Board of Directors

As detailed in its charter, the Board's objective is to provide responsible business leadership to the Group, acting with leadership and integrity in the execution of its duties with due regard to the interest of all stakeholders. The Board is the highest governing body and ultimate guardian of corporate governance.

Responsibilities of the Board

Key responsibilities of the Board include:

- Approve corporate strategy, including business plans and budgets and bring independent, informed and effective judgement and leadership on material decisions of the Group;

Corporate governance report *(continued)*

- Monitor management's implementation of the approved strategies;
- Oversight of the Group's systems of internal control, governance, risk management and information technology;
- Approve major acquisitions, disposals and corporate actions;
- Guide Group values, including being a responsible corporate citizen and principles of ethical business practice;
- Ensure the mandate of transformation is upheld by the Group;
- Appointment of the Chairperson and Chief Executive Officer, nomination of Directors and review of Directors' and Senior Management's remuneration, appointments and succession plan;
- Approval of the authorities assigned to the Board, its committees and management;
- Ensure disputes are resolved as effectively, efficiently and expeditiously as possible; and
- Monitoring the relationship between management and stakeholders of the Company.

The quorum for Board meetings is 60% of the Directors.

The Board is supplied with all relevant information and has unrestricted access to the management of the Group and all Group information, which enables the Directors to adequately discharge their responsibilities. Full and effective control over all operations of the Company is retained by the Board at all times.

All Directors and Board Committees have full access to the Company Secretary and may, if deemed necessary and in appropriate circumstances, take independent professional advice at the Company's expense.

Directors' declarations of interests are tabled annually and additional or amended declarations of interests are circulated at every Board meeting.

Through recently concluded appraisals, the Board and its committees were found to have operated and functioned effectively during the reporting period.

Board composition

The Board operates as a unitary Board comprising five Executive Directors, one Non-Executive Director and six Independent Non-Executive Directors. The Board Chairperson is an Independent Non-Executive Director. The Board also has a Lead Independent Non-Executive Director to support independence on Board decisions as well as offers support and guidance to Executive Directors.

The roles of Chairperson and CEO are separate, with a clear division of roles and responsibilities defined in the Board Charter.

The Board reviews its composition and determines the optimal number and type of Directors necessary to fulfil the role of the Board of Directors effectively and efficiently, on an annual basis.

Board members with the necessary experience and expertise are asked to join the Board and in this way their skills set is used appropriately.

Independent Non-Executive Directors

All Independent Non-Executive Directors have been reassessed for independence.

Appointment and re-election of Directors

Directors, both Executive and Non-Executive, are appointed for their skills and experience. In accordance with the Calgro M3 Memorandum of Incorporation, one-third of Non-Executive Directors are subject to rotational retirement every year and re-elected by shareholders at the Annual General Meeting.

On the recommendation of the Nomination Committee, the Board as a whole is responsible for approving Directors for appointment. New Directors are appointed in terms of a formal and transparent procedure. Prospective appointees are nominated by the Nomination Committee with the nomination being approved by the Board and the appointment being made by shareholders at the Annual General Meeting.

Induction of new Directors

Individual competence of Board members is imperative as they are the decision-makers of the Group and are ultimately responsible for its success.

The governance of Calgro M3 requires that Directors have a sound understanding of the business and knowledge of the markets in which the Group operates, and must exercise due care and skill in their fiduciary duties. The selection of Directors is based on their experience, business skills, the diversity of their business backgrounds and their academic qualifications. Race and gender also play an important role in the appointment of Directors to ensure that the composition of the Board is in line with the demographics of South Africa.

An informal orientation programme for new Directors is in place to ensure they acquire the requisite level of competence and knowledge of the Group's structure, operations and policies to enable them to fulfil their fiduciary duties and responsibilities.

Register of attendance for Board meetings in the period under review.

Board members' attendance register

Board meetings	12 May 2017	19 July 2017	13 October 2017	21 February 2018
Pumla Radebe	✓	✓	✓	✓
Ralph Patmore	✓	✓	✓	✓
Mdu Gama	✓	✓	✓	✓
Hatla Ntene	✓	✓	✓	✓
Hugh Cameron	✓	✓	✓	✓
Venete Klein	✓	✓	✓	✓
Ben Pierre Malherbe	✓	✓	✓	✓
Wikus Lategan	✓	✓	✓	✓
Waldi Joubert	✓	✓	✓	✓
Wayne Williams	✓	✓	✓	✓
Derek Steyn	✓	✓	✓	✓
Manda Nkuhlu	✓	✓	✓	✓
Tumi April	*	*	*	*
Sponsor				
Grindrod Bank	✓	✓	✓	✓

Audit and Risk Committee	5 May 2017	17 July 2017	6 October 2017	9 February 2018
Hugh Cameron	✓	✓	✓	✓
Ralph Patmore	✓	✓	✓	✓
Mdu Gama	✓	✓	✓	✓
By invitation				
Ben Pierre Malherbe	✓	n/a	n/a	n/a
Wikus Lategan	✓	✓	✓	✓
Waldi Joubert	✓	✓	✓	✓
Tumi April	*	*	*	*
Sponsor				
Grindrod Bank	✓	✓	✓	✓
Auditor				
PwC	✓	✓	✓	✓
Internal audit				
SizweNtsalubaGobodo	✓	✓	✓	✓

Remuneration and Nomination Committee	25 April 2017	12 May 2017	17 July 2017
Pumla Radebe	✓	✓	✓
Ralph Patmore	✓	✓	✓
Venete Klein	✓	✓	✓
Attends sections of meeting by invitation			
Wikus Lategan	✓	✓	✓
Tumi April	*	*	*

** Attendance as Company Secretary.*
✓ Attended.
× Apology.

Corporate governance report *(continued)*

Social and Ethics Committee	1 February 2017	18 July 2017	6 October 2017	9 February 2018
Mdu Gama	✓	✓	✓	✓
Ben Pierre Malherbe	✓	n/a	n/a	n/a
Hatla Ntene	✓	✓	✓	✓
Wikus Lategan	✓	✓	✓	✓
Wayne Williams	✓	✓	✓	✓
Waldi Joubert	n/a	#	×	#
Tumi April	*	*	*	*
By invitation				
Veriksha Baijoo	✓	✓	✓	n/a
Zelna van der Walt	×	✓	✓	✓
Camagwini Sigotyana	n/a	n/a	n/a	✓

Wikus Lategan and Wayne Williams resigned on 9 February 2018 (they will continue to attend by invitation). Waldi Joubert was appointed on the same day.

Investment Committee	4 October 2017	12 February 2018
Ben Pierre Malherbe	✓	✓
Hugh Cameron	✓	✓
Hatla Ntene	✓	✓
Wikus Lategan	✓	✓
Waldi Joubert	✓	✓
Tumi April	*	*
By invitation		
Wayne Williams	✓	✓
Derek Steyn	✓	✓
Manda Nkuhlu	✓	✓

** Attendance as Company Secretary.* ✓ *Attended.* × *Apology.* # *Attendance by invitation.*

Independence

In accordance with the Companies Act No. 71 of 2008 (“the Act”) and the guidelines of King IV, the independence of Non-Executive Directors is evaluated by the Remuneration and Nomination Committee and reviewed by the Board on an annual basis. Similar principles and processes are in place to ensure that no single Director may exercise unfettered decision-making powers.

Where the CEO is responsible for the implementation of strategic direction and daily operation of the Company, the Board provides guidance and leadership, and oversees its efficient operation. The CEO is assisted in his responsibilities by an Executive Committee (“Exco”).

Assessment of the Board

The Board of Directors analyses and evaluates its effectiveness in line with the King Report on Corporate Governance.

The analysis and evaluation of the effectiveness of the Board of Directors was conducted in the form of a questionnaire that is based on the principles and practice recommendations contained in the King IV Report. The questionnaire was completed by the Directors and the results of the evaluation were reported at the meeting of the Board of Directors.

On the basis of results gained in performing the analysis and evaluation, the Board of Directors concluded that the Board is appropriately and effectively fulfilling its role and responsibilities.

High ratings were given for the manner in which the Board established high ethical standards to which members of the Board are committed and ensuring that management is held to those standards. Actions and decisions of the Board take into consideration short and long-term impacts of the Group’s business on all its stakeholders. High ratings were further given for the manner in which the Board ensures that proper attention is paid to compliance with laws and regulations, as well as other rules, standards and codes adopted by the Group and the fact that opportunities are given to all members of the Board to raise issues.

The results of the analysis and evaluation also highlighted issues that will have to be addressed in order to ensure that the Board of Directors is more effective.

The Executive Committee ("Exco")

Exco is responsible for the day-to-day running of the Group and is comprised of the Executive Directors. The CEO is the head of Exco which is, in turn, accountable to the Board for the actions and decisions taken by Exco.

Exco's initiatives and progress are reported to the Board via Board packs made available in advance of the Board meetings or whenever deemed appropriate or necessary. Exco meets regularly at set intervals, but also holds ad hoc meetings as required.

Board Committees

The Board has delegated, through formal terms of reference, specific matters to several committees whose members and chairmen are appointed by the Board.

There is full disclosure of matters handled by the committees to the Board. The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the Group. The Board has a Remuneration and Nomination Committee, an Audit and Risk Committee, an Investment Committee and a Social and Ethics Committee.

Remuneration and Nomination Committee

The main purpose of the Remuneration Committee is to ensure the adoption of remuneration policies within the Group which aim at attracting and retaining top talent and the aligning of such policies with the Group's strategy to drive performance in the long and short term.

The Remuneration Committee is chaired by Ralph Patmore. This Committee also fulfils the role of Nomination Committee (chaired by Pumla Radebe), having the responsibility to evaluate the Directors and examine the skills and characteristics required of these individuals. The Nomination Committee is also required to identify suitably qualified candidates for the position of Director, when the need arises as well as ensure that appropriate succession planning is performed. The Nomination Committee considers gender diversity of Directors when determining the composition of the Board as well as any new appointments. The Committee considers compliance with the gender diversity requirements in its terms of reference with each new appointment and termination. The Board has adopted a separate gender diversity policy. Any new appointments and changes to members of the Board will be measured against this policy. The appointment of a new Audit Committee member and Non-Executive Director to the Board will also be done in accordance with the gender diversity policy. Any matter of the Nomination Committee is chaired by the Chairperson of the Board. Although the Chairperson of the Board is not the Chair of the Remuneration Committee, the Chairperson of the Board is an active member. It is the duty of this Committee to align its interests with those of the shareholders and consider the interests of the material broader grouping of stakeholders. The integration of the duties of a Nomination Committee with that of the Remuneration Committee has proved to be successful.

The Committee's terms of reference include the following responsibilities:

Assisting the Board from a Remuneration Committee perspective with:

- Approval of the Group's adopted remuneration policy;
- Ensuring that the remuneration strategy is market related and competitive;
- Ensuring that remuneration for executives, including their short and long-term incentives, is based on performance and as such, that performance is measured and rewarded;
- Determining specific remuneration packages for senior executives of the Group;
- Considering the relationship between senior executive remuneration and that of other senior Group employees;
- Considering and recommending Non-Executive Directors' fees for their services on the Board and its committees;
- Ensuring that disclosure of Directors' remuneration is accurate, complete and transparent and in line with shareholder expectations;
- Approving the structure of short-term incentive schemes, including determining the targets and participation thresholds thereof; and
- Approving the structure of long-term share incentive schemes, including the determination of allocation criteria and performance conditions.

Assisting the Board from a Nomination Committee perspective with:

- Ensuring the Board has an appropriate composition to execute its duties effectively;
- Ensuring Directors are appointed through a formal process;
- Facilitating induction and ongoing Director training and development; and
- Overseeing the development of formal succession plans for the Board, CEO and Senior Management.

Corporate governance report *(continued)*

The Committee meets twice a year. The CEO attends the meetings by invitation but does not participate in discussions on his own remuneration. The Committee Chairman reports back to the Board on the activities of the Committee at subsequent Board meetings and the minutes of the Committee meetings are circulated to all Directors. During the year, the Committee approved senior appointments, reviewed succession plans and the performance and service agreements of the Exco members. The Committee also assesses the independence of each of the Independent Non-Executive Directors on an annual basis.

Service contracts

Executive Directors are appointed on the Group's standard terms and conditions of employment.

The Audit and Risk Committee

The Committee was chaired by Hugh Cameron (see page 68 for information on the passing of Hugh Cameron on 6 April 2018), an Independent Non-Executive Director. Ralph Patmore acted as chairperson from the date of Mr Cameron's passing. The Group is in the process of identifying and nominating a suitable replacement which will be communicated to shareholders in due course. The Committee consisted of three members during the year. In accordance with statutory requirements, the members of this Committee are all Independent Non-Executive members. In addition to Committee members, the CEO, FD, internal auditors, external auditors and sponsor attend meetings by invitation.

Overall objectives of this Committee are to ensure:

- Adequate systems of accounting records, effective financial reporting and internal control systems are in place and fully functional;
- Oversight for the Integrated Annual Report, financial results and monitoring of sustainability reporting;
- Recommendations to the Board and shareholders on the appointment of external auditors;
- Review of findings and recommendations of internal and external auditors;
- Evaluation expertise and experience of the Financial Director and the overall finance function;
- Monitoring any non-audit services rendered by external auditors;
- That significant business, financial and other risks are identified and mitigated against;
- The review of the total risk management and procedures, including the effectiveness of systems and processes;
- Satisfactory standards of governance, reporting and compliance in conformance to King IV guidelines, the Companies Act and the JSE Listings Requirements; and
- Group assets are safeguarded.

The full Audit and Risk Committee report is included on pages 101 to 104 of the Annual Financial Statements.

The Investment Committee

This Committee is a standing committee of the Board created to assist the Board in the effective discharge of its governance and responsibilities relating to the investment decisions of the Company and its subsidiaries. The members of this Committee are appointed by the Board and consist of three non-executive directors, the Chief Executive Officer and the Financial Director. Ben Pierre Malherbe serves as a non-executive chairman of the Committee. A quorum of the Committee is three members of which two must be non-executive members.

The overall duties of the Committee are to:

- Assist and advise the Executive Committee on acquisition, merger and disposal opportunities and all aspects of other material transactions and matters related thereto.
- Make recommendations to the Board, monitor on behalf of the Board and report to the Board on material acquisition, merger, or disposal opportunities and ongoing material transactions and matters related thereto.
- Review and assess the Company's project proposals and the proposed investment transactions.
- Review key risks specific to the projects presented, for noting at the Board meeting risk register discussion.
- Consider post investment reviews of projects.
- Review and assess the Company's project disposals, and disposal of investments or assets.
- Review and assess proposed new strategic initiatives before presentation thereof by the Executive Committee to the Board.
- Review and, if appropriate, update the Delegation of Authority of the Executive Committee relating to:
  - the sale of assets; and
  - acquisition of new projects and assets;

  subject to Board approval.
- Investigate all matters within the scope of its responsibilities and make appropriate recommendations to the Board.

The Committee was established in October 2017 and meets four times a year and on an ad hoc basis as often as is required.

The Social and Ethics Committee

The responsibilities of the Committee are set out in a written terms of reference, which are reviewed periodically and include monitoring the Company's activities considering relevant legislation, regulatory requirements, best practice and codes. The members of this Committee are appointed by the Board. Mdu Gama serves as Chairperson and is an Independent Non-Executive Director. A quorum for this Committee is two members of which one needs to be the Chairperson or another Independent Non-Executive Director attending the meeting on his behalf.

The Social and Ethics Committee's key responsibilities are:

- Align the Group's Social and Ethics strategy with its overall business strategy;
- Recommend to the Board the strategies and policies to ensure the Group's Social and Ethics targets are achieved;
- Monitor the implementation and efficiency of Employment Equity;
- Monitor activities relevant to social and economic development, good corporate citizenship, environment, health and safety and consumer relationships;
- Review policies and statements on ethical standards and on whistle-blowing; and
- Monitor B-BBEE progress within the Group to ensure compliance in all areas.

Company Secretary

The Board is satisfied that the Company Secretary is appropriately qualified, competent and experienced for her position in a listed company. The Company Secretary plays a pivotal role in the continuing effectiveness of the Board, ensuring that all Directors have full and timely access to information that helps them to perform their duties and obligations, and enables the Board to function effectively.

The Company Secretary's key duties regarding the Directors include, but are not limited to, the following:

- Collating and distributing relevant information, such as Board meeting agenda items, Board/Committee meeting papers, corporate announcements, SENS and any other developments affecting the Group from a regulatory perspective;
- Monitoring the legal and regulatory environment and communicating new legislation and any changes to existing legislation and governance to the Board;
- Providing guidance to the Directors on their individual and collective powers and duties;
- Assisting the Chairperson and CEO with the induction of new Directors together with the Company's sponsor, in this case Grindrod Bank Limited. This includes a briefing of their fiduciary and statutory duties and responsibilities, including those arising from the JSE Listings Requirements;
- The Company Secretary is responsible for the functions specified in section 88 of the Companies Act, 2008 (as amended). All official meetings of shareholders (AGM), Directors and Board Committees are properly recorded as per the requirements of the Act.

The Company Secretary is not a director of any of the Group operations, nor is she related to or connected with any of the Directors which could result in a conflict of interest and accordingly it is concluded that an arm's length relationship with the Board and its Directors is maintained. The Company Secretary reports to the Chairperson and has a direct channel of communication to the Chief Executive Officer and to the Financial Director. The removal of the Company Secretary would be a matter for the Board as a whole.

Based on a formal assessment, which included review of the Group Company Secretary's qualifications, experience and demonstration of competence in execution of the abovementioned functions, the Board is of the opinion that Itumeleng April, the Group Company Secretary, possesses the requisite competence, qualifications and experience and has confirmed that she is suitably qualified, competent and experienced to hold the position of Group Company Secretary. She is a qualified attorney with eleven years' experience in commercial and company law, and six years' company secretarial experience. The academic and professional qualifications of the Group Company Secretary were externally verified prior to her appointment.

Shareholder engagement

Transparent communication and engagement with stakeholders is vital to ensure that the principles on stakeholder management expressed in the King IV Code is adopted. The Group regularly communicates its strategy, performance and vision to shareholders through presentations delivered during results roadshows. Management regularly meets with investors and shareholders in one-on-one meetings on request. The CEO and FD with the assistance of an external investor relations consultant are tasked to be the spokespersons in the above instances.

It is the policy of the Group to pursue regular dialogue with institutional investors, engaging constructively within the frameworks provided by statutory and regulatory environments regarding the dissemination of information. This helps ensure a fair and accurate representation and valuation of the Company and its performance. Grindrod Bank Limited acts as the Company's sponsor in compliance with the JSE Listings Requirements.

The Company's Annual General Meeting provides an important platform for engagement with shareholders and offers them the opportunity to participate in discussions relating to the Group.

Sustainability

The Group's sustainability information (contained in the full Sustainability Report on the Company's website www.calgrom3.com) details Calgro M3's overall strategy and approach for themes such as transformation and B-BBEE, employment equity, skills transfer, training and development,

Corporate governance report *(continued)*

succession planning, occupational health and safety, environmental matters, policies regarding HIV and Aids and human rights issues.

Access to information

Policies and procedures have been implemented to ensure the Board has access to the relevant information as well as engagement with Senior Management at all reasonable times. Directors are expected to treat all Company information as strictly confidential and to comply with the provisions of the statutes applicable to the use of Company information.

Dealings in securities

No director, officer or employee may deal either directly or indirectly in the Company's shares based on unpublished price-sensitive information. In addition, no director, officer or employee in possession of price-sensitive information may trade in the Company's shares during closed periods. Closed periods are from the end of the interim and annual reporting periods to the announcement of financial and operating results for the respective periods, and while the Company is under a cautionary announcement.

Before dealing in Calgro M3 shares, all Directors and the Directors of subsidiary companies are required to obtain written clearance from the CEO or the Chairperson. Similarly, the CEO requires prior clearance from the Chairperson or Financial Director. The same rules and restraints apply where securities are held by immediate family members of Directors or senior staff.

The Company Secretary keeps record of all consents and dealings in Calgro M3 shares by Directors.

Conflict of interest

The disclosure to the Board of all and any conflicts of interest or potential conflicts of interest which Directors may have in relation to the business of the Company is required. Directors are further required to recuse themselves from discussions or decisions on those matters where conflicts or potential conflicts of interest may exist. The Board may, if deemed appropriate, request a Director to recuse himself/herself from the meeting for the duration of the matter under discussion should there be a conflict or potential conflict of interest.

IT governance report

Information Technology ("IT") at Calgro M3 is a strategic tool that facilitates the successful implementation of the Group's strategy and sustainable business performance. The IT charter is based on the principles of IT governance as described in King IV, and guides the Board in discharging its IT responsibilities. The Board is responsible for IT governance and is ultimately responsible for ensuring information and IT strategies are aligned with business strategies. The Audit and Risk Committee assists the Board in carrying out these responsibilities. An IT governance framework and reporting system provides the Board with assurance that the IT strategy, procedures and controls within the business reduce IT risk, including information security, to an acceptable level.

The Board is satisfied that, based on reports received from this committee, an appropriate IT governance framework exists and is effectively monitored and functioning.

Legal matters and litigation

To the best of the Board's knowledge there is no material pending or threatening legal action that may have a material effect on the Group's financial and non-financial position.

Code of Ethics

The Group's Code of Ethics outlines the conduct that is required from all Directors and employees. The Code requires of everyone in the Group to be committed to fair dealing, honesty and integrity. The Code of Ethics has been actively endorsed by management and forms part of the induction process of all employees. It assists with:

- Distinguishing between acceptable and unacceptable practices;
- Provides a comprehensive set of ethical corporate standards;
- Encourages ethical behaviour by the Board, management and the employees across the Group;
- Guides ethical decision making; and
- Assist in the resolution of conflicts.

Whistle blowing

The Group has established an anonymous reporting function (Tip-offs Anonymous line) that enables employees and any concerned individual not in the employ of Calgro to report any fraudulent, corrupt or unethical practices.

Contact details are as follows:
Toll-free: 0800 204 837
Email: calgrom3@tip-offs.com
Website: www.tip-offs.com

During the period under review there were no material matters reported on the whistle blowing hotline.

Remuneration Report

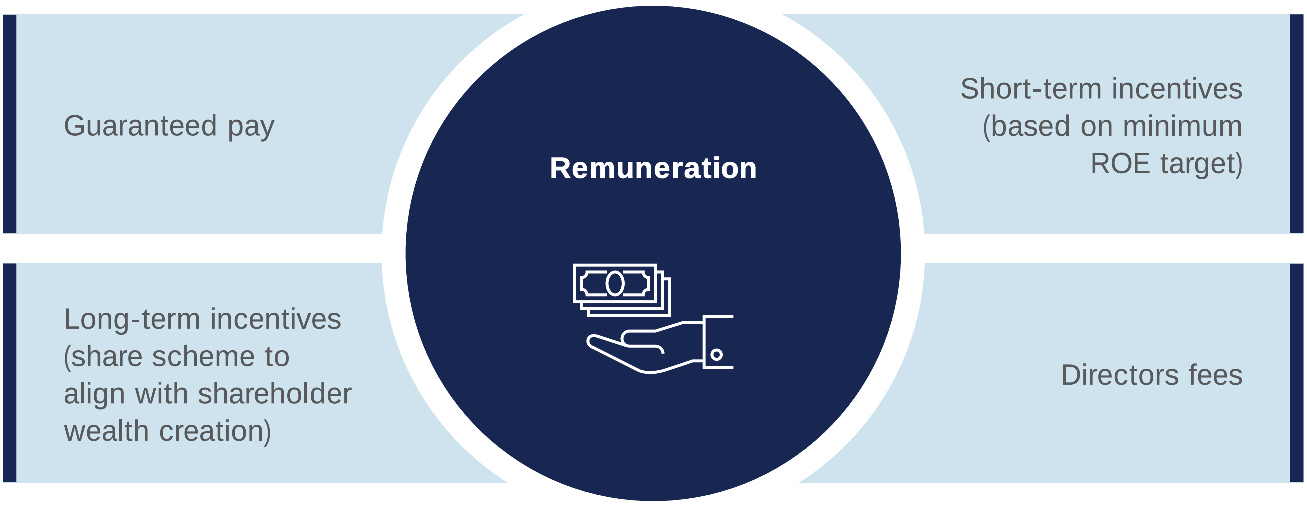
The Group's remuneration strategy is aimed at remunerating Directors, executives and employees fairly and responsibly.

The Group's remuneration policies aim to attract and retain high calibre people and reward them fairly for their skills and performance and to provide a happy and stimulating work environment. All permanent employees have the opportunity to qualify for short-term bonus awards. The compensation of all group staff is determined by industry benchmarking done by PwC's Remchannel platform for the group, together with oversight from the Remuneration committee.

Over many years, the Group has refined its remuneration policy and practices to support our aim of being a thriving, growing company which is highly dependent on the motivation of its people. During the year a further refinement of the Group structure took place. This saw separate management teams appointed and promoted for each of the three distinct businesses in an endeavour to extend capacity and promote the future leaders of these underlying businesses. The group believes that its remuneration practices are in line with the King IV remuneration governance principles, and that these principles underpin the achievement of its business objectives, its ethical culture and an overriding philosophy of "pay for performance".

Employee compensation is the largest item under the value-added statement distribution of wealth section. During the 2018 financial year, employees received 38.75% of the total wealth created by the group. (See the value-added statement on page 80.)

This report covers the approach adopted by Calgro M3, in conjunction with guidance from the Remuneration Committee on the principles, strategy and implementation of remuneration across the Group. In totality remuneration is made up of:



Remuneration strategy

The remuneration strategy takes cognisance of local and industry specific remuneration best practices to ensure that the Group attracts and retains the appropriate skills and talent. The Remuneration Committee considers a holistic compensation model when approaching the remuneration of all Executive Directors, prescribed officers and fees paid to all Non-Executive and Independent Non-Executive Directors.

Remuneration policy

The main aim of the remuneration policy implemented by the Group is to attract, develop, motivate and retain talent to enable the growth strategy of the business. It is the Group's policy to remunerate all performing employees between the 25th and 90th percentiles when short and long-term incentives are included, thereby ensuring that these employees are properly benchmarked within their respective disciplines to ensure retention and growth of employees.

Remuneration Report *(continued)*

The remuneration policy is in place to support and assist with the execution of the strategy and to reward staff members for the performance delivered on, in line with values and objectives set. Discretionary performance bonuses are awarded annually to permanent staff members based on the performance of the Group as well as individual performance. The average bonus for the 2018 financial year was equivalent to one times the monthly salary. At the same time, poor performance is managed until a suitable standard is attained through mentorship. Should performance not increase to reasonable levels, the employee leaves the employ of Calgro M3.

Executive and prescribed officer remuneration comprises a combination of guaranteed remuneration (total cost to company ("CTC")), variable remuneration (short-term incentives ("STI") and long-term incentives ("LTI")). The weighting depends on the level of seniority in the organisation. Annual reviews of guaranteed remuneration are benchmarked against remuneration surveys and comparisons of remuneration for similar executive jobs within the sector and industry.

Shareholder engagement and voting

Understanding and being responsive to the interests of various stakeholders, including shareholders, is critical to delivering on Calgro M3's core business strategy.

Calgro M3 is dedicated to responsible corporate governance practices, creating sustainable growth in shareholder value through consistent improvement in earnings, clear growth and expansion of capital, and engaging with its shareholders. Management also engaged with shareholders during the year and in the light of their comments and input have adjusted the meeting fee composition for non-executives and provided a more granular disclosure of the compensation structure.

In line with best practice (notably King IV) and the JSE Listings Requirements, from the 2017 AGM onwards the remuneration policy together with the implementation report (as contained in the annual remuneration report) will be tabled for two separate non-binding advisory votes by shareholders. In the event of 25% or more of the shareholders voting against either or both the remuneration policy and implementation report, Calgro M3 will take the necessary steps to engage with shareholders in an effort to ascertain the reasons for their dissenting votes.

Calgro M3 will:

1. Extend an invitation to dissenting shareholders in the Securities Exchange News Service ("SENS") announcement with the results of the AGM, for them to engage with Calgro M3 around their reasons for voting against the relevant resolution; and
2. The invitation will reveal the manner and timing of engagement, which may include communication via email, telephone calls, meetings, roadshows and other methods of communication.

Calgro M3 will ascertain the reasons for dissenting votes and regularly respond and provide constructive feedback to shareholders' questions, queries and concerns. Where appropriate (in the case of legitimate and reasonable concerns) Calgro M3 may consider amending elements of the remuneration policy to align it further to market practice and shareholder value creation.

Remco shall disclose, from the 2018 financial year onwards, the results of its shareholder engagement. In the event that one or more of the remuneration-related resolutions are voted against by 25% or more of the shareholders, this disclosure will also include:

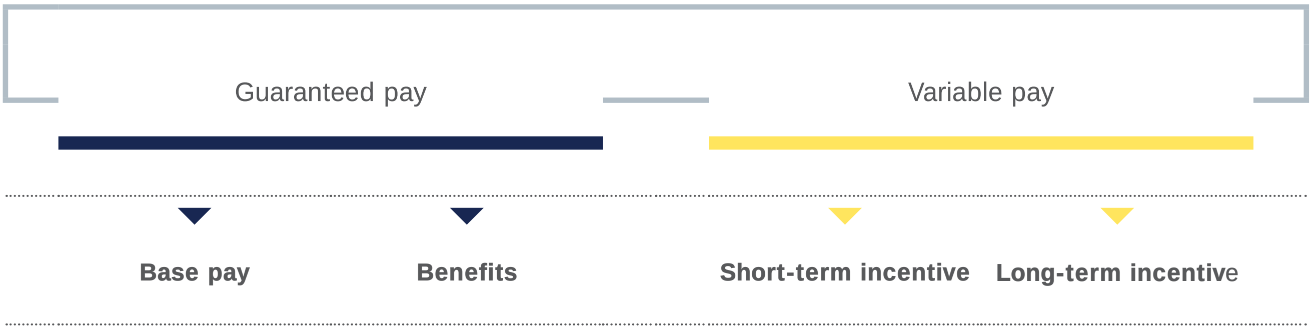
1. With whom Calgro M3 engaged;
2. The manner and form of the engagement that took place; and
3. The nature of the steps taken by Calgro M3 to address legitimate and reasonable objections and concerns raised by dissenting shareholders.

At the 2017 AGM the result of the non-binding advisory vote on the remuneration policy was:

- For – 98.85%
- Against – 1.0%
- Abstention – 0.15%

Remuneration and contracts for the 2019 financial year

Remuneration structure



Guaranteed remuneration

Guaranteed remuneration is determined between the 25th and 50th percentile within the job family market depending on individual performance and experience levels.

Increases for all management levels as well as all staff will again be adjusted at our increase cycle in September and will again be CPI linked. Additionally, the Group provides an additional increase to lower earning staff members to promote distribution of wealth to this bracket.

Short-term incentive (“STI”)

The STI is a performance bonus that is designed to incentivise management to drive business performance and increase shareholder value.

The STI bonus pool is calculated as follows:

< 20%	of previous financial year Headline Earnings	3%
= equal		6%
> 20%		7%
> 40%		8%
> 60%		9%
> 80%		10%
> 100%		12%

Remuneration Report *(continued)*

Once the STI bonus pool is calculated based on the methodology above, the allocation is done as follows:

40% – Return on equity ("ROE") target

Equity calculated as: Opening capital available to be deployed.

A minimum ROE target is set for each of the Group's businesses as follows:

1. **Residential Property Development Business – 25% ROE (HEPS/Equity)**
2. **Memorial Parks – A sliding scale building up to 25% ROE (HEPS/Equity)**
   i. 2018 financial year: 10%
   ii. 2019 financial year: 15%
   iii. 2020 financial year: 20%
   iv. 2021 financial year: 25%
3. **Real Estate Investment – 10.5% ROE (HEPS/Equity)**

Should the ROE target be reached for each of the three businesses, then the full 40% allocation of the STI pool will be granted. Should any of the individual businesses' targets not be reached, then a proportionate allocation will be done based on equity deployed to each of the businesses. The weighting was decreased (2018FY: 50%) in line with King IV guidance for increased focus on other factors.

20% – Risk mitigation and sustainability

All risks above a level 12 scoring (based on impact and probability (1-5)) on the Group's risk register to be managed in order to decrease. A decrease in the overall risk profile of the Group of 4% will be set as sub-minimum annually. The weighting was increased to align with the Group's main driver of risk mitigation to ensure sustainability.

20% – Empowerment targets

Based on specific targets determined by the Board from time to time.

20% – Board discretion

Long-term incentive ("LTI")

The purpose of the LTI scheme is to align management and shareholder interests, and to attract and retain key personnel over the long term. The LTI is an equity-settled scheme that was approved by the Board in 2015.

The scheme afforded management the option to buy shares at R4.08 per share, but which are only transferred to them in tranches of 50% after five years and six years from 1 March 2015 for Exco members and in tranches of 50% after four years and five years from 1 March 2015 for other Senior Management. Should any participant leave the Group before the restriction period has expired, the Group will buy the shares back at R4.08 with the individual forfeiting the upside of the capital growth.

Details surrounding the LTI for the executive management and senior management team is detailed in the Directors' Report on page 105. Details relating to the Group's Equity Scheme can be found in note 30 (page 165) to the annual financial statements.

Non-Executive Directors' fees

Non-Executive Directors are remunerated for their membership to the Board and the various Board Committees. As recommended in the Notice of the Annual General Meeting, shareholders are requested to ratify the Non-Executive Directors' fees for the year at the Calgro M3 Annual General Meeting.

To comply with the requirements of King IV, the Board has instituted rulings that Non-Executive Directors' fees are split between an annual retainer and an attendance component. The weighting per meeting, per committee have changed post the shareholders input.

Director	Annual retainer fee 2018/2019	Board Chair	Audit Committee Chair	Any other Committee Chair	Audit Committee meeting attendance	Remuneration, Investment and Social and Ethics Committee meeting attendance	Board meeting attendance
PF Radebe	R249 000	R40 000		R30 000		R20 000	R24 000
VJ Klein	R167 000			R30 000		R20 000	R24 000
H Ntene	R167 000			R30 000		R20 000	R24 000
RB Patmore	R200 000			R30 000	R22 000	R20 000	R24 000
BP Malherbe	R167 000			R30 000		R20 000	R24 000
ME Gama	R167 000			R30 000	R22 000	R20 000	R24 000
New Audit Committee Chair	R167 000		R35 000	R30 000		R20 000	R24 000

Details pertaining to Non-Executive Directors' Remuneration are contained in the tables below and can be referenced in the Integrated Annual Report to note 33.

Restraint of trade

All Executive Directors and Senior Management have a restraint of trade on their appointment that for a period of two years from termination, they are not allowed to provide employment services for any competitor that specialises in mixed-use/integrated developments or is in direct competition with any of the business ventures undertaken by the Group.

Group executive reviews

Salary and total remuneration package benchmarking is conducted yearly in Calgro M3 with regard to Executive Directors and staff. The Remuneration Committee advises the Board on the remuneration for executives as well as annual staff salary increases.

Independent external advice

The Calgro M3 Remuneration Committee makes use of external advice on matters pertaining to remuneration and benchmarking.

Remuneration outcomes

Given the financial performance for the 2018 financial year, bonus payments to Executives were zero. The minimum hurdle being Headline Earnings greater or equal to prior year (2017). An increase in Headline Earnings was not achieved and as such, no STI bonuses have been accrued or paid in the current year.

Increases for all management levels as well as all staff earning a gross salary of above R14 000 per month was set at 7.2% or CPI plus 1%. Increases granted to all staff earning a gross salary of below R14 000 per month was increased by 9.2% or CPI plus 3%. This excluded any level or once-off adjustments made as a result of benchmarking as well as any promotions. Benchmarking is performed every second year for Executive management, but more regularly for other staff. Executive salaries were benchmarked during the year by PE Corporate services. This bench marking will be done every second year.

As the minimum "bonus pot" targets for executive management was not achieved, although the risk mitigation, empowerment targets, as well as general performance targets were met by management, no bonus was paid for the second consecutive year.

Remuneration Report *(continued)*

Directors' interest in shares

At the date of this report the Directors held the following direct and indirect interests in the Company:

	Direct 2018	Direct 2017	Indirect 2018	Indirect 2017
Ordinary shares				
BP Malherbe	**1 050 069**	1 050 069	**12 500 000**	12 500 000
WJ Lategan	**5 336 090**	5 238 496	**–**	–
WJ Lategan*	**2 294 214**	2 294 214	**–**	–
FJ Steyn	**–**	–	**8 602 622**	8 944 461
WA Joubert	**16 000**	16 000	**–**	–
WA Joubert*	**952 562**	952 562	**–**	–
W Williams	**183 667**	102 219	**86 666**	86 666
W Williams*	**1 084 815**	1 084 815	**–**	–
MN Nkuhlu	**3 296**	3 296	**–**	–
MN Nkuhlu*	**2 046 421**	2 046 421	**–**	–

* *Shares issued as part of the Calgro M3 Executive Share Scheme have service conditions and trading restrictions associated to them and are disclosed as treasury shares until such time when the trading restrictions are lifted. Refer to note 30 for further details on the Calgro M3 Executive Share Scheme. Refer to note 33 for details of the Directors' emoluments.*

There were no changes to the directors' interest in shares between year-end and the date that the financial statements were approved.

Executive directors' remuneration

The remuneration noted below is for services rendered in connection with the carrying on of affairs of the business within the same group of companies, joint ventures and associates.

	Remuneration and other benefits			
	Guaranteed remuneration R	Equity-settled long-term incentive* R	Short-term incentive R	Total R
2018				
WJ Lategan	**3 024 523**	**–**	**–**	**3 024 523**
FJ Steyn	**2 658 248**	**–**	**–**	**2 658 248**
WA Joubert	**2 063 279**	**–**	**–**	**2 063 279**
W Williams	**2 151 057**	**–**	**–**	**2 151 057**
MN Nkuhlu#	**2 060 425**	**–**	**–**	**2 060 425**
Total Executive Directors	**11 957 531**	**–**	**–**	**11 957 531**
2017				
BP Malherbe#	3 176 699	18 796 235	–	21 972 934
WJ Lategan	2 664 968	–	–	2 664 968
FJ Steyn	2 482 573	–	–	2 482 573
WA Joubert	1 665 132	–	–	1 665 132
W Williams	1 804 894	–	–	1 804 894
Total Executive Directors	11 794 265	18 796 235	–	30 590 501

* *The Executive Directors' emoluments include only the guaranteed remuneration, equity-settled long-term incentive and the short-term incentive.*
\# *BP Malherbe resigned as Executive Director on 1 March 2017. MN Nkuhlu was appointed on the same day as Executive Director.*

Non-Executive Directors

The remuneration tabled noted below is approved at the AGM annually and in line with best corporate governance practices of splitting remuneration between an annual retainer and an attendance component.

Director	Annual retainer fee 2017/2018 R	Meeting chaired R	Audit and Risk Committee meeting attendance R	Meeting attendance of other Board meetings July 2017 to June 2018 R
PF Radebe	**235 000**	**38 500**	**–**	**20 000**
VJ Klein	**157 500**	**27 500**	**–**	**20 000**
H Ntene	**157 500**	**27 500**	**–**	**20 000**
RB Patmore	**188 000**	**27 500**	**22 500**	**20 000**
ME Gama	**157 500**	**27 500**	**22 500**	**20 000**
HC Cameron	**157 500**	**33 000**	**–**	**20 000**
BP Malherbe	**157 500**	**27 500**	**–**	**20 000**

Total remuneration paid to Non-Executive Directors for services rendered as Directors of the Group:

	2018	2017
PF Radebe	**458 000**	384 500
VJ Klein	**289 666**	235 833
H Ntene	**332 667**	254 333
RB Patmore	**407 167**	348 167
JB Gibbon	**–**	35 554
ME Gama	**403 167**	346 833
HC Cameron	**401 667**	300 334
BP Malherbe	**308 167**	–
Total Non-Executive Directors	**2 600 497**	1 905 554

Remuneration Report *(continued)*

Employee costs

	2018 R	2017 R
Salary and wages	**84 188 828**	74 651 121
Executive share scheme expense	**23 794 152**	28 875 454
Directors' share-based payment expense	**15 807 951**	17 931 385
Employees' share-based payment expense	**7 986 201**	10 944 069
Share Appreciation Rights expense	**(569 902)**	667 036
Share Appreciation Rights Settlement expense	**1 746 933**	4 760 667
Directors' emoluments	**14 558 028**	13 699 819
Executive Directors*	**11 957 531**	11 794 265
Non-executive Directors	**2 600 497**	1 905 554
Salary and wages	**123 718 039**	122 654 097
Less: Amounts allocated to qualifying assets (construction contracts)	**(46 541 406)**	(46 652 147)
Total employee costs and share appreciation rights settlement	**77 176 633**	76 001 950
Summary		
Executive Directors	**11 957 531**	30 590 500
Non-Executive Directors	**2 600 497**	1 905 554
Total Directors	**14 558 028**	32 496 054

CONSOLIDATED FINANCIAL STATEMENTS

4

27

SUBSIDIARIES

5

JOINT VENTURES AND ASSOCIATES

1

CAPTAIN CALGRO

Capital is that part of wealth which is devoted to obtaining further wealth.

– *Alfred Marshall*

All amounts stated in rand, unless otherwise stated.

Directors' Responsibilities and Approval

The Directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the Group and Company as at the end of the reporting period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors were engaged in expressing an independent opinion on the financial statements.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and Company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and Company and all employees are required to maintain the highest ethical standards in ensuring the Group and Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group and Company is on identifying, assessing, managing and monitoring all known forms of risk across the Group and Company. While operating risk cannot be fully eliminated, the Group and Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Group and Company's Audit and Risk Committee plays an integral role in risk management as well as overseeing the Group and Company's integrated reporting.

The Code of Corporate Practices and Conduct has been integrated into the Group and Company's strategies and operations.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Group and Company's cash flow forecast for the year to 28 February 2019 and, in light of this review and the current financial position, they are satisfied that the Group and Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group and Company's annual financial statements. The consolidated and separate financial statements have been examined by the Group and Company's external auditors and their report is presented on pages 109 to 113.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board and committees of the Board. The Board of Directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The consolidated and separate financial statements set out on pages 114 to 188, which have been prepared on the going concern basis, were approved by the Board of Directors on 11 May 2018 and were signed on its behalf by:

WA Joubert

WJ Lategan

Certification of the Company Secretary

I, I April, hereby confirm, in my capacity as Company Secretary of Calgro M3 Holdings Limited that for the year ended 28 February 2018, the Company has filed all required returns and notices in terms of the Companies Act 71 of 2008 and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

Itumeleng April
Company Secretary

11 May 2018

Report of the Audit and Risk Committee

The Calgro M3 Group Audit Committee ("the Committee") presents its report in terms of section 94(7)(f) of the Companies Act, No 71 of 2008, as amended ("Companies Act"), and as recommended by King IV, for the financial year ended 28 February 2018.

The Committee is an independent statutory committee appointed by the shareholders.

Further duties are delegated to the Committee by the Board of Directors of the Group. The main purpose of the Committee is to assist the Board in monitoring the integrity of financial statements and overseeing the preparation of the Integrated Report. It is also responsible for the monitoring of the effectiveness of the Group's internal financial controls and oversees the internal and external audit functions.

The Committee's terms of reference are formalised in a charter approved by the Board. In addition to performing this function for Calgro M3 Holdings Limited, the Audit and Risk Committee also accepted and performed the role for all the Group's subsidiaries and joint ventures (excluding Afhco Calgro M3 Consortium (Pty) Ltd that forms part of the SA Corporate Ltd Group).

The Committee reviewed the annual work plan. The intent was to ensure completeness in respect of executing the Committee's responsibilities within a given period of time. However, the process of review does not exclude pertinent issues that are being tabled by the Committee and/or management during the course of a particular reporting period nor those matters that are being addressed by the business on an ongoing basis.

The Board determined that the Committee members have appropriate and adequate skills and experience to contribute meaningfully to deliberations and to fulfil their responsibilities. In addition, the Committee Chairman had the requisite experience in accounting and financial management (a qualified Chartered Accountant). HC Cameron performed the role as Chairperson during the financial year, but passed away on 6 April 2018 after a short illness. The Nomination Committee is in the process of identifying and nominating a suitable replacement for Mr Cameron that will be announced within 40 business days from passing (6 June 2018) as required by legislation.

The Committee currently comprises RB Patmore (Lead Independent Non-Executive and acting Chairperson of the Audit and Risk Committee) and ME Gama who are both independent Non-Executive Directors and have the requisite experience in accounting and financial management.

Functions of the Audit and Risk Committee

Audit functions

The Committee's role and responsibilities include its statutory duties as per the Companies Act, No 71 of 2008, as amended ("Companies Act") and the responsibilities assigned to it by the Board of Directors.

The Committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

From an audit oversight perspective, the Committee is primarily responsible for:

- considering and monitoring the independence of the external auditors and the appropriate rotation of the lead audit partner and to make recommendations to the Board and shareholders on the appointment and dismissal of the external auditor;
- overseeing the effectiveness of the Group's internal control systems, ensuring that they are designed in response to identified key business and control risks, and have been effective throughout the year;
- reviewing the scope and effectiveness of the external audit functions;
- ensuring that adequate books and records have been maintained;
- monitoring proposed changes in accounting policies;
- considering the accounting and taxation implications of major transactions;
- reviewing and reporting on compliance with IFRS, King IV and the JSE Listings Requirements;
- reviewing of management's evaluation whether the Group's going concern assertion remains appropriate;
- reviewing the interim and annual financial statements to ensure that they give fair presentation, consistent with information known to the Committee, before submission to the Board;
- considering the appropriateness of the expertise and experience of the Financial Director on an annual basis;
- determine the fees to be paid to the auditor and the auditor's terms of engagement;
- ensure that the appointment of the auditor complies with the provisions of the Companies Act, No 71 of 2008, as amended ("Companies Act") and any other legislation relating to the appointment of auditors;

Report of the Audit and Risk Committee *(continued)*

- determine the nature and extent of any non-audit services which the auditor may provide to the Group or Company;
- pre-approve any proposed agreement with the auditor for the provision of non-audit services to the Group or Company;
- prepare a report to be included in the annual financial statements for the year;
- receive and deal appropriately with any concerns or complaints relating to the accounting practices, internal audit functions of the Company, the content or auditing of the financial statements or any other related matter;
- make submissions to the Board on any matter concerning the Group or Company's accounting policies, financial controls, records and reporting; and
- to perform other functions as determined by the Board, including development and implementation of policy and a plan for a systematic and disciplined approach to evaluate and improve effectiveness of risk management control and governance.

The Committee has resolved to undertake a self-assessment every second year.

Risk functions

The Board of Directors has assigned oversight of the Group's risk management function to the Committee. The Committee fulfils an oversight function regarding risks in the areas of operations, finance, reporting, fraud, information technology and ethics.

Based on the ongoing oversight of the Committee, it can be concluded that nothing came to the attention of the Committee and the Board that would suggest that the prevailing system of risk management is not, in all material aspects, effective.

Risks are continually being identified and mitigated in terms of a process that involves allocating responsibility, developing action plans and monitoring compliance with these action plans.

During the year under review the Committee discharged all of its duties in respect of risk management.

From a risk perspective, the Committee is primarily responsible for:

- ensuring that appropriate systems are in place to identify and monitor risks affecting the Group;
- evaluating the adequacy of the effectiveness of the risk management process;
- ensuring that an updated risk register is kept;
- reviewing and assessing issues such as compliance with legislation and corporate governance matters, the impact that significant litigation could have on the Group, the adequacy of the insurance cover as well as the effectiveness of controls over areas of risks; and
- providing Board level oversight of the management of processes to ensure that operations remain viable and sustainable.

Members of the Audit and Risk Committee and attendance at meetings

The Committee consists of the independent Non-Executive Directors listed below and meets at least four times per annum. All members are independent as prescribed in section 94 of the Companies Act, No 71 of 2008, as amended ("Companies Act"). During the year under review, four meetings were held.

The Chief Executive Officer and Financial Director are permanent invitees. The Company Secretary is the statutory secretary of the Committee.

The Group's internal and external auditors, in their capacity as assurance providers, also attended all Committee meetings.

Only the official members of the Committee are allowed to exercise their respective voting rights in decision-making exercises as prescribed in the charter.

Name of Committee member	Qualifications	Period served on Committee
HC Cameron (passed away on 6 April 2018)	**CA(SA)**	**Three years**
ME Gama	**PhD (Finance)**	**Six years**
RB Patmore (acting Chairperson)	**BCom, MBL (SBL)**	**Seven years**

Internal audit

The Committee is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its responsibilities effectively. The Committee oversees cooperation between the internal and external auditors and serves as a link between the Board of Directors and these functions.

SizweNtsalubaGobodo continued as internal auditors during the year.

The internal audit function reports to the Committee and is responsible for reviewing and providing assurance on the adequacy of the internal control environments across all of the significant areas of the Group's operations. SizweNtsalubaGobodo is responsible for reporting the progress and findings of internal audits as conducted in terms of the Group's approved audit plan, to the Committee.

Internal financial controls

The Committee had oversight over a process by which internal audit performed an assessment of the effectiveness of the Group's system of internal financial controls.

This assessment conducted by internal audit and the annual external audit together with management's close monitoring of controls formed the basis for the Committee's assessment of internal financial controls.

Nothing came to the attention of the Committee and the Board, based on the assessments performed by internal audit, external audit and management, that would suggest that the prevailing system of internal financial controls are not, in all material aspects, effective.

Integrated reporting

In fulfilling its oversight responsibilities, the Committee has reviewed the sustainability information that forms part of the Group's Integrated Report and has assessed its consistency with operational and other information known to the Committee members, as well as its consistency with the Group's annual financial statements.

The Committee is satisfied that the above is consistent with the Group's financial results, and as such has recommended that this be approved by the Board of Directors.

Going concern

The Committee has reviewed a documented assessment, including key assumptions, prepared by management on the going concern status of the Group. The Board's statement regarding the going concern status of the Group, as supported by the committee, is included in the Directors' Report on pages 105 to 108.

Attendance

The external and internal auditors, in their capacity as auditors to the Group, attended and reported at all meetings of the Committee. The Group risk management function which is performed by Executive Directors, was also represented. Relevant senior managers attended meetings by invitation.

Committee attendance register

Member name	5 May 2017	17 July 2017	6 October 2017	9 February 2018
HC Cameron (passed away on 6 April 2018)	✓	✓	✓	✓
ME Gama	✓	✓	✓	✓
RB Patmore (acting Chairperson)	✓	✓	✓	✓
WJ Lategan	#	#	#	#
BP Malherbe	#	n/a	n/a	n/a
WA Joubert	#	#	#	#
PwC	#	#	#	#
SizweNtsalubaGobodo	#	#	#	#
I April	#	#	#	#
Sponsors (Grindrod)	#	#	#	#

✓ Indicates attendance. *# Indicates attendance by invitation.* *× Indicates non-attendance.*

Report of the Audit and Risk Committee *(continued)*

Independence of the external auditor

The Committee has satisfied itself that the external auditor, PricewaterhouseCoopers Inc. ("PwC"), conducted its duties independently and that no limitations were imposed by management on PwC whilst performing their duties during the year. The Committee, in consultation with the Group's executive management, agreed to the terms of the PwC engagement letter, audit plan and budgeted audit fees in respect of the 2018 financial year.

The Committee has further established a procedure for the approval of any non-audit services and the pre-approval of any proposed contracts with the auditors in this regard.

The Committee nominates PwC for re-election at the Annual General Meeting ("AGM") of Calgro M3 Holdings, and Mrs Chantal Marais Roux as the designated partner to perform the functions of external auditor until the 2019 AGM. The Committee has satisfied itself that both PwC and Mrs Marais Roux are accredited with the JSE Limited as required.

Expertise and experience of Financial Director and the finance function

As required by the JSE Listings Requirement 3.84(h), as well as recommended practice outlined in King IV, the Committee has satisfied itself that the Financial Director has appropriate expertise and experience.

In addition, the Committee also considered and has satisfied itself that the appropriateness, composition, experience and skills set of the finance function met the Group's requirements.

Comments on key audit matters, addressed by PwC in its external auditor's report

The external auditors have reported on one key audit matters in respect of their 2018 audit, being: Construction contract revenue recognition; The key audit matter related to material financial statement line items and require judgement and estimates to be applied by management. The Committee assessed the methodology, assumptions and judgements applied by management in dealing with the key audit matter. Furthermore the Committee discussed the key audit matter with the external auditors to understand their related audit processes and views. Following our assessment, we were comfortable with the conclusions reached by management and the external auditors.

Financial statements

The Committee reviewed the annual financial statements and the accounting policies and practices of the Group and is satisfied that they comply with International Financial Reporting Standards. The Committee recommended the financial statements to the Board for approval. The Board concurred with this assessment.

RB Patmore
Acting Chairperson: Audit and Risk Committee

11 May 2018

Directors' Report

The Directors submit their report for the year ended 28 February 2018.

1. Nature of business

Calgro M3 Group is a mixed-use housing development group, established in 1995 in South Africa. The business model focuses on the full range of related disciplines including acquisition of land, town planning, architecture, project management of civil infrastructure, services installation, marketing and construction of homes as well as the development of Memorial Parks. The Group operates in terms of its unique turnkey business model and has three operating segments within this model, namely Residential Property Development, Memorial Parks and Residential Rental Investments.

The Group's business strategy supports Government's proactive drive, which is expressed in the "Breaking New Ground" initiative aimed at ensuring the formation of sustainable settlements. This is achieved through the integration of various income groups, as well as the provision of socio-amenities such as schools and hospitals, within a fully integrated community.

The operating cycle for inventory, construction contracts and work in progress is considered to be longer than 12 months, based on the forecasts prepared by management. Accordingly, the associated liabilities are classified as current as they are expected to be settled within the same operating cycle as inventory, construction contracts and work in progress.

Registered office
Calgro M3 Building
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196

Postal address
Private Bag X33
Craighall
2024

2. Financial position

The consolidated and separate financial statements on pages 114 to 188 set out fully the financial position, results of operations and cash flows of the Group and Company for the year ended 28 February 2018 and do not in our opinion require any further comment.

Segmental reporting is set out in note 1 of the financial statements. The Group operates within three distinct segments, namely Residential Property Development, Memorial Parks and Residential Rental Investments.

Refer to note 1 for more details on the determination of the segments.

3. Events after reporting period

The directors are not aware of any subsequent events that occurred between the year-end and date of authorisation of the annual financial statements that require any adjustments or additional disclosure in the annual financial statements.

4. Type of company

Calgro M3 Holdings Limited is registered as a public company in terms of the Companies Act No 71 of 2008.

5. Subsidiary and associate entities

Refer to note 8 for further details of the investments held in associates and joint ventures.

All direct and indirect subsidiary companies are South African-based and are engaged in the three core business segments of the Group.

Particulars of the joint ventures and associates (note 8) and the principal subsidiaries (note 39) are set out in the financial statements.

Directors’ Report *(continued)*

6. Directors’ interest in shares

At the date of this report these Directors held the following direct and indirect interests in the Company:

	Direct 2018	Direct 2017	Indirect 2018	Indirect 2017
Ordinary shares				
BP Malherbe	**1 050 069**	1 050 069	**12 500 000**	12 500 000
WJ Lategan	**5 336 090**	5 238 496	**–**	–
WJ Lategan*	**2 294 214**	2 294 214	**–**	–
FJ Steyn	**–**	–	**8 602 622**	8 944 461
WA Joubert	**16 000**	16 000	**–**	–
WA Joubert*	**952 562**	952 562	**–**	–
W Williams	**183 667**	102 219	**86 666**	86 666
W Williams*	**1 084 815**	1 084 815	**–**	–
MN Nkuhlu	**3 296**	3 296	**–**	–
MN Nkuhlu*	**2 046 421**	2 046 421	**–**	–

* *Shares issued as part of the Calgro M3 Executive Share Scheme have service conditions and trading restrictions associated to them and are disclosed as treasury shares until such time when the trading restrictions are lifted. Refer to note 30 for further details on the Calgro M3 Executive Share Scheme. Refer to note 33 for details of the directors’ emoluments.*

There were no changes to the directors' interest in shares between year-end and the date that the financials statements was approved.

7. Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards.

8. Authorised and issued share capital

Total number of ordinary shares authorised at 28 February 2018: 500 000 000.

Total number of ordinary shares in issue at 28 February 2018: 128 150 069.

9. Capital expenditure

Details on capital expenditure are set out in notes 5, 6 and 7 of the financial statements.

10. Dividends

No dividends were declared or paid to the shareholders during the year under review.

11. Going concern

Please refer to note 35 in the consolidated financial statements.

12. Directors

Name	Position	Date appointed	Contract expiry
Ben Pierre Malherbe	**Non-Executive**	5 August 2005	
Frederik Johannes Steyn	**Strategic Planning Director**	5 August 2005	**Three month notice**
Hatla Ntene	**Independent Non-Executive**	12 October 2007	
Hugh Colin Cameron	**Independent Non-Executive**	8 May 2015	**Passed away on 6 April 2018**
Manda Njongonkulu Nkuhlu	**Executive Director**	1 March 2017	**Three month notice**
Mduduzi Edward Gama	**Independent Non-Executive**	10 January 2012	
Pumla Fundiswa Radebe	**Independent Chairperson**	29 June 2007	
Ralph Bruce Patmore	**Independent Non-Executive**	18 January 2011	
Venete Jarlene Klein	**Independent Non-Executive**	1 January 2016	
Wayne Williams	**Executive Director**	1 June 2015	**Three month notice**
Willem Adolph Joubert	**Finance Director**	1 June 2015	**Three month notice**
Willem Jakobus Lategan	**Chief Executive Officer**	5 August 2008	**Three month notice**

13. Secretary

I April will continue in office in accordance with section 86 of the Companies Act, subject to the approval of the shareholders at the next Annual General Meeting.

As required by section 3.84(i) and (j) of the JSE Listings Requirements, the Board is satisfied that I April has appropriate qualifications, expertise and experience. In addition, the Board had satisfied itself that there is an arm's length relationship with I April, due to the fact that I April is not a Director of the Company.

The address of the secretary is set out below:

Business address	Postal address
Calgro M3 Building	Private Bag X33
Ballywoods Office Park	Craighall
33 Ballyclare Drive	2024
Bryanston	
2196	

14. Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act 71 of 2008 of South Africa, subject to approval of shareholders at the upcoming Annual General Meeting. Chantal Marais Roux will be the individual registered auditor who will undertake the audit for the 2019 financial year.

15. Preparer

The financial statements were internally compiled by UK Kissoon Singh CA(SA) and M Esterhuizen CA(SA) under the supervision of WA Joubert CA(SA).

16. Liquidity and solvency

The Directors have performed the required liquidity and solvency tests required by the Companies Act No 71 of 2008. The Directors believe that the Group has adequate financial resources and is liquid and solvent to continue in operation for the foreseeable future.

17. Level of assurance

These financial statements have been audited by our external auditors, PricewaterhouseCoopers Inc., in compliance with the applicable requirements of the Companies Act 71 of 2008.

18. Special resolution

At the Annual General Meeting held on 30 June 2017, the following special resolutions were approved:

- General authority to repurchase shares
- Remuneration of Non-Executive Directors
- Authorising general financial assistance
- Two specific financial assistance in respect of the Calgro M3 Employee Share Ownership Scheme 2017
- Specific financial assistance in respect of the Calgro M3 Executive Scheme
- Specific financial assistance in respect of the Calgro M3 Empowerment Trust

No special resolution relating to the capital structure, borrowing powers or any other material matter that affects the understanding of the Group were passed by subsidiary companies during the year under review.

Directors' Report *(continued)*

19. Analysis of shareholders

Shareholders' spread analysis as at 28 February 2018:

Shareholders' spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 138	52.35	380 940	0.30
1 001 – 10 000 shares	806	37.07	2 662 424	2.08
10 001 – 100 000 shares	178	8.19	5 397 953	4.21
100 001 –1 000 000 shares	34	1.56	9 873 657	7.70
1 000 001 shares and over	18	0.83	109 835 095	85.71
	2 174	100.00	128 150 069	100.00

Distribution of shareholders	Number of shares	%
Financial institutions and other corporations	48 991 304	38.23
Nominee and trusts	36 524 182	28.50
Empowerment	25 447 048	19.86
Individuals	14 289 647	11.15
Private and public companies	2 897 888	2.26
	128 150 069	100.00
Public/non-public shareholders		
Directors and associates of the holding company	40 341 527	31.48
Public shareholders	87 808 542	68.52
Non-public shareholders	–	0.00
	128 150 069	100.00
Shareholders with an interest of 3% or more in shares		
Pershing LLC	37 416 880	29.20
Snowball Wealth Pty Ltd	13 650 445	10.65
BPM Family Trust	12 000 000	9.36
DNS Trust	10 010 000	7.81
FJS Trust	8 602 622	6.71
Mr LCH Chou	6 200 000	4.84
Mr WJ Lategan	5 336 090	4.16
	93 216 037	72.74
Reconciliation of shares issued in the share register		
Total shares in issue	147 044 518	
Less: Treasury shares		
Calgro M3 Employee Benefit Trust	(5 212 909)	
Calgro M3 Empowerment Trust	(5 212 909)	
Calgro M3 Executive Share Scheme*	(8 468 631)	
	128 150 069	

** Refer to note 30 for further details on the Calgro M3 Executive Share Scheme and the shares issued to Directors and prescribed officers under the scheme.*

Independent auditor's report

To the Shareholders of Calgro M3 Holdings Limited
Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Calgro M3 Holdings Limited ("the Company") and its subsidiaries (together "the Group") as at 28 February 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Calgro M3 Holdings Limited's consolidated and separate financial statements set out on pages 114 to 188 comprise:

- the consolidated and separate statements of financial position as at 28 February 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

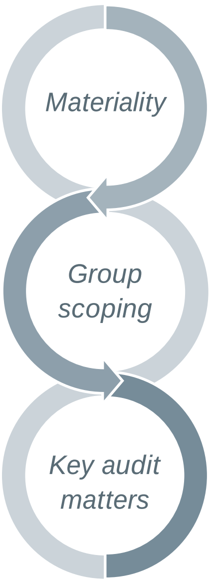
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality

Overall Group materiality: R13 060 000, which represents 0.75% of consolidated revenue.

Group audit scope

The Group consists of 35 subsidiaries, associates and joint ventures (referred to as "components"). We performed full scope audits on 17 components as a result of financial significance and the remaining 18 components are considered to be insignificant to the Group.

Key audit matters (applicable to the consolidated financial statements only)

Construction contract revenue recognition.

Independent auditor's report *(continued)*

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R13 060 000
How we determined it	0.75% of consolidated revenue
Rationale for the materiality benchmark applied	We chose consolidated revenue as the benchmark because, in our view, it best reflects the true operational performance of the Group. Revenue is considered the benchmark against which the performance of the Group is most commonly measured by its users. We chose 0.75% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality, and taking into account the level of debt within the Group and the cyclical nature of the construction industry.

How we tailored our group audit scope

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

The Group consists of 35 subsidiaries, associates and joint ventures (referred to as "components"). We performed full scope audits on 17 components as a result of financial significance and the remaining 18 components are considered to be insignificant to the Group. These significant components are all located in South Africa, representing the Group's principal place of business.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Construction contract revenue recognition (Group)	
The Group has significant long-term construction contracts within the "Residential Property Development" operating segment. Revenue of R1.7 billion has been generated from construction contracts during the year ended 28 February 2018 (refer to notes 12 and 18 to the consolidated financial statements). The majority of revenue and related profits/losses on construction contracts are in accordance with the stage of completion principles outlined in IAS 11: *Construction Contracts*. The stage of completion of construction contracts is assessed by reference to actual contract costs incurred to date as a percentage of total estimated contract costs. Construction contract revenue recognition is considered to be an area of most significance to our audit due to the significant judgement involved in preparing estimates of forecast costs and related revenue on long-term contracts.	Our audit procedures comprised a combination of internal control assessments and substantive audit procedures. We assessed certain internal financial controls over contract-related procurement expenditure. Our internal financial control tests consisted mainly of three way match and payment pack testing: - Three way match testing was performed on a sample of transactions to determine whether those transactions are supported by a purchase order, invoice, receiving document and/or progress certificate. No matters of concern were noted from these procedures. - The payment pack testing was performed on a sample of transactions to determine whether payments to subcontractors were authorised by the appropriate level of management and supported by valid underlying third-party documents. We selected a sample of projects on which detailed substantive testing procedures were performed. Our sample was selected based on a combination of risk and monetary thresholds. This included high-value contracts and assessing whether there were any significant loss making contracts or contracts with significant claims. Audit procedures performed in assessing the appropriateness of estimates and judgements applied by management included: - Discussions regarding the status of contracts with relevant management quantity surveyors; - Verified actual costs incurred during the period through a combination of internal financial control assessments and substantive audit procedures through the inspection of transaction documentation on a sample basis; - Evaluated and tested management's cost and revenue estimation process as described in note 18, by gaining an understanding of the significant assumptions and budgeting process, having detailed discussions with knowledgeable individuals within the management team, corroborating the assumptions to underlying contracts, quotations, internal assessments by experts (such as town planners and quantity surveyors), comparing past assumptions to historical data and considering whether the estimates were approved by management and third parties; - Recalculated the stage of completion based on the actual costs incurred to date as a percentage of the total estimated contract costs, with no exceptions noted; - Recalculated the construction contract revenue recognised based on the recalculated stage of completion of the contract; and - Made use of our internal quantity surveying expertise to assess the assumptions related to the total contract costs and revenue through performance of site visits and inspection of contract documentation.

Independent auditor’s report *(continued)*

Other information

The directors are responsible for the other information. The other information comprises the information included in the Integrated Annual Report, which includes the Directors’ Report, the Report of the Audit and Risk Committee and the Certification of the Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Calgro M3 Holdings Limited for 11 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: C Marais Roux
Registered Auditor

Johannesburg
11 May 2018

Consolidated Statement of Financial Position

as at 28 February 2018

	Notes	2018	2017
ASSETS			
Non-current assets			
Investment property	5	**8 878 835**	6 518 700
Property, plant and equipment	6	**6 162 697**	5 805 870
Intangible assets	7	**159 663 860**	159 690 798
Investment in joint ventures and associates	8	**41 908 822**	12 348 966
Deferred income tax asset	9	**23 999 056**	14 846 951
		240 613 270	199 211 285
Current assets			
Loans to joint ventures and associates	10	**143 422 183**	26 450 965
Inventories	11	**554 397 497**	595 989 480
Current tax receivable		**16 599 506**	18 603 111
Construction contracts	12	**1 820 973 990**	1 383 647 602
Work in progress		**–**	3 889 550
Trade and other receivables	13	**293 739 145**	276 198 353
Cash and cash equivalents	14	**156 722 935**	240 765 157
		2 985 855 256	2 545 544 218
Total assets		**3 226 468 526**	2 744 755 503
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the parent			
Stated capital	15	**116 255 971**	116 255 971
Share-based payment reserve	30	**74 056 311**	60 847 268
Retained income		**977 014 965**	846 079 473
		1 167 327 247	1 023 182 712
Non-controlling interests	28	**355 011**	(101 281)
Total equity		**1 167 682 258**	1 023 081 431
Liabilities			
Non-current liabilities			
Deferred income tax liability	9	**354 283 263**	302 357 733
		354 283 263	302 357 733
Current liabilities			
Borrowings	16	**889 596 522**	571 645 578
Current income tax liabilities		**22 652**	9 069
Trade and other payables	17	**814 883 831**	847 661 692
		1 704 503 005	1 419 316 339
Total liabilities		**2 058 786 268**	1 721 674 072
Total equity and liabilities		**3 226 468 526**	2 744 755 503

The notes on pages 118 to 176 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 28 February 2018

	Notes	2018	2017
Revenue	18	**1 742 602 162**	1 554 679 657
Cost of sales	19, 21	**(1 472 512 887)**	(1 220 516 769)
Gross profit		**270 089 275**	334 162 888
Other income	20	**12 921 627**	16 599 999
Administrative expenses	21	**(131 774 832)**	(118 097 814)
Other expenses	21	**(1 310 074)**	(3 700 412)
Operating profit		**149 925 996**	228 964 661
Finance income	22	**28 956 566**	19 994 575
Finance costs	23	**(16 687 428)**	(21 919 191)
Share of profit of joint ventures and associates – net of tax	8	**9 560 505**	6 269 280
Profit before tax		**171 755 639**	233 309 325
Taxation	24	**(50 948 964)**	(63 176 484)
Profit after taxation		**120 806 675**	170 132 841
Other comprehensive income		**–**	–
Total comprehensive income		**120 806 675**	170 132 841
Profit after taxation and other comprehensive income attributable to:			
– Owners of the parent		**120 350 383**	169 155 977
– Non-controlling interests		**456 292**	976 864
		120 806 675	170 132 841
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents per share)			
– basic	34	**93.91**	133.06
– diluted	34	**92.00**	129.00

The notes on pages 118 to 176 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

as at 28 February 2018

	Stated capital	Share-based payment reserve#	Retained income	Total	Non-controlling interests*	Total equity
Balance at 1 March 2016	96 021 721	47 921 782	676 923 496	820 866 999	(1 078 145)	819 788 854
Share-based payment expense	–	28 875 454	–	28 875 454	–	28 875 454
Executive share scheme shares released	20 234 250	(15 949 968)	–	4 284 282	–	4 284 282
Comprehensive income						
Profit for the period	–	–	169 155 977	169 155 977	976 864	170 132 841
Other comprehensive income	–	–	–	–		–
Total comprehensive income	–	–	169 155 977	169 155 977	976 864	170 132 841
Balance at 28 February 2017	116 255 971	60 847 268	846 079 473	1 023 182 712	(101 281)	1 023 081 431
Balance at 1 March 2017	**116 255 971**	**60 847 268**	**846 079 473**	**1 023 182 712**	**(101 281)**	**1 023 081 431**
Share-based payment expense	**–**	**23 794 152**	**–**	**23 794 152**	**–**	**23 794 152**
Cancellation of executive share scheme participant#	**–**	**(10 585 109)**	**10 585 109**	**–**	**–**	**–**
Comprehensive income						
Profit for the period	**–**	**–**	**120 350 383**	**120 350 383**	**456 292**	**120 806 675**
Other comprehensive income	**–**	**–**	**–**	**–**		**–**
Total comprehensive income	**–**	**–**	**120 350 383**	**120 350 383**	**456 292**	**120 806 675**
Balance at 28 February 2018	**116 255 971**	**74 056 311**	**977 014 965**	**1 167 327 247**	**355 011**	**1 167 682 258**
Notes	15	30			28	

* *This relates to the shareholding of the subsidiaries, Calgro M3 Memorial Parks (Pty) Ltd, Belhar Calgro M3 Developments Company (Pty) Ltd, Holm Jordaan GWA (Pty) Ltd, Calgro M3 Procurement Services (Pty) Ltd and Calgro M3 Contractors (Pty) Ltd where the Calgro M3 Group does not hold 100% of the shareholding.*

\# *Refer to note 30 for further details regarding the Calgro M3 Executive Share Scheme.*

The notes on pages 118 to 176 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 28 February 2018

	Notes	2018	2017
Cash (utilised in)/generated from operating activities			
Cash (utilised in)/generated from operations	25	**(205 838 542)**	292 068 464
Finance income received		**6 686 410**	16 726 568
Finance cost paid		**(75 746 785)**	(63 167 041)
Tax paid	26	**(1 478 278)**	(7 444 473)
Net cash (utilised in)/generated from operating activities		**(276 377 195)**	238 183 518
Cash flows invested in investing activities			
Purchase of investment property		**(2 360 135)**	–
Purchase of property, plant and equipment		**(1 579 093)**	(866 559)
Purchase of intangible assets		**(6 941)**	(52 385)
Proceeds on disposals of property, plant and equipment		**242 748**	–
Increase in investments in JV/associate		**(10 000 000)**	–
Acquisition of business	27	**(2 500 000)**	(4 500 000)
Acquisition of subsidiary		**51 933**	(93 000 000)
Loans advanced to joint ventures and associates		**(113 381 108)**	(18 471 759)
Net cash invested in investing activities		**(129 532 596)**	(116 890 703)
Cash flows from financing activities			
Proceeds of borrowings	16	**516 000 000**	239 809 420
Repayment of borrowings	16	**(192 000 000)**	(206 914 744)
Equity (paid back)/received in advance*		**(2 132 431)**	6 506 861
Net cash from financing activities		**321 867 569**	39 401 537
Net (decrease)/increase in cash and cash equivalents		**(84 042 222)**	160 694 352
Cash and cash equivalents at the beginning of the year		**240 765 157**	80 070 805
Cash and cash equivalents at the end of the year	14	**156 722 935**	240 765 157

* *This relates to cash paid back and received for the subscription of shares issued under the Calgro M3 Executive Share Scheme. Refer to note 30 for further details.*

The notes on pages 118 to 176 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 28 February 2018

1. Segment information

The appointed Chief Operating Decision Maker ("CODM") within the Calgro M3 Group is the Group's Executive Committee ("Exco"). It is Exco's responsibility to meet on a regular basis (through weekly meetings and more frequently if required) and determine the strategy for the Group, set and review budgets, allocate group resources to the operating segments and assess the performance of the operating segments.

At Exco meetings, summarised feedback on the segments are provided by management of the different operational activities within the Group.

The CODM manages the group activities in three distinct segments namely:

- Residential Property Development – which consists of the following activities: infrastructure development; marketing and sales; construction; and handover to client
- Memorial Parks
- Residential Rental Investments

The three core business segments being Residential Property Development, Memorial Parks and Residential Rental Investments.

As a result of the strategic redesign of the Group's business, the CODM has changed its assessment of the performance and allocation of resources to be in line with the Group's current and strategic goals.

The segmental presentation has changed from the previously reported segments of: Residential Property Developments, Memorial Parks, and Professional services. As a result, the prior year numbers have been restated to reflect the new format.

The Group's products relating to the Memorial Parks segment consist of burial rights and the associated burial and maintenance services.

The operation of the Residential Property Development segment encompasses the following product range: mid to high-income housing, as well as integrated developments. Integrated developments comprise affordable housing, Grassroots affordable people's homes ("GAP"), Finance linked individual subsidy programme ("FLISP") and rental housing, social housing, Community Residential Units ("CRU") housing, as well as Breaking New Ground ("BNG") fully subsidised housing. The Group's customer base includes the government, financial institutions and the general public.

The Residential Rental Investments segment consists of real estate investments to service the more affordable rental market in South Africa.

The segment information provided to Exco for the operating segments for the year ended 28 February 2018 has been provided. The table indicates from where the Group's revenue has been earned, including its joint ventures and associates. The revenue earned by the joint ventures and associates, in their own capacities, have been disclosed in note 8.

A large portion of residential property developments done by the Group is done through joint venture and associate arrangements. The joint ventures or associates sub-contract the Residential Property Development segment to provide various services to these joint ventures and associates. The segmental revenue shown below has been broken down into the amount of revenue each segment of the Group has earned from these sub-contract arrangements.

1. Segment information *(continued)*

The Group's financial performance was impacted by the construction of units for the Afhco Calgro M3 Consortium (REIT JV), in which Calgro M3 has a 49% shareholding. The Group's shareholding in the REIT JV resulted in 49% of the development profit (construction and other services) being eliminated on consolidation as an unrealised profit, as prescribed by International Financial Reporting Standards ("IFRS"). This unrealised profit is carried on the balance sheet until realised in future financial years, once the units are completed, tenanted and the portfolio is revalued.

The impact of this unrealised profit is material to the financial performance and necessitated the CODM to institute new metrics to measure operational performance between reporting periods.

Although this is a non-IFRS metric, this further provides the CODM and stakeholders with indication of Group performance which is consistent between periods. The two pertinent metrics are described below:

- Core Earnings Per Share ("Core EPS") – Earnings Per Share before elimination of unrealised profits from development of units to the REIT JV
- Core Headline Earnings Per Share ("Core HEPS") – Headline earnings per share before elimination of unrealised profits from development of units to the REIT JV

	2018	2017
Unrealised profit reconciliation		
Reversal of unrealised profit adjustment before tax#	**88 012 186**	1 176 383
Income tax at 28%	**(24 643 412)**	(329 387)
Reversal of unrealised profit adjustment after tax	**63 368 774**	846 996
Unrealised profit on share of profits in joint ventures and associates (refer to note 8)#	**4 999 225**	475 276
Total unrealised profit adjustment	**68 367 999**	1 322 272
Core earnings per share		
Profit attributable to shareholders (refer to note 34)	**120 350 383**	169 155 977
Add: Unrealised profit (net of tax and share of profits of JVs)#	**68 367 999**	1 322 272
Core profit attributable to owners of parent ("Core Earnings")	**188 718 382**	170 478 249
Weighted average number of ordinary shares in issue (refer to note 34)	**128 150 069**	127 125 892
Core earnings per share (cents per share)	**147,26**	134,10
Core headline earnings per share		
Profit used to determine headline earnings per share (refer to note 34)	**115 490 468**	169 181 417
Add: Unrealised profit (net of tax and share of profits of JVs)#	**68 367 999**	1 322 272
Core headline profit attributable to owners of parent ("core headline earnings")	**183 858 466**	170 503 688
Weighted average number of ordinary shares in issue (refer to note 34)	**128 150 069**	127 125 892
Core Headline earnings per share (cents per share)	**143,47**	134,12

 # The unrealised profit adjustment consists of profits that are generated on the development/construction of units to the Afhco Calgro M3 Consortium (Pty) Ltd (REIT JV), in which Calgro M3 has a 49% shareholding that is eliminated on consolidation.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

1. Segment information *(continued)*

	Residential Property Development	Memorial Parks	Residential Rental Investments	Holding company/ unallocated*	Total
2018					
Total segment revenue	1 729 998 215	12 603 947	–	–	1 742 602 162
Fleurhof Project	530 838 879	–	–	–	530 838 879
Jabulani Project	167 150 653	–	–	–	167 150 653
Witpoortjie Calgro M3 Development Company (Pty) Ltd	47 342 527	–	–	–	47 342 527
South Hills Development Company (Pty) Ltd	433 560 555	–	–	–	433 560 555
Belhar Project	310 020 058	–	–	–	310 020 058
Third parties	241 085 542	12 603 947	–	–	253 689 489
Combined revenue*	2 309 890 477	12 603 947	–	–	2 322 494 424
Total segment revenue	1 729 998 215	12 603 947	–	–	1 742 602 162
Revenue of joint ventures and associates	579 892 262	–	–	–	579 892 262
Witpoortjie Calgro M3 Development Company (Pty) Ltd	39 314 391	–	–	–	39 314 391
South Hills Development Company (Pty) Ltd	540 577 871	–	–	–	540 577 871
Revenue	1 729 998 215	12 603 947	–	–	1 742 602 162
Gross revenue	1 818 010 401	12 603 947	–	–	1 830 614 348
Reversal of unrealised profit adjustment#	(88 012 186)	–	–	–	(88 012 186)
Cost of sales	(1 465 064 495)	(7 448 392)	–	–	(1 472 512 887)
Gross profit	264 933 720	5 155 555	–	–	270 089 275
Other income	11 178 583	1 743 044	–	–	12 921 627
Administrative expenses	(126 248 289)	(1 186 892)	–	(4 339 651)	(131 774 832)
Other expenses	(1 310 074)	–	–	–	(1 310 074)
Operating profit	148 553 940	5 711 707	–	(4 339 651)	149 925 996
Finance income	28 922 307	27 960	–	6 299	28 956 566
Finance costs	(15 587 290)	(1 100 136)	–	(2)	(16 687 428)
Share of profit/(loss) of associates/ joint venture – net of tax	9 052 094	–	508 411	–	9 560 505
Profit before tax	170 941 051	4 639 531	508 411	(4 333 354)	171 755 639
Taxation	(52 264 429)	1 575 310	–	(259 845)	(50 948 964)
Profit after taxation	118 676 622	6 214 841	508 411	(4 593 199)	120 806 675
Other comprehensive income	–	–	–	–	–
Total comprehensive income	118 676 622	6 214 841	508 411	(4 593 199)	120 806 675

* *Combined revenue is the total segment revenue plus the total revenue of joint ventures and associates. The revenue included represents the gross revenue of each joint venture and does not include any inter-group eliminations. Refer to note 8 for details on revenue attributable to joint ventures and associates.*

\# *The unrealised profit adjustment consists of profits that are generated on the development/construction of units to the Afhco Calgro M3 Consortium (Pty) Ltd (REIT JV), in which Calgro M3 has a 49% shareholding that is eliminated on consolidation.*

1. Segment information *(continued)*

	Residential Property Development	Memorial Parks	Residential Rental Investments	Holding company/ unallocated*	Total
Profit after taxation and other comprehensive income attributable to:					
– Owners of the parent	117 880 609	6 554 562	508 411	(4 593 199)	120 350 383
– Non-controlling interests	796 013	(339 721)	–	–	456 292
	118 676 622	6 214 841	508 411	(4 593 199)	120 806 675
Non-current assets					
Investment property	–	8 878 835	–	–	8 878 835
Property, plant and equipment	3 608 015	2 554 682	–	–	6 162 697
Intangible assets	158 969 056	694 804	–	–	159 663 860
Investment in joint ventures and associates	41 400 411	–	508 411	–	41 908 822
Deferred income tax asset	22 042 141	1 290 580	666 335	–	23 999 056
	226 019 623	13 418 901	1 174 746	–	240 613 270
Current assets					
Loans to joint ventures and associates	41 092 059	–	102 330 124	–	143 422 183
Inventories	423 642 093	130 755 404	–	–	554 397 497
Current tax receivable	16 484 054	32 241	–	83 211	16 599 506
Construction contracts	1 820 973 990	–	–	–	1 820 973 990
Trade and other receivables	287 782 932	5 482 035	450 685	23 493	293 739 145
Cash and cash equivalents	152 897 545	2 825 185	–	1 000 205	156 722 935
	2 742 872 673	139 094 865	102 780 809	1 106 909	2 985 855 256
Total assets	2 968 892 296	152 513 766	103 955 555	1 106 909	3 226 468 526
Liabilities					
Non-current liabilities					
Deferred income tax liability	354 283 263	–	–	–	354 283 263
	354 283 263	–	–	–	354 283 263
Current liabilities					
Borrowings	271 426 074	–	–	618 170 448	889 596 522
Current income tax liabilities	22 652	–	–	–	22 652
Trade and other payables	787 199 020	25 946 826	–	1 737 985	814 883 831
	1 058 647 746	25 946 826	–	619 908 433	1 704 503 005
Total liabilities	1 412 931 009	25 946 826	–	619 908 433	2 058 786 268

* *The Group operates a central treasury function across all business segments. The Bond Exchange borrowings cannot be allocated to a specific segment and as such is included as unallocated due to it being utilised across the segments. Funding raised from Proparco during the year was specifically raised for the Residential Property Development segment and allocated as such.*

Any items that are not allocatable to specific segments are indicated as holding company/unallocated.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

1. Segment information *(continued)*

	Residential Property Development	Memorial Parks	Residential Rental Investments	Holding company/ unallocated*	Total
2017 – Restated					
Total segment revenue	1 550 362 615	4 317 041	–	–	1 554 679 657
Fleurhof Project	717 525 789	–	–	–	717 525 789
Jabulani Project	52 741 501	–	–	–	52 741 501
Aquarella Investments 265 (Pty) Ltd	123 224	–	–	–	123 224
Summerset Project	177 856 010	–	–	–	177 856 010
Witpoortjie Calgro M3 Development Company (Pty) Ltd	30 825 090	–	–	–	30 825 090
South Hills Development Company (Pty) Ltd	164 520 302	–	–	–	164 520 302
Belhar Project	234 811 656	–	–	–	234 811 656
Third parties	171 959 044	4 317 041	–	–	176 276 085
Combined revenue*	1 985 603 896	4 317 041	–	–	1 989 920 938
Total segment revenue	1 550 362 615	4 317 041	–	–	1 554 679 657
Revenue of joint ventures and associates	435 241 281	–	–	–	435 241 281
Witpoortjie Calgro M3 Development Company (Pty) Ltd	50 182 821	–	–	–	50 182 821
Aquarella Investments 265 (Pty) Ltd	82 789 150	–	–	–	82 789 150
South Hills Development Company (Pty) Ltd	214 419 178	–	–	–	214 419 178
Calgro Kuumba Planning & Design (Pty) Ltd	87 850 132	–	–	–	87 850 132
Revenue	1 550 362 615	4 317 041	–	–	1 554 679 657
Gross revenue	1 551 538 998	4 317 041	–	–	1 555 856 040
Reversal of unrealised profit adjustment#	(1 176 383)	–	–	–	(1 176 383)
Cost of sales	(1 217 795 573)	(2 721 196)	–	–	(1 220 516 769)
Gross profit	332 567 042	1 595 845	–	–	334 162 888
Other income	16 094 255	505 744	–	–	16 599 999
Administrative expenses	(114 368 373)	(891 881)	–	(2 837 560)	(118 097 814)
Other expenses	(3 700 412)	–	–	–	(3 700 412)
Operating profit	230 592 512	1 209 708	–	(2 837 560)	228 964 661
Finance income	19 977 403	9 511	–	7 661	19 994 575
Finance costs	(21 263 303)	(655 885)	–	(3)	(21 919 191)
Share of profit/(loss) of associates/ joint venture – net of tax	6 269 280	–	–	–	6 269 280

* *Combined revenue is the total segment revenue plus the total revenue of joint ventures and associates. The revenue included represents the gross revenue of each joint venture and does not include any inter-group eliminations. Refer to note 8 for details on revenue attributable to joint ventures and associates.*

\# *The unrealised profit adjustment consists of profits that are generated on the development/construction of units to the Afhco Calgro M3 Consortium (Pty) Ltd (REIT JV), in which Calgro M3 has a 49% shareholding that is eliminated on consolidation.*

1. Segment information *(continued)*

	Residential Property Development	Memorial Parks	Residential Rental Investments	Holding company/ unallocated*	Total
Profit before tax	235 575 891	563 334	–	(2 829 902)	233 309 325
Taxation	(61 623 980)	(804 459)	–	(748 045)	(63 176 484)
Profit after taxation	173 951 911	(241 125)	–	(3 577 946)	170 132 841
Other comprehensive income					
Total comprehensive income	173 951 911	(241 125)	–	(3 577 946)	170 132 841
Profit after taxation and other comprehensive income attributable to:					
– Owners of the parent	173 197 168	(463 244)	–	(3 577 946)	169 155 977
– Non-controlling interests	754 745	222 119	–	–	976 864
	173 951 913	(241 125)	–	(3 577 946)	170 132 841
Non-current assets					
Investment property	–	6 518 700	–	–	6 518 700
Property, plant and equipment	3 400 934	2 404 936	–	–	5 805 870
Intangible assets	158 995 994	694 804	–	–	159 690 798
Investment in joint ventures and associates	12 348 966	–	–	–	12 348 966
Deferred income tax asset	13 977 185	869 766	–	–	14 846 951
	188 723 079	10 488 206	–	–	199 211 285
Current assets					
Loans to joint ventures and associates	26 450 965	–	–	–	26 450 965
Inventories	475 763 548	120 225 932	–	–	595 989 480
Current tax receivable	18 442 963	–	–	160 148	18 603 111
Construction contracts	1 383 647 602	–	–	–	1 383 647 602
Work in progress	3 889 550	–	–	–	3 889 550
Trade and other receivables	275 841 113	138 123	–	219 117	276 198 353
Cash and cash equivalents	239 562 643	1 192 377	–	10 137	240 765 157
	2 423 598 384	121 556 432	–	389 402	2 545 544 218
Total assets	2 612 321 463	132 044 638	–	389 402	2 744 755 503
Liabilities					
Non-current liabilities					
Deferred income tax liability	302 357 733	–	–	–	302 357 733
	302 357 733	–	–	–	302 357 733
Current liabilities					
Borrowings	–	–	–	571 645 578	571 645 578
Current income tax liabilities	1 943	7 127	–	–	9 069
Trade and other payables	823 514 468	23 043 922	–	1 103 302	847 661 692
	823 516 411	23 051 049	–	572 748 880	1 419 316 339
Total liabilities	1 125 874 144	23 051 049	–	572 748 880	1 721 674 072

* *The Group operates a central treasury function across all business segments. The Bond Exchange borrowings cannot be allocated to a specific segment and as such is included as unallocated due to it being utilised across the segments.*

Any items that are not allocatable to specific segments are indicated as holding company/unallocated.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

2. General information

Calgro M3 Holdings Limited ("the Company") and its subsidiaries, joint ventures and associates (together "the Group") is a residential developer specialising in integrated developments aimed at the entry-level consumer. The Group's turnkey business model provides the Group with a key differentiator: the capability to fulfil delivery across the full residential development cycle, from conceptualisation to hand-over of completed units to the end-user. The Group also engages in the development of Memorial Parks. The Group has also expanded its operations to include investments in rental units through its 49% shareholding in Afhco Calgro M3 Consortium (Pty) Ltd.

The Company has its primary listing on the JSE.

2.1 Summary of significant accounting policies

The most significant accounting policies have been presented next to the relevant notes in these financial statements. The remainder of the accounting policies not relating to a specific note is dealt with here. All policies have been consistently applied to all the years presented.

2.2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis and are presented in South African rand.

2.3 Working capital cycle

The operating cycle for inventory, construction contracts and work in progress is considered to be longer than 12 months. The operating cycle is generally between 1 and 10 years depending on the project size and type, which includes different typologies and infrastructure requirements. Accordingly, the associated liabilities are classified as current as they are expected to be settled within the same operating cycle as inventory, construction contracts and work in progress.

2.4 Significant estimates and judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. The significant judgements have been disclosed in the applicable note. These include:

- Fair value estimation Note 4
- Impairment of goodwill Note 7
- Assessment of joint control Note 8
- Land under development held for sale Note 11
- Impairment of trade receivables Note 13
- Percentage of completion for construction revenue Note 18
- Scope of construction agreements Note 18
- Share-based payments Note 30

2. General information *(continued)*

2.5 New standards and interpretations

New standards and interpretations effective and adopted

There were a number of new standards and interpretations effective and adopted in the current year, none of which have a significant impact on the Company, except for the standards and amendments listed below:

Topic	Key requirements	Effective date
Amendment to IAS 7: *Cash flow statements*	In January 2016, the International Accounting Standards Board ("IASB") issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. Refer to note 18. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.	1 January 2017
Amendment to IAS 12: *Income taxes*	The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.	1 January 2017
Annual improvements for IFRS 2014 to 2016 cycle	Each of the amendments are summarised below: ▸ IFRS 12: *Disclosure of interests in other entities*: regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 beginning on or after 1 January 2017.	1 January 2017

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

2. General information *(continued)*

2.5 New standards and interpretations *(continued)*

New standards and interpretations issued, not yet affective

There are a number of new standards and amendments to new standards and interpretations which will only be effective after the 2018 year-end.

Management is in the process of assessing the impact on the Group.

Topic	Key requirements	Effective date
Amendments to IFRS 10: *Consolidated financial statements* and IAS 28: *Investments in associates and joint ventures* on sale or contribution of assets	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10: *Consolidated Financial Statements* and IAS 28: *Investments in Associates and Joint Ventures*. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.	Effective date postponed (was initially 1 January 2016)
IFRS 15: *Revenue from contracts with customers*	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. Management has been assessing the impact of the new standard and based on the initial assessment the impact is considered to be material. The final quantum of the impact is currently being determined.	1 January 2018
Amendment to IFRS 15: *Revenue from contracts with customers*	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.	1 January 2018 published April 2016

2. General information *(continued)*

2.5 New standards and interpretations *(continued)*

New standards and interpretations issued, not yet affective *(continued)*

Topic	Key requirements	Effective date
IFRS 9: *Financial Instruments (2009 and 2010)* - Financial liabilities - Derecognition of financial instrument - Financial assets - General hedge accounting	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9: *Financial instruments* to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39: *Financial instruments: Recognition and measurement*, without change, except for financial liabilities that are designated at fair value through profit or loss. No changes in the classification and measurement of the Company's and Group's financial instruments are expected based on the requirements of the new standard.	1 January 2018
Amendments to IFRS 2: *Share-based payments*	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.	1 January 2018
Annual improvements for IFRS 2014 to 2016 cycle	Each of the amendments are summarised below: - IFRS 1: *First-time adoption of IFRS*, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10, effective 1 January 2018. - IAS 28: *Investments in associates and joint ventures* regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss ("FVTPL"). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.	1 January 2018

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

2. General information *(continued)*

2.5 New standards and interpretations *(continued)*

New standards and interpretations issued, not yet affective *(continued)*

Topic	Key requirements	Effective date
IFRS 16: *Leases*	This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17: *Leases*, IFRIC 4: *Determining whether an Arrangement contains a Lease*, SIC 15: *Operating Leases – Incentives* and SIC 27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. Based on the requirements of the new standard the Group will be required to capitalise the lease of its main building and raise the corresponding liability. Refer to note 29.	1 January 2019

2.6 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and all its subsidiaries. In the case of associates and joint ventures, those entities are presented as single line items in the statement of comprehensive income and statement of financial position (refer to note 8). Intercompany transactions and balances are eliminated upon consolidation. Consistent accounting policies have been applied across the Group in the preparation of the consolidated financial statements.

The Group treats transactions with non-controlling interests that do not result in a loss of control as equity transactions. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.7 Impairment of non-financial assets

The Group assesses at each end of the reporting period whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Goodwill is tested annually for impairment regardless of any indicators of such.

2. General information *(continued)*

2.7 Impairment of non-financial assets *(continued)*

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing fair value and value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an individual non-financial asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and is recognised directly in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. An impairment loss in respect of goodwill is not reversed.

2.8 Provisions and contingencies

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent assets and contingent liabilities are not recognised. No contingent assets or liabilities existed at the year-end.

2.9 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in South African rand, which is the Group's presentation currency.

(b) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

2. General information *(continued)*

2.10 Financial instruments

2.10.1 Classification

The Group holds the following categories of financial assets and financial liabilities:

	Notes	2018	2017
Financial assets – loans and receivables			
Loans to joint ventures and associates	10	**143 422 183**	26 450 965
Trade and other receivables	13	**280 742 520**	232 061 602
Cash and cash equivalents	14	**156 722 935**	240 765 157
		580 887 638	499 277 724
Financial liabilities – financial liabilities at amortised cost			
Borrowings	16	**889 596 522**	571 645 578
Trade and other payables	17	**786 681 789**	813 211 796
		1 676 278 311	1 384 857 374

2.10.2 Initial recognition and measurement

The Group initially records both financial assets and financial liabilities at fair value. Where transaction costs are incurred they are recognised as part of the initial cost of the financial instrument as the Group does not have any financial instruments classified as fair value through profit or loss.

2.10.3 Subsequent measurement

The Group's financial assets that are categorised as "loans and receivables" are subsequently measured at amortised cost. Amortised cost is the basis of moving the initial amount of the financial instrument (fair value of the instrument) to the maturity value of the instrument on a systematic basis using a fixed interest rate (effective interest rate) taking into account repayment dates and initial premiums or discounts. The carrying amount of amortised cost financial assets is adjusted for impairments.

All of the Group's financial liabilities are classified as "financial liabilities at amortised cost" and are therefore subsequently measured at amortised cost.

2.10.4 Impairment of financial assets

Financial assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is normally determined based on a realistic assessment of future cash flows discounted using the original effective interest rate compared with contractual amounts. For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. Impairment losses are recognised in profit or loss.

3. Risk management

3.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the Executive Committee and identifies and evaluates financial risks in close cooperation with the Group's operating Board of Directors are responsible for overall risk management, as well as guidance covering specific areas, such as interest rate risk and credit risk, and investment of excess liquidity.

3. Risk management *(continued)*

3.1 Financial risk management *(continued)*

(a) Market risk (cash flow interest rate risk)

The Group's interest rate risk arises mainly from its borrowings (refer to note 16).

The interest rate exposure is monitored and managed by the Executive Committee and will not be hedged to limit interest rate risk. The Executive Committee monitors the cash flows relating to borrowings, i.e. interest paid, more so than the changes in the interest rate. Refer to the statement of cash flows for more information on finance costs paid.

The impact on post-tax profit of a 2% shift in the interest rate would be a maximum increase/decrease of:

	2018	2017
2% increase/(decrease) on finance charges on interest-bearing borrowings	**14 083 268**	9 262 728
2% increase/(decrease) on finance income on interest-bearing assets	**2 281 067**	1 126 287

A 2% shift is considered appropriate by management taking into account the current economic environment in which the Group operates.

(b) Credit risk

Credit risk consists mainly of loans to joint ventures and associates, financial guarantees to third parties, cash deposits and cash equivalents and trade and other receivables (including retention debtors). The Group only deposits cash with major banks with a minimum rating of “BB-” and limits the exposure to any one counter-party. Trade and other receivables comprise a widespread customer base. Customers include government institutions, private sector entities and individuals. Management evaluates credit risk relating to trade debtors (excluding trade receivables owing by joint ventures and associates) on an ongoing basis taking into account their financial position, past experience and other factors. Credit risk is limited due to the nature of trade debtors which consist of outstanding draw downs from banks and government institutions. In cases where management deems the risk level to be unacceptable, payment guarantees or collateral are insisted upon.

The Group considers its credit risk relating to the loans and trade receivables owing by joint ventures and associates on a case by case basis. Any credit risk related to loans to joint ventures and associates is mitigated by the fact that management has insight into the financial position of the joint ventures as a result of the joint venture relationship.

For loans to joint ventures and associates, financial guarantees to third parties, loan receivables, trade and other receivables (including retention debtors), and cash and cash equivalents, the maximum exposure to credit risk is limited to what is disclosed in the statement of financial position.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Executive Committee maintains flexibility in funding by maintaining availability under committed credit lines. The Group manages liquidity risk by monitoring forecasted cash flows. The Group strives to match the maturity profile of borrowings with expected cash flows from the development projects.

A specific liquidity risk associated with the Group is the raising of loans at specified dates of repayment, against construction projects.

The related cash inflows from these construction projects are, however, uncertain and dependent on factors not under the control of the Group.

The financial liabilities to be settled within one year will be funded by cash and cash equivalents as well as the realisation of trade and other receivables and construction contracts.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

3. Risk management *(continued)*

3.1 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting period date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
At 28 February 2018						
Financial instruments recognised on the statement of financial position						
Borrowings (including future interest)	**291 605 721**	**241 258 059**	**278 443 168**	**278 443 168**	**89 122 157**	**1 178 872 273**
Trade and other payables	**745 201 969**	**18 700 000**	**15 050 000**	**15 250 000**	**–**	**794 201 969**
	1 036 807 690	**259 958 059**	**293 493 168**	**293 693 168**	**89 122 157**	**1 973 074 242**
At 28 February 2017						
Financial instruments recognised on the statement of financial position						
Borrowings (including future interest)	235 915 865	140 358 580	180 827 005	156 785 210	–	713 886 660
Trade and other payables	758 816 462	16 500 000	18 700 000	15 050 000	15 250 000	824 316 462
	994 732 327	156 858 580	199 527 005	171 835 210	15 250 000	1 538 203 122

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. Management's intention is to use debt as a means to fund operations rather than to raise more capital.

The Group monitors capital on the basis of its net debt/equity ratio. The maximum allowed net debt/equity ratio for the Group is 1.5:1

Net debt/equity ratio
This ratio is calculated as net debt divided by equity. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents. Equity is calculated as the total equity per the statement of financial position (excluding share-based payment reserve).

3. Risk Management *(continued)*

3.2 Capital risk management *(continued)*

	2018	2017
Net debt		
Borrowings (refer to note 16)	**889 596 522**	571 645 578
Other interest-bearing borrowings	**88 408 189**	71 599 426
Less: Cash and cash equivalents (refer to note 14)	**(156 722 935)**	(240 765 157)
	821 281 776	402 479 847
Equity		
Stated capital	**116 255 971**	116 255 971
Retained income	**977 014 965**	846 079 473
	1 093 270 936	962 335 444
Net debt/equity ratio	**0.75**	0.42

The Group monitors capital repayments and interest serviceability on the basis of its Debt Service Cover Ratio ("DSCR"). The minimum allowed DSCR ratio for the Group is 1.2.

Debt service cover ratio ("DSCR")
This ratio is calculated as available cash flow divided by debt service requirement. Available cash flow is calculated as net cash generated from operating activities plus new financial indebtedness incurred plus cash and cash equivalent at the beginning of the year plus the aggregate amount spent on the purchase of property, plant and equipment, purchase of intangible assets, acquisition of business, acquisition of subsidiaries, and loans advanced to joint ventures and associates for investment purposes (CAPEX). Debt service requirement is calculated as interest and fees plus principal repayments.

	2018	2017
Available cash flow		
Net cash generated from operating activities	**(205 838 542)**	292 068 464
New financial indebtedness incurred	**516 000 000**	239 809 420
Cash and cash equivalent BoY	**240 765 157**	80 070 805
CAPEX	**(129 532 596)**	(116 890 703)
	421 394 019	495 057 986
Debt service requirement		
Interests and fees	**(75 746 785)**	(63 167 041)
Principal repayments	**(192 000 000)**	(206 914 744)
	(267 746 785)	(270 081 785)
Debt service cover ratio ("DSCR")	**1.57**	1.83

Proparco requirements
The Group monitors capital from Proparco on the basis of its debt service cover ratio and its net debt/equity ratio (as above). The minimum allowed debt service cover ratio for the Group is 1.2 and the net debt/equity ratio of 1.5:1.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

4. Fair values

Financial instruments

All of the Group's financial instruments are measured at amortised cost. To determine the fair value of the financial instruments future contractual cash flows are discounted using current market interest rates available to the Company for similar financial instruments. With the exception of the Group's borrowings, the financial instruments carrying values equals their fair values, due to the short-term nature of the instruments.

Non-financial instruments

In assessing the fair value of investment property, valuations consider title deed information, town planning conditions, locality and improvements made to the property. Property vacancy rates in surrounding areas, realised yields on comparative sales as well as micro- and macro-economic conditions pertaining to residential properties are considered.

Fair value table

The table below analyses the valuation levels used to determine the fair values of the applicable line items in the statement of financial position.

Level number	Level definition
1.	Quoted prices (unadjusted) in active markets for identical assets or liabilities
2.	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
3.	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Comparison of carrying and fair values of applicable line items in the statement of financial position:

			Fair value			
	Carrying values		Level 2		Level 3	
	2018	2017	2018	2017	2018	2017
Assets						
Investment property	**8 878 835**	6 518 700			**8 878 835**	6 518 700
Loans to joint ventures and associates	**143 422 183**	26 450 965			**143 422 183**	26 450 965
Trade and other receivables	**280 742 520**	232 061 602			**280 742 520**	232 061 602
Liabilities						
Borrowings	**889 596 522**	571 645 578	**628 985 923***	581 941 516*	**271 426 075**	–
Trade and other payables	**786 681 789**	813 211 796			**786 681 789**	813 211 796

Based on the Group's accounting policies no assets and liabilities are recognised at fair value at year-end.

* *Based on quoted prices on the Bond Exchange.*

5. Investment property

Accounting policy

In the prior year, the Group acquired six buildings through the acquisition of the Fourways Private Memorial Park business. The buildings are held to earn long-term rental. Refer to note 28 for the business combination relating to the acquisition of the investment property.

The investment property is initially recognised at cost and subsequently measured at fair value.

	Cost 2018	Fair value adjustment 2018	Carrying amount 2018	Cost 2017	Fair value adjustment 2017	Carrying amount 2017
Investment property	**8 878 835**	**–**	**8 878 835**	6 518 700	–	6 518 700

In the current year, additions to the value of R2 360 135 were made to the investment properties. In the prior year, additions to the value of R6 518 700 were acquired through the acquisition of the Fourways Private Memorial Park business. Refer to note 27.

Rental income received in respect of investment property amounts to R1 702 872 (2017: R503 751). Refer to note 20.

6. Property, plant and equipment

Accounting policy

The Group's long life assets mainly provide the infrastructure to enable the Group to operate. The assets are initially measured at cost. The cost of the assets are then recognised in the statement of comprehensive income over the useful lives of the assets as a depreciation charge. Where the residual value of buildings exceeds the carrying amount, no depreciation is provided.

The useful lives of the assets have been assessed as follows:

Item	Average useful life
Land and buildings	Land: Unlimited; Buildings: Up to 50 years
Plant and machinery and motor vehicles	5 years
Leasehold improvements	10 years
Furniture and fixtures and office equipment	6 years
IT equipment	3 years

	Cost 2018	Accumulated depreciation 2018	Carrying amount 2018	Cost 2017	Accumulated depreciation 2017	Carrying amount 2017
Land and buildings	**1 728 692**	**–**	**1 728 692**	1 470 692	–	1 470 692
Plant and machinery	**1 859 051**	**(1 146 893)**	**712 158**	3 774 308	(2 990 544)	783 764
Furniture and fixtures	**1 383 448**	**(504 246)**	**879 202**	1 263 299	(371 864)	891 435
Motor vehicles	**200 000**	**(3 333)**	**196 667**	–	–	–
Office equipment	**933 589**	**(480 628)**	**452 961**	852 412	(337 660)	514 752
IT equipment	**1 197 237**	**(404 604)**	**792 633**	1 379 113	(818 686)	560 427
Leasehold improvements	**1 923 613**	**(523 229)**	**1 400 384**	1 895 844	(311 044)	1 584 800
Total	**9 225 630**	**(3 062 933)**	**6 162 697**	10 635 668	(4 829 798)	5 805 870

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

6. Property, plant and equipment *(continued)*

Property, plant and equipment with a carrying amount of R72 701 (Cost: R3 179 392, Accumulated depreciation: R3 106 691) (2017: R1 (Cost: R190 263, Accumulated depreciation: R190 262)) has been sold/written off in the current year.

Profit on disposals of property, plant and equipment amounted to R170 024 (2017: R25 440 (loss)). Refer to note 21.

Additions of R1 579 093 (2017: R2 988 639) have been made in the current year. Included in the prior year additions, R2 122 080 was acquired through the acquisition of Fourways Memorial Parks. Refer to note 27.

Depreciation expense of R1 149 565 (2017: R1 009 815) has been charged to "administrative expenses" in the statement of comprehensive income.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

7. Intangible assets

Accounting policy

(a) Goodwill

Goodwill for the Group arose as a result of the acquisition of five subsidiaries: MS5 Pennyville (Pty) Ltd, CTE Consulting (Pty) Ltd, Clidet No 1014 (Pty) Ltd, Fleurhof Ext 2 (Pty) Ltd and Calgro M3 Memorial Parks Fourways (Pty) Ltd. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Computer software

Computer software is initially recorded at cost and subsequently carried at cost less accumulated amortisation and any impairment losses.

Amortisation on computer software is calculated using the straight-line method to allocate its cost to the statement of comprehensive income over its useful life of two years.

(c) Estimates and key judgements

Management used estimates in determining the fair value and value-in-use calculation for the annual goodwill impairment test. Refer below for further detail.

	Cost 2018	Accumulated amortisation/ impairment 2018	Carrying amount 2018	Cost 2017	Accumulated amortisation/ impairment 2017	Carrying amount 2017
Goodwill	**175 674 238**	**(16 023 721)**	**159 650 517**	174 364 496	(14 713 978)	159 650 518
Computer software	**59 331**	**(45 988)**	**13 343**	258 155	(217 875)	40 280
	175 733 569	**(16 069 709)**	**159 663 860**	174 622 651	(14 931 853)	159 690 798

7. Intangible assets *(continued)*

	2018	2017
Impairment tests for goodwill		
Goodwill is monitored at the operating segment level. The following is a summary of goodwill allocation for each operating segment:		
Residential Property Development	**158 955 713**	158 955 714
Memorial Parks	**694 804**	694 804
	159 650 517	159 650 518

Only the goodwill allocated to the Residential Property Development segment is considered to be significant.

The recoverable amount of the Residential Property Development segment has been determined based on a value-in-use calculation.

These calculations use real pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

The key assumptions used for value-in-use calculations are as follows:

	Residential Property Development	
	2018 %	**2017 %**
Gross margin	**15.31**	21.69
Pre-tax discount rate (real)	**10.70**	9.50

The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. Management determined budgeted gross margins based on past performance and its expectations of market development and availability of cash for the end-user.

If the budgeted gross margin used in the value-in-use calculations had been lower by 5% than the management estimates, the Group would still not recognise an impairment of goodwill.

If the estimated discount rate applied to the cash flows had been 5% higher than the management estimates, the Group would still not recognise an impairment of goodwill.

8. Investment in joint ventures and associates

Accounting policy

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are companies in which the Group has an investment where it, along with one or more other shareholders has contractually agreed to share control of the business and where the decisions about relevant activities require the unanimous consent of the joint partners. In both cases, the Group equity accounts these investments resulting in the Group's statement of comprehensive income reflecting its share of the entity's profit or loss after tax and the statement of financial position records the Group's share of the net assets.

When the Group's share of losses in a joint venture or associate equals or exceeds its interests in the joint ventures and associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures and associates), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures and associates.

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint ventures and associates, unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

8. Investment in joint ventures and associates *(continued)*

Significant judgement and source of estimation uncertainty
The Group holds either more or less than 50% of the shareholding in a number of these entities. Refer below to the judgements management exercised in determining whether or not it has joint control over the various entities.

	% voting power 2018	% voting power 2017	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Joint ventures						
Aquarella Investments 265 (Pty) Ltd#	**0.00**	50.00	**0.00**	14.00	**–**	14
Sabre Homes Projects (Pty) Ltd♦	**100.00**	50.00	**100.00**	60.00	**–**	600
Witpoortjie Calgro M3 Development Company (Pty) Ltd^	**50.00**	50.00	**75.83**	75.83	**688 287**	288 981
South Hills Development Company (Pty) Ltd^◊	**50.00**	50.00	**57.50**	57.50	**20 711 623**	11 584 323
Safdev Tanganani (Pty) Ltd	**50.00**	50.00	**50.00**	50.00	**500**	500
Table View Properties Proprietary Limited*	**50.00**	0.00	**50.00**	0.00	**20 000 000**	–
					41 400 410	11 874 418
Associates						
Calgro Kuumba Planning & Design (Pty) Ltd●	**0.00**	35.00	**0.00**	35.00	**–**	474 548
Afhco Calgro M3 Consortium (Pty) Ltd○	**49.00**	49.00	**49.00**	49.00	**508 412**	–
					508 412	474 548
					41 908 822	12 348 966

\# *Although the Group had minority shareholding in this entity in the prior year, the Board comprised an equal number of representatives from both the Group as well as the majority shareholder. Both parties had equal voting rights, irrespective of the percentage shareholding or representation on the Board of Directors. The majority shareholder did not have sole control over the activities of the entity. This is because decisions regarding the relevant activities of the entity that significantly affect the returns of the entity were made with the unanimous consent of both parties. The Group's shareholding of 14% was transferred to the remaining shareholder in the Company on 1 March 2017.*

♦ *This Company was previously a joint venture and the Group now holds 100% of the issued share capital as well 100% of the voting rights. The investment is therefore accounted for as a subsidiary.*

^ *Although the Group has majority shareholding in these entities, it does not have control of the Company as the Board comprises an equal number of representatives from both the Group as well as the minority shareholder. Both parties have equal voting rights, irrespective of the percentage shareholding or representation on the Board of Directors. Any decision regarding the relevant activities of these entities that significantly affect the returns of the entity are made with the unanimous consent of both parties.*

◊ *Although the Group holds 57.5% of the shareholding in South Hills Development Company (Pty) Ltd, it only equity accounts for 42.5% as 15% of the shareholding and related profits have been ceded to a third party.*

* *The Group has a 50% shareholding in this entity and it does not have control of the Company as both parties have equal voting rights, irrespective of the percentage shareholding or representation on the Board of Directors. Any decision regarding the relevant activities of this entity that significantly affects the returns of the entity are made with the unanimous consent of both parties. The shares held give right to 100% of the profits in the Company.*

● *The Group's shareholding of 35% was transferred to the remaining shareholders in the Company on 28 February 2018. The shareholding was sold for R6 000 000 with a carrying amount of R35, resulting in a profit from sale of investment in associate of R5 999 965 (refer to note 20). The previous interest in associate was reversed in the current year's interest in associate (refer to note 8).*

The joint ventures are managed by steering committees that contain an equal number of representatives from both the Calgro M3 Group as well as the other shareholders.

The steering committees meet on a regular basis to discuss the relevant activities of the project. These activities include the authorisation of budgets, project feasibilities, cash flow forecasts, distributions, potential variation orders, cost over runs, determining of sales prices and the appointment of all contractors and professional teams. Any decisions related to the relevant activities that significantly affect the returns of the entity need to carry the unanimous consent of both joint venture partners, irrespective of the number of representatives a party has on the steering committee or directorate of the respective Company.

○ *The Group increased its investment in Afhco Calgro M3 Consortium (Pty) during the year at the same ratio of its shareholding at 49%.*

Other than loans to joint ventures and associates (refer to note 10), trade and other receivables (refer to note 13) and related-party transactions (refer to note 32) which arose in the ordinary course of business, the Calgro M3 Group has no further financial risks associated with these joint ventures and associates.

8. Investment in joint ventures and associates *(continued)*

The projects which are managed by each joint venture or associate are as follows:

Name of company	Name of project
Witpoortjie Calgro M3 Development Company (Pty) Ltd	**Witpoortjie**
South Hills Development Company (Pty) Ltd	**South Hills**
Safdev Tanganani (Pty) Ltd	**Diepsloot**
Table View Properties (Pty) Ltd	**Vredehoek**
Afhco Calgro M3 Consortium (Pty) Ltd	**Various**

The place of business for all joint ventures and associates is South Africa, with the exception of Calgro Kuumba Planning and Design (Pty) Ltd), which place of business is in Namibia.

The functional currency of all joint ventures and associates are South African rand with the exception of Calgro Kuumba Planning and Design (Pty) Ltd which is Namibian dollar.

All the year-ends of joint ventures and associates, except for Afhco Calgro M3 Consortium (Pty) Ltd, are consistent with those of the Group. Afhco Calgro M3 Consortium (Pty) Ltd's year-end is 31 December.

Summary of share of profit/(loss) of joint ventures and associates – from the statements below:

	2018	2017
Witpoortjie Calgro M3 Development Company (Pty) Ltd	**399 306**	–
South Hills Development Company (Pty) Ltd	**9 127 300**	5 794 732
Calgro Kuumba Planning and Design (Pty) Ltd	**(474 513)**	474 548
Afhco Calgro M3 Consortium (Pty) Ltd	**508 412**	–
	9 560 505	6 269 280

A detailed statement of financial position and statement of comprehensive income for each individual joint venture and associate is disclosed in the notes below. The impact of the cash flows on the Calgro M3 Group from these joint ventures and associates are also presented for each individual joint venture and associate in the notes below.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

8. Investment in joint ventures and associates *(continued)*

	Aquarella Investments 265 (Pty) Ltd		Sabre Homes Projects (Pty) Ltd	
	2018	**2017**	**2018**	**2017**
Detailed statement of financial position				
ASSETS				
Non-current assets				
Loans to shareholders	**–**	–	**–**	600
Deferred income tax asset	**–**	–	**–**	3 646 802
	–	–	**–**	3 647 402
Current assets				
Inventories/construction contracts	**–**	17 154 436	**–**	854 243
Trade and other receivables	**–**	9 965 355	**–**	3 523
Cash and cash equivalents	**–**	2 634	**–**	51 912
	–	27 122 425	**–**	909 678
Total assets	**–**	27 122 425	**–**	4 557 080
EQUITY AND LIABILITIES				
Equity				
Share capital	**–**	100	**–**	1 000
Retained income/(accumulated loss)	**–**	20 746 252	**–**	(6 647 168)
	–	20 746 352	**–**	(6 646 168)
Liabilities				
Current liabilities				
Loans from shareholders	**–**	–	**–**	11 203 248
Trade and other payables	**–**	6 376 073	**–**	–
	–	6 376 073	**–**	11 203 248
Total liabilities	**–**	6 376 073	**–**	11 203 248
Total equity and liabilities	**–**	27 122 425	**–**	4 557 080
Detailed statement of comprehensive income				
Revenue	**–**	82 789 150	**–**	–
Cost of sales	**–**	(119 511 444)	**(3 541 430)**	(25 173)
Gross loss	**–**	(36 722 294)	**(3 541 430)**	(25 173)
Other income	**–**	96 087 017	**7 583 388**	91 083
Administrative expenses	**–**	(578 342)	**(227)**	(21 437)
Other expenses	**–**	(13 064 997)	**–**	–
Operating profit/(loss)	**–**	45 721 384	**4 041 731**	44 473
Finance income	**–**	203	**–**	31 071
Finance cost	**–**	–	**(120 444)**	(1 076 995)
Profit/(loss) before tax	**–**	45 721 587	**3 921 287**	(1 001 451)
Taxation	**–**	(6 974 253)	**1 025 388**	280 406
Profit/(loss) after taxation	**–**	38 747 334	**4 946 675**	(721 045)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income/(loss)	**–**	38 747 334	**4 946 675**	(721 045)

Reconciliation of detailed financial information

Reconciliation of the detailed information presented to the carrying amount of its interest in the joint venture.

8. Investment in joint ventures and associates *(continued)*

	Aquarella Investments 265 (Pty) Ltd		Sabre Homes Projects (Pty) Ltd	
	2018	**2017**	**2018**	**2017**
Summarised financial information				
Opening net assets at 1 March	**–**	(18 000 982)	**(6 646 168)**	(5 925 123)
Profit/(loss) after tax	**–**	38 747 334	**4 946 675**	(721 045)
Profits no longer recognised through equity accounting due to accumulated loss position	**–**	–	**1 699 493**	–
Closing net assets	**–**	20 746 352	**–**	(6 646 168)
Limitation due to contractual preferential right to profit in favour of the joint venture partner	**–**	(20 746 352)	**–**	6 646 168
Interest in joint venture at 14% and 60%	**14**	14	**600**	600
Interest in joint venture disposed	**(14)**	–	**(600)**	–
Carrying value	**–**	14	**–**	600

No share of profits or losses in Aquarella Investments 265 (Pty) Ltd and Sabre Homes Projects (Pty) Ltd have been accounted for in the statement of comprehensive income in the current or prior year.

In terms of the shareholder's agreements the other shareholders of these joint ventures has a preferential right to a share of the profits before any distributions may be made to the Group.

	Aquarella Investments 265 (Pty) Ltd		Sabre Homes Projects (Pty) Ltd	
	2018	**2017**	**2018**	**2017**
Reconciliation of investment in joint venture				
At 1 March	**14**	14	**600**	600
Share of profit	**–**	–	**–**	–
Interest in joint venture disposed	**(14)**	–	**(600)**	–
Net carrying value	**–**	14	**–**	600
The impact of the cash flows on the Group consists of the following:				
Cash (outflow)/inflow from construction activities (net movement in trade debtors)	**–**	6 483 475	**–**	–
Cash inflow for loans from joint ventures	**–**	–	**–**	–
Cash outflow for loans to joint ventures	**–**	–	**–**	(3 700 412)
Net cash flows on the Group from joint ventures	**–**	6 483 475	**–**	(3 700 412)

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

8. Investment in joint ventures and associates *(continued)*

	Witpoortjie Calgro M3 Development Company (Pty) Ltd		South Hills Development Company (Pty) Ltd	
	2018	**2017**	**2018**	**2017**
Detailed statement of financial position				
ASSETS				
Non-current assets				
Deferred income tax asset	**–**	151 860	**–**	–
	–	151 860	**–**	–
Current assets				
Inventories/construction contracts	**188 904 452**	144 950 235	**347 221 456**	135 951 588
Trade and other receivables	**2 201 906**	666 269	**2 877 075**	6 308 142
Cash and cash equivalents	**44 530**	641 693	**15 068**	15 068
	191 150 888	146 258 197	**350 113 599**	142 274 798
Total assets	**191 150 888**	146 410 057	**350 113 599**	142 274 798
EQUITY AND LIABILITIES				
Equity				
Share capital	**–**	–	**120**	120
(Accumulated loss)/retained income	**907 671**	(509 333)	**61 614 288**	28 375 407
	907 671	(509 333)	**61 614 408**	28 375 527
Liabilities				
Non-current liabilities				
Deferred income tax liability	**399 197**	–	**23 961 114**	11 034 882
	399 197	–	**23 961 114**	11 034 882
Current liabilities				
Borrowings	**57 182 629**	62 497 120	**–**	–
Bank overdraft	**–**	–	**39 065 784**	32 472 568
Loans from shareholders	**–**	–	**36 401 090**	5 774 746
Trade and other payables	**132 661 391**	84 422 270	**189 071 203**	64 617 075
	189 844 020	146 919 390	**264 538 077**	102 864 389
Total liabilities	**190 243 217**	146 919 390	**288 499 191**	113 899 271
Total equity and liabilities	**191 150 888**	146 410 057	**350 113 599**	142 274 798
Detailed statement of comprehensive income				
Revenue	**39 314 391**	50 182 821	**540 577 871**	214 419 178
Cost of sales	**(37 188 860)**	(50 861 941)	**(494 110 128)**	(193 878 704)
Gross (loss)/profit	**2 125 531**	(679 120)	**46 467 743**	20 540 474
Other income	**12 964**	39 297	**–**	–
Administrative expenses	**(170 434)**	(625 583)	**(302 630)**	(667 460)

8. Investment in joint ventures and associates *(continued)*

	Witpoortjie Calgro M3 Development Company (Pty) Ltd		South Hills Development Company (Pty) Ltd	
	2018	2017	**2018**	2017
Operating (loss)/profit	**1 968 061**	(1 265 406)	**46 165 113**	19 873 014
Finance income	**–**	–	**–**	617 268
(Loss)/profit before tax	**1 968 061**	(1 265 406)	**46 165 113**	20 490 282
Taxation	**(551 057)**	354 312	**(12 926 232)**	(5 737 280)
(Loss)/profit after taxation	**1 417 004**	(911 094)	**33 238 881**	14 753 002
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**1 417 004**	(911 094)	**33 238 881**	14 753 002
Reconciliation of detailed financial information				
Reconciliation of the detailed information presented to the carrying amount of its interest in the joint venture.				
Summarised financial information				
Opening net assets at 1 March	**(509 333)**	401 761	**28 375 527**	13 622 525
Profit/(loss) after tax	**1 417 004**	(911 094)	**33 238 881**	14 753 002
Closing net assets	**907 671**	(509 333)	**61 614 408**	28 375 527
Loss limitation	**–**	386 227	**–**	–
Cumulative unrealised profits eliminated	**–**	–	**(5 474 500)**	(475 276)
Interest in joint venture at 75.83% and 42.5%	**688 287**	(386 227)	**26 186 123**	12 059 599
Carrying value	**688 287**	–	**20 711 623**	11 584 323
Reconciliation of investment in joint venture				
At 1 March	**288 981**	304 656	**11 584 323**	5 789 591
Current unrealised profits eliminated	**–**	–	**(4 999 225)**	(475 276)
Loss limitation	**(675 208)**	386 227	**–**	–
Share of profit/(loss)	**1 074 514**	(401 902)	**14 126 525**	6 270 008
Net share of profit/(loss) for the current year	**399 306**	–	**9 127 300**	5 794 732
Net carrying value	**688 287**	288 981	**20 711 623**	11 584 323
The impact of the cash flows on the Group consists of the following:				
Cash (outflow)/inflow from construction activities (net movement in trade debtors)	**(47 005 147)**	(912 266)	**16 740 308**	(44 911 100)
Cash inflow for loans from joint ventures	**–**	–	**–**	–
Cash outflow for loans to joint ventures	**–**	–	**–**	–
Net cash flows on the Group from joint ventures	**(47 005 147)**	(912 266)	**16 740 308**	(44 911 100)

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

8. Investment in joint ventures and associates *(continued)*

	Safdev Tanganani (Pty) Ltd		Calgro Kuumba Planning and Design (Pty) Ltd	
	2018	**2017**	**2018**	**2017**
Detailed statement of financial position				
ASSETS				
Non-current assets				
Deferred income tax asset	**643 817**	619 556	**–**	–
	643 817	619 556	**–**	–
Current assets				
Construction contracts	**–**	–	**–**	3 229 640
Inventories	**74 507 233**	66 511 294	**–**	–
Trade and other receivables	**970 237**	970 196	**–**	536 000
Current income tax asset	**–**	–	**–**	4 218
Cash and cash equivalents	**50 123**	42 457	**–**	964 371
	75 527 593	67 523 947	**–**	4 734 229
Total assets	**76 171 410**	68 143 503	**–**	4 734 229
EQUITY AND LIABILITIES				
Equity				
Share capital	**1 000**	1 000	**–**	100
Retained income	**387 894**	450 281	**–**	1 313 657
	388 894	451 281	**–**	1 313 757
Liabilities				
Non-current liabilities				
Deferred income tax liability	**–**	–	**–**	606 158
	–	–	**–**	606 158
Current liabilities				
Amounts owing to related parties	**75 782 516**	66 243 662	**–**	–
Trade and other payables	**–**	1 448 560	**–**	2 814 314
	75 782 516	67 692 222	**–**	2 814 314
Total liabilities	**75 782 516**	67 692 222	**–**	3 420 472
Total equity and liabilities	**76 171 410**	68 143 503	**–**	4 734 229
Detailed statement of comprehensive income				
Revenue	**–**	–	**2 118 111**	87 850 132
Cost of sales	**–**	–	**(1 906 300)**	(83 507 914)
Gross profit	**–**	–	**211 811**	4 342 218
Administrative expenses	**(86 648)**	(82 220)	**(5 834 939)**	(2 348 655)

8. Investment in joint ventures and associates *(continued)*

	Safdev Tanganani (Pty) Ltd		Calgro Kuumba Planning and Design (Pty) Ltd	
	2018	**2017**	**2018**	**2017**
Operating (loss)/profit	**(86 648)**	(82 220)	**(5 623 128)**	1 993 563
Finance income	**–**	66	**1 533**	1 824
(Loss)/profit before tax	**(86 648)**	(82 154)	**(5 621 595)**	1 995 387
Taxation	**24 261**	23 003	**1 798 911**	(639 535)
(Loss)/profit after taxation	**(62 387)**	(59 151)	**(3 822 684)**	1 355 852
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**(62 387)**	(59 151)	**(3 822 684)**	1 355 852
Reconciliation of detailed financial information				
Reconciliation of the detailed information presented to the carrying amount of its interest in the joint venture.				
Summarised financial information				
Opening net assets at 1 March	**451 281**	510 432	**1 313 757**	(42 095)
(Loss)/profit after tax	**(62 387)**	(59 151)	**(3 822 684)**	1 355 852
Closing net assets	**388 894**	451 281	**(2 508 927)**	1 313 757
Limitation due to contractual preferential right to profit in favour of the joint venture partner/loss limitation	**(388 394)**	(450 781)	**–**	14 733
Interest in joint venture at 50% and 35%	**–**	–	**(878 124)**	459 815
Profits/(losses) no longer recognised through equity accounting due to disposal on investment in joint venture	**–**	–	**878 124**	–
Carrying value	**500**	500	**–**	474 548
Reconciliation of investment in joint venture				
At 1 March	**–**	–	**474 548**	–
Share of profit/(loss) in associate (limited due to sale of interest in associate)	**–**	–	**(474 548)**	474 548
Net carrying value	**–**	–	**–**	474 548
The impact of the cash flows on the Group consists of the following:				
Cash inflow/(outflow) from construction activities (net movement in trade debtors)	**–**	–	**(3 697 153)**	(191 580)
Cash inflow for loans from joint ventures	**–**	–	**–**	–
Cash outflow for loans to joint ventures	**(11 050 984)**	–	**–**	–
Net cash flows on the Group from joint ventures	**(11 050 984)**	–	**(3 697 153)**	(191 580)

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

8. Investment in joint ventures and associates *(continued)*

	Table View Properties (Pty) Ltd		Afhco Calgro M3 Consortium (Pty) Ltd	
	2018	**2017**	**2018**	**2017**
Detailed statement of financial position				
ASSETS				
Non-current assets				
Investment properties	**–**	–	**185 088 808**	–
	–	–	**185 088 808**	–
Current assets				
Trade and other receivables	**15 000 000**	–	**204 924 068**	100 000 000
	15 000 000	–	**204 924 068**	100 000 000
Total assets	**15 000 000**	–	**390 012 876**	100 000 000
EQUITY AND LIABILITIES				
Equity				
Stated capital	**15 000 000**	–	**100**	–
Retained income/(accumulated loss)	**–**	–	**1 037 574**	–
	15 000 000	–	**1 037 674**	–
Liabilities				
Current liabilities				
Loans from shareholders	**–**	–	**370 542 818**	100 000 000
Trade and other payables	**–**	–	**18 432 384**	–
	–	–	**388 975 202**	100 000 000
Total liabilities	**–**	–	**388 975 202**	100 000 000
Total equity and liabilities	**15 000 000**	–	**390 012 876**	100 000 000
Detailed statement of comprehensive income				
Revenue	**–**	–	**1 785 077**	–
Cost of sales	**–**	–	**(747 503)**	–
Gross profit	**–**	–	**1 037 574**	–
Other income	**–**	–	**–**	–
Administrative expenses	**–**	–	**–**	–
Operating profit	**–**	–	**1 037 574**	–
Finance income	**–**	–	**451**	–
Finance cost	**–**	–	**(451)**	–
Profit before tax	**–**	–	**1 037 574**	–
Taxation	**–**	–	**–**	–
Profit after taxation	**–**	–	**1 037 574**	–
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**–**	–	**1 037 574**	–

8. Investment in joint ventures and associates *(continued)*

	Table View Properties (Pty) Ltd		Afhco Calgro M3 Consortium (Pty) Ltd	
	2018	**2017**	**2018**	**2017**
Reconciliation of detailed financial information				
Reconciliation of the detailed information presented to the carrying amount of its interest in the joint venture.				
Summarised financial information				
Opening net assets at 1 March	**–**	–	**–**	–
Profit after tax	**–**	–	**1 037 574**	–
Closing net assets generated from retained earnings	**–**	–	**1 037 574**	–
Interest in joint venture at 50.00% and 49.00%	**–**	–	**(508 412)**	–
Closing net assets generated from retained earnings	**–**	–	**529 162**	–
Reconciliation of investment in joint venture				
At 1 March	**–**	–	**–**	–
Share of profit	**–**	–	**508 412**	–
Capital investment from the Group	**20 000 000**	–	**–**	–
Net carrying value	**20 000 000**	–	**508 412**	–
The impact of the cash flows on the Group consists of the following:				
Cash inflow/(outflow) from construction activities (net movement in deposits received and repaid)	**–**	–	**77 027 026**	100 000 000
Cash inflow/(outflow) from investing activities	**(10 000 000)**	–	**–**	–
Cash inflow for loans from joint ventures	**–**	–	**–**	–
Cash outflow for loans to joint ventures	**–**	–	**(102 329 475)**	–
Net cash flows on the Group from joint ventures	**(10 000 000)**	–	**(25 302 449)**	100 000 000

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

9. Deferred income tax (liabilities)/assets

Accounting policy

Deferred tax assets and liabilities represent amounts of tax that will become recoverable or payable in future accounting periods. They generally arise as a result of temporary differences, where the time at which profits and losses are recognised for tax purposes differs from the time at which the relevant transaction is recorded in the accounts. A deferred tax asset represents a tax reduction that is expected to arise in a future period. A deferred tax liability represents taxes which will become payable in a future period as a result of a current or an earlier transaction.

In respect of deferred tax assets, the Group only recognises a deferred tax asset when the availability of future profits necessary to support the deferred tax asset is probable.

Where a temporary difference arises in relation to the Group's investment in subsidiaries, associates or joint ventures a deferred tax liability can only be recognised by the Group if the Group cannot control the timing of the reversal of the temporary difference and it is probable that the temporary difference will reverse in future. Similarly a deferred tax asset can only be recognised by the Group if the temporary difference will reverse in the future and there will be taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

	2018	2017
Reconciliation of deferred tax (liability)/asset		
Opening balance	**(287 510 782)**	(227 253 149)
Construction contracts	**(72 998 579)**	(123 594 138)
Inventories	**(2 249 890)**	(1 975 489)
Bonus accrual	**–**	(4 772 896)
Share appreciation scheme	**(159 572)**	186 770
Work in progress	**1 089 078**	2 490 294
Tax losses available for set off against future taxable income	**30 078 554**	72 549 744
Tax losses available for set off against future taxable income – acquisition of subsidiary	**4 672 190**	–
Capital losses available for future use	**(1 267 335)**	(113 181)
Share appreciation right settlement	**–**	(3 331 613)
Share appreciation right settlement prepayment	**489 142**	(581 197)
Executive share scheme	**(2 608 287)**	(1 528 674)
Deferred revenue	**691 666**	240 731
Provisions	**(116 185)**	116 185
Trade receivables	**(845 593)**	(242 563)
Investment properties	**97 348**	–
Other	**354 038**	298 394
Closing balance	**(330 284 207)**	(287 510 782)
Reconciliation of deferred tax (liability)/asset movement in the statement of comprehensive income		
Opening balance	**(287 510 782)**	(227 253 149)
Statement of comprehensive income charge	**(47 444 827)**	(60 256 845)
Acquisition of subsidiary	**4 672 190**	–
Closing balance	**(330 284 207)**	(287 510 782)

9. Deferred income tax (liabilities)/assets *(continued)*

	2018	2017
The analyses of deferred tax liabilities and deferred tax assets are as follows:		
Deferred tax liabilities		
Construction contracts	**(412 658 824)**	(375 337 688)
Capital allowances	**(92 994)**	(92 994)
Inventories	**(15 050 285)**	(11 253 670)
Share appreciation scheme	**393 779**	553 351
Work in progress	**–**	(1 089 078)
Tax losses available for set off against future taxable income	**67 107 386**	79 954 138
Tax losses available for set off against future taxable income – acquisition of subsidiary	**4 672 190**	–
Capital losses available for future use	**160 573**	1 427 908
Share appreciation right settlement prepayment	**(407 794)**	(896 936)
Executive share scheme	**481 588**	3 089 875
Trade receivables	**–**	627 629
Investment properties	**97 348**	–
Other	**1 013 770**	659 732
Deferred tax liabilities*	**(354 283 263)**	(302 357 733)
Deferred tax assets		
Construction contracts	**(47 068 172)**	(11 390 729)
Inventories	**9 255 895**	7 709 170
Provisions	**–**	116 185
Trade receivables	**–**	217 964
Deferred revenue	**1 044 078**	352 412
Tax losses available for set off against future taxable income	**60 767 255**	17 841 949
Deferred tax assets#	**23 999 056**	14 846 951
Net deferred tax balance	**(330 284 207)**	(287 510 782)
Deferred tax liabilities		
Deferred tax liability to be realised within 12 months	**(199 446 107)**	(136 966 266)
Deferred tax liability to be realised after more than 12 months	**(154 837 156)**	(165 391 467)
	(354 283 263)	(302 357 733)
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	**8 123 017**	14 846 951
Deferred tax asset to be recovered after more than 12 months	**15 876 039**	–
	23 999 056	14 846 951

** Included in deferred tax liabilities are the deferred tax assets of subsidiaries where their net deferred tax position is a deferred tax liability.*
 # Included in deferred tax assets are the deferred tax liabilities of subsidiaries where their net deferred tax position is a deferred tax asset.

10. Loans to joint ventures and associates

Accounting policy

These loans are classified as loans and receivables, measured at amortised cost, and are recognised initially at fair value plus direct transaction costs.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

10. Loans to joint ventures and associates *(continued)*

	Interest rate	Expected repayment date	2018	2017
Afhco Calgro M3 Consortium (Pty) Ltd	Prime	28 February 2019	**102 330 124**	–
South Hills Development Company (Pty) Ltd (unsecured)	Prime plus 2%	28 February 2020	**3 200 798**	2 887 373
Safdev Tanganani (Pty) Ltd (unsecured)	Prime	28 February 2020	**37 891 261**	23 563 592
Sabre Homes Projects (Pty) Ltd (unsecured)	Prime plus 2%	28 February 2018	**–**	3 700 412
Loans to joint ventures and associates			**143 422 183**	30 151 377
Reconciliation of loans to joint ventures and associates				
Principle loan amount			**143 422 183**	30 151 377
Loan reclassified as loans to subsidiaries refer to note 27 for details on business combination			**–**	(3 700 412)
			143 422 183	26 450 965
Loans to be realised within 12 months			**102 330 124**	–
Loans to be realised after more than 12 months			**41 092 059**	26 450 965
			143 422 183	26 450 965

11. Inventories

Accounting policy

Land owned by the Group which is being developed to get into a condition to start construction of the various projects is classified as inventory. The land may also be sold without any construction depending on the intention of management. Inventories are stated at the lower of cost or net realisable value. The cost of land under development held for sale comprises design costs, building materials, indirect labour, borrowing costs and other direct costs.

The amount of any write-down of inventories to net realisable value is recognised as an expense in the period which the write-down occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Individual units which do not form part of construction contracts are classified as inventory and are sold as a completed unit.

Significant estimates and judgements

In assessing the net realisable value of land under development held for sale, valuators consider title deed information, town planning conditions, locality and improvements made to the property. Property vacancy rates in surrounding areas, realised yields on comparative sales as well as micro- and macro-economic conditions require judgement.

	2018	2017
Opening balance	**595 989 480**	453 093 324
Additions (net of transfers to construction contracts)	**(49 626 819)**	137 667 886
Borrowing costs capitalised	**24 567 250**	21 397 723
Disposals	**(16 532 414)**	(16 169 453)
Closing balance	**554 397 497**	595 989 480
Inventories to be sold within 12 months	**176 447 904**	120 044 749
Inventories to be sold after more than 12 months	**377 949 593**	475 944 731
	554 397 497	595 989 480

* *The normal operating cycle for inventory, construction contracts and work in progress is considered to be longer than 12 months.*

Inventories to the value of R2 220 524 (2017: R2 952 031) are stated at net realisable value.

12. Construction contracts

Accounting policy

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Estimates are made by management to calculate the forecasted cost and the forecasted revenue of a project. The estimates used are in terms of an approved feasibility study. Management forecasts are approved by the Board of Directors and if third parties are involved, their approval is also obtained. Management performs monthly reviews of the work in progress schedule to update the forecasts costs and profits.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or construction contracts, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade and other receivables" (refer to note 13).

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

	2018	2017
The aggregate costs incurred and recognised profits to date	**9 786 723 770**	7 987 134 353
Less: Progress billings	**(7 970 168 934)**	(6 609 751 698)
Net statement of financial position balance for ongoing contracts	**1 816 554 836**	1 377 382 655
Excess billings over work done classified under trade and other payables (refer to note 17)	**4 419 154**	6 264 947
Statement of financial position balance for ongoing contracts	**1 820 973 990**	1 383 647 602
Construction contracts to be realised within 12 months	**1 052 697 082**	665 839 043
Construction contracts to be realised after 12 months	**768 276 908**	717 808 559
	1 820 973 990	1 383 647 602

* *The normal operating cycle for inventory, construction contracts and work in progress is considered to be longer than 12 months.*

Borrowing costs to the value of R42 065 456 (2017: R21 844 495) have been capitalised (refer to note 23).

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

13. Trade and other receivables

Accounting policy
Trade receivables are a financial asset measured at amortised cost. Refer to the financial instruments accounting policy in note 2.10 for further information.

Credit terms of trade receivables and trade receivables with related parties are generally 30 days from statement date.

	2018	2017
Trade receivables and retention debtors	**165 662 562**	213 332 449
Trade receivables – third parties	**5 004 835**	11 434 420
Retention debtors – third parties	**5 266 808**	7 021 286
Trade receivables – related parties	**150 700 772**	119 525 514
Retention debtors – related parties	**4 690 147**	1 903 413
Trade receivables – land sales	**–**	73 447 816
Value added tax	**12 996 625**	44 136 751
Other receivables◊	**17 907 774**	9 577 559
Share appreciation rights settlement prepayment♦	**–**	1 746 933
Amounts due from executive share scheme – related parties#	**7 706 659**	7 001 288
Securing deposits●	**89 465 525**	403 373
	293 739 145	276 198 353
Trade and other receivables to be realised within 12 months	**278 157 232**	194 932 661
Trade and other receivables to be realised after 12 months	**15 581 913**	81 265 692
	293 739 145	276 198 353

* *The normal operating cycle for inventory, construction contracts and work in progress is considered to be longer than 12 months.*
◊ *R6 million of the other receivables balance relates to an amount receivable for the Calgro Kuumba investment sold, refer to note 8.*
♦ *Refer to note 30 for further details.*
\# *This relates to the payable by participants of the Executive Share Scheme with respect to the subscription price for the shares issued under the scheme. Refer to notes 30 and 34 for further details.*
● *R78 568 747 relates to securing deposits paid to secure units that are earmarked for the rental market. The remaining balance relates to deposits paid to secure land for future projects.*

Securing deposits with a total carrying amount of R78 568 747 were secured by covering bonds that have been registered in favour of the Group in the amount of R77 000 000 over Holdings 5, 6 and 57 Harveston Agricultural Holdings, Registration Division IQ, Gauteng, as well as Portion 501 of the Farm Wilgespruit No 190, Registration Division IQ, Gauteng.

Trade receivables and retention debtors fully performing
At 28 February 2018, trade receivables and retention debtors of R165 586 919 (2017: 212 853 568) were fully performing.

Trade receivables and retention debtors from related parties

	2018	2017
South Hills Development Company (Pty) Ltd	**35 261 307**	52 001 615
Calgro Kuumba Planning and Design (Pty) Ltd	**4 000 000**	302 847
Witpoortjie Calgro M3 Development Company (Pty) Ltd	**116 129 612**	69 124 465
Total	**155 390 919**	121 428 927

Trade receivables and retention debtors owing from related parties are not considered past due as they were granted in the normal course of business within the Group's operating cycle of greater than 12 months. The due dates for amounts are determined specifically for each related-party. Management of the Group has insight into the financial position of all joint ventures and associates as at 28 February 2018 and do not believe that there are indicators that these amounts are impaired at year-end. These receivables bear interest at market-related rates.

13. Trade and other receivables *(continued)*

Please refer to note 8 for summarised financial information as well as detailed analysis of joint venture and associates relationships.

Trade receivables and retention debtors – third parties past due but not impaired

At 28 February 2018, trade receivables and retention debtors of R75 643 (2017: R478 881) were past due but not impaired.

Ageing of trade receivables and retention debtors – third parties

	Other debtors	
	2018	**2017**
Less than 30 days	**10 196 000**	17 976 825
30 days and older	**75 643**	478 881
Total	**10 271 643**	18 455 706

Trade receivables impairment

At 28 February 2018, trade receivables of Rnil (2017: Rnil) were written off as bad debt.

No allowance for doubtful debts was raised at 28 February 2018 and none of the trade receivables that are past due are considered to be impaired.

The debtors balances relate to customers with no history of default.

The maximum exposure to credit risk for these instruments at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security for trade and other receivables, other than for deposits as disclosed above. Refer to note 2.10.1 for details of financial instruments.

14. Cash and cash equivalents

Accounting policy
Cash and cash equivalents includes cash on hand and deposits held at call with banks.

Cash and cash equivalents include the following for the purposes of the statement of cash flows.

	2018	**2017**
Cash on hand	**3 393**	5 878
Bank balances	**156 719 542**	240 759 279
	156 722 935	240 765 157

15. Stated capital

Accounting policy
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

	Number of shares		Rand amount	
	2018	**2017**	**2018**	**2017**
Authorised				
Ordinary no par value shares	**500 000 000**	500 000 000	**–**	–

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

15. Stated capital *(continued)*

	Number of shares		Rand amount	
	2018	2017	**2018**	2017
Issued				
Balance at the beginning of the year	**128 150 069**	127 100 000	**116 255 971**	96 021 721
Shares held by Calgro M3 Employee Benefit Trust	**5 212 909**	5 212 909	**104 239 627**	104 239 627
Shares held by Calgro M3 Empowerment Trust	**5 212 909**	5 212 909	**104 239 627**	104 239 627
Shares held in terms of the Calgro M3 Executive Share Scheme	**8 468 631**	9 518 700	**163 191 099**	183 425 349
Treasury shares in issue opening balance	**(18 894 449)**	(19 944 518)	**(371 670 353)**	(391 904 603)
Equity share scheme – trading restrictions released (refer to note 30)	**–**	1 050 069	**–**	20 234 250
Closing balance treasury shares in issue	**(18 894 449)**	(18 894 449)	**(371 670 353)**	(371 670 353)
Balance at the end of the year	**128 150 069**	128 150 069	**116 255 971**	116 255 971

Shares held by Calgro M3 Employee Benefit Trust and Calgro M3 Empowerment Trust

In terms of IFRS 10: *Consolidated Financial Statements*, both trusts are consolidated into the Group, and as a result, shares owned by these entities are carried as treasury shares on consolidation.

Shares issued with respect to the Calgro M3 Executive Share Scheme

The shares issued to Directors and selected employees in respect of the Calgro M3 Executive Share Scheme contain restriction of trade clauses in terms of the scheme rules. These shares are therefore considered to be treasury shares. During the prior year, the service period for all Category 1 shares was completed resulting in the trading restrictions being released.

Refer to note 30 for further details.

All issued shares are fully paid.

Unissued ordinary shares are under the control of the Directors in terms of a resolution of members passed at the last Annual General Meeting. This authority remains in force until the next Annual General Meeting.

16. Borrowings

Accounting policy

Borrowings are classified as financial liabilities at amortised cost. Refer to the financial instruments accounting policy, note 2.10 for further details.

Borrowings are classified as current liabilities based on the operating cycle of the Group (refer to note 2.3).

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan. The fee is amortised over the life of the facility.

16. Borrowings *(continued)*

	Interest rate	Expiration date	2018	2017
Bond Exchange			**889 596 522**	571 645 578
Floating rate note – CGR 14	JIBAR plus 4.75%	13 February 2018	**–**	30 000 000
Floating rate note – CGR 15	JIBAR plus 4%	21 July 2017	**–**	24 000 000
Floating rate note – CGR 16	JIBAR plus 3.4%	22 September 2017	**–**	49 000 000
Floating rate note – CGR 17	JIBAR plus 3.7%	24 October 2017	**–**	40 000 000
Floating rate note – CGR 18	JIBAR plus 3.2%	4 May 2018	**30 000 000**	30 000 000
Floating rate note – CGR 19	JIBAR plus 3.2%	4 June 2018	**30 000 000**	30 000 000
Floating rate note – CGR 20	JIBAR plus 3.2%	4 July 2018	**15 000 000**	15 000 000
Floating rate note – CGR 21	JIBAR plus 4.5%	12 October 2020	**70 000 000**	70 000 000
Floating rate note – CGR 23	JIBAR plus 4%	8 February 2019	**25 000 000**	25 000 000
Floating rate note – CGR 24	JIBAR plus 5%	8 February 2021	**20 000 000**	20 000 000
Floating rate note – CGR 25	JIBAR plus 4%	27 June 2019	**111 000 000**	111 000 000
Floating rate note – CGR 26	JIBAR plus 1.7%	27 June 2017	**–**	8 000 000
Floating rate note – CGR 27	JIBAR plus 4%	25 November 2019	**46 000 000**	43 000 000
Floating rate note – CGR 28	JIBAR plus 1.7%	8 February 2018	**–**	15 000 000
Floating rate note – CGR 29	JIBAR plus 4.35%	8 February 2021	**52 000 000**	52 000 000
Yield rate note – CGR 30	Implied yield 8.15%	8 May 2017	**–**	10 785 661
Floating rate note – CGR 31	JIBAR plus 1.7%	27 June 2018	**16 000 000**	–
Floating rate note – CGR 32	JIBAR plus 3.9%	21 July 2020	**38 000 000**	–
Floating rate note – CGR 33	JIBAR plus 3.9%	22 September 2020	**59 000 000**	–
Floating rate note – CGR 34	Fixed rate 8.388%	21 September 2018	**42 000 000**	–
Floating rate note – CGR 36	JIBAR plus 1.7%	2 October 2018	**20 000 000**	–
Floating rate note – CGR 37	JIBAR plus 1.7%	8 February 2019	**15 000 000**	–
Floating rate note – CGR 38	JIBAR plus 4%	13 February 2021	**30 000 000**	–
Proparco loan#	JIBAR plus 4.9%	15 September 2021	**278 000 000**	–
Transaction cost amortisation*			**(7 403 478)**	(1 140 083)
Total borrowings			**889 596 522**	571 645 578

All borrowings are unsecured.

* *The transaction costs are amortised over the life of the facilities. It is expected that these costs will be fully amortised when the facilities are settled.*

\# *In the current financial year, the Group obtained funding to the value of R278 000 000. The loan is repayable over a two-year period from 15 September 2021 payments being made every six months in equal tranches. The following financial covenants are applicable to the loan:*
- *Debt service coverage ratio ("DSCR") of higher than 1.2 at a group level; and*
- *Net debt to equity ratio of 1.5:1.*

The total facility value is R387 000 000.
Refer to note 3.2 for the DSCR and Net debt to equity calculation.

The table below provides information regarding the present value of the borrowings to be settled within 12 months and after 12 months. For the undiscounted cash flows related to borrowings, refer to note 3.

	2018	2017
Borrowings to be settled within 12 months	**193 000 000**	176 785 661
Borrowings to be settled after more than 12 months	**696 596 522**	394 859 917
	889 596 522	571 645 578

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

16. Borrowings *(continued)*

	2018	2017
Borrowings cash flow reconciliation		
Opening balance	**571 645 578**	538 463 465
Repayments of CGR notes	**(192 000 000)**	(206 914 744)
Amortised expense through the statement of comprehensive income	**524 869**	906 725
Transaction costs paid	**(6 573 925)**	(619 288)
Proceeds from new CGR notes issued	**238 000 000**	239 809 420
Proceeds from Proparco loan	**278 000 000**	–
Closing balance	**889 596 522**	571 645 578
Interest paid on borrowings	**72 785 261**	59 569 018
Total interest paid on borrowings	**72 785 261**	59 569 018

General

The Directors have not breached the requirements of the Company's Memorandum of Incorporation in terms of their borrowing powers.

17. Trade and other payables

Accounting policy

Trade and other payables are measured at amortised cost. Refer to the financial instruments accounting policy, note 2.10.

	2018	2017
Trade payables	**263 593 185**	227 610 292
Trade payables – related parties	**9 965 355**	9 965 355
Retention creditors	**28 528 059**	20 545 777
Accrued expenses	**27 734 349**	18 990 930
Executive Share Scheme liability	**31 708 770**	34 552 012
Share appreciation rights liabilities	**1 406 351**	1 976 253
Value added tax	**13 380 442**	13 970 416
Income received in advance	**296 557**	364 703
Accrual for leave pay	**831 200**	462 570
Deferred revenue	**10 053 774**	7 815 109
Deposits received – Summerset and other units	**2 531 420**	187 455 130
Deposits received – Afhco Consortium – related parties*	**177 027 026**	100 000 000
Land purchase liability – balance of purchase price for acquisition of Bridge City land#	**17 543 526**	–
Land purchase liability – balance of purchase price for acquisition of Jabulani land#	**145 000 000**	145 000 000
Land purchase liability – balance of purchase price for acquisition of KwaNobuhle land#	**47 102 820**	44 730 029
Other payables – balance of purchase price for acquisition of Fourways Private Memorial Parks business	**13 912 813**	14 665 305
Other payables – balance of investment into Table View Properties (Pty) Ltd	**10 000 000**	–
Other payables – related parties	**9 849 030**	13 292 864
Excess billings over work done	**4 419 154**	6 264 947
	814 883 831	847 661 692

* *Deposits received relates to units that will be completed and transferred within the next 12 months.*
\# *Land purchase liability is carried at amortised cost. Repayments have been aligned with the sale of completed units.*

Refer to note 3 for the maturity analysis of financial instruments. For the remaining non-financial instruments, R17 333 315 (2017: R25 118 246) will be settled within the next 12 months and R10 868 727 (2017: R9 331 650) will be settled after more than 12 months.

18. Revenue

Accounting policy

The Group earns revenue from the sale of land, through the rendering of services and construction contracts.

(a) *Sale of land (Residential Property Development segment)*

The sale of land relates to land, classified as inventory, which is either developed or not. Revenue is recognised when the land is sold and all documents of ownership have been transferred.

(b) *Sale of completed units (Residential Property Development segment)*

The sale of completed units relates to the sale of units that do not form part of construction contracts, classified as inventory. Revenue is recognised when the unit is sold and all documents of ownership have been transferred.

(c) *Construction contracts (Residential Property Development segment)*

Revenue is recognised over the period of the contract on the "percentage-of-completion" basis by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In applying the recognition criteria in IAS 11: *Construction contracts*, judgement is required in determining whether:

- a single transaction includes separately identifiable components; or
- two or more transactions together, when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, should be grouped.

(d) *Sale of burial rights (Memorial Park segment)*

The sale of burial rights relates to revenue generated from the reservation of a grave site, which is classified as inventory. Revenue is recognised when the burial rights are sold to the customer.

(e) *Burial services (Memorial Park segment)*

The burial services relates to the revenue generated from the interment services provided by the Group. Revenue is recorded at the date that these services are rendered.

(f) *Maintenance services (Memorial Park segment)*

The maintenance services relate to the revenue generated from the memorial park maintenance provided by the Group for the reserved graves. Revenue is recognised over a period of between 10 and 19 years, from the date of sale of the associated burial right.

Significant judgement and source of estimation uncertainty

The Group uses the “percentage-of-completion” method in accounting for its construction contracts. Use of the “percentage-of-completion” method requires the Group to estimate the construction services and activities performed to date as a proportion of the total services and activities to be performed. In addition, judgements are required when recognising and measuring any variations or claims on each contract.

Estimates are made by management to calculate the forecasted cost of a project. The estimates used are in terms of an approved feasibility study. Management forecasts are approved by the Board of Directors and if third parties are involved, their approval is also obtained. Management performs monthly reviews of the work in progress schedule to update the forecasts costs and profits.

Estimates are made by management to calculate the fair value of the revenue relating to burial and maintenance services including, but not limited to the discount rate, inflation rate and the discounting period. Management assesses these assumptions on an annual basis.

The Group applies judgement in determining whether contracts for the sale of land and the construction of residential housing include separately identifiable components or whether they should be grouped together.

The Group considers the customer’s ability to specify the major structural elements of the design with respect to a construction agreement, before both the commencement of construction and during construction, when determining whether a construction agreement should be accounted for within the scope of IAS 11: *Construction Contracts* or IAS 18: *Revenue*.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

18. Revenue *(continued)*

	2018	2017
Sale of completed units	**9 505 586**	14 089 719
Construction contracts	**1 720 492 629**	1 536 272 897
Memorial parks burial rights	**9 783 805**	3 849 663
Memorial parks maintenance	**1 142 070**	48 430
Memorial parks burial services	**1 678 072**	418 948
	1 742 602 162	1 554 679 657

19. Cost of sales

	2018	2017
Cost of completed units	**9 085 174**	14 178 496
Construction contracts	**1 455 980 473**	1 203 952 183
Memorial parks burial rights	**6 418 773**	1 990 957
Memorial parks maintenance	**111 689**	44 027
Memorial parks burial services	**916 778**	351 106
	1 472 512 887	1 220 516 769

Professional services relating to the prior year of R4 192 922 have been included in the disclosure of construction contracts, due to the fact that the services rendered relate to the current construction projects.

20. Other income

	2018	2017
Bond commissions	**872 190**	1 274 513
Insurance refunds	**27 200**	87 959
Profit on sale of investment in joint venture*	**5 999 965**	–
Rental income from properties	**1 702 872**	503 751
Other rental income	**310 375**	137 352
SETA refunds and other income	**4 009 025**	1 531 427
	12 921 627	16 599 999

** Refer to note 8.*

21. Expense by nature

	2018	2017
Advertising	**10 477 811**	8 225 022
Auditor's remuneration	**4 537 074**	3 676 589
Bank charges	**1 190 210**	813 695
Completed unit costs	**9 085 174**	14 178 496
Computer expenses	**3 224 212**	1 890 451
Net construction costs	**1 455 980 473**	1 203 952 183
Depreciation on property, plant and equipment and amortisation on computer software	**1 183 428**	1 079 869
Donations	**652 250**	3 415 801
Insurance	**839 353**	867 297
(Profit)/loss on disposal/write-off of property, plant and equipment and computer software	**(170 024)**	25 440
Memorial park costs	**7 447 240**	2 386 090
Motor vehicle expenses	**1 125 738**	1 198 319
Lease rentals on operating leases	**6 186 401**	6 134 315
Legal fees	**343 552**	2 009 429
Printing and stationery	**710 257**	583 419
Professional fees	**6 576 042**	2 120 163
Social corporate responsibilities	**5 675 068**	33 736

21. Expense by nature *(continued)*

	2018	2017
Total employee costs	**77 176 633**	77 907 504
Directors' fees – non-executive	**2 600 497**	1 905 554
Executive share scheme expense	**23 794 152**	28 875 454
Employee costs	**49 604 953**	41 698 793
Share appreciation rights expense	**(569 902)**	667 036
Share appreciation rights settlement expense	**1 746 933**	4 760 667
Telephone and fax	**1 183 441**	1 028 773
Write-down of loan	**–**	3 700 412
Write-down of work in progress	**3 889 550**	–
Other	**8 283 910**	7 087 992
Total cost of sales, administration expenses and other expenses	**1 605 597 793**	1 342 314 995

22. Finance income

Accounting policy

Finance income is recognised on a time-proportion basis using the effective interest method. Finance income on impaired loans is recognised using the original effective interest rate.

	2018	2017
Bank	**6 176 180**	2 883 672
Trade receivables	**5 984 445**	5 937 001
SARS	**273 399**	42 943
Related parties (SAR vendor finance)	**731 240**	762 592
Related parties (interest from joint ventures and associates)	**15 791 302**	10 368 367
	28 956 566	19 994 575

23. Finance cost

Accounting policy

Borrowing costs that are directly attributable to the acquisition, construction or production of "land under development" (classified as inventories) are capitalised as part of its cost.

Borrowing costs that are directly attributable to the construction of the developments are treated as part of the construction contract costs.

The amount of borrowing costs eligible for capitalisation is determined as follows:

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

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

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

23. Finance cost *(continued)*

	2018	2017
Bank	**2 961 524**	1 941 051
Other	**1 103 561**	3 484 206
Interest-bearing borrowings	**79 255 049**	59 736 152
Finance cost	**83 320 134**	65 161 409
Less: Amounts capitalised on qualifying assets (inventory)	**(24 567 250)**	(21 397 723)
Less: Amounts capitalised on qualifying assets (construction contracts)	**(42 065 456)**	(21 844 495)
Total finance cost recognised in statement of comprehensive income	**16 687 428**	21 919 191

Finance costs capitalised to inventory and construction contracts have been incurred on general borrowings.

24. Taxation

Accounting policy

The majority of the companies within the Group are South African tax residents and will therefore pay taxes according to the rates applicable in South Africa which were enacted or substantively enacted at the reporting date. Most taxes are recorded in the statement of comprehensive income and relates to taxes payable for the reporting period or any adjustment to tax payable in respect of previous years (current tax). The charge also includes benefits and charges relating to when income and expenses are recognised in a different period for tax and accounting purposes (deferred tax).

	2018	2017
Major components of the income tax expense		
Current		
Local income tax – current period	**2 667 183**	2 919 639
Local income tax – recognised in current tax for prior periods	**828 283**	–
	3 495 466	2 919 639
Deferred		
Current year	**47 208 838**	62 796 129
Under/(over) provision for prior year	**244 660**	(2 539 284)
	47 453 498	60 256 845
	50 948 964	63 176 484

24. Taxation *(continued)*

	2018	2017
Reconciliation of the income tax expense		
Applicable tax rate	**28.00%**	28.00%
Disallowable charges	**1.58%**	0.84%
Empowerment expenses	**0.99%**	0.41%
Fines and penalties – SARS	**0.03%**	0.02%
Professional fees	**0.56%**	0.41%
IFRS rate adjustments	**(1.29)%**	(0.68)%
Calgro M3 Executive Share Scheme	**(0.47)%**	0.07%
Impairment of goodwill	**0.13%**	0.00%
Loan impairment reversal and deferred revenues	**0.61%**	0.00%
Share of profit of joint ventures and associates – net of tax	**(1.56)%**	(0.75)%
Underprovision for current tax prior year	**0.48%**	0.00%
Under/(over) provision for deferred tax prior year	**0.14%**	(1.09)%
Capital gains tax	**0.74%**	0.00%
Effective tax rate	**29.66%**	27.07%

The estimated tax losses available for set off against future taxable income within the Group is R473 707 722 (2017: R349 275 753).

25. Cash (utilised in)/generated from operations

	2018	2017
Profit before taxation	**171 755 639**	233 309 325
Adjustments for:		
Depreciation and amortisation	**1 183 428**	1 079 869
(Profit)/loss on disposal/write off of property, plant and equipment and computer software	**(170 024)**	25 440
Executive share scheme expense	**23 794 152**	28 875 454
Share appreciation rights settlement expense	**1 746 933**	4 760 667
Write-down of loan	**–**	3 700 412
Finance income	**(28 956 566)**	(19 994 575)
Finance cost	**16 687 428**	21 919 191
Impairment of goodwill	**1 310 074**	–
Write-down of work in progress	**3 889 550**	–
Share of profit of joint ventures and associates – net of tax	**(9 560 505)**	(6 269 280)
Other	**(89 421)**	(109 149)
Changes in working capital:		
Inventories	**67 555 724**	(121 498 433)
Trade and other receivables	**1 414 017**	5 725 411
Construction contracts	**(395 260 932)**	(451 066 130)
Work in progress	**–**	8 893 907
Trade and other payables	**(61 138 038)**	582 716 355
	(205 838 542)	292 068 464

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

26. Tax paid

	2018	2017
Balance at the beginning of the year	**18 594 042**	14 069 208
Current tax for the year	**(3 495 466)**	(2 919 639)
Balance at the end of the year	**(16 576 854)**	(18 594 042)
	(1 478 278)	(7 444 473)

27. Business combination

Accounting policy

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

2018 financial year

On 1 April 2017, the Group acquired the remaining 40% shareholding in Sabre Homes Projects Proprietary Limited resulting in the Group acquiring a deferred income tax asset of R4 672 190, inventories R1 396 491 (R854 243 – (carrying amount) – R542 248 – (fair value adjustment)),trade and other receivables R3 524, cash and cash equivalents R51 686, trade and other payables R3 612 329, and goodwill R1 309 742, with a cash payment of R402.

The goodwill of R1 309 742 was impaired based on management's assessment.

2017 financial year

On 1 November 2016 (acquisition date), the Group acquired 100% of the Fourways Private Memorial Park business through the purchase of all assets and liabilities from Fourways Private Memorial Park CC, an unlisted South African private memorial parks property development close corporation. The total deemed consideration for the acquisition was R20 470 447. None of the goodwill is expected to be deductible for tax purposes. The transaction was entered into to benefit from synergies between the Fourways Private Memorial Park project as well as current and future private memorial park developments across South Africa.

The business combination comprises the indivisible acquisition of the integrated set of business activities of Fourways Memorial Parks CC and the adjoining residential property situated on Erf 1643 Marodadal Extension 40. The amount of R2 000 000 which was paid by 1 December 2016, relates to the acquisition of Erf 1643 Marodadal Extension 40 township.

27. Business combination *(continued)*

The goodwill of R694 804 comprised the established industry knowledge, relationships and furthermore the expertise acquired from the business with further benefits to be obtained from it.

The following table summarises the consideration paid for the Fourways Private Memorial Park business, and the assets acquired and liabilities assumed at the acquisition date.

Consideration at 1 November 2016	
Fair value of the purchase price liability for the business	18 470 447
Purchase price consideration for property, plant and equipment relating to the business	2 000 000
Total deemed consideration for 100%	20 470 447
Identifiable assets acquired and liabilities assumed at fair value	
Investment property	6 518 700
Property, plant and equipment	2 122 080
Fair value of inventory and vacant land	17 349 360
Deferred revenue	(6 141 546)
Take-on leave accrual	(72 951)
Total identifiable net assets	19 775 643
Goodwill	694 804
Total deemed consideration	20 470 447
Total purchase consideration	20 470 447
Cash consideration paid in the 2017 financial year for the purchase price of the business	(4 500 000)
Less: Cash acquired	–
Net cash outflow on acquisition date	(4 500 000)

The balance of R2 000 000 for the purchase price relating to the property, plant and equipment of the business was settled in full on 1 December 2016. The balance of the purchase price liability for the business is expected to be settled in full by September 2019.

The fair value of the purchase price liability for the business was a result of the agreed upon purchase price for an undiscounted value of R22 000 000, payable over three years. No interest is charged by Fourways Memorial Park CC on the purchase price liability. The fair value of the liability was determined using a discount rate of 11% over a period of three years. The value of the purchase price liability on 28 February 2017 net of post-acquisition payments was R14 665 304.

The fair value of inventory and vacant land is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the inventory being valued.

In assessing the fair value of Memorial Parks – land, the valuer considers title deed information, town planning conditions, locality and improvements made to the property. Property vacancy rates in surrounding areas, realised yields on comparative sales as well as micro- and macro-economic conditions pertaining to land development are considered.

Deferred revenue has been recognised at the present value of the estimated future maintenance expenditure allocated to interned graves and sold burial plots at acquisition date. The deferred revenue calculation is based on a discount rate of between 8.4% and 9.24%, an inflation rate of 6.05% and for a period as determined.

The acquired business contributed a revenue of R1 622 447 and a total income of R2 126 198 as well as contributing R766 067 profit to the Group from the period of 1 November 2016 to 28 February 2017.

If the acquisition had occurred on 1 March 2016, consolidated pro forma revenue and profit for the year ended 28 February 2017 would have been R4 677 386 and R1 357 577, respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in accounting policy.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

28. Non-controlling interest

Summary of non-controlling interest where the Group owns less than 100% of shareholding is summarised below:

	2018	2017
Calgro M3 Memorial Parks (Pty) Ltd	**(1 195 748)**	(856 027)
Procurement companies (Calgro M3 Procurement Services (Pty) Ltd and Calgro M3 Contractors (Pty) Ltd)	**609 620**	–
Belhar Calgro M3 Development Company (Pty) Ltd	**51**	51
Holm Jordaan GWA (Pty) Ltd	**941 088**	754 695
	355 011	(101 281)

Summary financial information of subsidiary companies with non-controlling interest below:

	Calgro M3 Memorial Parks (Pty) Ltd		Holm Jordaan GWA (Pty) Ltd		Procurement companies	
	2018	2017	2018	2017	2018	2017
Total assets	**125 274 348**	110 260 087	**1 969 226**	1 670 634	**97 080 995**	14 007 500
Total liabilities	**128 550 369**	112 605 468	**55 005**	135 546	**94 737 204**	14 250 629
Total equity	**(3 276 021)**	(2 345 381)	**1 914 221**	1 535 088	**2 343 791**	(243 129)
Non-controlling interest relating to equity	**(1 195 747)**	(856 027)	**941 088**	754 695	**609 620**	–
Current year charge Comprehensive income	**(930 640)**	(546 329)	**379 133**	1 535 088	**2 586 920**	–
Non-controlling interest relating to equity	**(339 721)**	222 119	**186 393**	560 308	**609 620**	–

No non-controlling interest is accounted for relating to Belhar Calgro M3 Development Company (Pty) Ltd. In terms of the shareholders' agreement the Group has a preferential right to a share of the profits before any distributions may be made to the other shareholder.

29. Commitments

Operating lease

The Group has bound itself to a rental agreement for the head office in Bryanston, Gauteng until August 2025. The amount payable in the following 12 months is R3 647 459, with an amount of R17 538 410 payable within two to five years. The lease agreement has an escalation clause of 7.5% effective in the month of September.

30. Share-based payments

Accounting policy

Share-based compensation benefits are provided to employees via the Share Appreciation Rights Scheme and the Calgro M3 Executive Share Scheme. The Share Appreciation Rights Scheme is settled in cash, i.e. the employees do not receive shares or options at settlement. The year in which the employee renders services to the Group to obtain the award is the year in which the expense is recognised in the statement of comprehensive income with a corresponding increase recognised in the liability. The expense is determined by measuring the fair value of the liability at each year-end.

The fair value of shares granted to directors and employees under the Calgro M3 Executive Share Scheme is recognised as an expense over the relevant service period. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the Group accounts for those services as they are rendered by the counterparty during the vesting period on a straight-line basis over the vesting period. If the share-based payments vest immediately, the services received are recognised in full.

When a cash-settled share scheme is modified to an equity-settled share scheme, the liability at the date of modification is reclassified directly in equity. The valuation of the equity-settled scheme is performed at grant date, and the difference between the valuation and the liability reclassified in equity is recognised as an expense over the relevant service period of each participant.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Significant judgement and source of estimation uncertainty

Management used generally accepted valuation methods to determine the value of the share-based payment schemes.

Share appreciation rights

The share appreciation rights (“SARs”) which are granted to Directors and selected employees were divided into two main categories with various SAR issues within each category. The rights will vest if the share price at each vesting date exceeds the hurdle price. The hurdle price is the strike (allocation) price grown by CPI plus 2% per year over the vesting period. In the situation that the hurdle price is not achieved at the vesting date, 25% of the possible vested SARs will roll over to the next vesting date. During the prior years, all Directors and selected employees who were previously granted share appreciation rights (“SARs”) were given the option to either continue on the SAR scheme, agree a settlement value for their unvested SARS with the Group or modify their unvested SARs to the Calgro M3 Executive Share Scheme.

The cash-settled share appreciation rights scheme was amended following the respective elections of the participants which has been outlined below:

1. One individual cancelled 50% of his unvested SARs and agreed new settlement terms. The remaining 50% of his unvested SARs is still on the scheme (Category 2 – Issue 4).
2. Eight individuals converted 100% of the unvested SARs from the SAR scheme to the Executive Share Scheme.
3. Four individuals cancelled 100% of their unvested SARs and agreed new settlement terms.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

30. Share-based payments *(continued)*

The details of the arrangement is described below:

	Category 2 Issue 4
Date of grant	**30 September 2014**
Number of instruments granted	**600 000**
Number of options settled	**(300 000)**
Strike price at grant date	**7.78**
Contractual life (option life)	**53 months**
Vesting conditions	**If the price at each vesting date exceeds the hurdle price**
Settlement	**Cash**

Share appreciation rights ("SAR") reconciliation

	2018	2017
SARs not vested	**300 000**	300 000

No SARs were exercised or vested during the current or prior year.

SARs outstanding at the end of the period have the following vesting dates and amortised values thereof

Category 2	Issue 4	50% of the SARs will vest annually from 1 March 2018 until 1 March 2019

The spot price on 28 February 2018 was R12.42 (28 February 2017: R17.50). The strike price or allocation price is the price at which the SAR scheme is granted to the employee and is used to calculate the benefit payable to the employee. A 30-day average spot price, measured 30 days prior to the vesting date, was applied to calculate the strike price.

The volatility used in the valuation was 76.45% (2017: 29.81%). The ZAR zero coupon swap curve as at the valuation date was used as the risk-free rate.

The amounts recognised in the financial statements (before taxes) for the share-based payment transaction with employees is as below:

	2018	2017
Expense		
Share appreciation rights (credit)/expense	**(569 902)**	667 036
Liability		
Share appreciation rights liabilities	**1 406 351**	1 976 253
Cash-settled share-based payment liability		
Reconciliation of SAR liability		
Opening balance	**1 976 253**	1 309 217
Participant remaining on SAR scheme		
Share-based payment charge for the year recognised in the statement of comprehensive income	**(569 902)**	667 036
Closing balance at the end of the year	**1 406 351**	1 976 253

30. Share-based payments *(continued)*

Share appreciation rights settlement liability

In the prior years, five individuals elected to exit the cash-settled share appreciation rights scheme. On exit of the scheme, a settlement amount was negotiated with each of these individuals. The terms of the settlement payment were specific to each individual and included an associated service period for certain individuals. The settlement agreement is no longer considered to be a share-based payment as the settlement amount is not based on the equity of the Group, and is therefore accounted for in terms of IAS 19: *Employee Benefits*.

At 1 March 2015, the associated share appreciation rights liability of R12 551 002 was derecognised and an expense based on the settlement agreement was recognised during the 2016 to 2018 financial years.

During the prior year, one of the participants resigned resulting in a portion of their prepayment being transferred to a receivable (refer to note 13).

	2018	2017
Expense		
Share appreciation rights settlement expense	**1 746 933**	4 760 666
Asset		
Share appreciation rights settlement prepayment	**–**	1 746 933
Reconciliation of SAR settlement asset/(liability)		
Opening balance – net payable	**1 746 933**	(10 770 976)
Expense for the year	**(1 746 933)**	(4 760 666)
Cash payment made to employees and directors	**–**	18 734 984
Transfer prepayment to receivable	**–**	(1 456 409)
Prepayment at the end of the year*	**–**	(1 746 933)
Payable at the end of the year*	**–**	–

* *The prepayment has been disclosed in note 13.*

Calgro M3 Executive Share Scheme

The Executive Share Scheme was approved by shareholders in July 2015 whereby 10 215 572 shares were made available to participants of the scheme at a subscription price of R4.08. Only individuals who were currently allocated SARs and elected to convert at least 75% of their unvested SARS into the new scheme were eligible to participate in the new scheme. 9 518 700 shares were granted to individuals and 696 872 shares were not taken up. The Calgro M3 Executive Share Scheme is considered to be a modification of the SAR scheme. Under the Executive Scheme, participants are allocated shares in line with the scheme rules and are required to subscribe for these shares at R4.08 per share. There are no performance conditions related to this scheme other than the service periods as outlined below.

Shares issued under the scheme may not be sold by participants until the completion of service periods and release dates stipulated in the scheme rules as outlined below.

The shares were considered to be deeply in the money, resulting in the equity-settled shares being valued at intrinsic value based on the 30-day volume weighted average market price of R19.27 at the grant date of 29 July 2015.

During the prior year, the following amendments were approved with respect to the Category 1 shares:

1. Trading restriction 1 – 20 February 2017 (previously 1 March 2017);
2. Trading restriction 2 – 20 February 2017 (previously 1 March 2018);
3. Service period – two years (previously – three years).

These amendments resulted in the final release date of all Category 1 shares being amended to 20 February 2017.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

30. Share-based payments *(continued)*

Reconciliation of subscription price for shares issued

	2018	2017
Opening balance receivable from participants	**7 001 288**	13 288 688
Cash received	**–**	(6 506 861)
Additional vendor finance provided	**1 000 000**	–
Interest paid	**(319 321)**	(543 128)
Finance income on receivable	**772 438**	762 589
Subscription cancelled	**(747 746)**	–
Balance receivable by Group included under trade and other receivables	**7 706 659**	7 001 288

	Number of shares granted	Service commence-ment date	50% trading restriction – release date 1	50% trading restriction – release date 2	Service period	Final release date	Value
Category 1	1 050 069	1 Mar 2015	20 Feb 2017	20 Feb 2017	2 years	20 Feb 2017	15 949 968
Category 2	2 787 490	1 Mar 2015	1 Mar 2019	1 Mar 2020	5 years	1 Mar 2020	31 755 326
Category 3	5 681 140	1 Mar 2015	1 Mar 2020	1 Mar 2021	6 years	1 Mar 2021	96 878 460
Total	9 518 699						144 583 754

	2018	2017
Opening balance of share-based payment reserve	**60 847 268**	47 921 782
Reclassification of share appreciation rights liability to equity	**–**	–
Share-based payment expense recognised in equity	**23 794 152**	28 875 454
Shares released to share capital	**–**	(15 949 968)
Shares release to retained income on cancellation by participant*	**(10 585 109)**	–
Closing balance of share-based payment reserve	**74 056 311**	60 847 268

* *An executive share scheme participant resigned during the year, which resulted in the acceleration of the participant's share-based payment expense and subsequent allocation to retained earnings.*

Employee share scheme

An employee share scheme whereby shares may be issued by the Group to employees for no cash consideration was approved by shareholders at the 2015 Annual General Meeting.

All employees of the Group, who do not already participate in another share scheme, are eligible to participate. The employee share scheme is administered through the Calgro M3 Employee Benefit Trust which was founded by the Group in February 2016. The trust is consolidated in accordance with IFRS 10: *Consolidated Financial Statements*. 5 212 909 ordinary shares have been subscribed to by the trust as at 29 February 2016 and are considered to be treasury shares in the Group until the shares vest to the participant of the scheme. At 28 February 2018 no shares had been allocated to employees in accordance with the scheme rules, therefore no expense has been recognised in the 2018 financial year.

The shares vest 25% in 10 years, 25% at 15 years and the remaining 50% vests at 20 years. Shares are transferred to employees upon vesting.

31. Employee costs

Accounting policy

(a) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

(b) Short-term benefits

The costs of short-term employee benefits include those payable within 12 months after the service is rendered, such as paid vacation leave, sick leave, and bonuses.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

(c) Bonus plans

The Group recognises an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. The Group expects these liabilities to be settled within 12 months.

	2018	2017
Salary and wages	**84 188 828**	74 651 121
Executive share scheme expense	**23 794 152**	28 875 454
Directors' share-based payment expense	**15 807 951**	17 931 385
Employees' share-based payment expense	**7 986 201**	10 944 069
Share appreciation rights expense	**(569 902)**	667 036
Share appreciation rights settlement expense	**1 746 933**	4 760 667
Directors' emoluments	**14 558 028**	13 699 819
Executive Directors*	**11 957 531**	11 794 265
Non-executive Directors	**2 600 497**	1 905 554
Salary and wages	**123 718 039**	122 654 097
Less: Amounts allocated to qualifying assets (construction contracts)	**(46 541 406)**	(44 746 593)
Total employee costs and share appreciation rights settlement	**77 176 633**	77 907 504

* *The Executive Directors' emoluments include only the guaranteed remuneration, cash-settled long term incentive and the short-term incentive.*

32. Related parties

All joint ventures and associates are considered related parties to the Group. Refer to note 8 for a detailed list of all joint ventures and associates.

(a) Related-party balances

(i) Loans to joint ventures and associates

During the period loans have been issued to joint ventures and associates, refer to note 10 for details.

(ii) Receivables from joint ventures and associates

During the period, the Group obtained receivables from joint ventures and associates, refer to note 13.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

32. Related parties *(continued)*

(a) Related-party balances *(continued)*

(iii) Receivables from prescribed officers/Directors relating to the Executive Share Scheme

	2018	2017
MN Nkuhlu – vendor finance loan*	**5 063 386**	4 634 165
	5 063 386	4 634 165

Mr MN Nkuhlu became an executive director from 1 March 2017.

* *This loan is unsecured, repayable in terms of a vendor finance agreement and bears interest at prime.*

(iv) Payables to Directors and prescribed officers with respect to the shares issued in terms of the Calgro M3 Executive Share Scheme (repayable only if these individuals do not complete their service period in terms of the scheme rules)

	2018	2017
WJ Lategan	**(9 360 393)**	(9 360 393)
W Williams	**(4 426 047)**	(4 426 047)
WA Joubert	**(3 886 454)**	(3 886 454)
MN Nkuhlu	**(8 349 396)**	(8 349 396)
	(26 022 290)	(26 022 290)
(v) Trade and other payables to related parties		
Trade payable – Aquarella Investments 265 (Pty) Ltd	**9 965 355**	9 965 355
Deposits received – Afhco Calgro M3 Consortium (Pty) Ltd	**177 027 026**	100 000 000
Table View Properties (Pty) Ltd	**10 000 000**	–
Other payables – HB Malherbe	**9 849 030**	13 292 864
	206 841 411	123 258 219

	2018	2017
(b) Related-party transactions		
(i) Key management personnel compensation		
Employee expenses – directors and prescribed officers (non-cash)	**34 409 378**	60 894 179
	34 409 378	60 894 179
(ii) Purchase of inventory		
Aquarella Investments 265 (Pty) Ltd	**–**	79 900 000
	–	79 900 000
(iii) Trade payable cancelled		
Aquarella Investments 265 (Pty) Ltd	**–**	13 064 997
	–	13 064 997

32. Related parties *(continued)*

(b) Related-party transactions *(continued)*

(iv) Other transactions with joint ventures and associates

	Finance income received/(paid)		Contract revenue received		Service fees received	
	2018	2017	**2018**	2017	**2018**	2017
Aquarella Investments 265 (Pty) Ltd	**–**	349 171	**–**	–	**–**	–
Sabre Homes Projects (Pty) Ltd	**39 291**	291 976	**–**	–	**–**	–
Calgro Kuumba Planning and Design (Pty) Ltd	**–**	–	**4 263 295**	11 686 707	**–**	–
Witpoortjie Calgro M3 Development Company (Pty) Ltd	**10 298 636**	9 030 458	**47 342 527**	30 825 090	**–**	–
South Hills Development Company (Pty) Ltd	**2 176 694**	286 368	**433 560 555**	160 606 964	**–**	3 913 338
Safdev Tanganani (Pty) Ltd	**3 276 681**	410 395	**–**	–	**–**	6 929 245
	15 791 302	10 368 368	**485 166 377**	203 118 761	**–**	10 842 583

(v) Shares issued and expense recognised for Directors and prescribed officers with respect to the Calgro M3 Executive Share scheme – not considered cash remuneration

Directors	Share-based payment expense for 2018 FY*	Share-based payment expense for 2017 FY*	Number of shares granted	Service commencement date	50% trading restriction – release date 1	50% trading restriction – release date 2
BP Malherbe	**–**	7 676 817	1 050 069	1 Mar 2015	20 Feb 2017	20 Feb 2017
WJ Lategan	**5 416 787**	5 416 787	2 294 214	1 Mar 2015	1 Mar 2020	1 Mar 2021
W Williams	**2 661 617**	2 661 617	1 084 815	1 Mar 2015	1 Mar 2020	1 Mar 2021
WA Joubert	**2 176 164**	2 176 164	952 562	1 Mar 2015	1 Mar 2020	1 Mar 2021
MN Nkuhlu#	**5 553 384**	5 553 384	2 046 421	1 Mar 2015	1 Mar 2020	1 Mar 2021
	15 807 951	23 484 770	7 428 082			

MN Nkuhlu was appointed as an Executive Director on 1 March 2017.

* This amount relates to the share-based payment expense recognised in the statement of comprehensive income and is not a cash consideration paid to directors. Refer to note 30 for further details of share-based compensation benefits.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

33. Directors' emoluments

Executive Directors

The remuneration noted below is for services rendered in connection with the carrying on of affairs of the business within the same group of companies, joint ventures and associates.

	Remuneration and other benefits			
	Guaranteed remuneration	Equity-settled long-term incentive*	Short-term incentive	Total
2018				
WJ Lategan	**3 024 523**	**–**	**–**	**3 024 523**
FJ Steyn	**2 658 248**	**–**	**–**	**2 658 248**
WA Joubert	**2 063 279**	**–**	**–**	**2 063 279**
W Williams	**2 151 057**	**–**	**–**	**2 151 057**
MN Nkuhlu	**2 060 425**	**–**	**–**	**2 060 425**
Total Executive Directors	**11 957 531**	**–**	**–**	**11 957 531**
2017				
BP Malherbe	3 176 699	18 796 235	–	21 972 934
WJ Lategan	2 664 968	–	–	2 664 968
FJ Steyn	2 482 573	–	–	2 482 573
WA Joubert	1 665 131	–	–	1 665 131
W Williams	1 804 894	–	–	1 804 894
Total Executive Directors	11 794 265	18 796 235	–	30 590 501

* *Equity-settled long-term incentives relate to the release of the trading restrictions on the shares granted to the Director. This amount is expensed as the executive share scheme expense in terms of the service period associated to the grant. Refer to note 30.*

Independent Non-Executive Directors

The remuneration noted below is for services rendered as a Director of the Group.

	2018	2017
PF Radebe	**458 000**	384 500
BP Malherbe	**308 167**	–
H Ntene	**332 667**	254 333
RB Patmore	**407 164**	348 167
JB Gibbon	**–**	35 554
ME Gama	**403 167**	346 833
HC Cameron	**401 667**	300 334
VJ Klein	**289 666**	235 833
Total Non-Executive Directors	**2 600 497**	1 905 554
Summary		
Executive Directors	**11 957 531**	30 590 501
Non-Executive Directors	**2 600 497**	1 905 554
Total Directors	**14 558 028**	32 496 055

33. Directors' emoluments *(continued)*

Prescribed officers

The prescribed officers' appointment, terms of contract and remuneration for the year under review is as follows:

	Date appointed as prescribed officer	Date resigned as a prescribed officer	Contract expiry
CTE le Roux	5 August 2005	1 November 2016	1 month notice
MN Nkuhlu*	1 September 2014	1 March 2017	1 month notice
DN Steyn	1 June 2016		3 months notice
UK Kissoon Singh	8 August 2017		3 months notice

* *Appointed to Executive Management 1 March 2017.*

The remuneration noted below is for services rendered in connection with the carrying on of affairs of other companies in the same Group.

	Remuneration and other benefits			
	Guaranteed remuneration	Equity-settled long-term incentive*	Short-term incentive	Total
2018				
DN Steyn	**2 493 483**	**–**	**–**	**2 493 483**
UK Kissoon Singh	**1 249 916**	**–**	**300 000**	**1 549 916**
	3 743 398	**–**	**300 000**	**4 043 398**
2017				
CTE le Roux	1 182 561	–	–	1 182 561
MN Nkuhlu	1 396 196	–	–	1 396 196
DN Steyn	2 334 597	–	–	2 334 597
	4 913 354	–	–	4 913 354

* *Equity-settled long-term incentives relates to the release of the trading restrictions on the shares granted to the Director. This amount is expensed as the executive share scheme expense in terms of the service period associated to the grant. Refer to* *note 30.*

34. Earnings per share (and other performance indicators)

Accounting policy

Basic earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the net profit attributable to ordinary shareholders.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect.

For the share options and share rights, a calculation is done to determine the number of the Group's shares that would be required at fair value to settle the monetary value of the rights, after deducting the unamortised share-based payment value. For the purposes of this calculation, the average annual market share price of the Group is used.

Headline earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2015 issued by the South African Institute of Chartered Accountants ("SAICA").

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

34. Earnings per share (and other performance indicators) *(continued)*

		2018	2017
(a)	**Basic**		
	Profit attributable to shareholders	**120 350 383**	169 155 977
	Weighted average number of ordinary shares in issue	**128 150 069**	127 125 892
	Basic earnings per share (cents per share)	**93.91**	133.06
(b)	**Diluted**		
	Profit attributable to shareholders	**120 350 383**	169 155 977
	Weighted average number of ordinary shares in issue	**128 150 069**	127 125 892
	Calgro M3 Executive Scheme	**2 663 181**	4 001 478
	Fully diluted weighted average number of ordinary shares in issue	**130 813 250**	131 127 370
	Fully diluted earning per share (cents per share)	**92.00**	129.00
(c)	**Headline**		
	Headline earnings is calculated as follows:		
	Profit attributable to shareholders	**120 350 383**	169 155 977
	(Profit)/loss on disposal of property, plant and equipment and computer software	**(170 024)**	25 440
	Gain on deemed disposal of interest in joint venture*	**(5 999 965)**	–
	** This item has no current or deferred tax impact.*		
	Impairment of goodwill	**1 310 074**	–
	Profit used to determine headline earnings per share	**115 490 468**	169 181 417
	Weighted average number of ordinary shares in issue	**128 150 069**	127 125 892
	Headline earnings per share (cents per share)	**90.12**	133.08
(d)	**Diluted headline**		
	Diluted headline earnings is calculated as follows:		
	Profit used to determine headline earnings per share	**115 490 468**	169 181 417
	Fully diluted weighted average number of ordinary shares in issue	**130 813 250**	131 127 370
	Fully diluted headline earning per share (cents per share)	**88.29**	129.02
(e)	**Net asset value per share**		
	Net asset value per share is calculated by dividing the net asset value, calculated by reducing the total assets by total liabilities, by the number of share in issue.		
	Total assets	**3 226 468 526**	2 744 755 503
	Less: Total liabilities	**(2 058 786 268)**	(1 721 674 072)
	Net assets	**1 167 682 258**	1 023 081 431
	Number of ordinary shares in issue	**128 150 069**	128 150 069
	Net asset value per share (cents per share)	**911.18**	798.35
(f)	**Other key performance indicators ("KPIs")**		
	Assets	**3 226 468 526**	2 744 755 503
	Non-current assets	**240 613 270**	199 211 285
	Intangible assets	**159 663 860**	159 690 798
	Property, plant and equipment	**6 162 697**	5 805 870
	Other non-current assets	**74 786 713**	33 714 617
	Current assets	**2 985 855 256**	2 545 544 218

34. Earnings per share (and other performance indicators) *(continued)*

		2018	2017
(f)	**Other key performance indicators ("KPIs")** *(continued)*		
	Equity	**1 167 682 258**	1 023 081 431
	Liabilities	**2 058 786 268**	1 721 674 072
	Non-current liabilities	**354 283 263**	302 357 733
	Current liabilities	**1 704 503 005**	1 419 316 339
	Net assets	**1 167 682 258**	1 023 081 431
	Net tangible assets	**1 008 018 398**	863 390 633
	Net working capital	**1 281 352 251**	1 126 227 879
	Revenue	**1 742 602 162**	1 554 679 657
	– % growth/(decline) since prior year	**12.09%**	29.12%
	Gross profit	**270 089 275**	334 162 888
	– % growth/(decline) since prior year	**(19.17%)**	32.84%
	Operating profit	**149 925 996**	228 964 661
	– % growth/(decline) since prior year	**(34.52%)**	42.95%
	Profit before tax	**171 755 639**	233 309 325
	– % growth/(decline) since prior year	**(26.38%)**	(2.49%)
	Profit after tax	**120 806 675**	170 132 841
	– % growth/(decline) since prior year	**(28.99%)**	(11.93%)
	Number of ordinary shares in issue	**128 150 069**	128 150 069
	Net asset value per share (cents per share) * *Calculated by dividing the net asset value (calculated by reducing the total assets by total liabilities) by the number of shares in issue.*	**911.18**	798.35
	Tangible net asset value per share (cents per share) * *Calculated by dividing the net tangible asset value (calculated by reducing the total assets by intangible assets and total liabilities) by the number of shares in issue.*	**786.59**	673.73
	Return on net assets * *Calculated by dividing the profit after tax by net assets.*	**10.35%**	16.63%
	Return on net tangible assets * *Calculated by dividing the profit after tax by net tangible assets.*	**11.98%**	19.71%
	Return on capital employed * *Calculated by dividing the earnings before finance cost and tax by the sum of average debt and average equity.*	**8.73%**	15.93%
	Current ratio * *Calculated by dividing current assets by current liabilities.*	**1.75**	1.79
	Return on equity * *Calculated by dividing the earnings attributable to the parent by average total equity.*	**10.99%**	18.36%
	Gross profit % * *Calculated by dividing the gross profit by revenue.*	**15.50%**	21.49%

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

35. Going concern

The Directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The Board is not aware of any new material changes that may adversely impact the Group, any material non-compliance with statutory or regulatory requirements or any pending changes in litigation that may affect the Group.

36. Events after the reporting period

The Directors are not aware of any subsequent events that occurred between the year-end and date of authorisation of the annual financial statements that require any adjustments or additional disclosure in the annual financial statements.

37. Shareholders' analysis

Please refer to Directors' Report on pages 105 to 108, note 15.

Statement of financial position

as at 28 February 2018

	Notes	2018	2017
ASSETS			
Non-current assets			
Investment in subsidiaries	39	**288 420 698**	288 420 698
		288 420 698	288 420 698
Current assets			
Loans to Group companies	40	**563 363 002**	507 555 316
Current tax receivable		**83 211**	160 148
Trade and other receivables	41	**23 493**	219 115
Cash and cash equivalents	42	**1 000 205**	10 137
		564 469 911	507 944 716
Total assets		**852 890 609**	796 365 414
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the parent			
Stated capital	43	**279 441 769**	279 441 769
Retained income		**9 962 943**	9 767 703
Total equity		**289 404 712**	289 209 472
Liabilities			
Current liabilities			
Loans from Group companies	40	**561 747 912**	506 052 640
Trade and other payables	44	**1 737 985**	1 103 302
		563 485 897	507 155 942
Total liabilities		**563 485 897**	507 155 942
Total equity and liabilities		**852 890 609**	796 365 414

The notes on pages 181 to 188 are an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended 28 February 2018

	Notes	2018	2017
Other income	45	**4 696 992**	3 400 000
Administrative expenses	46	**(4 339 650)**	(2 837 560)
Operating profit		**357 342**	562 440
Finance income	47	**55 145 743**	18 996 448
Finance costs	48	**(55 047 998)**	(17 343 875)
Profit before tax		**455 085**	2 215 013
Taxation	49	**(259 846)**	(748 045)
Profit after taxation		**195 239**	1 466 968
Other comprehensive income		**–**	–
Total comprehensive income		**195 239**	1 466 968

The notes on pages 181 to 188 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 28 February 2018

	Stated capital	Retained income	Total equity
Balance at 1 March 2016	279 441 769	8 300 735	287 742 504
Comprehensive income			
Profit for the period	–	1 466 968	1 466 968
Other comprehensive income	–	–	–
Total comprehensive income	–	1 466 968	1 466 968
Balance at 28 February 2017	279 441 769	9 767 703	289 209 472
Balance at 1 March 2017	**279 441 769**	**9 767 703**	**289 209 472**
Comprehensive income			
Profit for the period	**–**	**195 239**	**195 239**
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income	**–**	**195 239**	**195 239**
Balance at 28 February 2018	**279 441 769**	**9 962 943**	**289 404 712**
Note	43		

The notes on pages 181 to 188 are an integral part of these financial statements.

Statement of Cash Flows

for the year ended 28 February 2018

	Notes	2018	2017
Cash generated from/(utilised in) operations			
Cash generated from operations	50	**1 166 681**	576 411
Finance income received		**6 299**	7 661
Finance cost paid		**(2)**	(3)
Tax paid	51	**(182 909)**	(674 080)
Net cash generated from/(utilised in) operations		**990 068**	(90 011)
Net increase/(decrease) in cash and cash equivalents		**990 068**	(90 011)
Cash and cash equivalents at the beginning of the year		**10 137**	100 148
Cash and cash equivalents at the end of the year	42	**1 000 205**	10 137

The notes on pages 181 to 188 are an integral part of these financial statements.

Notes to the Company Financial Statements

for the year ended 28 February 2018

Included in the notes to the Company financial statements are those accounting policies only applicable to the Company.

Where the same accounting policy applies to both the Consolidated and Company Financial Statements refer to the applicable notes in the Consolidated Financial Statements.

38. Significant judgements and sources of estimation uncertainty

In preparing the Company financial statements, management applied estimates and assumptions in determining which investments to classify as subsidiaries.

Refer to the investments in subsidiaries note (refer to note 39).

39. Investment in subsidiaries

Accounting policy

Investments in subsidiaries are carried at cost less any accumulated impairment.

Significant judgement and sources of estimation uncertainty

Although the Group has a minority shareholding in Belhar Calgro M3 Development Company (Pty) Ltd, it does have control, as the Board comprises equal number of representatives from both the minority and the Group. The Group appoints the chairman who has the casting vote. The investment is therefore accounted for as a subsidiary as the Group has control over the relevant activities of the entity.

Name of company	% voting power 2018	% voting power 2017	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Direct subsidiaries						
Calgro M3 Developments Ltd	**100.00**	100.00	**100.00**	100.00	**95 774 364**	95 774 364
Calgro M3 Land (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**188 146 234**	188 146 234
Calgro M3 Project Management (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**4 500 100**	4 500 100
Calgro M3 Real Estate (Pty) Ltd#	**100.00**	100.00	**100.00**	100.00	**–**	–
Calgro M3 Memorial Parks Fourways (Pty) Ltd#	**100.00**	100.00	**100.00**	100.00	**–**	–
					288 420 698	288 420 698
Indirect subsidiaries						
Subsidiaries of Calgro M3 Developments Ltd						
CM3 Randpark Ridge Ext 120 (Pty) Ltd	**0.00**	100.00	**0.00**	100.00	**–**	100
MS5 Pennyville (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
PZR Pennyville Zamamphilo Relocation (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**–**	–
MS5 Projects (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
Calgro M3 Rectification Company (Pty) Ltd#	**100.00**	100.00	**100.00**	100.00	**–**	–
Calgro M3 Procurement Management (Pty) Ltd#*	**100.00**	100.00	**49.00**	100.00	**–**	–

Notes to the Company Financial Statements *(continued)*

for the year ended 28 February 2018

39. Investment in subsidiaries *(continued)*

Name of company	% voting power 2018	% voting power 2017	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Subsidiaries of Calgro M3 Land (Pty) Ltd						
Fleurhof Ext 2 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**243 000 000**	243 000 000
Clidet No 1014 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**1 964 829**	1 964 829
Belhar Calgro M3 Development Company (Pty) Ltd	**51.00**	51.00	**49.00**	49.00	**49**	49
Hightrade-Invest 60 (Pty) Ltd	**0.00**	100.00	**0.00**	100.00	**–**	100
CM3 Witkoppen Ext 131 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
Tres Jolie Ext 24 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
Ridgewood Estate (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
Business Venture Investment No 1244 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
Business Venture Investment No 1221 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
Calgro M3 Jabulani (Pty) Ltd#	**100.00**	100.00	**100.00**	100.00	**–**	–
Calgro M3 Memorial Parks (Pty) Ltd	**50.00**	50.00	**63.50**	63.50	**635**	635
Sabre Homes Projects (Pty) Ltd◊	**100.00**	50.00	**100.00**	60.00	**1 002**	–
Subsidiaries of Calgro M3 Project Management (Pty) Ltd						
CTE Consulting (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**4 500 100**	4 500 100
Holm Jordaan GWA (Pty) Ltd	**66.67**	66.67	**50.837**	50.837	**–**	–
Subsidiaries of Calgro M3 Procurement Management (Pty) Ltd						
Calgro M3 Procurement Services (Pty) Ltd#	**100.00**	100.00	**100.00**	100.00	**–**	–
Calgro M3 Contractors (Pty) Ltd#	**100.00**	100.00	**100.00**	100.00	**–**	–
					249 467 315	249 466 513

On 12 February 2016, the Company founded the Calgro M3 Empowerment Trust and the Calgro M3 Employment Benefit Trust. In accordance with the principles of IFRS, both the trusts are controlled by the Company and are considered to be agents of the Company. There is no financial impact on transactions between the Company and the trusts. Both trusts are registered in South Africa and their year-ends are consistent with the Group.

All subsidiaries are incorporated in South Africa. The year-ends of all the direct and indirect subsidiaries are consistent with those of the Group.

These companies have been incorporated under the new Companies Act 71 of 2008. The value of the shares are stated at no par value.
* *Calgro M3 Developments has all the voting rights in the Company with 51% of the profits in the Company being allocated to the other shareholder.*
◊ *This Company was previously a joint venture and the Group now holds 100% of the issued share capital as well 100% of the voting rights. The investment is therefore accounted for as a subsidiary.*

40. Loans to/(from) Group companies

Accounting policy

These loans are classified as loans and receivables or financial liabilities measured at amortised cost.

The loans are unsecured, interest is charged at a rate as agreed to between the parties from time to time and is repayable on demand.

Loans to/(from) direct and indirect subsidiaries

	Interest rate	Repayment terms	Security	2018	2017
Loans from subsidiaries					
Calgro M3 Developments Ltd	Prime (2017: prime charged from 1 November 2016)	On demand	Unsecured	**(561 747 912)**	(506 052 640)
Loans to subsidiaries					
Calgro M3 Land (Pty) Ltd	Prime (2017: prime charged from 1 November 2016)	On demand	Unsecured	**563 363 002**	507 555 316
Loans to Group companies				**563 363 002**	507 555 316
Loans from Group companies				**(561 747 912)**	(506 052 640)
				1 615 090	1 502 676

41. Trade and other receivables

Accounting policy

Refer to note 13 of the consolidated financial statements for the applicable accounting policy.

	2018	2017
Other receivables	**23 493**	219 115
	23 493	219 115

42. Cash and cash equivalents

Accounting policy

Refer to note 14 of the consolidated financial statements for the applicable accounting policy.

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2018	2017
Cash on hand	**330**	330
Bank balances	**999 875**	9 807
	1 000 205	10 137

Notes to the Company Financial Statements *(continued)*

for the year ended 28 February 2018

43. Stated capital

Accounting policy

Refer to note 15 of the consolidated financial statements for the applicable accounting policy.

	Number of shares		Rand amount	
	2018	**2017**	**2018**	**2017**
Authorised				
Ordinary no par value shares	**500 000 000**	500 000 000		
Issued				
Balance at the beginning of the year	**128 150 069**	127 100 000	**96 021 721**	96 021 721
Shares issued to Calgro M3 Employee Benefit Trust	**5 212 909**	5 212 909	**104 239 627**	104 239 627
Shares issued to Calgro M3 Empowerment Trust	**5 212 909**	5 212 909	**104 239 627**	104 239 627
Shares issued with respect to the Calgro M3 Executive Share Scheme	**8 468 631**	9 518 700	**183 420 048**	183 420 048
Equity Share Scheme – trading restrictions released (refer to note 30)	**–**	1 050 069	**–**	–
Treasury shares in issue*	**(10 425 818)**	(10 425 818)	**(208 479 254)**	(208 479 254)
Balance at the end of the year	**136 618 700**	136 618 700	**279 441 769**	279 441 769

All issued shares are fully paid.

* *These shares relate to the shares issued to the Calgro M3 Empowerment Trust and the Calgro M3 Employee Benefit Trust. In accordance with the principles of IFRS, the trusts are controlled by the Company and are considered agents of the Company. These shares are therefore considered to be treasury shares.*

Unissued ordinary shares are under the control of the Directors in terms of a resolution of members passed at the last Annual General Meeting. This authority remains in force until the next Annual General Meeting.

44. Trade and other payables

Accounting policy

Refer to note 17 of the consolidated financial statements for the applicable accounting policy.

	2018	**2017**
Trade payables	**451 118**	372 320
Accrued expenses	**1 075 837**	612 987
Value added tax	**211 030**	117 995
	1 737 985	1 103 302

45. Other income

Accounting policy

Other income only consists of management fees. Management fees are charged by the Company to its subsidiary, Calgro M3 Developments Ltd, for providing the infrastructure and employees to operate the subsidiary and are recognised on the date the services are performed. Refer to the related-party note 52.

	2018	2017
Management fees	**4 696 992**	3 400 000
	4 696 992	3 400 000

46. Expense by nature

	2018	2017
Auditors' remuneration	**209 041**	30 820
Bank charges	**81 987**	81 813
Donations	**50 000**	–
Directors' fees – non-executive	**2 600 497**	1 905 554
Professional fees	**884 574**	300 630
Sundry expenses	**207 865**	156 398
Transaction costs – trusts	**305 686**	362 345
Total cost of sales, administration expenses and other expenses	**4 339 650**	2 837 560

47. Finance income

Accounting policy

Refer to note 22 of the consolidated financial statements for the applicable accounting policy.

	2018	2017
Bank	**1 307**	7 661
SARS	**4 991**	–
Interest on Group loans	**55 139 445**	18 988 787
Finance income	**55 145 743**	18 996 448

48. Finance cost

Accounting policy

Refer to note 23 of the consolidated financial statements for the applicable accounting policy.

	2018	2017
Bank	**2**	3
Interest on Group loans	**55 047 996**	17 343 872
Finance cost	**55 047 998**	17 343 875

Notes to the Company Financial Statements *(continued)*

for the year ended 28 February 2018

49. Taxation

Accounting policy

Refer to note 24 of the consolidated financial statements for the applicable accounting policy.

Major components of the income tax expense

	2018	2017
Current		
Local income tax – current period	**259 846**	669 009
	259 846	669 009
Deferred		
Current year	**–**	79 036
	–	79 036
	259 846	748 045
Reconciliation of the income tax expense		
Applicable tax rate	**28.00%**	28.00%
Disallowable charges	**29.11%**	5.77%
Effective tax rate	**57.11%**	33.77%

There are no estimated tax losses available for set off against future taxable income for the Company.

50. Cash generated from/(utilised in) operations

	2018	2017
Profit/(loss) before taxation	**455 085**	2 215 013
Adjustments for:		
Finance income	**(55 145 743)**	(18 996 448)
Finance cost	**55 047 998**	17 343 875
Trade and other receivables	**195 622**	142 565
Trade and other payables	**634 684**	(892 198)
Loans (from)/to Group companies*	**(20 966)**	763 604
	1 166 681	576 411

* *Loans (from)/to Group companies form part of the working capital of the Company due to all transactions between segments flowing through the Company.*

51. Taxation paid

	2018	2017
Balance at the beginning of the year	**160 148**	155 077
Current tax for the year	**(259 846)**	(669 009)
Balance at the end of the year	**(83 211)**	(160 148)
	(182 909)	(674 080)

52. Related parties

Subsidiaries

Refer to note 39 for a detailed list of all subsidiaries of the Company.

Related-party balances

Refer to note 40 for loans (from)/to Group companies.

Related-party transactions

	Administration fees received		Finance income received		Finance costs paid	
	2018	2017	**2018**	2017	**2018**	2017
Calgro M3 Developments Ltd	**4 696 992**	3 400 000	**–**	–	**55 047 996**	17 343 872
Calgro M3 Land (Pty) Ltd	**–**	–	**55 139 445**	18 988 787	**–**	–
	4 696 992	3 400 000	**55 139 445**	18 988 787	**55 047 996**	17 343 872

53. Financial assets and liabilities by category

	Loans and receivables		Financial liabilities at amortised cost		Fair values	
	2018	2017	**2018**	2017	**2018**	2017
Loans to Group companies	**563 363 002**	507 555 316			**563 363 002**	507 555 316
Cash and cash equivalents	**1 000 205**	10 137			**1 000 205**	10 137
Loans from Group companies			**(561 747 912)**	(506 052 640)	**(561 747 912)**	(506 052 640)
Trade and other payables			**(1 526 955)**	(985 307)	**(1 526 955)**	(985 307)
	564 363 207	507 565 453	**(563 274 867)**	(507 037 947)	**1 088 340**	527 506

54. Risk management

54.1 Financial risk management

Due to the fact that the Company is a pure holding company, the most significant risks the Company is exposed to are market risk (via cash flow interest rate) and liquidity risk.

(i) Market risk (cash flow interest rate risk)

The Company has interest-bearing loans to and from Group companies. The loans issued at variable rates expose the Company to cash flow interest rate risk. The Group Executive Committee monitors the interest of the Company on a cash basis. Refer to the finance income (refer to note 47) and finance cost (refer to note 48) notes for the interest received/paid.

(ii) Credit risk

Credit risk consists mainly of loans to Group companies, cash deposits and cash equivalents.

The Company only deposits cash with major banks with a minimum rating of "BB-" and limits the exposure to any one counter party. No credit risk is associated to other receivables as this consists of prepayments.

The Company considers its credit risk relating to the loans owing by Group companies on a case by case basis. Any credit risk related to loans to Group companies is mitigated by the fact that management has insight into the financial position of the Group companies as a result of the relationship.

For loans to Group companies and cash and cash equivalents, the maximum exposure to credit risk is limited to what is disclosed in the statement of financial position.

Notes to the Company Financial Statements *(continued)*

for the year ended 28 February 2018

54. Risk Management *(continued)*

54.1 Financial risk management

(iii) Liquidity risk

The Company's liquidity risk arises from its financial liabilities, which includes loans from Group companies and trade payables. The Company manages liquidity risk by monitoring forecasted cash flows to ensure there will be funds available to cover future commitments.

Both the loans from Group companies (refer to note 40) and trade payables (refer to note 44) are repayable within one year.

The Company had no overdraft facilities with major banks in the current or prior year.

55. Directors' emoluments

Please refer to note 33 of the consolidated financials statements for the emoluments paid to Directors.

SHAREHOLDER INFORMATION

5

128.1

MILLION SHARES IN ISSUE

68.52%

PUBLIC SHAREHOLDERS

REGULAR LOCAL AND INTERNATIONAL ROADSHOWS

Communication with shareholders is conducted regularly with the explicit intention of providing feedback and maintaining good relations with shareholders.

Shareholder's diary

	2018
Financial year-end	**28 February**
Year-end results	**14 May**
Annual general meeting	**29 June**
Interim report	**October**

Notice of Annual General Meeting

Calgro M3 Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/027663/06)
Share code: CGR ISIN: ZAE000109203
("Calgro M3" or "the Group" or "the Company")

Notice is hereby given to all members of the Company as at 18 May 2018, being the record date to receive notice of the Annual General Meeting in terms of section 59(1) of the Companies Act, 71 of 2008, as amended ("Companies Act"), that the eighth Annual General Meeting ("AGM") of members or any postponement or adjournment thereof will be held at 10:00 on Friday, 29 June 2018 at the Calgro M3 Boardroom, Calgro M3 Building, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, Sandton to (i) deal with such other business as may lawfully be dealt with at the meeting and (ii) consider and, if deemed fit to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements"), which meeting is to be participated in and voted at by shareholders as at 22 June 2018, being the record date to attend, participate, speak and vote at the AGM in terms of section 62(3)(a), read with section 59(1)(b), of the Companies Act ("Voting Record Date").

Important dates to note	2018
Last day to trade in order to be eligible to vote at the AGM	**Tuesday, 19 June**
Voting Record Date to be able to vote at the AGM	**Friday, 22 June**
Forms of proxy to be received by no later than 10:00 on	**Wednesday, 27 June**
AGM to be held at 10:00 on	**Friday, 29 June**

NB: Section 63(1) of the Companies Act – Identification of meeting participants.

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

Presentation of Annual Financial Statements

The Annual Financial Statements of the Company for the year ended 28 February 2018 (as approved by the Board of Directors of the Company), including the Directors' Report and the Report of the Auditors thereon, have been distributed as required and will be presented to the shareholders.

The complete Annual Financial Statements are set out on pages 99 to 188 of the Integrated Annual Report.

1. Ordinary Resolution Number One: Re-election of Non-Executive Director

"Resolved that the reappointment of PF Radebe as a Non-Executive Director of the Company and Chairlady of the Board of Directors, who retires by rotation, but being eligible, offers herself for re-election in accordance with Article 24.9, read with Article 24.3 of the Company's Memorandum of Incorporation, for a further term of office be authorised and confirmed."

(A brief CV of PF Radebe appears on page 67 of the Integrated Annual Report.)

The percentage of voting rights that will be required for this ordinary resolution number one to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

2. Ordinary Resolution Number Two: Re-election of Non-Executive Director

"Resolved that the reappointment of H Ntene as a Non-Executive Director of the Company, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 24.9, read with Article 24.3 of the Company's Memorandum of Incorporation, for a further term of office be authorised and confirmed."

(A brief CV of H Ntene appears on page 67 of the Integrated Annual Report.)

Notice of Annual General Meeting *(continued)*

The percentage of voting rights that will be required for this ordinary resolution number two to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

3. Ordinary Resolution Number Three: Reappointment of auditors

"Resolved that the reappointment of PricewaterhouseCoopers as auditors, and Chantal Marais Roux being a member of PricewaterhouseCoopers Inc., as the individual designated auditor who will undertake the audit of the Company for the ensuing year, until the conclusion of the next Annual General Meeting in accordance with the Companies Act, be authorised and confirmed."

The percentage of voting rights that will be required for this ordinary resolution number three to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

4. Ordinary Resolution Number Four: Appointment of Audit Committee member

"Resolved that the appointment of RB Patmore as a member of the Audit Committee in terms of section 94(2) of the Companies Act, is approved with effect from the end of this meeting."

The percentage of voting rights that will be required for this ordinary resolution number four to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

5. Ordinary Resolution Number Five: Appointment of Audit Committee member

"Resolved that the appointment of ME Gama as a member of the Audit Committee in terms of section 94(2) of the Companies Act, is approved with effect from the end of this meeting."

The percentage of voting rights that will be required for this ordinary resolution number five to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

HC Cameron (previous Chairperson of the Audit and Risk Committee) passed away on 6 April 2018. The process of identifying and nominating an appropriate replacement (and third member of the Audit Committee) has begun and shareholders will be informed accordingly once a suitable candidate has been identified. The appointment will be made within 40 business days as is required by legislation.

6. Ordinary Resolution Number Six: General payments to shareholders

"Resolved that, in terms of Articles 5.1.1.3 and 21 of the Company's Memorandum of Incorporation and subject to the Companies Act and to the Directors being satisfied that after considering the effect of such maximum payment, the:

(a) Company will in the ordinary course of business be able to pay its debts for a period of 12 months after the date of the notice of the AGM;

(b) assets of the Company will be in excess of the liabilities of the Company for a period of 12 months after the date of the notice of the AGM. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited Annual Group Financial Statements;

(c) share capital and reserves to the Company will be adequate for ordinary business purposes for a period of 12 months after the date of notice of the AGM; and

(d) working capital of the Company will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the AGM.

The Directors of the Company shall be entitled, from time to time, to pay by way of reduction of share premium, capital distributions to shareholders of the Company in lieu of a dividend. Such distributions shall be made pro rata to all shareholders and be amounts equal to the amounts which the Directors would have declared and paid out of profits of the Company as interim and final dividends in respect of the financial year ended 28 February 2018. This authority shall not extend beyond the date of the AGM following the date of the AGM at which this resolution is being proposed, or 15 months from date of the resolution, whichever is shorter."

Shareholders are referred to the explanatory notes set out under special resolution number one (termed "Reason and effect of special resolution number one") which apply mutatis mutandis to this resolution.

The percentage of voting rights that will be required for this ordinary resolution number six to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

7. Ordinary Resolution Number Seven: Control of authorised but unissued shares

"Resolved that all the unissued shares in the authorised share capital of the Company be and are hereby placed under the control of the Directors of the Company, who are authorised to allot and issue the same to such persons and on such terms and conditions as they may determine in their sole and absolute discretion, until the next Annual General Meeting of the Company, subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and the JSE Listings Requirements."

The percentage of voting rights that will be required for this ordinary resolution number seven to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

8. Ordinary Resolution Number Eight: General authority to issue shares for cash

"Resolved that the Directors be given the general authority to issue unissued shares of a class already in issue held under their control, for cash, when the Directors consider it appropriate in the circumstances, subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation, the JSE Listings Requirements and subject to the following limitations, that:

- the authority shall be valid until the next Annual General Meeting of the Company (provided it shall not extend beyond fifteen months from the date of this resolution);
- an announcement giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date the Company agrees to issue the shares, and an explanation, including supporting information, of the intended use of the funds, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to such issue;
- issues for cash in any one financial year may not exceed 15% of the issued shares in the share capital of the Company, as at the date of the notice of Annual General Meeting, being 22 056 678 ordinary shares;
- any shares issued for cash under the authority must be deducted from the number above;
- in the event of a subdivision or consolidation of issued shares during the period when this authority is valid, the existing authority must be adjusted accordingly to represent the same allocation ratio;
- the issues for cash must be made to public shareholders and not to related parties as defined by the JSE Listings Requirements; and
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the volume weighted average traded price of those shares as determined over the 30 business days prior to the date that the price of the issue is determined or agreed by the Directors of the Company."

The percentage of voting rights that will be required for this ordinary resolution number eight to be adopted is at least 75%+1 of the voting rights exercised on the resolution.

Shareholders are referred to the explanatory notes set out under special resolution number one (termed "Reason and effect of special resolution number one") which apply mutatis mutandis to this resolution.

9. Special Resolution Number One: General authority to repurchase shares

"Resolved that the Board of Directors of the Company be hereby authorised, by way of a general authority, to approve the purchase of the Company's own ordinary shares or to approve the purchase of ordinary shares in the Company by any subsidiary of the Company, from time to time, provided that:

(a) any acquisition of shares shall be implemented through the order book operated by the JSE Limited's trading system and done without any prior understanding or arrangement between the Company and/or its relevant subsidiaries and the counterparty;

Notice of Annual General Meeting *(continued)*

for the year ended 28 February 2018

(b) this authority shall be valid only until the next Annual General Meeting provided that it shall not extend beyond fifteen months from the date of this resolution;

(c) the general repurchase(s) shall in any one financial year be limited to a maximum of 20% of the Company's issued share capital of that class at the time the authority is granted;

(d) a resolution by the Board of Directors is passed which authorises the repurchase, confirms that the Company passes the solvency and liquidity test in terms of section 4 of the Companies Act;

(e) a subsidiary of the Company may not hold in excess of 10% in aggregate of the number of issued shares of the Company;

(f) repurchase(s) must not be made at a price more than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date of repurchase(s);

(g) a paid press announcement (complying with paragraph 11.27 of the JSE Listings Requirements) will be published as soon as the Company and/or its subsidiaries have acquired shares constituting, on a cumulative basis, 3% or more of the initial number of ordinary shares in issue at the time of the granting of this authority, giving full details of such acquisitions and for each 3% in aggregate of the initial number of ordinary shares acquired thereafter by the Company and/or its subsidiaries;

(h) the Company will, at any point in time, appoint only one agent to effect any repurchase(s) on the Company's behalf;

(i) the Company will not repurchase its shares during any prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and

(j) such repurchase(s) shall be subject to the Companies Act, the Company's Memorandum of Incorporation and the JSE Listings Requirements."

Reason and effect of Special Resolution Number One

The reason for special resolution number one is to grant the Company a general authority in terms of the Companies Act for the acquisition by the Company or any of its subsidiaries of shares issued by the Company or its holding company, which authority shall be valid until the earlier of the next Annual General Meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond fifteen months from the date of this AGM. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company or its holding company.

Shareholders are notified that, although no arrangements have been put in place, a general repurchase of shares is being contemplated. The Company's share price is currently not in line with executive management's valuation of the Company. The Board believes it to be in the interest of the Company and shareholders that shareholders grant a general authority to provide the Board with optimum flexibility to repurchase shares as and when an opportunity that is in the best interest of the Company, arises.

Shareholders are referred to the explanatory notes attached to this notice for further disclosures in respect of this general authority to repurchase shares in terms of paragraph 11.26 of the JSE Listing Requirements.

The percentage of voting rights that will be required for this special resolution number one to be adopted is at least 75% of the voting rights exercised on the resolution.

10. Special Resolution Number Two: Remuneration of Non-Executive Directors

"Resolved that the fees paid to the Non-Executive Directors of the Company set out below, be approved up and to the date of the next Annual General Meeting."

Director	Annual retainer fee 2018/2019	Board Chair	Audit Committee Chair	Other Committee Chair	Audit Committee meeting attendance	Remuneration, Investment and Social and ethics Committee meeting attendance	Board meeting attendance
PF Radebe	R249 000	R40 000		R30 000		R20 000	R24 000
VJ Klein	R167 000			R30 000		R20 000	R24 000
H Ntene	R167 000			R30 000		R20 000	R24 000
RB Patmore	R200 000			R30 000	R22 000	R20 000	R24 000
BP Malherbe	R167 000			R30 000		R20 000	R24 000
ME Gama	R167 000			R30 000	R22 000	R20 000	R24 000
New Audit Committee Chair	R167 000		R35 000	R30 000		R20 000	R24 000

Reason for and effect of Special Resolution Number Two

Special resolution number two is proposed in order to comply with the requirements of the Companies Act and the Company's Memorandum of Incorporation. The above rates have been selected to ensure that the remuneration of Non-Executive Directors remains competitive in order to enable the Company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required in order to make meaningful contributions to the Company.

The effect of special resolution number two is that, if approved by the shareholders at the Annual General Meeting, the fees payable to Non-Executive Directors until the next Annual General Meeting will be as set out above.

The percentage of voting rights that will be required for this special resolution number two to be adopted is at least 75% of the voting rights exercised on the resolution.

11. Special Resolution Number Three: Authorising general financial assistance

"Resolved that, to the extent required by the Companies Act, the Board of Directors of the Company may, subject to compliance with the requirements of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

- any of its present or future subsidiaries and/or any other company or entity that is/or becomes related or inter-related to the Company or any of its subsidiaries, and/or to a member of such subsidiary or related or inter-related company or entity, all as contemplated in sections 44 and/or 45 of the Companies Act, for such amounts and on such terms and conditions as the Directors of the Company may determine. Such authority to endure until the Annual General Meeting of the Company for the year ended February 2019."

Reasons for and effect of Special Resolution Number Three

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and other entities, including, inter alia, its subsidiaries, associates, joint ventures, partnerships, collaboration arrangements, etc for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies or other entities, in the event that the financial assistance is provided for the purpose of, or in connection with, the acquisition or subscription for any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

Notice of Annual General Meeting *(continued)*

for the year ended 28 February 2018

Both sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the Board of Directors must be satisfied that:

- considering all reasonably foreseeable financial circumstances of the Company at the time, immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test;
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and
- any conditions or restrictions in respect of the granting of financial assistance set out in the Company's Memorandum of Incorporation have been satisfied.

The Company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for the Company to provide financial assistance to related or inter-related companies and entities to acquire or subscribe for options or securities or purchase securities of the Company or another company related or inter-related to it. Under the Companies Act, the Company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that the Company's subsidiaries and other related and inter-related companies and entities have access to financing and/or financial backing from the Company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number three.

Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the Company's shares or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in sections 44 and 45) to be provided under such schemes will, inter alia, also require approval by special resolution.

Accordingly, special resolution number three will have the effect of authorising financial assistance to any of the Company's Directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is a participant in any of the Company's share or other employee incentive schemes, in order to facilitate their participation in any such schemes that do not satisfy the requirements of section 97 of the Companies Act. This resolution will enable the Company to provide financial assistance within the Company's group which may be required from time to time in the normal course of business.

The percentage of voting rights that will be required for this special resolution number three to be adopted is at least 75% of the voting rights exercised on the resolution.

12. Special Resolution Number Four: Amendment to the rules of the Calgro M3 Executive Scheme to increase the limit of the special financial assistance that the Company may provide to Calgro M3 Executive Scheme participants

"Resolved that the following sections of the Rules are amended to read as follows:

3.2.4 "the amount of financial assistance to be made available by Calgro M3 to the Participant for the exclusive purpose of the Participant subscribing for the Subscription Shares in terms of these Rules. The loan amount shall be limited to the Subscription Price."

4.3.1.3 "the amount of the financial assistance that Calgro M3 will provide to the Participant to subscribe for the Subscription Shares (the "Participant Loan") which shall be determined, in the sole and absolute discretion of the Directors, and which amount shall not exceed the Subscription Price."

5.1.1.2 "where a Participant has acquired Third Party Funding and the Participant Loan, or any portion thereof is utilized to settle the Third Party Funding, the Third Party Funding will be settled directly and as such an actual payment of money to the Participant shall not be required;"

5.1.1.3 "the outstanding balance from time to time on the Participant Loan shall accrue interest at a rate between the Prime Rate and the Prime Rate plus 2% (two percent), and shall be determined in the sole and absolute discretion of the Directors."

Reason and effect of Special Resolution Number Four

The Rules of the Calgro M3 Executive Scheme that was approved at the annual general meeting held on 29 July 2015, provides that the direct and/or indirect specific financial assistance that the Company is authorized to provide to the Calgro M3 Executive Scheme participants, is limited to either 25% or 50% of the aggregate scheme share subscription price, as the case may be.

As the Company was only authorised to provide financial assistance to a maximum of 50% of the aggregate scheme share subscription price, participants in the Calgro M3 Executive Scheme (with the exclusion if the Chief Executive Officer) obtained third-party funding to pay for the balance of the aggregate scheme share subscription price against delivery of their scheme subscription shares to the third-party funder as security. The third-party funder advanced the required funding to these participants on the premise that the agreed minimum debt cover ratios between the debt provided and the aggregate value from time to time of the scheme subscription shares, will be maintained at all times. Due to the sharp decline in the Company's share price, all third-party funder reliant participants in the Calgro M3 Executive Scheme have, however, breached their agreed debt cover ratios. This has placed the participants at risk of the third-party funder exercising its peremptory right (provided to the third-party funder by the Company in terms of the Calgro M3 Executive Scheme Rules) to compel the Company to repurchase all the Calgro M3 Executive Scheme participants' scheme shares, thereby bringing the Calgro M3 Executive Share Scheme to a premature end.

In order for the Directors to propose, for further approval a special resolution granting the Company and its subsidiaries the authority to provide specific financial assistance to the Calgro M3 Executive Scheme participants, to a maximum of the aggregate scheme share subscription price paid by each participant, the Calgro M3 Executive Scheme Rules must be amended to allow for same.

The amendments also includes amending the rate at which interest will accrue from the prime rate, to a rate between the prime rate and the prime rate plus 2%.

13. Special Resolution Number Five: Specific financial assistance in respect of the Calgro M3 Executive Scheme

"Resolved that the Company and its subsidiaries be and are hereby authorised, in terms of sections 44 and 45 of the Companies Act (to the extent applicable), for a period of two years from the passing of this resolution, to provide further direct and/or indirect financial assistance, to the maximum of the aggregate scheme share subscription price, to the participants of the Calgro M3 Executive Scheme, and to the Directors and prescribed officers of the Company or any of its subsidiaries participating in the Calgro M3 Executive Scheme, for the purpose of and/or in connection with the acquisition of ordinary shares of the Company from time to time or otherwise as may be required for the operation and administration of the Calgro M3 Executive Scheme, subject to the provisions of the Companies Act."

Reason and effect of Special Resolution Number Five

In the ordinary course of business, and specifically in connection with the operation of the Calgro M3 Executive Scheme, the Directors will be required to authorise the Company to provide financial assistance to the participants of the Calgro M3 Executive Scheme, inter alia, for the purpose of, and/or in connection with, the acquisition of ordinary shares in the Company by the Calgro M3 Executive Scheme participants from time to time. Sections 44 and 45 of the Companies Act require, inter alia, that:

- the provision of financial assistance by the Company to the participants of the Calgro M3 Executive Scheme and, consequently, to directors and prescribed officers of the Company or any of its subsidiaries, being related/inter-related persons of the Company; and
- the provision of financial assistance for the purpose of, or in connection with, the acquisition of securities of the Company, must be approved by a special resolution of shareholders adopted within the previous two years.

A special resolution was adopted by shareholders at the AGM held on 30 June 2017, effective for a period of two years from 30 June 2017 to 30 June 2019, authorising the Company, in terms of sections 44 and 45 of the Companies Act (to the extent applicable), to provide further direct and/or indirect financial assistance, to a maximum of 50% of the aggregate scheme share subscription price, to the participants of the Calgro M3 Executive Scheme, and to the Directors and prescribed officers of the Company or any of its subsidiaries participating in the Calgro M3 Executive Scheme, for the

Notice of Annual General Meeting *(continued)*

for the year ended 28 February 2018

purpose of and/or in connection with the acquisition of ordinary shares of the Company from time to time or otherwise as may be required for the operation and administration of the Calgro M3 Executive Scheme, subject to the provisions of the Companies Act.

Following the amendment of the Calgro M3 Executive Scheme Rules as set out in item 12 above, the Directors propose for further approval of a special resolution granting the Company and its subsidiaries the authority to provide the required financial assistance for purposes of the Calgro M3 Executive Scheme to all participants to a maximum of the aggregate scheme share price subscription price.

The effect of special resolution number five is that the Company will be authorised to fund the participants of the Calgro M3 Executive Scheme (and, consequently, the Directors and prescribed officers of the Company or any of its subsidiaries) with an amount as determined by the Board to a maximum of the aggregate scheme share subscription price paid by a participant, in accordance with the amended Calgro M3 Executive Scheme Rules, in order for the Calgro M3 Executive Scheme participants to retain the required number of ordinary shares in the Company to satisfy the requirements of the Calgro M3 Executive Scheme Rules.

The Board will not authorise any such financial assistance unless it is satisfied that:

- considering all reasonably foreseeable financial circumstances of the Company at that time, the Company will, immediately after providing the financial assistance, satisfy the solvency and liquidity test stipulated in the Companies Act;
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and
- any conditions or restrictions in respect of the granting of financial assistance set out in the Company's Memorandum of Incorporation have been satisfied.

The percentage of voting rights that will be required for this special resolution number five to be adopted is at least 75% of the voting rights exercised on the resolution.

14. Non-Binding Advisory Endorsement of the Remuneration Philosophy (Policy)

To endorse, through a non-binding advisory vote, the Company's remuneration policy, as set out on pages 89 to 96 of the Integrated Annual Report.

In terms of the King Report on Governance for South Africa, 2016 ("King IV"), an advisory vote should be put to the shareholders relating to the Company's remuneration policy. The vote allows the shareholders to express their views on the remuneration policy adopted and implemented, but it is not binding on the Company.

15. Non-Binding Advisory Endorsement of the Remuneration Implementation Report

To endorse, through non-binding advisory vote, the Company's Remuneration Implementation Report, as set out on pages 89 to 96 of the Integrated Annual Report.

In terms of the King Report on Governance for South Africa, 2016 ("King IV"), an advisory vote should be put to the shareholders relating to the Company's Remuneration Implementation Report. The vote allows the shareholders to express their views on the Remuneration Implementation Report adopted and implemented, but it is not binding on the Company.

16. To transact such other business as may be transacted at an Annual General Meeting.

Explanatory notes

Disclosures in terms of paragraph 11.26 of the JSE Listings Requirements:

- Major shareholders: page 108 of the annual financial statements
- Share capital of the Company: page 184, note 43 of the notes to the Annual Financial Statements

Directors' responsibility statement

The Directors, whose names are given on pages 65 and 106 of the Integrated Annual Report in which this notice is included, collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Integrated Annual Report and notice contain all information required by law and the JSE Listings Requirements.

Material changes

There has been no material change in the financial or trading position of the Company and its subsidiaries that has occurred since 28 February 2018.

Quorum

The shareholders' meeting may not begin until sufficient persons are present (in person or represented by proxy) at the shareholders' meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the shareholders' meeting. A matter to be decided at the shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting (in person or represented by proxy) to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda.

For the purpose of counting a quorum at any time, a shareholder who is personally present or represented at the meeting at that time, or who participates in person or through a representative electronically, shall be counted towards the quorum at that time.

Form of proxy

Any shareholders wishing to attend the AGM who have already dematerialised their shares in Calgro M3, and such dematerialised shares are not recorded in the electronic sub-register of Calgro M3 in their own names, should request letters of representation from their duly appointed CSDP or stockbroker, as the case may be, to authorise them to attend and vote at the AGM in person.

In terms of section 62(3)(e) of the Companies Act, any shareholders who are entitled to attend and vote at the AGM are entitled to appoint proxies to attend, speak and vote at the AGM in the name and stead of the shareholder. The proxies so appointed need not be shareholders of the Company but must be individuals.

If you have not yet dematerialised your shares in Calgro M3 and are unable to attend the AGM, but wish to be represented thereat, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries of Calgro M3 namely, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received by no later than 10:00 on 27 June 2018. Attached to the form of proxy is an extract of section 58 of the Companies Act, to which shareholders are referred.

If you have already dematerialised your shares in Calgro M3:

- and such dematerialised shares are recorded in the electronic sub-register of Calgro M3 in your own name and you are unable to attend the AGM, but wish to be represented thereat, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries of Calgro M3 namely, Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received by no later than 10:00 on 27 June 2018; or
- and such dematerialised shares are not recorded in the electronic sub-register of Calgro M3 in your own name, you should notify your duly appointed CSDP or stockbroker, as the case may be, in the manner and cut-off time stipulated in the agreement governing your relationship with your CSDP or broker of your instructions as regards voting your shares at the AGM.

Notice of Annual General Meeting *(continued)*

for the year ended 28 February 2018

If any shareholders of the Company wish to participate (but not vote) in the AGM electronically, they:

- must contact the Company Secretary on 011 300 7500, five business days prior to the Annual General Meeting in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the AGM, provided that shareholders and their proxies will not be able to vote telephonically at the AGM and will still need to appoint a proxy to attend the AGM and to vote on their behalf.

By order of the Board

Itumeleng April
Company Secretary

11 May 2018
Sandton

Form of proxy

CALGRO M3 HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2005/027663/06)
Share code: CGR ISIN: ZAE000109203
(“Calgro M3” or “the Company”)

For use by the holders of Certificated Shares and/or Dematerialised Shares held through a CSDP or broker who have selected “own-name” registration, registered as such at the close of business on the Voting Record Date, at the ninth Annual General Meeting to be held at 10:00 on Friday, 29 June 2018 at the Calgro M3 boardroom, Calgro M3 Building, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston or any postponement or adjournment thereof.

Dematerialised shareholders who have not selected “own-name” registration must inform their CSDP or broker timeously of their intention to attend and vote at the AGM or be represented by proxy thereat in order for the CSDP or broker to issue them with the necessary letter of representation to do so or provide the CSDP or broker timeously with their voting instruction, should they not wish to attend the AGM in order for the CSDP or broker to vote in accordance with their instructions at the AGM.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE)

of (ADDRESS)

Telephone Cellphone number

Email address,

being the holder/s of ordinary shares in Calgro M3

hereby appoint (see note 1 below) or failing him/her,

the Chairman of the AGM, as my/our proxy to act for me/our behalf at the AGM in accordance with the following instructions (see note 2 below)

	Number of votes*		
	For	**Against**	**Abstain**
Ordinary resolution number one: Re-election of Non-Executive Director (PF Radebe)			
Ordinary resolution number two: Re-election of Non-Executive Director (H Ntene)			
Ordinary resolution number three: Reappointment of auditors (PricewaterhouseCoopers)			
Ordinary resolution number four: Appointment of Audit Committee member (RB Patmore)			
Ordinary resolution number five: Appointment of Audit Committee member (ME Gama)			
Ordinary resolution number six: General payments to shareholders			
Ordinary resolution number seven: Control of authorised but unissued shares			
Ordinary resolution number eight: General authority to issue shares for cash			
Special resolution number one: General authority to repurchase shares			
Special resolution number two: Remuneration of Non-Executive Directors			
1. Board appointees			
1.1 Chairperson			
1.2 Non-Executive Directors			
2. Audit and Risk Committee			
2.1 Chairperson			
2.2 Committee member			
3. Remuneration Committee			
3.1 Chairperson			
3.2 Committee member			
4. Social and Ethics Committee			
4.1 Chairperson			
4.2 Committee member			
5. Investment Committee			
5.1 Chairperson			
5.2 Committee member			
Special resolution number three: Authorising general financial assistance			
Special resolution number four: Amendment to the rules of the Calgro M3 Executive Scheme Rules to increase the limit of the specific financial assistance that the Company may provide to Calgro M3 Executive Scheme participants			
Special resolution number five: Specific financial assistance in respect of the Calgro M3 Executive Share Incentive Scheme			
Non-Binding Advisory Endorsement of the Remuneration Philosophy (Policy)			
Non-Binding Advisory Endorsement of the Remuneration Implementation Report			

* One vote per share held by shareholders recorded in the register on the Voting Record Date.

Date

Signed at on 2018

Signature

Assisted by me (where applicable)

Notes to the form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space(s) provided. The person whose name appears first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A proxy appointed by a shareholder in terms hereof may not delegate his authority to act on behalf of the shareholder to any other person.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he deems fit in respect of all the shareholder's votes exercisable thereat.
4. Forms of proxy must be lodged at or posted to Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received by not later than 10:00 on 27 June 2018.
5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. In addition to the aforegoing, a shareholder may revoke the proxy appointment by (i) cancelling it in writing or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to Calgro M3. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
6. The chairman of the AGM may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, he is satisfied as to the manner in which the shareholder(s) concerned wish(es) to vote.
7. Each shareholder is entitled to appoint one or more proxies (none of whom need be a member of Calgro M3) to attend, speak and vote in place of that shareholder at the AGM.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Calgro M3 or Computershare Investor Services (Pty) Ltd or waived by the chairman of the AGM.
9. Any alteration or correction made to this Form of Proxy must be initialled by the signatory(ies).
10. Where there are joint holders of shares:
    10.1 Any one holder may sign the form of proxy; and
    10.2 The vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Register of Members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of Calgro M3 shares.
11. This Form of Proxy may be used at any adjournment or postponement of the AGM, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
12. An extract from the Companies Act reflecting the provisions of section 58 of the Companies Act is attached as Annexure A to this form of proxy.

ANNEXURE A:

"58. Shareholder's right to be represented by proxy

(1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:
    (a) participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder; or
    (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

(2) A proxy appointment:
    (a) must be in writing, dated and signed by the shareholder; and
    (b) remains valid for:
        (i) one year after the date on which it was signed; or
        (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d)."

(3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
    (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;

(b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and

(c) a copy of the instrument appointing a proxy must be delivered to the Company, or to any other person on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

(4) Irrespective of the form of instrument used to appoint a proxy:

(a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;

(b) the appointment is revocable unless the proxy appointment expressly states otherwise; and

(c) if the appointment is revocable, a shareholder may revoke the proxy appointment by:

(i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and

(ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

(5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:

(a) the date stated in the revocation instrument, if any; or

(b) the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).

(6) If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder must be delivered by the Company to:

(a) the shareholder; or

(b) the proxy or proxies, if the shareholder has:

(i) directed the Company to do so, in writing; and

(ii) paid any reasonable fee charged by the Company for doing so.

(7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

(8) If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy:

(a) the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;

(b) the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must:

(i) bear a reasonably prominent summary of the rights established by this section;

(ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and

(iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;

(c) the Company must not require that the proxy appointment be made irrevocable; and

(d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).

(9) Subsection (8)(b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder."

General information

Calgro M3 Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 2005/027663/06
Share code: CGR
ISIN: ZAE000109203

Registered office
Calgro M3 Building
Ballyclare Office Park
33 Ballyclare Drive
Bryanston
2196

Business address
Calgro M3 Building
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196

Postal address
Private Bag X33
Craighall
2024

Published
11 May 2018

Transfer secretaries
Computershare Investor Services

Bankers
First National Bank
Standard Bank
Nedbank

Auditors
PricewaterhouseCoopers Inc.

Sponsors
Grindrod Bank Limited

Secretary
I April

Directors

BP Malherbe	Non-Executive
FJ Steyn	Executive
H Ntene	Independent Non-Executive
HC Cameron	Independent Non-Executive*
ME Gama	Independent Non-Executive
MN Nkuhlu	Executive
PF Radebe	Independent Non-Executive
RB Patmore	Independent Non-Executive
VJ Klein	Independent Non-Executive
W Williams	Executive
WA Joubert	Executive
WJ Lategan	Executive

* Hugh Cameron passed away on 6 April 2018. The process of selecting an appropriate replacement has begun. Ralph Patmore will act as interim Chairperson of the Audit and Risk Committee.

Preparer
The financial statements were internally compiled by UK Kissoon Singh CA(SA) and M Esterhuizen CA(SA) under the supervision of WA Joubert CA(SA).

Level of assurance
These financial statements have been audited by our external auditors PricewaterhouseCoopers Inc. in accordance with the applicable requirements of the Companies Act 71 of 2008.