

# Summarised audited consolidated financial results

for the year ended 28 February 2018



## 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"

or "the Group")

## Highlights

Core headline earnings increased by 6.97% to 143.47 cents per share ("cps")

Headline earnings decreased by 32.28% to 90.12 cps

Combined revenue increased by 16.71% to R2.3 billion

First international funding of R387 million (€25 million) secured

Level 1 B-BBEE contributor

First 648 units completed and handed over to the Afhco Calgro M3 Consortium (Pty) Ltd (REIT JV)

Memorial Parks contributed 5.14% of Group profit after tax

Property Development and Memorial Parks Project pipeline of R27.5 billion

*Building legacies. Changing lives*

### Nature of business

Calgro M3 is a property and property-related investment company that is a market leader in the development of Integrated Residential Developments, Residential Rental Investments as well as the development and management of Memorial Parks.

### Introduction

Our performance over the past year was lower than our internal expectation due to weak economic conditions, market volatility and cash flow constraints. The latter resulting primarily from delays in securing working and investment capital to support and enable our increased focus on the private sector in our Residential Property Development business and acquisitions for the Memorial Parks and Real Estate Investment businesses.

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### New reporting metrics

The Group's financial performance was impacted by the construction of units for the REIT JV, in which Calgro M3 has a 49% shareholding. This shareholding 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 on the financial performance and necessitated the institution of new metrics to measure operational performance between reporting periods. This further provides an indication of performance which is then consistent between periods. The three pertinent metrics are described as:

- ▶ **Core earnings per share ("Core EPS")** – Earnings per share before elimination of unrealised profits from development of units for the REIT JV;
- ▶ **Core headline earnings per share ("Core HEPS")** – Headline earnings per share before elimination of unrealised profits from development of units for the REIT JV; and
- ▶ **Core operating profit** – Operating profit before elimination of unrealised profits from development of units for the REIT JV.

We believe current core earnings and revenue growth, despite these challenges, are testament to the effectiveness and resilience of our strategy and proves that the variable operating model is efficient in uncertain times, as recently experienced during the financial year. Management of operational risks in each of the three businesses will continue to be a key focus for the management teams while at the same time investigating and executing on new opportunities to achieve the medium-term goal of equal profit contribution from each segment. We will, however, focus on maximising cash flows before investing in new opportunities.

As a Group we remain committed to methodically execute our overall strategy of shareholder wealth creation in the medium to long term and not on short-term gains and profit, while relying on the support and commitment of all our stakeholders – from Government and regulators to the individual communities in which we operate.

## Operational review



Nasrec Memorial Park won the “Landscape Construction” and the “Landscape and Turf Maintenance” Water-Wise Awards at the 2017 South African Landscapers Institute Awards. The Group will continue to develop and implement water-saving initiatives throughout the project cycle.

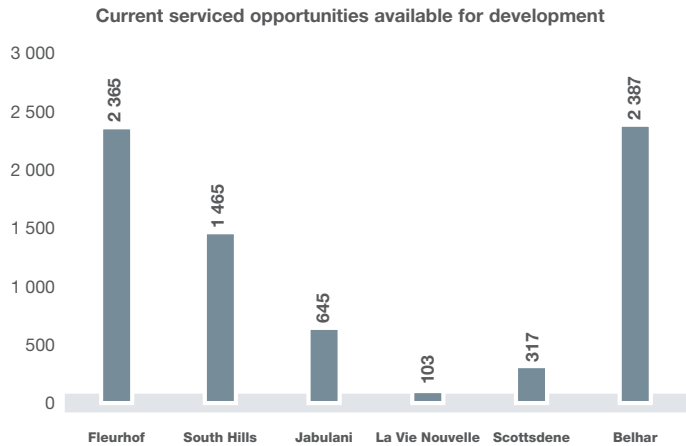


Witpoortjie project won the Gauteng Govan Mbeki award for Best Affordable Project.

## Integrated Residential Developments

During the year, 8 564 units and houses were under construction, of which 3 426 were completed and handed over to customers. Within the balance of 5 138, just over half are expected to be handed over before the end of July 2018. The Group has approximately 3 500 units already sold on which construction will commence as early in the 2019 financial year as possible. The total Residential Property Development pipeline consists of 54 376 opportunities with an unescalated revenue of R25.3 billion.

2 426 opportunities are currently being serviced that will bring the total number of serviced opportunities to in excess of 9 000. The Group is planning to commence infrastructure installation on an approximate 3 000 opportunities during the calendar year.



Subsequent to the financial year-end, the Group experienced attempted land grabs at both the Fleurhof and Scottsdene projects, with some units being illegally occupied by the community and properties vandalised. The Group acted swiftly and secured both sites using private security. The Group is in the process of quantifying the damages suffered and has been engaging with its insurance companies to recover the losses suffered. In addition, the Group continues to engage and consult with local and provincial government to offer our assistance in searching for a sustainable and legal way to eradicate the housing shortage in an endeavour to ensure that all people can live in safe and dignified homes.

In the year under review South Hills was the largest contributor to revenue, surpassing Fleurhof as our flagship project. The Belhar and Scottsdene projects in Cape Town contributed 19.38% of revenue even through the slowdown due to the water crisis. Construction at our first project in KwaZulu-Natal will start during the first quarter of the new financial year, while commencement on the long-awaited KwaNobuhle project in the Eastern Cape is planned for later in the year.

The Group made a decision to discontinue the Leratong and Nelmapius projects due to a change in the risk profiles of these projects. Leratong was removed from the Group’s pipeline towards the end of the 2018 financial year and Nelmapius was never included in the pipeline. The Group will reassess its position in this regard should the risk profile change.

In line with our risk mitigation strategy, the Group disposed of its 35% shareholding in the Otjomuise project in Namibia for R6 million when its risk profile also changed. Originally a project management/consulting project with limited human and financial capital exposure and limited development risk, the project evolved into a complete development project with a far larger capital requirement and increased risk profile. In response to the risk assessments performed, it was concluded that resources could be deployed more efficiently on our own projects in South Africa and the decision was taken to dispose of our shareholding in the joint venture for R6 million.

Calgro M3 remains well positioned to capitalise on the public sector's commitment to the mega and catalytic projects initiative and remain ready to participate in these projects when roll out commences.

With an increasing number of units being developed, the Group is able to capitalise on volume discounts and rebates together with enhanced negotiating power. The bulk of the increase in margin is being passed onto the consumer in the form of an enhanced product offering for the same sales price. Marketing remains a specific focus, with sales to the open market increasing by 16.7% from the previous year.

The primary areas of focus for the Residential Property Development business in the coming year will be to roll out the existing pipeline, capitalising on the private sector sales drive, enhancing the product offering, while at the same time remaining focused on efficiencies.

### Memorial Parks

The Memorial Parks business continued its improved contribution to Group profit and even though small overall, growth prospects are exciting. A target of more than 10% contribution from Memorial Parks is set for the coming financial year. This rather ambitious target is supported by grave sales that are increasing month on month, coupled with ongoing improvements and advancements within the business.

	Number	Total cash received
<b>Nasrec Memorial Park</b>		
▸ Graves sold 2018 financial year*	785	R9.0 million
▸ Graves sold in prior years	449	R4.8 million
<b>Fourways Memorial Park</b>		
▸ Graves sold 2018 financial year*	130	R5.9 million
▸ Other products	32	
▸ Graves sold in prior years (since acquisition)	48	R1.2 million

\* Cash received from 232 graves at an average sales price of R16 594 (including VAT) have not been accounted for yet due to being sold on deferred payment terms.

Our national roll-out plan is rapidly developing, supported through the acquisition of the Durbanville Memorial Park in Cape Town on 1 March 2018 and the Avalon Memorial Park in Bloemfontein, which will be effective 1 June 2018. The Eastern Cape and KwaZulu-Natal are targeted provinces for expansion, planned for later in the 2019 financial year or early in the 2020 financial year.

### Residential Rental Investments

Of the 3 852 units in the first tranche, 648 were completed and handed over to the Afhco Calgro M3 Consortium (the "Consortium") starting in November 2017. The remaining units will be handed over in a staggered manner over the coming months, with Belhar delayed due to the slowdown associated with the water challenges in Cape Town.

The Consortium is to target net property income yields in excess of 10.5% as well as a targeted rental escalation of 6% per annum that equates to a circa 20% return on equity in total (after gearing). No

## Commentary (continued)

additional equity will be required by Calgro M3 for this initial investment, as the investment will be funded from value locked up in the Group balance sheet.

In line with our medium to long-term strategy, this sector was entered, to secure annuity revenue for use as operating cash. In addition to this, the Group benefits from bulk infrastructure created previously, rather than having to create infrastructure each time a development commences.

This strategy further assists Government in eradicating the housing backlog without exposing the Group to diminishing public sector spend.

In line with the diversification strategy, we have entered into our first non-Calgro M3 acquisition in Ruimsig, Gauteng to the value of R402.4 million. A deposit of R78.6 million has been paid.

## Financial review

The reported financial results for the year are best defined by two specific items, *unrealised profit* from the construction of units for the REIT JV as well as *working capital* requirements and constraints. When analysing the financial results for the year, readers are urged to take special note of the impact of these two items on the results and the inter-relatedness of their effects.

### Statement of Comprehensive Income

R'000	Movement %	2018	2017
<b>Revenue</b>	12.09	<b>1 742 602</b>	1 554 680
Reversal of unrealised profit adjustment		<b>88 012</b>	1 176
Adjusted revenue	17.66	<b>1 830 614</b>	1 555 856
<b>Combined revenue</b>	16.71	<b>2 322 494</b>	1 989 921
Reversal of unrealised profit adjustment		<b>88 012</b>	1 176
Adjusted combined revenue	21.06	<b>2 410 506</b>	1 991 097
<b>Operating profit</b>		<b>149 926</b>	228 965
Reversal of unrealised profit adjustment		<b>88 012</b>	1 176
Adjusted operating profit	3.39	<b>237 938</b>	230 141
Core earnings per share ("Core EPS")	9.81	<b>147.26</b>	134.10
Core headline earnings per share ("Core HEPS")	6.97	<b>143.47</b>	134.12
Return on equity		<b>10.99%</b>	18.36%
Return on equity (including unrealised profit)		<b>16.76%</b>	18.42%
<b>Unrealised profit</b>			
Unrealised profit before tax		<b>88 012</b>	1 176
Income tax at 28%		<b>(24 643)</b>	(329)
Unrealised profit after tax		<b>63 369</b>	847
Unrealised profit – share of profit of joint ventures and associates		<b>4 999</b>	475
<b>Total post tax profit reversal</b>		<b>68 368</b>	1 322

When comparing the full year results with the interim results for the period ended August 2017, a slowdown in revenue and combined revenue in the second six months is evident. The slowdown was due to a calculated decision by management to ensure the Group was not placed under undue working capital pressure while additional working capital funding was being secured. The Group set out to raise R550 million in May 2017 of which R350 million would be allocated to working capital and the balance to new opportunities and as a cash buffer. The capital raising process took a lot longer than initially anticipated and operations had to be slowed down to protect working capital. Revenue and combined revenue therefore grew at a slower pace in the second half of the year.

In November 2017 the first tranche of international funding was raised to the value of R278 million, from Societe De Promotion Et De Participation Pour La Cooperation Economique ("Proparco") S.A, a subsidiary of Agence Française De Développement ("AFD"). The balance of R109 million is due to be released in June/ July 2018, once certain international environmental and health and safety compliance requirements are achieved.

The Group is in the final stages of securing an additional R200 million facility from a local funder which will complete the fundraising goal of R550 million. This funding, together with cash flow upside from operations, will sustain the Group's capital requirements in the short term.

We are pleased with the diversity of the contribution to combined revenue, with South Hills surpassing Fleurhof as the main contributor in the year under review. South Hills was responsible for 41.94% (2017: 19.0%) and Fleurhof for a contribution of 22.86% (2017: 36.1%). This is viewed as an extremely positive development that demonstrates the Group's ability to consistently and sustainably deliver on these large-scale integrated projects.

Memorial Parks contributed 5.14% (2017: 0%) to overall Group profit. With a target of equal profit contribution from all three businesses in the medium term, the Group views Memorial Parks as a high-growth area. A substantial amount of emphasis will be placed on growing this business in the next financial year to achieve our internal target of a contribution in excess of 10% of Group profit.

Basic earnings per share ("EPS") decreased by 29.42% to 93.91 cps (2017: 133.06 cps). Similarly, headline earnings per share ("HEPS") decreased by 32.28% to 90.12 cps (2017: 133.08 cps). The new metrics which provide additional information on the Group's performance, core earnings per share ("Core EPS"), increased by 9.81% to 147.26 cps (2017: 134.10 cps), as well as core headline earnings per share ("Core HEPS"), which increased by 6.97% to 143.47 cps (2017: 134.12 cps).

R'000	2018	2017
<b>Gross profit % reconciliation</b>		
Gross profit	270 089	334 163
Reversal of unrealised profit adjustment	88 012	1 176
Adjusted gross profit	358 101	335 339
Gross profit (%)	15.50%	21.49%
Adjusted gross profit (%)	19.56%	21.55%

## Commentary (continued)

The gross profit margin of 15.50% is lower than the gross margin of 21.49% reported in February 2017. Once unrealised profit is added back, the adjusted margin settles at 19.56%, which more closely aligns to the target range of 20% to 25%. The adjusted margin is expected to increase towards the target range once all rebates and volume discounts are secured from suppliers on the back of higher volumes from construction of units for the REIT JV and the private sector. This is already evidenced from the 17.14% gross profit margin reported in August 2017.

In the current year administrative expenses increased by 11.58% with the bulk of the increase attributable to marketing-related expenses, technology expenses, corporate social investments, staff increases and various professional consultants.

The increase in finance income is primarily attributable to increased operations at the South Hills and Witpoortjie projects and an increase in shareholder loans to the Tanganani project, which are all accounted for as joint ventures (JVs) within the Group. These increased operations resulted in increased loan and debtor account balances on which finance income is earned. These increased operations resulted in a 52.5% increase in the share of profits of joint ventures and associates to R9.6 million (2017: R6.3 million).

### Statement of Financial Position

R'000	Movement %	2018	2017
Working capital invested (inventory, construction contracts, trade and other receivables)	18.32	<b>2 669 111</b>	2 255 835
Cash and cash equivalents	(34.91)	<b>156 723</b>	240 765
Borrowings	55.62	<b>889 597</b>	571 646
Net debt to equity ratio*		<b>0.75</b>	0.42
<i>Covenant (target below covenant)</i>		<b>1.5</b>	1.5
Debt service cover ratio ("DSCR")		<b>1.57</b>	1.83
<i>Covenant (target above covenant)</i>		<b>1.2</b>	N/A
Current ratio		<b>1.75</b>	1.79

\* Please refer to note 3 for definition and calculation.

Construction contracts increased during the year, reflecting the increased construction and development of units for the REIT JV, as well as for the private sector not yet handed over. The construction contracts balance is estimated to be at its peak, for units for the REIT JV (to which the bulk of the increase is attributable). Total construction contracts balance at year-end, attributable to the construction of units for the REIT JV, is R392.3 million.

Construction of these units had a negative impact on cash generated from operations as all capital is required to be invested until the units are completed. The units will be handed over on a staggered basis over the next six months and this will free up working capital.

Even though net movements in inventory were minimal, they bear mentioning. Of the balance of R554.4 million (2017: R596.0 million), R130.7 million (2017: R120.2 million) is attributable to Memorial Parks. A further R116 million was transferred from inventory to construction contracts during the year as construction began on Jabulani Parcel C and K units and R27.9 million was spent on the La Vie Nouvelle frail-care building.



In addition, the Group secured new properties in Vredehoek in the Western Cape, and at Bridge City and Umhlanga Hills in KwaZulu-Natal – all with a focus on the private sector and with bulk infrastructure already in place. The properties were acquired on structured payment arrangements with minimal upfront capital investment.

The acquisition of the Durbanville Memorial Park was completed after year-end, with Calgro M3 obtaining effective control from 1 March 2018 for an amount of R18 million (payable on a structured basis). Included in the acquisition is a fully registered non-profit organisation (“NPO”) worth in excess of R10 million which will be responsible for the Memorial Parks maintenance fund of the Group going forward.

Cash balances at year-end settled at R156.7 million (2017: R240.8 million) and are expected to strengthen as more REIT JV and private sector units are completed and handed over and as additional working capital is raised.

The net debt to equity ratio has increased to 0.75 (2017: 0.42). These gearing levels remain comfortably within the covenant ratio of 1.5 and our own internal tolerance level of 1.2. The gearing levels are expected to rise to a level closer to 1:1 as more working and investment capital is secured to fund the increased focus on the private sector as well as the acquisition of new opportunities. The Group's weighted average cost of debt is currently at 11.11%.

### Cash flow

Cash flow from operations came under pressure during the year due to the increased construction of REIT JV and private sector units. Cash generated from operations is expected to improve in the next six months as more units are handed over. If the investment into the REIT JV is eliminated in the current year, the cash flow from operations would have illustrated the following cash generated from operations:

R'000	2018
Cash generated from operations	(205 839)
Total investment into REIT JV units at year-end	392 260
Adjusted cash generated from operations excluding REIT JV units	186 421

At 28 February 2018, the estimated cash flow upside on completion of all the first phase (3 852 units) REIT units, after the deduction of our equity contribution is illustrated below:

R'000	2018
Total cost to complete units	(338 665)
Total funds to be received on completion	1 162 334
Less: Deposit	(177 027)
	646 642
Less: Equity contribution to the REIT JV	(384 451)
<b>Total cash upside upon completion to be used for future working capital</b>	<b>262 191</b>

During the year, the Group invested very little into new infrastructure in an effort not to place additional pressure on working capital. With cash flow stabilising, the Group commenced with infrastructure installation on 2 426 opportunities close to year-end and is expected to commence on a further approximate 3 000 opportunities as the year progresses, to ensure future growth.

The first investment of R102.3 million into the Afhco Calgro M3 Consortium was made towards the end of the current financial year with a further R384.5 million expected in the next six months with no additional cash flow requirement.

### Segmental report changes

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 and determine strategy for the Group, set and review budgets, allocate Group resources to the operating segments and assess the performance of the operating segments.

The CODM manages the Group activities in three distinct segments, namely:

- ▶ Integrated Residential Developments – which consists of the following activities: infrastructure development; marketing and sales; construction; and handover to client;
- ▶ 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 align with the Group's current and strategic goals.

The segmental representation 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 change.

### Empowerment

Transformation goes beyond compliance with legislation and regulation. Our goal is to create a truly transformed organisation where people are empowered to fulfil their purpose. We acknowledge that the broader transformation of society cannot take place unless large companies like Calgro M3 play a major part. We are proud to announce that Calgro M3 is a recognised level 1 contributor (2017: Level 4 contributor).

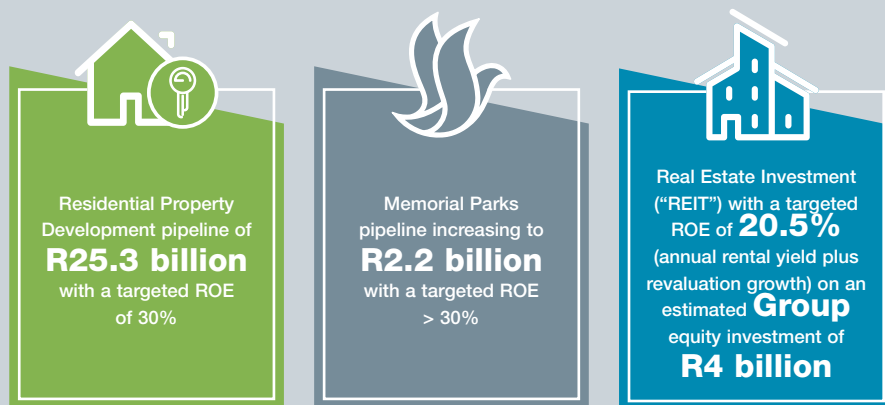
### Strategy and prospects

Our strategy is to enable the extraction of multiple sources of revenue and profits from businesses and opportunities along the turnkey property development value chain, which will result in an improved operating margin blend and the creation of annuity income.

This strategy can only be achieved if the capital base grows annually by capitalising profits rather than paying dividends and continuing to gear profits. The optimal application of capital between new opportunities, working capital and risk capital will remain an important strategic decision as capital allocation across this horizontal value chain is made.

Investment into opportunities that deliver annuity income is a strong element of strategic focus for the Group. The medium-term goal is to:

- ▶ Increase exposure in the residential rental market;
- ▶ Develop insurance-related products for the Memorial Parks business by partnering with insurance specialists; and
- ▶ Identify and invest in new business opportunities able to deliver annuity income.



Current share price levels are estimated to be at a discount to management valuation. Refer to the integrated annual report for a detailed analysis of the management valuation and metrics applied as well as the notice of AGM.

## Health, safety and environmental initiatives

Calgro M3 remains committed to health and safety standards of the highest level as well as minimising the negative impact of any operations on the environment.

The Group is currently on a renewed drive to enhance the policies and procedures that govern health and safety across operations as well as the environmental impact. The development and enforcement of these policies and procedures are being undertaken by a newly appointed Health and Safety Manager and an Environmental Manager, together with support from external experts.

The Group is extremely proud to announce that 2018 was again fatality free.

### Board of Directors

It was 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 Company. Our condolences are extended to his wife, children, grandchildren, family and friends.

Calgro M3 has begun the process of identifying and nominating an appropriate replacement and shareholders will be informed accordingly.

### Strengthening of operational management

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.

### Annual report and notice of annual general meeting

The Company's integrated annual report containing the audited annual financial statements for the year ended 28 February 2018, and the notice of the annual general meeting are available on the Company's website hosted at [www.calgrom3.com](http://www.calgrom3.com). It will be posted to shareholders on or about 28 May 2018.

### Appreciation

None of our achievements would be possible without our clients. We continually strive to assist clients to fulfil their needs and thank them for their continued support of the Calgro M3 brand and the spectrum of products and services. We further rely on support and commitment from all our stakeholders and shareholders – from government and regulators to the individual communities in which we operate.

We would also like to thank the management team for their commitment and drive, and to extend our gratitude to the Calgro M3 Board and employees. Our team has an unchanged focus of achieving a 30% return on equity and will continue to work to achieve this.

Our ultimate goal of becoming the provider of choice in all our markets is within our reach and we once again renew our commitment to Build Legacies and Changing Lives.

**Wikus Lategan**

*Chief Executive Officer*

**Waldi Joubert**

*Financial Director*

Johannesburg

11 May 2018

## Summarised Consolidated Statement of Comprehensive Income

R'000	Audited year ended 28 February 2018	Audited year ended 28 February 2017
Revenue	1 742 602	1 554 680
Cost of sales	(1 472 513)	(1 220 517)
<b>Gross profit</b>	<b>270 089</b>	<b>334 163</b>
Other income	12 922	16 600
Other expenses	(1 310)	(3 700)
Administrative expenses	(131 775)	(118 098)
<b>Operating profit</b>	<b>149 926</b>	<b>228 965</b>
Finance income	28 957	19 994
Finance cost	(16 687)	(21 919)
Share of profit of joint ventures and associates – net of tax	9 560	6 269
<b>Profit before tax</b>	<b>171 756</b>	<b>233 309</b>
Taxation	(50 949)	(63 176)
<b>Profit after taxation</b>	<b>120 807</b>	<b>170 133</b>
<b>Profit after taxation and other comprehensive income attributable to:</b>		
– Owners of the parent	120 351	169 156
– Non-controlling interests	456	977
	<b>120 807</b>	<b>170 133</b>
<b>Profit after taxation attributable to:</b>		
Equity holders of the company	120 351	169 156
Earnings per share – cents	93.91	133.06
Fully diluted earnings per share – cents	92.00	129.00

## Earnings Reconciliation

R'000	Audited year ended 28 February 2018	Audited year ended 28 February 2017
<b>Determination of headline and diluted earnings</b>		
Attributable profit	120 351	169 156
(Profit)/loss on disposal of property	(170)	25
Gain on deemed disposal of interest in joint venture	(6 000)	–
Impairment of goodwill	1 310	–
<b>Headline and diluted headline earnings</b>	<b>115 491</b>	<b>169 181</b>
<b>Determination of earnings and diluted earnings</b>		
Attributable profit	120 351	169 156
Earnings and diluted earnings	120 351	169 156
Number of ordinary shares ('000)	128 150	128 150
Weighted average shares ('000)	128 150	127 126
Headline earnings per share – cents	90.12	133.08
Fully diluted headline earnings per share – cents	88.29	129.02
Fully diluted weighted average shares ('000)	130 813	131 127

## Summarised Consolidated Statement of Financial Position

R'000	Audited year ended 28 February 2018	Audited year ended 28 February 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment Property	8 879	6 519
Property, plant and equipment	6 163	5 806
Intangible assets	159 664	159 690
Investment in joint ventures and associates	41 909	12 349
Deferred income tax asset	23 999	14 847
	240 614	199 211
<b>Current assets</b>		
Loans to joint ventures and associates	143 422	26 451
Inventories	554 397	595 990
Construction contracts and work in progress	1 820 974	1 387 537
Trade and other receivables	293 739	276 198
Current tax receivable	16 600	18 603
Cash and cash equivalents	156 723	240 765
	2 985 855	2 545 544
<b>Total assets</b>	<b>3 226 469</b>	<b>2 744 755</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Stated capital	116 256	116 256
Share-based payment reserve	74 056	60 847
Retained income	977 015	846 079
	1 167 327	1 023 182
Non-controlling interests	355	(101)
<b>Total equity</b>	<b>1 167 682</b>	<b>1 023 081</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred income tax liability	354 283	302 358
	354 283	302 358
<b>Current liabilities</b>		
Borrowings	889 597	571 646
Other current liabilities	814 907	847 670
	1 704 504	1 419 316
<b>Total liabilities</b>	<b>2 058 787</b>	<b>1 721 674</b>
<b>Total equity and liabilities</b>	<b>3 226 469</b>	<b>2 744 755</b>
<b>Net asset value per share – cents</b>	<b>911.18</b>	<b>798.35</b>
<b>Net tangible asset value per share – cents</b>	<b>786.59</b>	<b>673.73</b>

## Summarised Consolidated Statement of Cash Flows

R'000	Audited year ended 28 February 2018	Audited year ended 28 February 2017
<b>Cash (utilised in)/generated from operating activities</b>		
Cash (utilised in)/generated from operations	(205 838)	292 068
Finance income received	6 686	16 727
Finance cost paid	(75 747)	(63 167)
Tax paid	(1 478)	(7 444)
<b>Net cash (utilised in)/generated from operating activities</b>	<b>(276 377)</b>	<b>238 184</b>
<b>Cash flows invested in investing activities</b>		
Purchase of investment property	(2 360)	–
Purchase of property plant and equipment	(1 579)	(867)
Purchase of intangible assets	(7)	(52)
Proceeds on disposals of property plant and equipment	243	–
Increase in Investments in JV/Associate	(10 000)	–
Acquisition of business	(2 500)	(4 500)
Acquisition of subsidiary	51	(93 000)
Loans advanced to joint ventures and associates	(113 381)	(18 472)
<b>Net cash invested in investing activities</b>	<b>(129 533)</b>	<b>(116 891)</b>
<b>Cash flows from financing activities</b>		
Proceeds of borrowings	516 000	239 809
Repayment of borrowings	(192 000)	(206 915)
Equity (paid back)/received in advance*	(2 132)	6 507
<b>Net cash from financing activities</b>	<b>321 868</b>	<b>39 401</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(84 042)</b>	<b>160 694</b>
Cash and cash equivalents at the beginning of the year	240 765	80 071
<b>Cash and cash equivalents at end of the year</b>	<b>156 723</b>	<b>240 765</b>

\* This relates to cash paid back and received for the subscription of shares issued under the Calgro M3 Executive Share Scheme.



## Summarised Consolidated Statement of Changes in Equity

R'000	Stated capital	Share-based payment reserve	Retained income	Total	Non-controlling interests	Total equity
<b>Balance at 1 March 2016</b>	96 022	47 922	676 923	820 867	(1 078)	819 789
Share-based payment/ reserve movement	20 234	12 925	–	33 159	–	33 159
<b>Total comprehensive income for the year ended 28 February 2017</b>	–	–	169 156	169 156	977	170 133
<b>Balance at 1 March 2017</b>	<b>116 256</b>	<b>60 847</b>	<b>846 079</b>	<b>1 023 182</b>	<b>(101)</b>	<b>1 023 081</b>
Share-based payment/ reserve movement	–	23 794	–	23 794	–	23 794
Cancellation of executive share scheme participant	–	(10 585)	10 585	–	–	–
<b>Total comprehensive income for the year ended 28 February 2018</b>	–	–	120 351	120 351	456	120 807
<b>Balance at 28 February 2018</b>	<b>116 256</b>	<b>74 056</b>	<b>977 015</b>	<b>1 167 327</b>	<b>355</b>	<b>1 167 682</b>

## Summarised Segment Report for the Group

February 2018 R'000	Residential Property Development	Memorial Parks	Residential Rental Investment	Holding Company/ unallocated*	Total
<b>Total segment revenue</b>	1 729 998	12 604	–	–	1 742 602
<b>Revenue from joint ventures and associates</b>	579 892	–	–	–	579 892
<b>Combined revenue</b>	2 309 890	12 604	–	–	2 322 494
<b>Operating profit</b>	148 554	5 712	–	(4 340)	149 926
<b>Finance income</b>	28 922	28	–	7	28 957
<b>Finance costs</b>	(15 587)	(1 100)	–	–	(16 687)
<b>Share of profit/(loss) of associate/joint venture</b>	9 052	–	508	–	9 560
<b>Adjusted profit before tax</b>	170 941	4 640	508	(4 333)	171 756
<b>Profit after taxation</b>	118 677	6 215	508	(4 593)	120 807
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment property	–	8 879	–	–	8 879
Property, plant and equipment	3 608	2 555	–	–	6 163
Intangible assets	158 969	695	–	–	159 664
Investment in joint ventures and associates	41 401	–	508	–	41 909
Deferred income tax asset	22 043	1 290	666	–	23 999
	226 021	13 419	1 174	–	240 614
<b>Current assets</b>					
Loans to joint ventures and associates	41 092	–	120 330	–	143 422
Inventories	423 642	130 755	–	–	554 397
Current tax receivable	16 484	32	–	84	16 600
Construction contracts	1 820 974	–	–	–	1 820 974
Trade and other receivables	287 783	5 482	451	23	293 739
Cash and cash equivalents	152 898	2 825	–	1 000	156 723
	2 742 873	139 094	102 781	1 107	2 985 855
<b>Total assets</b>	2 968 893	152 513	103 955	1 107	3 226 469

February 2018 R'000	Residential Property Development	Memorial Parks	Residential Rental Investment	Holding Company/ unallocated*	Total
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred income tax liability	354 283	–	–	–	354 283
	354 283	–	–	–	354 283
<b>Current liabilities</b>					
Borrowings	271 426	–	–	618 170	889 597
Loans from group companies	–	–	–	–	–
Current income tax liabilities	23	–	–	–	23
Trade and other payables	787 199	25 947	–	1 738	814 884
	1 058 648	25 947	–	619 908	1 704 504
<b>Total liabilities</b>	<b>1 412 931</b>	<b>25 947</b>	<b>–</b>	<b>619 908</b>	<b>2 058 787</b>

\* The group operates a central treasury function across all business segments. The Bond exchange borrowings cannot be allocated to 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.

February 2017 R'000	Residential Property Development	Memorial Parks	Residential Rental Investment	Holding Company/ unallocated*	Total
<b>Segment revenue</b>	1 550 363	4 317	–	–	1 554 680
<b>Revenue from joint ventures and associates</b>	435 241	–	–	–	435 241
<b>Combined revenue</b>	1 985 604	4 317	–	–	1 989 921
<b>Operating profit</b>	230 593	1 210	–	(2 838)	228 965
<b>Finance income</b>	19 977	10	–	8	19 995
<b>Finance costs</b>	(21 263)	(656)	–	–	(21 919)
<b>Share of profit/(loss) of associate/joint venture</b>	6 269	–	–	–	6 269
<b>Adjusted profit before tax</b>	235 576	564	–	(2 830)	233 310
<b>Profit after taxation</b>	173 952	(241)	–	(3 578)	170 133

## Summarised Segment Report for the Group (continued)

February 2017 R'000	Residential Property Development	Memorial Parks	Residential Rental Investment	Holding Company/ unallocated*	Total
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment property	–	6 519	–	–	6 519
Property, plant and equipment	3 401	2 405	–	–	5 806
Intangible assets	158 995	695	–	–	159 690
Investment in joint ventures and associates	12 349	–	–	–	12 349
Deferred income tax asset	13 977	870	–	–	14 847
	188 722	10 489	–	–	199 211
<b>Current assets</b>					
Loans to joint ventures and associates	26 451	–	–	–	26 451
Inventories	475 764	120 226	–	–	595 990
Current tax receivable	18 443	–	–	160	18 603
Construction contracts	1 383 647	–	–	–	1 383 647
Work in progress	3 890	–	–	–	3 890
Trade and other receivables	275 841	138	–	219	276 198
Cash and cash equivalents	239 563	1 192	–	10	240 765
	2 423 599	121 556	–	389	2 545 544
<b>Total assets</b>	<b>2 612 321</b>	<b>132 045</b>	<b>–</b>	<b>389</b>	<b>2 744 755</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred income tax liability	302 358	–	–	–	302 358
	302 358	–	–	–	302 358
<b>Current liabilities</b>					
Borrowings	–	–	–	571 646	571 646
Current income tax liabilities	2	7	–	–	9
Trade and other payables	823 514	23 044	–	1 103	847 661
	823 516	23 051	–	572 749	1 419 316
<b>Total liabilities</b>	<b>1 125 874</b>	<b>23 051</b>	<b>–</b>	<b>572 749</b>	<b>1 721 674</b>

\* 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.

## Related party transactions

R'000	Audited year ended 28 February 2018	Audited year ended 28 February 2017
Compensation paid to key employees and personnel	34 409	60 894
Finance income from related parties	15 791	10 368
Contract revenue received from joint ventures	485 166	203 119
Services fees received from joint ventures	–	10 843

## 1. Basis of preparation

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The consolidated financial statements were internally compiled by UK Kissoon Singh CA(SA) and M Esterhuizen CA(SA) under the supervision of WA Joubert CA(SA) and were approved by the Board on 11 May 2018.

This summarised report is extracted from audited information, but is not itself audited. The consolidated annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited consolidated annual financial statements and the auditor’s report thereon are available for inspection at the Company’s registered office.

The directors take full responsibility for the preparation of the abridged report that the financial information has been correctly extracted from the underlying annual financial statements.

## 2. Dividends

Management believes that cash should be retained to fund growth within the Group. Cash retention is important to ensure investment into future projects and businesses. The Board has therefore resolved not to declare a dividend for this financial year.

### 3. Ratio calculations

#### 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).

R'000	2018	2017
<b>Net debt</b>		
Borrowings	889 597	571 646
Other Interest bearing borrowings	88 408	71 599
Less: Cash and cash equivalents	(156 723)	(240 765)
	821 282	402 480
<b>Equity</b>		
Stated capital	116 256	116 256
Retained income	977 015	846 079
	1 093 271	962 335
<b>Net debt/equity ratio</b>	0.75	0.42

#### 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 below 1.5:1.

#### 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 capital expenditure (including investments into associates and joint ventures). Debt service requirement is calculated as Interest and fees plus Principal repayments.

R'000	2018	2017
<b>Available cash flow</b>		
Net cash generated from operating activities	(205 839)	292 068
New financial indebtedness incurred	516 000	239 809
Cash and cash equivalent BoY	240 765	80 071
Capital expenditure	(129 532)	(116 890)
	421 394	495 058
<b>Debt service requirement</b>		
Interests and fees	(75 747)	(63 167)
Principal repayments	(192 000)	(206 915)
	(267 747)	(270 082)
<b>Debt Service Cover Ratio ("DSCR")</b>	1.57	1.83

## This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



**Directors**

PF Radebe (Chairperson)\*#  
WJ Lategan (Chief Executive Officer)  
FJ Steyn  
WA Joubert (Financial Director)  
W Williams  
VJ Klein\*#  
H Ntene\*#  
RB Patmore\*#  
ME Gama\*#  
BP Malherbe\*  
MN Nkuhlu  
HC Cameron\*# (passed away on 6 April 2018)

\* *Non-executive*      # *Independent*

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Rosebank Towers  
15 Biermann Avenue  
Rosebank  
2196  
  
PO Box 61051, Marshalltown, 2107

**Sponsor**

Grindrod Bank Limited

**Auditors**

PricewaterhouseCoopers Inc.

**Website**

[www.calgrom3.com](http://www.calgrom3.com)

**Disclaimer:** *Statements contained in this announcement regarding the prospects of the Group have not been reviewed or audited by the Group's external auditors.*



  
**CALGRO M3**  
[www.calgrom3.com](http://www.calgrom3.com)