Summarised audited consolidated financial results

for the year ended 28 February 2019

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")

CALGRO M3 Group

Highlights

Cash on hand of R122.6 million *(in addition to R100 million in undrawn facilities available)*

Cash generated from operations: R298 million

Level 1 B-BBEE contributor

4 436 units sold – construction to commence *(R1.7 billion (excluding VAT))*

Estimated management valuation of an additional R1.4 billion in tangible asset value locked in the balance sheet *(excluding JV interest and discounted by 30%) (refer to the integrated annual report for more information)*

Residential Property Development
- Completion of South Hills and Jabulani developments

Memorial Parks
- Memorial Parks revenue increased by 65.98%, while cash received increased by 93.29%
- Total pipeline R2.3 billion
- Two new Memorial Parks acquired (Durbanville and Bloemfontein)

Residential Rental Investments
- Occupation taken on the first 80 of 480 units from a third party

Building legacies. Changing lives

COMMENTARY

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, development and management of Memorial Parks and venturing into Residential Rental Investments.

Background to impacts on the business

The financial results for the year were impacted by several operational challenges and transactions, coupled with changes in accounting standards (outlined in the transitional report published on 27 September 2018). This makes a direct comparison between periods extremely difficult.

The most prevalent items to impact the results include:

- Scottsdene land invasion security cost and damages of R27.9 million
- Fleurhof land invasion security cost and damages of R43.1 million
- Fleurhof electrification standing time cost of R23.3 million
- Cancellation of the Executive Share Scheme R43.9 million
- IFRS 15 and IFRS 9 impact R56.2 million
- La Vie Nouvelle net realisable value write-down of R54.0 million

Medium to long-term strategy

1. **The Group is strategically aligned to ensure it remains committed to the targeted return on equity ("ROE") of 30% over the medium to long term. The commitment is based on the following targets:**
   - Residential Property Development – Targeted ROE 30%
   - Memorial Parks – Targeted ROE > 30%
   - Residential Rental Investments – Targeted ROE 20.5% *(annual rental yield plus revaluation growth on geared portfolio)*
2. **Equal profit contribution from each of the three businesses.**
3. **Securing an annuity income stream sufficient to cover all operating expenses for the Group.**

Areas of focus over the medium term to achieve these goals:

- Greater brand awareness and the creation of an aspirational brand
- Continue to make an impact on people's lives, every day
- Ensure the Calgro M3 team is passionate about serving the people of South Africa by building legacies and changing lives
- Growing each business to support the committed ROE targets
- Capital allocation: Please refer to the integrated report for more detail

The challenges experienced in the Residential Property Development business across the year, despite geographical diversification benefits, highlight that risks surrounding relationships with municipalities and local communities have increased. Given this, the Group has decided that the property development business will strategically only focus on Gauteng, the Western Cape, KwaZulu-Natal and the Free State in the short to medium term. This decision means that consideration is being given to the sale of the Eastern Cape, KwaNobuhle project. Returns from this project will be reinvested into new projects in Gauteng with an aim to providing investors with a pipeline visibility of 10 to 15 years.

Operational review

Residential Property Development

The Residential Property Development business, which is the largest contributor to Group operations, experienced an extremely tough year, exacerbated by a sluggish economy and political uncertainty. The Group had 10 projects in the ground, contributing to revenue which made the impact of the challenges more manageable.

The variable costing model, adopted across projects, was thoroughly tested during the year where certain sites had to be temporarily closed as a result of the challenges faced. The temporary closure of sites is accompanied by practical execution challenges such as securing a site that is geographically widely spread out. The implementation of the required actions was more complex and costlier than anticipated. Terminating sub-contractor employment in times when employment is scarce, and unemployment is on the rise, was disconcerting and morally challenging to say the least. Even though the scaling back of the variable costing model was not as efficient as management would have liked, lessons were learnt which will ensure that similar actions will be more systematic and efficient in future.

Some challenges faced by the development business and mitigation strategies include*:

Challenge/risk experienced	Current status	Mitigating actions taken
Scottsdene and Fleurhof illegal occupation of units	‣ Fleurhof resolved ‣ Scottsdene illegal occupation of adjacent council-owned land ongoing	‣ Increased security presence and continuous site surveillance ‣ Minimal new construction and no new development projects begun in the past six months to reduce the risk of partially completed units occupied or illegally invaded in the build-up to the national elections ‣ Community engagement to communicate and entrench the positive impacts new development will have on the area
Fleurhof electrification challenge	‣ Budget made available by National Department of Human Settlements ‣ Final agreements being negotiated	‣ Engagement with City Power to resolve dispute ‣ Alternative energy sources investigated to assist in electrification of units ‣ Engaging with the City of Johannesburg to assist with resolution
Water shortages in Western Cape	‣ Construction activity to resume to normal ‣ Strategic decision taken not to increase capacity and remain cautious in the build-up to national election	‣ Slowed down construction to preserve water ‣ Use of borehole water only for development (with associated water-use licences) ‣ Water saving initiatives implemented throughout design and all construction processes
Public sector spending decline	‣ Ongoing management	‣ Primary focus on private sector ‣ Working together with public sector on innovative ways to assist in the eradication of the housing shortfall
Working capital constraints	‣ Strict cash flow management ‣ Cash generated from operations R298 million	‣ Variable costing model tested. Some sites temporarily closed to preserve capital ‣ Strict budget and cash flow monitoring ‣ No new construction begun, with primary focus on completing current units ‣ Capital raise started earlier to make provision for any shortfalls

6 028 units were under construction during the period, while 2 807 units were handed over compared to 3 426 units in the 2018 financial year.

2019	Subsidised	GAP/FLISP	Rental	Affordable	Mid to high	Total
Units handed over	1 542	140	908	121	96	**2 807**
Units under construction	788	1 525	748	107	53	**3 221**
Units sold – construction to commence	2 050	656	1 059	665	6	**4 436**

Strategic approach

With 7 933 serviced opportunities, the Group remains well positioned to assist Government in the eradication of the housing backlog in times when Governmental budget and cash flow is available.

During the past 12 months, the Group reassessed numerous bulk sale transactions concluded, to ensure all remain sound from a delivery and profitability perspective. The following transactions were subsequently cancelled without incurring penalties:

- Belhar student housing private institution sale – 2 200 beds – R411 million
- Belhar units to Afhco Calgro M3 Consortium – 1 000 rental units – R447.3 million
- Scottsdene units to Afhco Calgro M3 Consortium – 844 units – R317.1 million
- Fleurhof units to Afhco Calgro M3 Consortium – 828 units – R321.9 million
- Fleurhof shopping centre land to the value of R50 million
- Various open market sales to the value of approximately R100 million

* *A detailed write up on the current status, where much progress has been made, and mitigating actions taken is available in the Integrated Annual Report on the website at www.calgrom3.com.*

New transactions structured pertaining to these cancellations:

Belhar

- Improved student housing transaction – densified to 2 700 beds with similar selling price per bed, ensuring better profitability. Final agreements are being negotiated based on an upfront land payment and monthly construction progress draws – R520 million
- Approximately 300 units originally sold to the Afhco Calgro M3 Consortium were sold on the open market for a price 13% higher than the cancelled transaction – R156 million

Scottsdene

- Negotiations on various transactions are ongoing but hampered by the current land invasion challenges

Fleurhof

- All 828 units originally sold to the Afhco Calgro M3 Consortium have been sold to Gauteng Department of Human Settlements as war veteran and subsidised housing. The new transaction includes a deposit, already received by Calgro M3, as well as monthly progress draws – R286 million (zero-rated)
- Negotiation under way on a shopping centre stand for a value of roughly 30% higher than the cancelled transaction. Any transaction will, however, be conditional on final resolution of the electrification challenge

The dispute surrounding the rehabilitation of the mine dump, located on the Fleurhof property, was concluded during the year and the removal of the dump has commenced, with a third party carrying the cost. The area under the dump will allow for an additional 6 000 to 8 000 units to be developed. The process to determine the exact number of opportunities as well as the timeframes to remove the dump has begun and further information will be provided once clarity is obtained. This property carries no value on the Calgro M3 balance sheet currently and has not been included in the pipeline.

The Group disposed of the 32-on-Pine development during the year for R36.2 million (VAT included). The proceeds of the sale were used as a deposit for the acquisition of additional new units by the Residential Rental Investment business from a third-party developer.

The first phase of infrastructure on the Vista Park development commenced and was completed during the year, together with the completion of the La Vie Nouvelle Lifestyle and Wellness Estate frail care centre.

The primary focus of the Residential Property Development business remains the roll-out of the existing pipeline, capitalising on the private sector sales drive and enhancing the product offering, whilst at the same time remaining focused on improving efficiencies. Despite challenges, the Group remains strategically positioned to ensure risk is optimally mitigated and managed in these uncertain times, which creates a solid foundation for future growth.

Memorial Parks

Sales continued to grow in the Memorial Parks business with the total sales increasing to R20.9 million (2018: R12.6 million) for the year under review mainly due to the increased sales prices across the product range. An additional payment plan option, where clients can pay over several months (at no interest, or fees) was introduced during the year. These sales and resultant revenue are only recognised once the full purchase price is received from the customer. Accordingly, if a client discontinues payment, all his/her instalments are refunded.

Total grave sales increased to 1 126 graves (2018: 915) with cash received (including graves and other products excluding rental income and deferred sales) increasing to R28.8 million (2018: R14.9 million).

305 graves sold have not yet been accounted for due to being sold on deferred payment terms. A total of R2.3 million has been received in cash on these sales.

The target of achieving 10% of the overall profitability of the Group for the 2019 financial year was distorted due to the discontinuing of interest capitalisation together with other challenges experienced in the Group.

Despite this, Calgro M3 remains excited about this business based on the prospects of growth over the coming years. Emphasis is being placed on the acceleration of this business as well as the implementation of a strict cost control environment to support this growth. Funeral policy sales will remain a focus area until the correct product, structure and partner is found, as this will accelerate growth further.

The rights for the Witpoortjie Memorial Park (estimated 16 000 graves) was received during the year with the development to commence in the latter part of the 2020 financial year. The development of this memorial park will mark a new era for the Memorial Parks business, as it will be the first park to open on one of our residential development projects. The Group applied for rights at Fleurhof (estimated 22 000 graves) and at KwaNobuhle (estimated 48 000 graves) residential development projects, the outcome of which is being awaited. The granting of these rights will unlock value for the Group from land that is currently valued and carried at zero on the balance sheet.

The national roll-out plan is advancing rapidly, through the acquisition of the Durbanville Memorial Park in Cape Town, effective 1 March 2018 and the Avalon Memorial Park in Bloemfontein, effective 1 June 2018. The Eastern Cape, Tshwane and KwaZulu-Natal are targeted for expansion, planned for the 2020 financial year.

Residential Rental Investments

In line with the medium to long-term strategy, the Group entered this rental sector to secure annuity revenue for use as operating cash across the Group.

The strategy further aligns in assisting Government to eradicate the housing backlog through the introduction of residential rental units, without exposing the Group to diminished public-sector spend.

Since as early as 2015, Calgro M3 began investigating participating in the residential rental market. This led to partnering with SA Corporate through their subsidiary Afhco, for the first phase of rental investments, which led to the establishment 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, 1 556 units were completed and handed over to the consortium from November 2017.

During the current year, Calgro M3 and SA Corporate came to realise that the fundamental goals and risk appetite of a property development company diversifying into long-term annuity income market, and a pure yield driven REIT, were vastly different. The parties therefore entered discussions to dissolve the joint initiative.

The strategy of this business remains sound, but development-related risk such as the Fleurhof electrification challenge and the Scottsdene illegal invasions mean that Calgro M3 needs to consider a lower initial yield during the rental take-up phase.

The dissolution of the joint initiative was concluded in March 2019 and will be accounted for in the 2020 financial results.

The Group remains firmly committed to its strategy of growing this business as a form of risk diversification and a source of annuity income.

In line with this strategy, the first 80 of 480 units were acquired from a third-party developer and is in the process of being tenanted. These units were acquired by a company in which the third-party developer has a 20% equity stake together with Calgro M3 Real Estate, a wholly owned subsidiary of Calgro M3 Holdings, owning the remaining 80%. These units are being managed by a third-party rental management specialist.

Financial review

Statement of comprehensive income

As detailed in the transitional report dated 27 September 2019, IFRS 15 impacted the method and timing of revenue recognition. Revenue comparison between periods should not be performed as the Group has elected not to restate the comparative information as permitted by IFRS 15. Accordingly, the impact of IFRS 15 was applied using the modified retrospective restatement method allowed under the standard, resulting in an adjustment to the Group's opening retained earnings on 1 March 2018. Comparative information on revenue will not be amended for the impact of IFRS 15.

Unrealised profit

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. This shareholding results 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.

Disclosure on the above metrics will be discontinued from the 2020 financial year as the REIT JV is dissolved. Should any unrealised profits arise from development of units that Calgro M3 has a shareholding in, the relevant disclosure of unrealised profits will be made as required by the accounting standards, but with no reference to the above three metrics. Unrealised profits are anticipated to disappear with the dissolution of the REIT JV and any current unrealised profits not yet recognised on 28 February 2019, will only be realised once the units developed are sold to third parties.

Revenue decreased by 42.78% to R997.1 million (2018: R1.7 billion) and combined revenue decreased by 44.82% to R1.3 billion (2018: R2.3 billion). If revenue was accounted for under the previous accounting standards, revenue would have been R1.1 billion, resulting in a 38.74% decrease from the R1.7 billion reported in the previous year. Combined revenue (under the previous accounting standards) decreased by 41.78% to R1.4 billion (2018: R2.3 billion) due to the slowdown in operations as outlined in the operational update above.

The main contributing projects to combined revenue were South Hills at 45.21% (2018: 41.88%), Belhar at 11.04% (2018: 13.35%) and Fleurhof at 25.65% (2018: 22.86%).

The gross profit margin of 12.91% for the current year is affected by several extraordinary items, namely:

- IFRS 15 impact of R49.2 million
- Additional security on Fleurhof and Scottsdene of R71 million
  - Insurance and related claims were submitted to SASRIA and will be accounted for once confirmation or approval on the amount and timing is received. Total claims submitted are R57.2 million
- Standing time cost on Fleurhof of R23.3 million
- Variation order received on Fleurhof of R92 million
- Net realisable value write-down on La Vie Nouvelle of R54 million

In response to the negative impact of the adoption of IFRS 15 and IFRS 9 on the net debt/equity ratio, and the impact that this increased ratio has on the Group's future gearing ability, the participants of the Executive Share Incentive Scheme unanimously agreed to forfeit the scheme, despite it being "in the money" to enhance the equity of the Group through the reversal of the share-based payment reserve to retained earnings. The cancellation of the scheme resulted in the remaining expense on the scheme being fast-tracked through profit and loss in the current year, increasing administrative expenses. This acceleration and subsequent cancellation had no impact on equity.

The share-based payment reserve of R118 million (2018: R74.1 million), after the acceleration of the expense was reversed to retained income after the cancellation of the scheme.

In response to the cancellation of the Executive Share Scheme, the Remuneration Committee and the Board resolved to remunerate participants with a once-off payment. The total effective term that participants were remunerated for, ranged from 4.5 years to 10.5 years, with the average being seven years. A total cash amount of R25.3 million was awarded to participants. Please refer to the Remuneration Report on the website for more details.

The additional increase in administrative expenses of 41.2% from the previous period is due to:

- Executive share scheme acceleration – R44 million (2018: 23.8 million)
- Once-off payment to executives for cancellation of long-term scheme – R25.3 million
- New long-term service for staff – R6.2 million
- Increase in staff in the form of additional senior management and health, safety and environmental appointments – R3.2 million

Finance income continued to increase as a result of the increase in debtors and shareholder loan balances (on which interest is being earned) on the South Hills, Witpoortjie and Tanganani projects, which are all accounted for as joint ventures ("JVs") within the Group.

Returns on the REIT JV were earned through finance income instead of in the share of profits from JV classification. This situation arose due to the equity investment being treated as loans, instead of investments in joint ventures and associates. The increase in the loan balance by R149.8 million to R252.1 million (2018: R102.3 million) represents the Group's investment contribution for units that were completed and handed over. The loan balance will be settled through various dissolution transactions. The financial and accounting impact of the dissolution of the REIT JV is anticipated to be minimal.

The share of profit of JVs and associates is mainly attributable to the South Hills JV. This profit recognition was impacted by IFRS 15 within the JV itself. The total equity accounted profit on 1 March 2018 (once IFRS 15 opening balance adjustments were made), was a mere R249 683. Total profit after tax in South Hills at 28 February 2019 was R43.2 million, of which the Group accounted for 42.5%, being R15.1 million after the elimination of unrealised profit.

There were no outstanding debtor balances for South Hills at year-end.

The finance cost expense has increased largely due to increased working capital requirements and the cessation of interest capitalisation on Memorial Parks.

Earnings per share

Basic earnings per share ("EPS") decreased by 97.31% to 2.53 cps (2018: 93.91 cps). Similarly, headline earnings per share ("HEPS") decreased by 121.09% to (19.01) cps (2018: 90.12 cps). The new metrics introduced in the prior financial year provide additional information on the Group's performance. Core earnings per share ("Core EPS") decreased by 109.20% to (13.55) cps (February 2018: 147.26 cps), and core headline earnings per share ("Core HEPS") decreased by 124.45% to (35.08) cps (2018: 143.47 cps).

	February 2019	February 2018
Core earnings per share		
Profit attributable to shareholders	**3 240 735**	120 350 383
Add: (Realised)/unrealised profit (net of tax and share of profits of JVs)	**(20 600 005)**	68 367 999
Core (loss)/profit attributable to owners of parent ("core earnings")	**(17 359 270)**	188 718 382
Weighted average number of ordinary shares in issue	**128 150 069**	128 150 069
Core earnings per share (cents per share)	**(13.55)**	147.26
Core headline earnings per share		
(Loss)/profit used to determine headline earnings per share	**(24 359 642)**	115 490 468
Add: (Realised)/unrealised profit (net of tax and share of profits of JVs)	**(20 600 005)**	68 367 999
Core headline (loss)/profit attributable to owners of parent ("core headline earnings")	**(44 959 647)**	183 858 467
Weighted average number of ordinary shares in issue	**128 150 069**	128 150 069
Core headline earnings per share (cents per share)	**(35.08)**	143.47

The earnings on the Residential Rental Investments business is split between the interest received and equity accounting due to the shareholder loan not been converted to equity. Please refer to the segment report contained in the financial statements document placed on the website for details on the profits of each of the three businesses.

Statement of financial position

The increase in investment property, property, plant and equipment, investments (not for profit company/restricted investments), inventories and trade and other payables is due to the acquisition of the Durbanville and Avalon Memorial Parks.

The restricted investment is the cash investment in a fully registered non-profit organisation ("NPO"), specifically created to ensure the in-perpetuity maintenance of the Durbanville Memorial Park. It is intended to be utilised for the other parks as well, once there is more clarity on the effect of this change.

The Group acquired the remaining shareholding from the minority shareholder in Nasrec Memorial Park (36.5% shareholding) for R63.6 million during the year. R15.9 million was paid and the remaining balance, which carries no interest, will be settled over the next three years in equal annual instalments.

The Group made an additional investment into the Calgro M3 JCO Holdings (Pty) Ltd joint venture of R120 million for the purchase of the rental units in Ruimsig, Johannesburg. This represents the full equity contribution for the Group and no additional funding is required for the purchase of these units.

The loans to joint ventures and associates increased by R168 million and was attributable to the additional funds advanced to the Afhco Calgro M3 Consortium (Pty) Ltd (REIT JV) for the purchase of units. The total loan value at the end of February 2019 was R252.2 million (2018: R102.3 million). This loan account balance was settled as part of the dissolution of the REIT JV after year-end.

Construction contracts balance decreased by R541.9 million to R1.3 billion as a result of the R417.7 million adjustment to the opening balance from the adoption of IFRS 15 together with the completion of other units without starting new construction. Please refer to the transitional report released on 26 September 2018 for more details around the IFRS 15 opening balance adjustment.

Cash balances at year-end decreased by 21.75% to R122.6 million (2018: R156.7 million). Much emphasis is placed on maintaining a continuous healthy cash balance and investment into annuity income-based assets in these uncertain economic times. The dissolution of the REIT JV did not have a negative impact on cash flow. Prior to the dissolution, the Group had R155 million outstanding in deposits received from the REIT JV. After the dissolution, the outstanding debt was R104 million that was converted into a three-year listed instrument on the Group's DMTN programme. The Group issued R273 million of new instruments on the DMTN programme during the year and repaid R193 million. Total instruments maturing in the next 12 months are R157 million and the Group is actively working at refinancing these instruments into new three to five-year instruments.

The share-based payment reserve was reallocated to retained earnings in the year as a result of the cancellation of the Executive Share Scheme. Please refer to page 61 in the Remuneration Report for more details around the cancellation.

The Group's weighted average cost of debt is currently at 11.55%.

	February 2019	February 2018
Net debt to equity ratio	**1.09**	0.70*
Covenant	**1.5**	1.5
Debt service cover ratio ("DSCR")	**1.47**	1.57
Covenant	**1.2**	1.2

* *Restated.*

Cash flow

Although cash flow from operations was positive by R298 million (2018: (R206 million)), it continued to be placed under pressure during the period due to challenges experienced on various projects. These challenges include the slower than anticipated handover of units to the REIT JV, the temporary slowdown/closure of the Fleurhof and Scottsdene projects and the associated security and repair costs required due to illegal invasions together with substantial delays in installing and registering water and electrical meters on units in Gauteng.

Cash flow was placed under further pressure through the ongoing investment into annuity-based assets.

Most of the cash will be utilised as working capital for the Residential Property Development business with a sizeable amount set aside as buffer if instruments maturing in the next six months on the DMTN programme have to be repaid.

The dissolution of the REIT JV will not place additional pressure on cash resources. Any monies owing to Afhco after the dissolution will be settled through the issue of an instrument on the Group's DMTN programme and a small portion in cash.

The year ahead

The focus for the year ahead is, foremost, to stabilise the Residential Property Development business so that a consistent stream of cash flow and profits can be attained. Emphasis will be placed on cash flow extraction from the various projects. Focus will be dedicated to revenue and profit generation in a consistent manner. Should construction activity not improve to acceptable levels after the 2019 National elections, further cost cutting measures will be implemented.

Memorial Parks and the Residential Rental Investments businesses are identified as areas with a particularly high growth opportunity. Management is determined to accelerate the growth within these businesses.

Our objective remains that the three businesses contribute evenly to profitability in the medium to long term as well as the extraction of multiple sources of revenue and profits from business and opportunities along the turnkey property development value chain, which will lead to an improved operating margin blend and the creation of annuity income.

The optimal application of capital between new opportunities, working capital and risk capital will remain an important strategic decision. Management places emphasis on cash flow generation from projects, as well as the preservation thereof for future use. The Group is cautious in the current uncertain environment and careful consideration will be given to what the best use of cash is on each project to ensure sustainable long-term return and value for shareholders.

We acknowledge that the broader transformation of society cannot take place unless large companies such as Calgro M3 play a major role therein. We are proud to be a level 1 B-BBEE contributor.

The Group will remain cautious in the current environment and expects construction activity to increase post the elections. Sites will return to capacity towards the end of the 2019 calendar year as uncertainty reduces and the economic environment stabilises. Belhar will be the first site where capacity will increase, and it will be done in a staggered approach, with full capacity only reached after four months.

Health, safety and environmental initiatives

The implementation of Health, Safety and Environmental ("HSE") systems which align with ISO 14001 and ISO 45001 have progressed well during the year and the Group is readying itself for certification towards the end of the calendar year. The changes brought about by the adoption of this new system had a significant impact on the way HSE matters are dealt with and the advantages of this far outweigh the cost.

The protection of the environment, our staff, contractors and the communities we develop in, will always remain of paramount importance.

Board of Directors

During the year under review George Hauptfleisch was appointed as an independent non-executive director and chairperson of the Audit and Risk Committee, effective 6 June 2018. On 14 February 2019 Venete Klein resigned.

Wikus Lategan
Chief Executive Officer

Waldi Joubert
Financial Director

Johannesburg
10 May 2019

Navigation toolkit

- Website reference
- Notes reference
- Page reference

The following can be viewed on the Calgro M3 website www.calgrom3.com:

Annual Financial Statements 2019

Sustainability Report 2019

King IV Application register

Integrated Annual Report 2019

- Message from the CEO and FD (recommended reading as this contains a summary)
- Strategy
- Risks and mitigation strategies
- Operational matters
- Environmental, Social and Governance ("ESG")
- Financial performance
- The year ahead
- The operations of Calgro M3
- Chairperson's report
- Remuneration report
- Group value added statement

Corporate Governance Report 2019

- Board of Directors
- Attendance register
- Company Secretary
- Board Committees
- Remuneration and Nomination Committee
- Audit and Risk Committee
- Investment Committee
- Social and Ethics Committee

Notice of Annual General Meeting

- Due to regulatory requirements for the new 2019 long-term Executive Share Scheme, the Notice of AGM and relevant documents will be distributed in the last week of May with the Annual General Meeting taking place on 28 June 2019

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
Revenue	**997 064 528**	1 742 602 162
Cost of sales	**(868 374 481)**	(1 472 512 887)
Gross profit	**128 690 047**	270 089 275
Other income	**36 538 480**	12 921 627
Administrative expenses	**(186 013 859)**	(131 774 832)
Other expenses	**(929 221)**	(1 310 074)
Impairment losses on financial and contract assets	**(7 189 512)**	–
Operating (loss)/profit	**(28 904 065)**	149 925 996
Finance income	**50 005 032**	28 956 566
Finance costs	**(59 365 719)**	(16 687 428)
Share of profit of joint ventures and associates – net of tax	**14 188 053**	9 560 505
(Loss)/profit before tax	**(24 076 699)**	171 755 639
Taxation	**25 304 411**	(50 948 964)
Profit after taxation	**1 227 712**	120 806 675
Other comprehensive income	**–**	–
Total comprehensive income	**1 227 712**	120 806 675
Profit after taxation and other comprehensive income attributable to:		
– Owners of the parent	**3 240 735**	120 350 383
– Non-controlling interests	**(2 013 023)**	456 292
	1 227 712	120 806 675
Profit after taxation attributable to:		
Equity holders of the Company	**3 240 735**	120 350 383
Earnings per share – cents	**2.53**	93.91
Headline earnings per share – cents	**(19.01)**	90.12
Fully diluted earnings per share – cents	**2.48**	92.00
Fully diluted headline earnings per share – cents	**(19.01)**	88.29

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019	2018
ASSETS		
Non-current assets		
Investment property	**14 019 768**	8 878 835
Property, plant and equipment	**12 173 346**	6 162 697
Intangible assets	**159 676 781**	159 663 860
Investments	**11 089 608**	–
Investment in joint ventures and associates	**153 006 235**	41 908 822
Deferred income tax asset	**43 354 750**	23 999 056
	393 320 488	240 613 270
Current assets		
Loans to joint ventures and associates	**311 393 438**	143 422 183
Inventories	**568 498 000**	554 397 497
Current tax receivable	**2 538 268**	16 599 506
Construction contracts	**1 279 072 872**	1 820 973 990
Trade and other receivables	**233 818 424**	293 739 145
Cash and cash equivalents	**122 632 997**	156 722 935
	2 517 953 999	2 985 855 256
Total assets	**2 911 274 487**	3 226 468 526
EQUITY AND LIABILITIES		
Equity		
Equity attributable to owners of the parent		
Stated capital	**116 255 971**	116 255 971
Share-based payment reserve	**–**	74 056 311
Retained income	**690 054 102**	977 014 965
	806 310 073	1 167 327 247
Non-controlling interests	**277 638**	355 011
Total equity	**806 587 711**	1 167 682 258
Liabilities		
Non-current liabilities		
Deferred income tax liability	**214 300 153**	354 283 263
	214 300 153	354 283 263
Current liabilities		
Borrowings	**969 195 006**	889 596 522
Loans from joint ventures and associates	**23 000 000**	–
Current income tax liabilities	**1 912 518**	22 652
Trade and other payables	**896 279 099**	814 883 831
	1 890 386 623	1 704 503 005
Total liabilities	**2 104 686 776**	2 058 786 268
Total equity and liabilities	**2 911 274 487**	3 226 468 526

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	2019	2018
Cash generated from/(utilised in) operating activities		
Cash generated from/(utilised in) operations	**298 290 312**	(205 838 542)
Finance income received	**10 647 074**	6 686 410
Finance cost paid	**(115 459 090)**	(75 746 785)
Tax refunded/(paid)	**8 604 779**	(1 478 278)
Net cash generated from/(utilised in) operating activities	**202 083 075**	(276 377 195)
Cash flows invested in investing activities		
Purchase of investment property	**(50 946)**	(2 360 135)
Purchase of property, plant and equipment	**(2 802 835)**	(1 579 093)
Purchase of intangible assets	**(38 760)**	(6 941)
Proceeds on disposals of property, plant and equipment	**–**	242 748
Investments in joint venture and associates	**(119 793 746)**	(10 000 000)
Acquisition of business	**(25 500 000)**	(2 500 000)
Acquisition of subsidiary	**–**	51 933
Loans advanced to joint ventures and associates	**(149 974 273)**	(113 381 108)
Net cash invested in investing activities	**(298 160 560)**	(129 532 596)
Cash flows from financing activities		
Proceeds from borrowings	**273 000 000**	516 000 000
Repayment of borrowings	**(193 000 000)**	(192 000 000)
Loans received from joint ventures and associates	**23 000 000**	–
Equity paid back*	**(25 112 453)**	(2 132 431)
Transactions with non-controlling interest#	**(15 900 000)**	–
Net cash from financing activities	**61 987 547**	321 867 569
Net (decrease)/increase in cash and cash equivalents	**(34 089 938)**	(84 042 222)
Cash and cash equivalents at the beginning of the year	**156 722 935**	240 765 157
Cash and cash equivalents at the end of the year	**122 632 997**	156 722 935

* *Cash paid back to participants for the subscription of shares issued under the Calgro M3 Executive Share Scheme.*
\# *Cash paid for the purchase of the remaining portion of shares in Calgro M3 Memorial Parks Nasrec (Pty) Ltd.*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital	Share-based payment reserve	Retained income	Total	Non-controlling interests	Total equity
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
Balance at 1 March 2018	**116 255 971**	**74 056 311**	**977 014 965**	**1 167 327 247**	**355 011**	**1 167 682 258**
Investment in Calgro M3 Memorial Parks eliminated to equity	**–**	**–**	**(56 690 715)**	**(56 690 715)**	**1 935 650**	**(54 755 065)**
IFRS 15 opening balance adjustment to equity	**–**	**–**	**(318 004 388)**	**(318 004 388)**	**–**	**(318 004 388)**
IFRS 9 opening balance adjustment to equity	**–**	**–**	**(32 945 553)**	**(32 945 553)**	**–**	**(32 945 553)**
Share-based payment expense	**–**	**43 992 366**	**–**	**43 992 366**	**–**	**43 992 366**
Share-based payment reserve released to retained earnings	**–**	**(118 048 677)**	**118 048 677**	**–**	**–**	**–**
Dividend declared*	**–**	**–**	**(609 619)**	**(609 619)**	**–**	**(609 619)**
Comprehensive income						
Profit for the year	**–**	**–**	**3 240 735**	**3 240 735**	**(2 013 023)**	**1 227 712**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**3 240 735**	**3 240 735**	**(2 013 023)**	**1 227 712**
Balance at 28 February 2019	**116 255 971**	**–**	**690 054 102**	**806 310 073**	**277 638**	**806 587 711**

* *The dividend is payable to the Calgro M3 Educational Trust, which is not consolidated into the Group as the Group does not have control of the Trust.*

SUMMARISED SEGMENT REPORT OF THE GROUP

2019	Residential Property Development	Memorial Parks	Residential Rental Investments	Holding Company unallocated*	Total
Total segment revenue	976 144 785	20 919 743	–	–	997 064 528
Fleurhof Project	328 778 231	–	–	–	328 778 231
Jabulani Project	51 182 450	–	–	–	51 182 450
Witpoortjie Calgro M3 Development Company (Pty) Ltd	30 813 037	–	–	–	30 813 037
South Hills Development Company (Pty) Ltd	311 934 682	–	–	–	311 934 682
Belhar Project	141 432 832	–	–	–	141 432 832
Third parties	112 003 553	20 919 743	–	–	132 923 296
Combined revenue[1]	1 260 672 163	20 919 743	–	–	1 281 591 906
Total segment revenue	976 144 785	20 919 743	–	–	997 064 528
Revenue of joint ventures and associates	284 527 378	–	–	–	284 527 378
Witpoortjie Calgro M3 Development Company (Pty) Ltd	17 087 540	–	–	–	17 087 540
South Hills Development Company (Pty) Ltd	267 439 838	–	–	–	267 439 838
Gross revenue	976 144 785	20 919 743	–	–	997 064 528
Point in time	95 137 962	18 875 119	–	–	114 013 081
Over time	881 006 823	2 044 624	–	–	883 051 447
Revenue	976 144 785	20 919 743	–	–	997 064 528
Gross revenue	943 037 634	20 919 743	–	–	963 957 377
Reversal of unrealised profit realised adjustment[2]	41 956 195	–	–	–	41 956 195
Reversal of unrealised profit adjustment[2]	(8 849 044)	–	–	–	(8 849 044)
Cost of sales	(861 396 493)	(6 977 988)	–	–	(868 374 480)
Gross profit	114 748 292	13 941 755	–	–	128 690 047
Other income	2 750 425	6 187 178	–	27 600 877	36 538 480
Administrative expenses	(126 102 802)	(11 312 357)	(17 500)	(48 581 200)	(186 013 859)
Net impairment losses on financial and contract assets	(7 189 512)	–	–	–	(7 189 512)
Other expenses	(929 221)	–	–	–	(929 221)
Operating (loss)/profit	(16 722 818)	8 816 576	(17 500)	(20 980 323)	(28 904 065)
Finance income	28 972 737	98 850	19 491 030	1 442 415	50 005 032
Finance costs[3]	(30 712 278)	(10 215 694)	(18 437 745)	(2)	(59 365 719)
Share of profit/(loss) of associates/joint venture – net of tax	14 696 464	–	(508 411)	–	14 188 053
(Loss)/profit before tax	(3 765 895)	(1 300 268)	527 374	(19 537 910)	(24 076 699)
Taxation	8 298 343	3 021 533	1 140 271	12 844 264	25 304 411
Profit/(loss) after taxation	4 532 448	1 721 265	1 667 645	(6 693 646)	1 227 712
Other comprehensive income	–	–	–	–	–
Total comprehensive income/(expense)	4 532 448	1 721 265	1 667 645	(6 693 646)	1 227 712

2019	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	6 545 471	1 721 265	1 667 645	(6 693 646)	3 240 735
– Non-controlling interests	(2 013 023)	–	–	–	(2 013 023)
	4 532 448	1 721 265	1 667 645	(6 693 646)	1 227 712
Statement of financial position					
Non-current assets					
Investment property	–	14 019 768	–	–	14 019 768
Property, plant and equipment	3 272 952	8 900 394	–	–	12 173 346
Intangible assets	158 981 977	694 804	–	–	159 676 781
Investments	–	11 089 608	–	–	11 089 608
Investment in joint ventures and associates	33 212 488	–	119 793 747	–	153 006 235
Deferred income tax asset	21 430 173	2 014 813	1 942 495	17 967 269	43 354 750
	216 897 590	36 719 387	121 736 242	17 967 269	393 320 488
Current assets					
Loans to joint ventures and associates	39 194 324	–	272 199 114	–	311 393 438
Inventories	398 577 530	169 920 470	–	–	568 498 000
Current tax receivable	1 590 935	–	671 022	276 311	2 538 268
Construction contracts	1 279 072 872	–	–	–	1 279 072 872
Trade and other receivables	228 439 992	5 351 403	2 625	24 404	233 818 424
Cash and cash equivalents	115 572 312	6 488 209	–	572 476	122 632 997
	2 062 447 965	181 760 082	272 872 761	873 191	2 517 953 999
Total assets	2 279 345 555	218 479 469	394 609 003	18 840 460	2 911 274 487
Liabilities					
Non-current liabilities					
Deferred income tax liability	219 836 955	3 320 314	–	(8 857 116)	214 300 153
	219 836 955	3 320 314	–	(8 857 116)	214 300 153
Current liabilities					
Borrowings[3]	764 732 071	72 896 337	131 566 596	–	969 195 004
Loans from joint ventures and associates	23 000 000	–	–	–	23 000 000
Current income tax liabilities	1 593 322	341 696	–	(22 500)	1 912 518
Trade and other payables	820 915 583	73 971 779	–	1 391 736	896 279 098
	1 610 240 976	147 209 812	131 566 596	1 369 236	1 890 386 620
Total liabilities	1 830 077 931	150 530 126	131 566 596	(7 487 880)	2 104 686 773

1. *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.*
2. *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.*
3. *The Group allocated borrowings proportionally to each segment based on the total assets per segment in the current year.*

* *Any items that cannot be allocated to specific segments are indicated as Holding Company/unallocated.*

SUMMARISED SEGMENT REPORT OF THE GROUP (continued)

2018	Residential Property Development	Memorial Parks	Residential Rental Investments	Holding Company/ unallocated*	Total
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[1]	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
Gross revenue	1 729 998 215	12 603 947	–	–	1 742 602 162
Point in time	4 866 583	11 461 877	–	–	16 328 460
Over time	1 725 131 632	1 142 070	–	–	1 726 273 702
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[2]	(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/(loss)	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[3]	(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/(loss) 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/(loss) 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

2018	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
Statement of financial position					
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[3]	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

1. *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.*
2. *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.*
3. *The Group only allocated specific borrowings to segments.*

* *Any items that cannot be allocated to specific segments are indicated as Holding Company/unallocated.*

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. Basis of preparation

1.1 Statement of compliance

The summary 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 summary consolidated annual financial statements should be read in conjunction with the group annual financial statements as at and for the year ended 28 February 2019, which have been prepared in accordance with IFRS as issued by the IASB. The summary consolidated annual financial statements have been prepared on the historical cost basis, excluding investment property and financial assets held at fair value, that are measured at fair value. This is the first set of condensed annual financial statements where IFRS 9: *Financial Instruments* (IFRS 9) and IFRS 15: *Revenue from Contracts with Customers* (IFRS 15) have been applied. The changes to the accounting policies impacted by these new standards are described in note 3.

The consolidated financial statements were internally compiled by M Esterhuizen CA(SA) under the supervision of WA Joubert CA(SA). The summary consolidated annual financial statements were authorised for issue by the Board of Directors on 10 May 2019.

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 and that the financial information has been correctly extracted from the underlying annual financial statements.

1.2 Judgements and estimates

Management made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were similar to those applied to the Group annual financial statements as at and for the year ended 28 February 2018, updated for the impact of IFRS 9 and IFRS 15.

2. Accounting policies

Note 3 explains the impact of the adoption of IFRS 9 and IFRS 15 on the summarised consolidated annual financial statements. This note also discloses the new accounting policies that have been applied from 1 March 2018, where they are different to those applied in prior periods.

3. Changes in accounting policies

Impact of the adoption of IFRS 9 and IFRS 15 on the financial statements.

3.1 Impact on the financial statements

Prior year financial statements were not restated as a result of the changes in the Group's accounting policies due to the adoption of IFRS 9 and IFRS 15. As explained in note 3.2 and 3.4 below, IFRS 15 and IFRS 9 were adopted without restating comparative information.

3. Changes in accounting policies (continued)

3.1 Impact on the financial statements (continued)

The impact on the consolidated statement of financial position as at 1 March 2018 is illustrated below:

	As reported	Opening balance adjustments		Adjusted
	1 March 2018	Adoption of IFRS 15	Adoption of IFRS 9	1 March 2018
ASSETS				
Non-current assets				
Investment property	**8 878 835**	–	–	8 878 835
Property, plant and equipment	**6 162 697**	–	–	6 162 697
Intangible assets	**159 663 860**	–	–	159 663 860
Investment in joint ventures and associates	**41 908 822**	(17 224 746)	(2 244 953)	22 439 123
Deferred income tax asset	**23 999 056**	–	–	23 999 056
	240 613 270	(17 224 746)	(2 244 953)	221 143 571
Current assets				
Loans to joint ventures and associates	**143 422 183**	–	(3 322 651)	140 099 532
Inventories	**554 397 497**	–	–	554 397 497
Current tax receivable	**16 599 506**	–	–	16 599 506
Construction contracts	**1 820 973 990**	(417 749 503)	(34 470 843)	1 368 753 644
Trade and other receivables	**293 739 145**	–	(3 554 086)	290 185 059
Cash and cash equivalents	**156 722 935**	–	–	156 722 935
	2 985 855 256	(417 749 503)	(41 347 580)	2 526 758 173
Total assets	**3 226 468 526**	(434 974 249)	(43 592 533)	2 747 901 744
EQUITY AND LIABILITIES				
Equity				
Equity attributable to owners of the parent				
Stated capital	**116 255 971**	–	–	116 255 971
Share-based payment reserve	**74 056 311**	–	–	74 056 311
Retained income	**977 014 965**	(318 004 388)	(32 945 553)	626 065 024
	1 167 327 247	(318 004 388)	(32 945 553)	816 377 306
Non-controlling interests	**355 011**	–	–	355 011
Total equity	**1 167 682 258**	(318 004 388)	(32 945 553)	816 732 317
Liabilities				
Non-current liabilities				
Deferred income tax liability	**354 283 263**	(116 969 861)	(10 646 980)	226 666 422
	354 283 263	(116 969 861)	(10 646 980)	226 666 422
Current liabilities				
Borrowings	**889 596 522**	–	–	889 596 522
Current income tax liabilities	**22 652**	–	–	22 652
Trade and other payables	**814 883 831**	–	–	814 883 831
	1 704 503 005	–	–	1 704 503 005
Total liabilities	**2 058 786 268**	(116 969 861)	(10 646 980)	1 931 169 427
Total equity and liabilities	**3 226 468 526**	(434 974 249)	(43 592 533)	2 747 901 744

3. Changes in accounting policies (continued)

3.1 Impact on the financial statements (continued)

The impact on the consolidated statement of comprehensive income and consolidated statement of financial position for the current year is illustrated below:

Consolidated statement of comprehensive income impact analysis:

	As reported	Adjustments		Adjusted
	February 2019	Adoption of IFRS 15	Adoption of IFRS 9	**February 2019**
Revenue	**997 064 528**	70 489 999	–	**1 067 554 527**
Cost of sales	**(868 374 481)**	(15 034 596)	–	**(883 409 077)**
Gross profit	**128 690 047**	55 455 403	–	**184 145 450**
Other income	**36 538 480**	–	–	**36 538 480**
Administrative expenses	**(186 013 859)**	–	–	**(186 013 859)**
Other expenses	**(929 221)**	–	–	**(929 221)**
Net impairment losses on financial and contract assets	**(7 189 512)**	–	**7 189 512**	–
Operating (loss)/profit	**(28 904 065)**	55 455 403	**7 189 512**	**33 740 850**
Finance income	**50 005 032**	–	–	**50 005 032**
Finance costs	**(59 365 719)**	–	–	**(59 365 719)**
Share of profit of joint ventures and associates – net of tax	**14 188 053**	(6 277 709)	**(199 618)**	**7 710 726**
(Loss)/profit before tax	**(24 076 699)**	49 177 694	**6 989 894**	**32 090 889**
Taxation	**25 304 411**	(15 527 513)	**(2 013 063)**	**7 763 835**
Profit after taxation	**1 227 712**	33 650 181	4 976 831	**39 854 724**
Other comprehensive income	–	–	–	–
Total comprehensive income	**1 227 712**	33 650 181	4 976 831	**39 854 724**
Profit after taxation and other comprehensive income attributable to:				
– Owners of the parent	**3 240 735**	33 650 181	4 976 831	**41 867 747**
– Non-controlling interests	**(2 013 023)**	–	–	**(2 013 023)**
	1 227 712	33 650 181	4 976 831	**39 854 724**
Earnings per share for profit attributable to the equity holders of the Company during the year (cps)				
Basic earnings per share (cps)	**2.53**	26.26	3.88	**32.67**
Headline earnings per share (cps)	**(19.01)**	26.26	3.88	**11.13**
Fully diluted earnings per share (cps)	**2.48**	25.80	3.82	**32.10**
Fully diluted headline earnings per share (cps)	**(19.01)**	26.26	3.88	**11.13**

cps – cents per share.

3. Changes in accounting policies (continued)

3.1 Impact on the financial statements (continued)

Consolidated statement of financial position impact analysis:

	As reported	Opening balance	Current year adjustments		Adjusted
	February 2019	Adjustments from the adoption of IFRS 15 and 9	Adjustments from the adoption of IFRS 15	Adjustments from the adoption of IFRS 9	**February 2019 before adoption**
ASSETS					
Non-current assets					
Investment property	**14 019 768**	–	–	–	**14 019 768**
Property, plant and equipment	**12 173 346**	–	–	–	**12 173 346**
Intangible assets	**159 676 781**	–	–	–	**159 676 781**
Investments	**11 089 608**	–	–	–	**11 089 608**
Investment in joint ventures and associates	**153 006 235**	19 469 699	(6 277 709)	(199 618)	**165 998 607**
Deferred income tax asset	**43 354 750**	–	–	–	**43 354 750**
	393 320 488	19 469 699	(6 277 709)	(199 618)	**406 312 860**
Current assets					
Loans to joint ventures and associates	**311 393 438**	3 322 651	–	2 989 945	**317 706 034**
Inventories	**568 498 000**	–	–	–	**568 498 000**
Current tax receivable	**2 538 268**	–	–	–	**2 538 268**
Construction contracts	**1 279 072 872**	452 220 346	55 455 403	962 077	**1 787 710 698**
Trade and other receivables	**233 818 424**	3 554 086	–	3 237 489	**240 609 999**
Cash and cash equivalents	**122 632 997**	–	–	–	**122 632 997**
	2 517 953 999	459 097 082	55 455 403	7 189 511	**3 039 695 996**
Total assets	**2 911 274 487**	478 566 782	49 177 694	6 989 893	**3 446 008 856**
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the parent					
Stated capital	**116 255 971**	–	–	–	**116 255 971**
Retained income	**690 054 102**	350 949 941	33 650 181	4 976 831	**1 079 631 055**
	806 310 073	350 949 941	33 650 181	4 976 831	**1 195 887 026**
Non-controlling interests	**277 638**	–	–	–	**277 638**
Total equity	**806 587 711**	350 949 941	33 650 181	4 976 831	**1 196 164 664**
Liabilities					
Non-current liabilities					
Deferred income tax liability	**214 300 153**	127 616 841	15 527 513	2 013 062	**359 457 569**
	214 300 153	127 616 841	15 527 513	2 013 062	**359 457 569**
Current liabilities					
Borrowings	**969 195 006**	–	–	–	**969 195 006**
Loans from joint ventures and associates	**23 000 000**	–	–	–	**23 000 000**
Current income tax liabilities	**1 912 518**	–	–	–	**1 912 518**
Trade and other payables	**896 279 099**	–	–	–	**896 279 099**
	1 890 386 623	–	–	–	**1 890 386 623**
Total liabilities	**2 104 686 776**	127 616 841	15 527 513	2 013 062	**2 250 681 378**
Total equity and liabilities	**2 911 274 487**	478 566 782	49 177 694	6 989 893	**3 446 008 856**

3. Changes in accounting policies (continued)

3.2 Impact of adopting of IFRS 15: Revenue from Contracts with Customers

The revenue accounting policy has changed with effect from 1 March 2018 as a result of the Group adopting IFRS 15.

IFRS 15 supersedes IAS 18 (Revenue), IAS 11 (Construction Contracts) and related interpretations for financial years beginning on or after 1 January 2018. IFRS 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, providing additional guidance in many areas not covered in detail under the previous revenue standards and interpretations. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying the framework to the contracts with customers. The standard also specifies the accounting treatment for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. IFRS 15 further includes extensive new disclosure requirements.

Refer to the Group's revised revenue accounting policy, revenue treatment of each product type as well as the disaggregated revenue disclosure required by IFRS 15.

As permitted by IFRS 15 the Group has elected not to restate the comparative information. Accordingly, the impact of IFRS 15 has been applied using the modified retrospective restatement method allowed under the standard resulting in an adjustment to the Group's opening retained earnings on 1 March 2018. The comparative information presented for 2018 is therefore presented as previously reported applying the previous revenue standards and interpretations which has an impact on the comparability thereof.

The most significant impact of the newly adopted IFRS 15: *Revenue* standard is the combination of contracts for integrated projects where revenue was accounted for over time based on the project as a whole versus the new method of accounting for each contract per customer individually. Individual contracts can now be accounted for over time or at a point in time based on the terms of each individual contract.

The cumulative effect of the retrospective application on the Group's retained earnings as at 1 March 2018 is as follows:

	2019
Closing balance at 28 February 2018 (IAS 39/IAS 11/IAS 18)	**977 014 965**
IFRS 15 adjustment to equity	**(318 004 388)**
Opening retained earnings at 1 March 2018 (after IFRS 15 restatement, before IFRS 9 restatement)	**659 010 577**

3.3 Financial results for the year ended 28 February 2019 had IAS 11 and 18 been applied

			IAS 11 and 18	
	As reported February 2019	Adjustments from the adoption of IFRS 15	**Adjusted before adoption 2019**	As reported February 2018
Sale of completed units	**4 866 583**	–	**4 866 583**	9 505 586
Construction contracts	**939 778 202**	70 489 999	**1 010 268 201**	1 720 492 629
Sale of developed land	**31 500 000**	–	**31 500 000**	–
Memorial parks burial rights	**16 325 193**	–	**16 325 193**	9 783 805
Memorial parks maintenance	**2 044 624**	–	**2 044 624**	1 142 070
Memorial parks burial services	**2 549 926**	–	**2 549 926**	1 678 072
	997 064 528	70 489 999	**1 067 554 527**	1 742 602 162

The impact of the IFRS 15 adoption in the current year is illustrated for the consolidated statement of comprehensive income and statement of financial position in note 3.2.

3.4 Impact of adopting IFRS 9: Financial instruments

IFRS 9 replaces IAS 39: F*inancial Instruments: Recognition and Measurement* (IAS 39) for financial years beginning on or after 1 January 2018. IFRS 9 brings together all aspects of accounting for financial instruments that relate to the recognition, classification and measurement, derecognition, impairment and hedge accounting.

3. Changes in accounting policies (continued)

3.4 Impact of adopting IFRS 9: Financial instruments (continued)

The adoption of IFRS 9 from 1 March 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3.5 below. Comparative information has not been restated in accordance with the transitional requirements of IFRS 9 which requires comparative information not to be restated (with an exception where it is possible to restate without the use of hindsight) but for disclosures to be made concerning the reclassifications and measurements as set out below.

The adoption of IFRS 9 has had the following effect on the Group:

- Change from the IAS 39 incurred loss model to the expected credit loss ("ECL") model to calculate impairments of financial instruments
- Change in classification of the measurement categories for financial instruments

The Group has adopted the simplified expected credit loss model for its trade receivables and contract assets which uses a lifetime expected loss allowance, as required by IFRS 9, paragraph 5.5.15, and the general expected credit loss model for loans to companies outside of the Group held at amortised cost.

Under IFRS 9 the Group calculates the allowance for credit losses as ECLs for financial assets measured at amortised cost, debt investments at fair value through profit and loss ("FVPL") and contract assets. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the original effective interest rate ("EIR") of the financial asset.

Due to the trade receivables, contract assets and loans being linked to long-term projects, judgemental methodology had to be applied, the results of which would be similar under both the simplified and general approach to determine lifetime expected credit losses. This took into account the probability of each of the projects achieving its budget and the probability of mis-estimating the outcome of a project and thus have a negative effect on the project results. A slightly higher probability to outcomes with greater degrees of inaccuracy were assigned to later periods in the projects due to the change in the economic outlook for the country. Further to this the general state of the economy as well the housing shortfall for the market in which the Group operates and the dependence on Government subsidies and fiscal pressures being faced by Government in addition to the budget allocations for affordable housing as per the February 2019 national budget has been taken into consideration for these long-term projects. The judgemental approach (non-statistical) was adopted with the use of established credit techniques being applied and calculated by financial experts with substantial experience and expertise.

The expected credit losses calculations took into consideration various scenarios and were weighted against stage of completion of a relevant project and taking into consideration the progress against budget. The expected credit losses were benchmarked against the high volatility commercial real estate portfolios of a financial institution to determine the suitability of the ECLs being applied.

The total impact on the Group's retained earnings as at 1 March 2018 is as follows:

	2019
Opening balance at 1 March 2018 (after IFRS 15 before IFRS 9 restatement) (refer to note 3.2)	659 010 577
Adjustments from the adoption of IFRS 9 (ECL adjustments)	(32 945 553)
Trade receivables (net of tax)	(2 558 942)
Contract assets (net of tax)	(24 819 007)
Loans to joint ventures	(3 322 651)
Investment in joint venture	(2 244 953)
Opening retained earnings at 1 March 2018 (after IFRS 9 and IFRS 15 restatement)	**626 065 024**

3.5 IFRS 9: Accounting policies applied from 1 March 2018

3.5.1 Classification and measurement

(i) Classification

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39.

3. Changes in accounting policies (continued)

3.5 IFRS 9: Accounting policies applied from 1 March 2018 (continued)

3.5.1 Classification and measurement (continued)

(i) Classification (continued)

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI");
- FVOCI equity investment; or
- Fair value through profit or loss ("FVPL")

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

There are no changes in classification on the opening balances of financial assets measured at amortised cost.

(ii) Measurement

Financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at FVPL, transaction cost that is directly attributable to the acquisition of the financial asset.

Transaction cost of financial assets carried at FVPL is expensed in profit or loss.

Interest income from these financial assets are included in finance income using the effective interest rate method.

Any gain or loss arising on the derecognition is recognised directly in profit or loss and presented in operating expenses.

Financial liabilities

At initial recognition the Group measures a financial liability at fair value less any transaction cost capitalised to the financial liability at initial recognition.

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

Equity instruments

Equity instruments are subsequently measured at fair value, where the Group's management has elected to present fair value gains and losses through other comprehensive income ("OCI"), there is no subsequent reclassification of fair value gains and losses to profit or loss following derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as income from financial assets when the Group's right to receive payments is established.

(iii) Impairment

From 1 March 2018, the Group assesses on a forward looking basis the expected credit losses ("ECLs") associated with its financial asset instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the original effective interest rate ("EIR") of the financial asset.

The Group has three types of financial and contract assets that are subject to the expected credit loss model:

- Trade receivables
- Contract assets relating to construction contracts
- Loans to joint venture

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

All gains and losses relating to ECLs are recognised through profit and loss.

3. Changes in accounting policies (continued)

3.5 IFRS 9: Accounting policies applied from 1 March 2018 (continued)

3.5.1 Classification and measurement (continued)

(iii) Impairment (continued)

For each of the categories, the ECL is applied to each individual debtor, each individual contract with a customer and each individual loan dependent on the type of credit risk exposure for the relevant financial or contract asset. Risk exposure on financial and contract assets can be classified within three distinct categories.

- Government institution exposure. The exposure to Government is based on the type of project and units being constructed for Government institutions within the geographic of South Africa
- Normal business risk exposure. The exposure to other corporate customers and businesses within the geographic of South Africa
- Financial institution risk exposure – The exposure to local financial institutions within the geographic of South Africa

Based on the relevant exposures as described above, the following expected credit loss rates have been applied:

	Government institution exposure %	Normal business risk exposure %	Financial institution risk exposure %
Expected loss rate	7.76	2.50	1.11
Concentration of credit risk in the Group	31.45	11.79	56.76

The rates utilised for the ECL calculations on contract assets, loans and debtors were adjusted accordingly to take into account the specific exposure based on the three categories listed above.

Financial assets which are not exposed to the same credit risks are provided for based on their individual specific credit risk, which has the potential to be different to the expected loss rates as above.

4. Revenue

Accounting policy applied from 1 March 2018

The Group derives revenue from contracts with customers for the supply of goods (infrastructure, fully and partially subsidised units, non-subsidised units, serviced land and memorial park burial rights) and services (memorial park burial services and memorial park maintenance).

The Group measures and accounts for revenue based on the specifications of each individual contract with a customer, excluding any amounts received on behalf of third parties, and based on the contractual obligations either accounts for the revenue at a specific point in time or over time as control of the goods or services is transferred to the customer.

The Group recognises revenue over time if one of the following criteria is met:
- The Group creates or enhances an asset which the customer controls as the asset is created;
- The Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for the work completed to date; or
- The customer simultaneously receives and consumes all of the benefits provided by the Group

The Group recognises revenue at a point in time if the over-time criteria is not met. Revenue is recognised when control is transferred to the customer which is usually when legal title passed to the customer and the business has the right to payment.

Refer below for further explanation of the different products and when control is transferred to the customer and when the Group has right to payment.

The cost incurred to obtain a contract is expensed to profit and loss as and when the cost is incurred as the Group considers the cost not to be recoverable until an agreement has been reached to recover the cost.

4. Revenue (continued)

Significant judgement and source of estimation uncertainty

Property Development Segment

The Group uses the "percentage-of-completion" method (also known as input method) in accounting for its "over-time" construction contracts where control is transferred to a customer over a period of time. 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. The Group performs this by comparing actual cost incurred on a unit/dwelling/project compared to the forecasted cost of the unit/dwelling/project which equals the percentage of work completed ("percentage of completion"). The Group has determined that his method faithfully depicts the Group's performance in transferring control of the goods and services to the customer.

The Group uses approved feasibilities to determine the overall expected cost and attributable margin to determine the transaction price on over-time construction contracts and for services to be rendered on infrastructure projects where the Group is remunerated on a cost plus basis. The relevant costs are determined by qualified industry experts, where applicable, and are based on the overall infrastructure requirements as per the contract.

The Group allocates non-unit specific cost which includes land, infrastructure, town planning and other project-related cost based on approved feasibilities.

Estimates are made by management to calculate the forecasted cost of a project which includes non-unit specific cost to be allocated to units as and when they are constructed. 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.

The Group applies judgement in determining whether contract for the sale of land and the construction of residential housing include separately identifiable performance obligations or whether they should be grouped together. The Group applies this judgement based on transfer requirements for the property, if the land can be transferred without construction of the relevant unit then the transfer of land and construction of unit is determined to be two separately identifiable performance obligations.

Variations on original contract prices are agreed with a customer and are accounted for as a contract modification where the original prices are modified to include the approved variation to the original contract. A cumulative catch up of revenue is performed when the variation is included for a contract where the revenue is accounted for over a period of time. The revenue on variations for a point in time contract is only accounted for upon transfer of control of the relevant services and goods to the customer.

The type of products within the Group for the Residential Development Segment is set out below:

Fully subsidised (Reconstruction and Development Programme ("RDP")/Breaking New Ground ("BNG"))

- Overall agreement between parties to construct a specified number of RDP units
- Purchase order received from Government based on approved budget within the relevant department, based on gazetted prices for RDP units at the time of contracting
- Payment for work completed determined on a monthly basis ("progress draws")
- Specification is based on current Government gazetted specifications for the units

Community Residential Units ("CRU")

- Overall agreement between parties to construct a specified number of CRU units
- Purchase order received from Government based on approved budget within the relevant department, based gazetted prices for CRU units at the time of contracting
- Payment for work completed determined on a monthly basis ("progress draws")
- Specification is based on current Government gazetted specifications for the units

Social Housing

- Overall agreement between third party social housing company to construct a specified number of social housing units
- Units specification is agreed upon between the parties within the contract
- Payment for work completed is determined on a monthly basis or upon transfer of the units

Bulk Purchaser

- Overall agreement between third parties to construct a specified number of units
- Units specification is agreed upon between the parties within the contract
- Payment terms differ based on specified conditions of the agreement and relevant funding arrangements

4. Revenue (continued)

Significant judgement and source of estimation uncertainty (continued)

Property Development Segment (continued)

Grassroots Affordable Peoples' Homes ("GAP")/Finance Linked Individual Subsidy Programme ("FLISP")

- Agreement between parties to purchase a single unit within a sectional title development
- Payment to take place upon transfer of the unit to the customer
- Specification of the units are standard across the development

Affordable Housing

- Agreement entered into with parties for the purchase of property and the construction of a freestanding dwelling
- Specification of dwelling agreed upon between parties
- Payment upon transfer of the property
- Payment for construction of freestanding unit based on terms of bond obtained by customer from the relevant financial institution

High-end units

- Agreement entered into with parties for the purchase of property and the construction of a freestanding dwelling or sectional title units
- Specifications of unit agreed upon between parties
- Payment upon transfer of the property or unit
- Payment for construction of freestanding unit based on terms of bond obtained by customer from the relevant financial institution

Integrated residential developments (consisting of a mix of bulk, link and internal infrastructure together with a mix in unit typologies)

- Overarching agreement with Government to perform an integrated development for the upliftment and integration of communities
- Bulk and link services subsidised based on the integration of subsidised and non- subsidised units and mix of unit typologies
- Mixture of unit typologies to be constructed as per the agreement
- Payment for services rendered determined on a monthly basis

Memorial Parks Segment

The Group determines the selling price for the burial rights by determining the required maintenance at a reasonable margin and standalone selling price of the burial service, which is then deducted from the total transaction price. The remaining balance is the value of the burial right.

In order for management to determine the relevant maintenance revenue the following assumptions are used; life expectancy, period the service will be rendered and the cost to be incurred for maintenance over the period the service is rendered. Management assesses these assumptions on an annual basis based on approved feasibilities for each of the memorial parks.

As a cash payment for the memorial parks maintenance service is received in advance of the entity performing the maintenance service, a significant financing component exists in the contract.

The amount of revenue recognised will exceed the cash received because interest expense will be recorded and will increase the amount of revenue recognised.

The type of products within the Group for the Memorial Parks Segment is set out below:

Memorial Parks burial rights

- Agreement with a customer to reserve the right to utilise a grave site
- A customer can utilise the grave site as soon as the right has been issued to the customer
- Payment is received before burial right is issued to customer

Memorial Parks burial services

- Agreement with the customer to provide internment services with the purchase of a burial right upon utilisation of the burial right
- The service is rendered to the customer once the burial right is enforced by the customer for the first internment on the burial site
- Payment is received with the payment of the burial right
- Payment for subsequent internment services is received before interment service is rendered to customer

Memorial Parks maintenance services

- Agreement with customer to render maintenance services on reserved grave sites
- Services are rendered to the customer over the period the maintenance is performed for the reserved site
- Payment is received with the payment of the burial right

4. Revenue (continued)

Revenue Recognised for each type of contract is set out below:

Treatment under IAS 11/IAS 18	Accounting policy under IFRS 15
Fully subsidised (Reconstruction and Development Programme ("RDP")/Breaking New Ground ("BNG"))	
Individual contract with revenue recognised based on % completion (IAS 11)* *Estimated revenue is determined on the gazetted price per unit and the number of units ordered by Government.* *Revenue is recognised on a "percentage of completion" of the units based on the estimated cost to construct the units vs the cost incurred on the units. All costs incurred are expensed to cost of sales when incurred.*	**Individual contract treatment with revenue recognised over time#** *Estimated revenue is determined on the gazetted price per unit and the number of units ordered by Government.* *Revenue is recognised over time on a percentage of completion method for the units based on the estimated cost to construct the units vs the cost incurred on the units. All costs incurred are expensed to cost of sales when incurred.*
Community Residential Units ("CRU")	
Individual contract with revenue recognised based on % completion (IAS 11)* *Estimated revenue is determined on the gazetted price per unit and the number of units ordered by Government.* *Revenue is recognised on a "percentage of completion" of the units based on the estimated cost to construct the units vs the cost incurred on the units. All costs incurred are expensed to cost of sales when incurred.*	**Individual contract treatment with revenue recognised over time#** *Estimated revenue is determined on the gazetted price per unit and the number of units ordered by Government.* *Revenue is recognised over time on a percentage of completion method for the units based on the estimated cost to construct the units vs the cost incurred on the units. All costs incurred are expensed to cost of sales when incurred.*
Social Housing	
Individual contract with revenue recognised based on % completion (IAS 11)* *Estimated revenue determined on the contract price per unit.* *Revenue is recognised on a "percentage of completion" of the units based on the estimated cost to construct the units vs the cost incurred on the units. All costs incurred are expensed to cost of sales when incurred.*	**Individual contract treatment with revenue recognised either at a point in time or over time#** *Estimated revenue determined on the contract price per unit.* *Revenue is recognised either over time on a percentage of completion method basis if control is transferred during the development and handover of units; or revenue is recognised at a point in time basis if control is determined to transfer only upon completion of the units and there is no right to payment for work completed.* *Should revenue be accounted for over time, cost incurred is expensed to cost of sales as incurred. Should revenue be accounted for at a point in time, cost is capitalised to contract assets and recognised in cost of sales upon transfer of the units.*

4. Revenue (continued)

Treatment under IAS 11/IAS 18	Accounting policy under IFRS 15
Bulk Purchaser	
Individual contract with revenue recognised based on % completion (IAS 11)* *Estimated revenue determined on the contract price per unit.* *Revenue is recognised on a "percentage of completion" of the units based on the estimated cost to construct the units vs the cost incurred on the units. All costs incurred are expensed to cost of sales when incurred.*	**Individual contract treatment with revenue recognised either at a point in time or over time#** *Estimated revenue determined on the contract price per unit.* *Revenue is recognised either over time on a percentage of completion method basis if control is transferred during the development and handover of units; or revenue is recognised at a point in time basis if control is determined to transfer only upon completion of the units and there is no right to payment for work completed.* *Should revenue be accounted for over time, cost incurred is expensed to cost of sales as incurred. Should revenue be accounted for at a point in time, cost is capitalised to contract assets and recognised in cost of sales upon transfer of the units.*
Grassroots Affordable Peoples' Homes ("GAP")/Finance Linked Individual Subsidy Programme ("FLISP")	
Individual contract per customer with revenue recognised on transfer of completed unit (IAS 18)* *Sales price determined based on the agreement between parties.* *Revenue recognised upon transfer of the unit to the client.* *Cost incurred is capitalised to inventory and expensed to cost of sales upon transfer of the unit.*	**Individual contract per customer with revenue recognised on transfer of completed unit – revenue recognised at a point in time** *Sales price determined based on the agreement between parties.* *Revenue recognised at a point in time upon transfer of the unit to the customer.* *Cost incurred is capitalised to inventory and expensed to cost of sales upon transfer of the unit.*
Affordable Housing	
Individual contract per customer with revenue recognised on transfer for the land to the customer (IAS 18) and based on % completion for the construction of the unit (IAS 11)* **Sale of land** *Sales price of property/land determined based on the agreement between parties.* *Revenue recognised upon transfer of the property/land to the customer.* *Cost incurred is capitalised to inventory and expensed to cost of sales upon transfer of the property.*	**Individual contract per customer with two performance obligations.** **Revenue recognised on transfer of the land to the customer at a point in time. Revenue on construction of the unit to be recognised over time.** **Sale of land – First performance obligation** *Sales price of property/land determined based on the agreement between parties.* *Revenue is recognised at a point in time upon transfer of the property/land to the customer.* *Cost incurred is capitalised to inventory and expensed to cost of sales upon transfer of the property/land.*

4. Revenue (continued)

Treatment under IAS 11/IAS 18	Accounting policy under IFRS 15
Affordable Housing (continued)	
Construction of unit *Estimated revenue for the construction of the dwelling based on the agreement between the parties.* *Revenue is recognised on a percentage of completion based on the estimated cost to construct the dwelling vs the cost incurred on the dwelling. All cost incurred is expensed to cost of sales when incurred.*	**Construction of unit – Second performance obligation** *Estimated revenue for the construction of the dwelling based on the agreement between the parties.* *Revenue of the dwelling is recognised over time on a percentage of completion method basis if control is handed over during the construction phase based on the estimated cost to construct the dwelling vs the cost incurred on the dwelling. or at a point in time if the property and dwelling transfers as a completed unit.* **Single performance obligation** *Revenue is recognised at a point in time if control is determined to transfer upon completion of the unit/dwelling when the property/land and dwelling is transferred as a completed unit. This is applicable if the customer can only except transfer due to their funding arrangement with a financial institution or requirements of the contract.* *All cost incurred is either expensed to cost of sales if revenue is accounted for over time or capitalised to contract assets and expensed to cost of sales upon transfer of the property.*
High-end units	
Individual contract per customer with revenue recognised on transfer for the land to the customer (IAS 18) and based on % completion for the construction of the unit (IAS 11)*	**Individual contract per customer with two performance obligations.** **Revenue recognised on transfer of the land to the customer at a point in time. Revenue on construction of the unit recognised over time**
Sale of land *Sales price of property determined based on the agreement between parties.* *Revenue recognised at a point in time upon transfer of the property/land to the customer.* *Cost incurred is capitalised to inventory and expensed to cost of sales upon transfer of the property/unit.*	**Sale of land – First performance obligation** *Sales price of property/land determined based on the agreement between parties.* *Revenue recognised at a point in time upon transfer of the property/land to the customer.* *Cost incurred is capitalised to inventory and expensed to cost of sales upon transfer of the property/land.*
Construction of unit *Estimated revenue for the construction of the dwelling based on the agreement between the parties.* *Revenue is recognised on a percentage of completion based on the estimated cost to construct the dwelling vs the cost incurred on the dwelling.* *All cost incurred is expensed to cost of sales when incurred.*	**Construction of unit – Second performance obligation** *Estimated revenue for the construction of the dwelling based on the agreement between the parties.* *Revenue for the construction of the dwelling is recognised over time on a percentage of completion method basis if control is handed over during the construction phase based on the estimated cost to construct the dwelling vs the cost incurred on the dwelling or at a point in time if the property and dwelling transfers as a completed unit.* *Revenue is recognised at a point in time if control is determined to transfer upon completion of the unit/dwelling when the property/land and dwelling is transferred as a completed unit. This is applicable if the customer can only except transfer due to their funding arrangement with a financial institution or requirements of the contract.* *All cost incurred is either expensed to cost of sales if revenue is accounted for over time or capitalised to contract assets and expensed to cost of sales upon transfer of the property/unit.*

4. Revenue (continued)

Treatment under IAS 11/IAS 18	Accounting policy under IFRS 15
Integrated residential developments (consisting of a mix of bulk, link and internal infrastructure together with a mix in unit typologies)	
Accounted for as a single, combined contract on % completion basis (IAS 11) *The revenue is based on the percentage of completion for the total project as a whole.* *All cost incurred on the project is expensed as cost of sales when incurred.* *Project estimates for revenue and cost of sales is based on the overall project feasibility.*	**Every contract with a customer to be recognised and accounted for individually (as per above)#** *Revenue is recognised at a point in time or over time depending on the terms and conditions contained in each of the contracts with each individual customer.* *Non-unit specific costs are allocated to each unit as and when the Group enters into a contract with the customer. The relevant cost incurred is expensed or capitalised based on the revenue recognition which is either at a specific point in time or over time.* *Subsidised infrastructure revenue is based on the estimated revenue for the work to be completed on the project.* *Cost incurred on subsidised infrastructure is expensed to cost of sales when incurred.*
Memorial Parks burial rights	
The sale of burial rights relates to revenue generated from the reservation of a grave site. Individual contract per customer with revenue recognised on transfer of burial right to the customer once full payment has been received (IAS 18).	*Individual contract treatment with revenue recognised at a point in time when control of burial right has transferred to the customer.*
Memorial Parks burial services	
The burial services relates to the revenue generated from the interment services provided by the Group. Individual contract per customer with revenue recognised on transfer of burial services rendered to the customer (IAS 18)	*Individual contract treatment with revenue recognised at a point in time when control of burial service has rendered to the customer.*
Memorial Parks maintenance services	
The maintenance services relate to the revenue generated from the memorial park maintenance provided by the Group for the reserved graves. Individual contract per customer with revenue recognised over the year of maintenance being provided (IAS 18)	*Individual contract treatment with revenue recognised over time as the maintenance services are being rendered for the customer.*

* *Based on an individual contract basis as if treated as a separate engagement and not part of an integrated development.*

\# *Exact treatment will be assessed based on the individual contract with the customer and the underlying terms and conditions that are unique to each contract. Revenue may in certain cases be recognised at a point in time rather than over time and may have more than one performance obligation as determined by IFRS 15. Each will be assessed on its own set of underlying facts and recognised according to the guidance contained in IFRS 15.*

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
(continued)

4. Revenue (continued)

	2019	2018
Sale of completed units	**4 866 583**	9 505 586
Construction contracts	**939 778 202**	1 720 492 629
Sale of developed land	**31 500 000**	–
Memorial parks burial rights	**16 325 193**	9 783 805
Memorial parks maintenance	**2 044 624**	1 142 070
Memorial parks burial services	**2 549 926**	1 678 072
	997 064 528	1 742 602 162
Disaggregated revenue		
Residential Property Development Segment		
Infrastructure	**440 224 268**	–
Fully and partially subsidised units	**452 065 209**	–
Non-subsidised units	**33 621 990**	–
Serviced land sales	**50 233 318**	–
	976 144 785	–
Memorial Parks Segment		
Memorial parks burial rights	**16 325 193**	–
Memorial parks maintenance	**2 044 624**	–
Memorial parks burial services	**2 549 926**	–
	20 919 743	–
Total revenue	**997 064 528**	–

5. Earnings reconciliation

	2019	2018
Earnings reconciliation		
Determination of headline and diluted earnings:		
Profit attributable to shareholders	**3 240 735**	120 350 383
(Profit)/loss on disposal of property, plant and equipment and computer software	**–**	(170 024)
Gain on deemed disposal of interest in joint venture	**–**	(5 999 965)
Impairment of goodwill		1 310 074
Gain on bargain purchase	**(27 600 377)**	–
Headline and diluted headline earnings	**(24 359 642)**	115 490 468
Determination of earnings and diluted earnings:		
Attributable profit	**3 240 735**	120 350 383
Earnings and diluted earnings	**3 240 735**	120 350 383
Number of ordinary shares	**128 150 069**	128 150 069
Weighted average shares	**128 150 069**	128 150 069
Fully diluted weighted average shares	**128 150 069**	130 813 250

6. Inventories

	2019	2018
Opening balance	**554 397 497**	595 989 480
Additions (net of transfers to construction contracts)	**91 327 959**	(49 626 819)
Borrowing costs capitalised	**22 165 556**	24 567 250
Net realisable value adjustments	**(54 452 744)**	–
Disposals	**(44 940 268)**	(16 532 414)
Closing balance	**568 498 000**	554 397 497

7. Construction contracts

	2019	2018
The aggregate costs incurred and recognised profits to date	**4 172 437 264**	9 786 723 770
Less: Progress billings	**(3 061 010 070)**	(7 970 168 934)
Net statement of financial position balance for ongoing contracts	**1 111 427 194**	1 816 554 836
Excess billings over work done classified under trade and other payables	**198 231 245**	4 419 154
Provision for loss making contracts classified under trade and other payables	**4 847 353**	–
Gross statement of financial position balance for ongoing contracts	**1 314 505 792**	1 820 973 990
Construction contracts to be realised within 12 months	**671 469 797**	1 052 697 082
Construction contracts to be realised after 12 months	**643 035 995**	768 276 908
	1 314 505 792	1 820 973 990

The previous year's contract liabilities have been recognised in revenue in full during the current reporting period.

	2019
Disaggregated construction contracts in terms of IFRS 15: Pre-expected credit loss provisions	
Infrastructure – contract assets	**315 881 180**
Fully and partially subsidised units – contract assets	**505 700 429**
Non-subsidised units – contract assets	**10 871 906**
Serviced land – contract assets	**47 342 897**
Contract assets	**879 796 412**
Future contract asset costs	
Development cost for future contract assets	**434 709 380**
	1 314 505 792
Reconciliation of construction contracts	
Gross statement of financial position balance for ongoing contracts	**879 796 412**
Provisions for expected credit losses on contract assets	**(35 432 920)**
Development cost for future contract assets	**434 709 380**
Statement of financial position balance for construction contracts	**1 279 072 872**

The expected aggregate revenue still to be recognised on the current contract asset balances amount to R1 935 650 160 and will be recognised within the normal operating cycle of the business.

8. Related-party transactions

	2019	2018
Compensation paid to key employees and personnel	**47 258 856**	34 409 378
Finance income from related parties	**40 656 735**	15 791 302
Contract revenue received from joint ventures	**342 747 719**	485 166 377

9. Financial instruments

The carrying value of all financial instruments are equal to the fair value of those instruments at 28 February 2019 with the exception of borrowings. The carrying value of Bond Exchange borrowings at 28 February 2019 was R589.2 million, with a corresponding fair value of R601.1 million on the Bond Exchange. The difference is attributable to the bonds trading in an active market and are classified as level 2 in the IFRS 13 fair value hierarchy.

10. Bond exchange

During the year ended 28 February 2019, the Group repaid R193 million in borrowings that matured, as well as raised a total of R273 million in a combination of three and five-year notes.

Total finance cost incurred for the period amounted to R135.8 million (February 2018: R83.3 million) of which R76.5 million (February 2018: R66.6 million) was capitalised to inventory and construction contracts.

11. Dividends

Management believes that cash should be retained to fund growth across the Group. Cash retention is important to ensure investment in future projects, as well as reduced reliance on debt finance. The Board has therefore resolved not to declare a dividend for this reporting period.

12. Going concern

Based on the latest results for the year ended 28 February 2019, the latest board approved budget for the 2020 financial year, as well as the available bank facilities and cash generating capability, Calgro M3 satisfies the criteria of a going concern.

13. Corporate governance

Corporate governance forms one of the foundational layers of the Calgro M3 strategy as we understand that transparency, integrity and accountability need to permeate everything that we do. The Board of Directors endorse the principles contained in King IV™. Calgro M3's application of these principles is set out in the 2019 corporate governance report as well as the King IV application register, and is, in accordance with the JSE Listings Requirements, available on the Company's website. Please contact Ms I April, Group company secretary, for any additional information.

14. 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).

	2019	Restated 2018
Net debt		
Borrowings	**969 195 006**	889 596 522
Other interest-bearing borrowings*	**29 293 118**	27 392 556
Less: Cash and cash equivalents	**(122 632 997)**	(156 722 935)
	875 855 127	760 266 143
Equity		
Stated capital	**116 255 971**	116 255 971
Retained income	**690 054 102**	977 014 965
	806 310 073	1 093 270 936
Net debt/equity ratio	**1.09**	0.70

* *The other interest-bearing borrowings amount has been restated from R88 408 189 to R27 392 556 to take into account borrowings with actual interest being applied and excluding borrowings with accounting IFRS interest (implied interest).*

The maximum allowed net debt/equity ratio for the Group is 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 cash generated from/(utilised in) 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.

	2019	2018
Available cash flow		
Cash generated from/(utilised in) operating activities	**298 290 312**	(205 838 542)
New financial indebtedness incurred	**296 000 000**	516 000 000
Cash and cash equivalent at the beginning of the year	**156 722 935**	240 765 157
Capex	**(298 160 560)**	(129 532 596)
	452 852 687	421 394 019
Debt service requirement		
Interests and fees	**(115 459 090)**	(75 746 785)
Principal repayments	**(193 000 000)**	(192 000 000)
	(308 459 090)	(267 746 785)
Debt service cover ratio ("DSCR")	**1.47**	1.57

The minimum allowed DSCR ratio for the Group is 1.2.

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 maximum net debt/equity ratio of 1.5:1.

Directors
FJ Steyn
MN Nkuhlu
W Williams
WA Joubert (Financial Director)
WJ Lategan (Chief Executive Officer)
BP Malherbe*
GS Hauptfleisch*#
H Ntene*#
ME Gama*#
PF Radebe (Chairperson)*#
RB Patmore*#
VJ Klein•

* *Non-executive*
\# *Independent*
• *Resigned on 14 February 2019*

Registered office
Calgro M3 building
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196
Private Bag X33, Craighall, 2024

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
PO Box 61051, Marshalltown, 2107

Sponsor
Grindrod Bank Limited

Company secretary
I April

Auditors
PricewaterhouseCoopers Inc.

Date of announcement
13 May 2019

Website
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

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