CALGRO M3
Group

2020

Consolidated and Company
Financial Statements
for the year ended 29 February 2020

Building legacies. Changing lives



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

ESG Report 2020

Corporate Governance Report 2020

Annual Financial Statements 2020

King IV™ Application Register

Directors' Responsibilities and Approval

The Directors are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the Group financial statements of Calgro M3 Developments Limited, its subsidiaries, joint ventures and associates ("the Group").

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants ("SAICA") Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008.

The Directors consider that having applied IFRS in preparing the Group financial statements they have selected the most appropriate accounting policies, supported by reasonable and prudent judgements and estimates, and that all IFRS standards that they consider to be applicable have been followed.

The Directors are satisfied that the information contained in the Group financial statements fairly presents the results of operations for the year and the financial position of the Group at year-end. The Directors prepared the other information included in the Group financial statements and are responsible for both its accuracy and its consistency.

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

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

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

The Directors have reviewed the Group and Company's cash flow forecast for the year ended 28 February 2021 and, in light of this review and the current financial position, they are satisfied that the Group and Company have or have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group and Company's annual financial statements. The consolidated and separate financial statements have been examined by the Group and Company's external auditors and their report is presented on pages 13 to 17.

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

The Company's ultimate holding company has appointed an Audit and Risk Committee which performs the functions required under section 94(7) of the companies Act 71 of 2008 on behalf of Calgro M3 Developments Limited and its subsidiaries.

The consolidated and separate financial statements set out on pages 18 to 107, which have been prepared on the going concern basis, were approved by the Board of Directors on 18 May 2020 and were signed on its behalf by:



Wikus Lategan
Chief Executive Officer (CEO)



Waldi Joubert
Financial Officer (FD)

Certification by the Company Secretary

I , Itumeleng April, hereby confirm, in my capacity as Company Secretary of Calgro M3 Developments Limited, that for the year ended 29 February 2020, the Company has filed all required returns and notices in terms of the Companies Act 71 of 2008 and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.



Itumeleng April
Company Secretary

18 May 2020

Report of the Audit and Risk Committee

Introduction

I am pleased to present the Audit and Risk Committee report in terms of section 94(7)(f) of the Companies Act and as recommended by King IV™, for the year under review. The Committee is constituted as a statutory committee of the Company in terms of section 94 of the Companies Act 71 of 2008, as amended ("the Act"), and a committee of the Board in terms of all other duties assigned to it by the Board.

In line with King IV™, the Committee plays an essential role in providing independent oversight on the effectiveness of assurance functions and services, as well as the integrity of the annual financial statements. The Committee's terms of reference are formalised in a charter approved by the Board. In addition to performing this function for Calgro M3 Holdings Limited, the Audit and Risk Committee also accepted and performed the role for all the Group's subsidiaries and joint ventures.

The Committee's primary role is assisting the Board in discharging its responsibilities by monitoring the adequacy and effectiveness of the Group's systems and control environment, including that the Group has appropriate financial reporting procedures and that these procedures are operating as intended. The Committee also has oversight over the preparation of the integrated report and financial statements and to ensure compliance with all applicable legal and regulatory requirements and accounting standards. The Chairman of the Committee reports to the Board on the Committee's deliberations and decisions at every Board meeting.

Composition of the Audit and Risk Committee

The Committee consists of three independent non-executive Directors listed below and meets at least four times per annum. All members are independent as prescribed in section 94 of the Act.

The Board determined that the Committee members have appropriate and adequate skills and experience to contribute meaningfully to deliberations and to fulfil their responsibilities. In addition, the Committee Chairman, GS Hauptfleisch, has the requisite experience in accounting, financial management and auditing (a qualified chartered accountant).

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

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

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

Name of Committee member	Qualifications	Years served on Committee
GS Hauptfleisch	CA(SA)	**2 years**
ME Gama	PhD (Finance)	**8 years**
RB Patmore	BCom, MBL (SBL)	**9 years**

Annually a session aligned with approval of annual financial results are held with both the independent external auditors and internal auditors, respectively, where management is not present, to facilitate an exchange of views and concerns to further strengthen the independent oversight by the Committee.

Meetings

Four quarterly meetings were held in the 2020 financial year. Attendance of 100% throughout the year illustrates high levels of engagement by our Committee members.

The external and internal auditors, in their capacity as auditors to the Group, attended and reported at all of the meetings of the Committee.

The Group risk management function which is performed by Executive Directors, was also represented. Relevant senior managers attended meetings by invitation.

Committee attendance register

Member name	3 May 2019	18 July 2019	10 October 2019	7 February 2019
GS Hauptfleisch	✓	✓	✓	✓
ME Gama	✓	✓	✓	✓
RB Patmore	✓	✓	✓	✓
By invitation				
WJ Lategan	#	#	#	#
WA Joubert	#	#	#	#
I April	*	*	*	*
Sponsor◆				
Grindrod Bank	◆	n/a	n/a	n/a
Auditor				
PwC	#	#	#	#
Internal audit				
Prozilog	#	#	#	#

✓ *Indicates attendance.*
\# *Indicates attendance by invitation.*
* *Indicates attendance as Company Secretary.*
◆ *PSG Capital was appointed to replace Grindrod Bank as the Company's sponsor with effect from 11 November 2019. As a means of saving costs and in view thereof that sponsors are not obliged to attend Audit and Risk Committee meetings, it was resolved on 10 May 2019 that sponsors will no longer be required to attend the Committee's meetings unless specifically requested to do so.*

Fulfilment of the Committee's mandate

The role of the Committee is to fulfil the statutory duties as set out in section 94(7) of the Act and to assist the Board in providing independent oversight of the following:

In terms of the Act, the Committee has an independent role with accountability to both the Board and Calgro's shareholders. It does not assume the functions of management, which remain the responsibility of Executive Directors, prescribed officers and other members of senior management, nor does it assume accountability for functions performed by other committees of the Board.

Report of the Audit and Risk Committee (continued)

The Committee has adopted comprehensive and formal terms of reference which have been approved by the Board and are reviewed on an annual basis.

The Committee has discharged all its responsibilities as contained in these terms of reference, including but not limited to reviewing accounting policies and ensuring that financial information issued to stakeholders is prepared in alignment with relevant legislation and best practice.

The main functions performed by the Committee during the year under review were as follows:

- monitored the proper operation of adequate and effective systems of internal controls, including receiving and reviewing reports from both internal and external auditors concerning the effectiveness of the internal control environment;
- considered and satisfied itself that no significant weaknesses in the design, implementation or execution of the internal financial controls were identified;
- satisfied itself, based on the information and explanations supplied by management and obtained through discussions with the independent external auditor and internal auditors, that the system of internal financial controls of all the companies included in the consolidated financial statements, is effective and forms a basis for the preparation of reliable financial statements;
- ensured that appropriate financial reporting procedures exist and are working, which includes consideration of all the entities in the consolidated Group financial statements;
- monitored the reporting processes and the preparation of fairly presented financial statements in compliance with the applicable legal and regulatory requirements and accounting standards, and recommended, for adoption by the Board, the financial information that is publicly disclosed, which for the year included:
  - the interim results for the six months ended 31 August 2019
  - the annual results for the year ended 29 February 2020
  - the related SENS and press announcements for both interim and year-end;
- confirmed the going concern basis of preparation of the interim and annual financial statements;
- considered the JSE's proactive monitoring of financial statements report, as issued in 2019, and the applicability of the issues raised, with the view to improving disclosure where applicable. Further, the Committee considered and responded to queries raised by the JSE in terms of its proactive monitoring programme to the satisfaction of the JSE;
- reviewed and recommended for approval by the Board the integrated report, including the disclosure of sustainability matters;
- reviewed the qualifications, experience and expertise of the Group Finance Director, W Joubert, and satisfied itself that his expertise and experience is appropriate to meet the responsibilities of the position;
- the Committee also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources and experience of the Group's finance function;
- considered the qualification and independence of the external auditor;
- assessed the scope and effectiveness of the external audit function;
- reviewed the effectiveness of the Company's internal controls and internal audit function;
- performed the functions required in terms of section 94(2) of the Companies Act on behalf of the Group's subsidiary companies.

The Committee has resolved to undertake a self-assessment every second year, with the last assessment done in October 2019.

Risk functions

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

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

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

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

Internal audit and internal controls

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

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

The Committee has considered and approved the internal audit terms of reference.

The Committee:

- reviewed the internal audit charter in line with King IV™ recommendations and recommended the approval thereof to the Board;
- approved the risk-based internal audit plan for the 2020 financial year and subsequent changes thereto during the year;
- considered the effectiveness and performance of the internal audit function and were found to be satisfactory for the year under review;
- reviewed and evaluated reports relating to internal audit and risk management and the adequacy of management's responses and corrective actions;
- reviewed arrangements made by the Company to enable employees and outside whistleblowers to report any concerns about possible improprieties and received reports on the issues raised; and
- reviewed internal audit's assessment of the internal control environment.

External auditors

The Group's independent external auditors are PricewaterhouseCoopers Incorporated ("PwC").

The Committee:

- approved the auditors' terms of engagement and fees;
- reviewed and approved the external audit plan and ensured no limitations were imposed on the scope of external audit;
- reviewed the external auditor's report and confirmed that no material unresolved issues existed between the Group and the external auditor;
- reviewed and agreed the key audit matters identified by PwC that are set out in its report;
- obtained assurances from the external auditors that adequate accounting records were being maintained;
- reviewed the quality and effectiveness of the external audit process, based on the Committee's own assessment, the views of management and PwC's own assessment, and found it to be satisfactory. Confirmation was obtained from PwC that no material matters had been raised in regulatory or internal reviews of the audit partner;
- satisfied itself that the external auditor is independent of Calgro M3 Holdings Limited, as set out in section 94(8) of the Companies Act, and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements
- confirmed that PwC's independence was not impaired and received assurance that its internal governance processes support and demonstrate its claim to independence;
- the Committee has further established a procedure for the approval of any non-audit services and the pre-approval of any proposed contract with the auditors in this regard;
- the Committee is satisfied with the level and extent of non-audit services rendered during the year by PwC and that these did not affect its independence;
- confirmed that no reportable irregularities had been identified or reported by the external auditor under the Auditing Profession Act.

Statements

External auditors

Pursuant to section 61(8) of the Companies Act, the Committee nominates PwC for re-election at the Annual General Meeting ("AGM") of Calgro M3 Holdings, and Mrs Chantal Marais Roux as the designated partner to perform the functions of external auditor for the ensuing financial year or until the 2021 AGM, whichever is later. The Committee has satisfied itself that both PwC and Mrs Marais Roux are accredited with the JSE Limited as required.

Report of the Audit and Risk Committee (continued)

Statement on effectiveness of internal financial controls

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

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

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

Integrated annual report

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

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

Regulatory compliance

The Group complied with all relevant laws and regulations and considers adherence to non-binding rules, codes and standards. Compliance forms an integral part of the Company's risk management process.

Going concern

The Committee has reviewed a documented assessment, including key assumptions, prepared by management on the going concern status of the Group.

The Board's statement regarding the going concern status of the Group, as supported by the Committee, is included in the Directors' Report on pages 8 to 12.

Expertise and experience of Financial Director and the finance function

As required by paragraph 3.84(g)(i) of the JSE Listings Requirements, as well as recommended practice outlined in King IV™, the Committee has satisfied itself that the Financial Director has appropriate expertise and experience in terms of the JSE Listings Requirements.

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

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

The external auditors have reported on one key audit matter in respect of their 2020 audit, being construction contract revenue recognised over time.

The key audit matters related to material financial statement line items and required judgement and estimates to be applied by management.

The Committee assessed the methodology, assumptions and judgements applied by management in dealing with the key audit matters. Furthermore, the Committee discussed the key audit matters with the external auditors to understand their related audit processes and views.

Following our assessment, we were comfortable with the conclusions reached by management and the external auditors.

Annual financial statements

The Committee reviewed the annual financial statements and the accounting policies and practices of the Group and is satisfied that they comply with International Financial Reporting Standards and ensured that appropriate financial reporting procedures exist and are working, which includes consideration of all the entities in the consolidated Group financial statements. The Committee recommended the financial statements to the Board for approval. The Board concurred with this assessment.

Conclusion

The Committee, in carrying out its duties, has due regard to the principles and recommended practices of King IV™. It is satisfied it has considered and discharged its responsibilities in accordance with its terms of reference.

On behalf of the Audit and Risk Committee



GS Hauptfleisch
Chairman: Audit and Risk Committee

18 May 2020

King IV™ Application Register

Refer to the Calgro M3 website (http://www.calgrom3.com) for the King IV™ application register.

Directors' Report

The Directors submit their report for the year ended 29 February 2020.

1. Nature of business

Calgro M3 is a property and property-related investment company that is a market leader in the Residential Property Development, Residential Rental Investments and Memorial Park industries and provides innovative, cost-efficient solutions of the highest quality across these product ranges.

These three businesses (segments) are reported along the same turnkey business model that allows for the extraction of value from multiple areas while mitigating risk throughout the process.

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

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

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

Postal address
Private Bag X33
Craighall
2024

2. Financial results

The consolidated and separate financial statements on pages 18 to 107 set out fully the financial position, results of operations and cash flows of the Group and Company for the year ended 29 February 2020 and do not in our opinion require any further comment.

For segmental reporting, please refer to note 1 of the consolidated financial statements.

3. Type of company

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

Subsidiary and associate entities

Refer to note 10 for further details of the investments held in associates and joint ventures.

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

Particulars of the joint ventures and associates (note 10) and the principal subsidiaries (note 9) are set out in the financial statements.

4. Executive share scheme

Refer to note 34 for details on the share-based payments.

5. Accounting policies

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

6. Authorised and issued share capital

There were no changes to the authorised or issued share capital of the Company during the year.

7. Capital expenditure

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

8. Dividends

Group

Dividends amounting to R301 396 were declared to the shareholders during the year (2019: R609 619).

Company

No dividends were declared or paid to the shareholder during the current and prior years.

9. Going concern

The Group financial statements have been prepared on the going concern basis. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Please refer to note 40 in the consolidated financial statements, for the assessment of the impact of Covid-19 after the reporting period. Based on management's assessment, even taking the expected impact that Covid-19 will have on Calgro's operations and cash flows into account, the Group is still expected to continue as a going concern for the foreseeable future.

10. Directors

The Directors of the Company during the year and to the date of this report are as follows:

Name	Nationality	Contract expiry	Resigned
AJ Langson	South African	3 month notice	
DN Steyn	South African	3 month notice	30 June 2019
FJ Steyn#	South African		30 June 2019
MN Nkuhlu	South African	3 month notice	
UK Kissoon Singh	South African	3 month notice	
WA Joubert	South African	3 month notice	
WJ Lategan	South African	3 month notice	

 # FJ Steyn was an alternate to DN Steyn.

11. Company Secretary

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

As required by section 3.84(i) and (j) of the JSE Listings Requirements, the Board is satisfied that I April has appropriate qualifications, expertise and experience.

In addition, the Board had satisfied itself that there is an arm's length relationship with I April, due to the fact that I April is not a Director of the Company.

Business address
Calgro M3 Building
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33 Ballyclare Drive
Bryanston
2196

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Private Bag X33
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2024

12. Auditors

PricewaterhouseCoopers Inc will continue in office in accordance with section 90 of the Companies Act, subject to the approval of the shareholders at the next Annual General Meeting. Chantal Marais Roux will be the individual registered auditor who will undertake the audit for the 2021 financial year.

Directors' Report (continued)

13. Preparer

The financial statements were internally compiled by TW Graaff and P Perumalswami CA(SA) under the supervision of WA Joubert CA(SA).

14. Liquidity and solvency

The Directors have performed the required liquidity and solvency tests by reviewing future cash flows of the Group and Company as required by the Companies Act No 71 of 2008.

The Directors believe that the Group and Company have adequate financial resources and are liquid and solvent to continue in operation for the foreseeable future.

15. Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act No 71 of 2008.

16. Special resolutions

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

17. Regulatory requirements relating to public companies

Calgro M3 Developments Ltd and its subsidiaries are wholly owned subsidiaries of Calgro M3 Holdings Ltd.

These financial statements should be read in conjunction with the 2020 Integrated Annual Report for Calgro M3 Holdings Ltd as published on 17 May 2020. Also refer to the Calgro M3 website (http://www.calgrom3.com) for the King IV™ application register.

18. Events after reporting period

Covid-19

At the time of compiling these financial statements, the coronavirus disease 2019 (Covid-19) has affected, or is about to affect, the majority of the countries in the world. The national lockdowns implemented by most governments around the world is having a profound impact on businesses, both large and small, the economies of these countries and ultimately the global economy. It is common cause that the effect that Covid-19 has had on the global economy was last seen during World War II with unprecedented job losses and business closures. Calgro M3 is no different to other businesses in that it has been severely impacted by Covid-19. However, as with any crisis, the threat of the disease will come to an end, and only when this happens, we will be in a position to fully evaluate the effect that Covid-19 has had on the Group.

We have, however, taken all available information into account, evaluated the Covid-19 impact on the estimation processes inherent to financial reporting and required finance functions. We also took a closer look at impairment, valuation, net realisable value, loss contingency and exposure considerations. It is our view that as we have always accounted for these values based on cost, expensed the cost of obtaining property development rights, expensed a material part of holding cost, etc and based on internal valuations that no adjustments are required as our balance sheet has always been undervalued from a valuation perspective.

The effect of Covid-19 is, however, not only financial of nature. We have highlighted Covid-19 as the biggest risk in our risk register due to its obvious far-reaching impact. However, the Group is in a position where many of the liquidity and macro-economic consequences of Covid-19 have already been inadvertently managed through actions taken by the Group during the preceding two challenging years.

The potential impact of Covid-19 on the Group:

- Our market
  - Our market will be significantly impacted by the psychological effect that Covid-19 will invariably have on the South African public as a whole. The buying of a home or the early purchase of a grave is a big decision, especially for first time buyers and people will be hesitant to make big decisions for a while after the negativity created by Covid-19;

- The banks' appetite to continue granting new home loans is a concern;
- Government has a renewed awareness of the great need for dignified housing in South Africa. Our belief is that this will bring about new opportunities.

▸ Our potential customers
- Our potential customers will be affected in two ways:
  – The negative effect of Covid-19 and their cautious approach to decisions in view thereof;
  – Severe financial pressure affecting their ability to acquire housing or even a dignified final resting place – whether it being for themselves or family members.

▸ Contractors and on-site activities
- Construction and construction cost management will be affected through the increased cost of improved and additional health and safety requirements on our sites for at least six to 12 months after the crisis. This is imperative to limit the renewed spread of the disease.

▸ Health of Executive Directors and key executives
- The Group was proactive in dealing with the dangers of exposure to Covid-19 by directing all Executive Directors and key staff members to work from home a week in advance of the commencement of the national lockdown;
  – Notwithstanding the above, the risk of infection remains and all key staff are committed to applying prescribed preventative measures;
  – This risk associated with the infection of key staff members has increased due to the reduction in the management team over the last 18 months, making each individual's role so much more critical.
- A critical temporary succession plan has been compiled for all executives with different stages of implementation, which also makes provision for two or more executives falling ill at the same time.

▸ Employees
- Calgro M3's first responsibility is its employees, who it has supported and protected, in as much as is possible, during this time.
  – Actions:
    - ◆ no-travel policies were implemented pursuant to the first Covid-19 diagnosis in South Africa;
    - ◆ work-from-home policies for all key function staff with additional and/or required; infrastructure communication cost paid for by the Company;
    - ◆ assisting in making remote work practical and simple whenever possible;
    - ◆ implementation of social distancing at work;
    - ◆ various amendments to the head office and site offices' layouts to adhere to the strict hygiene principles for Covid-19;
    - ◆ introduction of an employee lifestyle programme that includes amongst others, the following support functions that we believe might be helpful during this time:
      - ■ Unlimited counselling
      - ■ Financial advice
      - ■ Legal advice
      - ■ Comprehensive trauma response
      - ■ Interactive health portal
- Increased staff communication from both management and the health and safety department;
- More focus on balancing the needs and expectations of the Group with those of employees, thereby reinforcing our message that their well-being is a top priority;
- Educating employees on the benefits of prescribed personal hygiene preventative measures, personal protective equipment, self-isolation, social distancing and all other available protective and preventative measures to ensure health and safety;
- The Group is proud thereof that it was able to pay full salaries to employees up to the date of this report and will endeavour to continue to pay the salaries for the foreseeable future.

▸ Effect on operations
- All construction activities were suspended two days before the commencement of the official lockdown to afford employees the opportunity to travel to their families and stock-up with supplies;

Directors' Report (continued)

- In total, construction activities were suspended due to the national lockdown.
- The deeds offices were closed during the lockdown period, with conveyancers being required to remove all lodged transactions when the lock down commenced. This has brought about a major back-log with registrations which has brought about a further estimated six week delay on the operations of the residential development business;
- The most material effect on the development business' revenue and return's will be attributable to the delay in construction with the expected transfers for both August 2020 and February 2021 being affected, and the danger existing of transactions being cancelled due to creditworthiness and affordability issues that may have arisen due to the national lockdown;
- The impact that the effect of Covid-19 had on revenue and profitability is extremely uncertain at this stage as highlighted above. The Group was, however, well-positioned for substantial growth in the current year, and we believe that the Group will be able to absorb the ultimate effect of Covid-19 on its performance;
- The pendulum might not swing back fully once the outbreak has relented and therefore forward-planning is so important. We are therefore actively focusing on actions, steps and processes required post the crisis, to ensure that business operations return to full capacity as soon as possible.

▸ Debt service ability and source of sufficient liquidity
- The Group believes that it has sufficient financial resources to honour all current and short-term commitments.

▸ Social responsibility
- Please refer to the ESG Report on the Calgro M3 website: www.calgrom3.com.

▸ Operational outlook
- Please refer to the Integrated Annual Report on the Calgro M3 website: www.calgrom3.com.

Independent Auditor's Report

To the shareholders of Calgro M3 Developments Limited
Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Calgro M3 Developments Limited ("the Company") and its subsidiaries ("together the Group") as at 29 February 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

What we have audited

Calgro M3 Developments Limited's consolidated and separate financial statements set out on pages 18 to 107 comprise:

- the consolidated and separate statements of financial position as at 29 February 2020;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

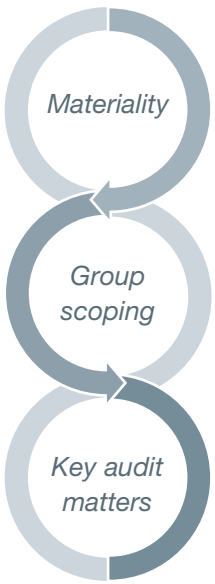
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together "the IRBA Codes") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

Overview



Overall Group materiality

- R7 150 000 which represents 0.75% of consolidated revenue.

Group audit scope

The Group comprises the holding company, 22 subsidiaries and five joint ventures (referred to as "components"). We performed full scope audit procedures on nine components as a result of their financial significance and specified audit procedures over 8 components. The remaining 11 components are considered to be financially inconsequential.

Key audit matters

- Construction contract revenue recognised over time.

Independent Auditor's Report (continued)

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

Materiality

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

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

Overall Group materiality	*R7 150 000.*
How we determined it	*0.75% of consolidated revenue.*
Rationale for the materiality benchmark applied	*We have selected consolidated revenue as our materiality benchmark because, in our view, it best reflects the true operational performance of the Group and it is a benchmark against which the performance of the Group is most commonly measured by its users due to the fluctuation of profit before income tax.* *We chose 0.75% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality and taking into account the level of debt within the Group and the cyclical nature of the construction industry.*

How we tailored our Group audit scope

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

The Group consists of the holding company, 22 subsidiaries and five joint ventures (referred to as "components"), all located in South Africa which represents the Group's principal place of business. We performed full scope audits on 9 of these components due to their financial significance, specified procedures on 8 components as a result of significant account balances and transactions within these components, and the remaining 11 components are considered to be financially inconsequential, for Group scoping purposes. Analytical review procedures were performed on these inconsequential components. The audit was performed by one audit team and no reliance was placed on other auditors.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter

Construction contract revenue recognised over time

This matter relates to both the consolidated and separate financial statements.

Refer to the following accounting policies and notes to the consolidated financial statements:

- Note 1: Segment information;
- Note 3.3: Significant estimates and judgements; and
- Note 24: Revenue.

Revenue from construction contracts recognised over time amounts to 90% of the Group's revenue within the "Residential Property Development" operating segment, as disclosed within note 1 to the consolidated financial statements.

For property development contracts, the Group uses the percentage of completion method (also known as an input method) to account for revenue over time. Under this method, the Group compares the actual costs incurred on a unit/dwelling/project to the forecasted cost of the unit/dwelling/project which equals the percentage of work completed.

The following judgements and estimations are applied by the Group in determining the percentage of completion of a unit/dwelling/project at reporting date:

- The calculation of the percentage of completion, including the estimation of the forecasted costs of the unit/dwelling/project; and
- The allocation of the non-unit specific cost based on approved feasibilities.

We considered the accounting for construction contracts over time to be a matter of most significance to our current year audit due to judgement and estimation made by management in determining the percentage of completion and the magnitude of contract revenue and contract assets to the consolidated and separate financial statements.

Our audit procedures, as noted below, included an evaluation of the relevance and application of the significant judgements and estimates within the Group's percentage of completion method calculations.

Our procedures comprised a combination of internal control assessments over construction contract revenue, contract-related procurement and payroll expenditure, and substantive audit procedures.

Our internal control tests consisted mainly of:

- Three-way match testing was performed on a sample of transactions to determine whether those transactions are supported by a purchase order, invoice, receiving document and/or progress certificate.
- The payment pack testing was performed on a sample of transactions to determine whether payments to subcontractors were authorised by the appropriate level of management and based on valid underlying third-party documents.
- Net pay of salaries and wages was tested for a sample of pay runs to determine whether the required approvals and authorisations were obtained before payments were made.
- Testing was performed over a sample of project feasibilities to assess whether the required reviews and approvals have been obtained.

We selected a sample of contracts on which detailed substantive testing procedures were performed. Our sample was selected based on a combination of risk and monetary thresholds. This included high-value contracts and the assessment of whether there were any significant loss-making contracts.

Our audit procedures performed in assessing the appropriateness of estimates and judgements applied by management included:

- Discussions with management and quantity surveyors regarding the status of the selected contracts;
- Tests of a sample of actual costs incurred from a selection of contracts, to underlying documentation, with no significant variances noted;
- Evaluation and testing of management's cost and revenue estimation process in accordance with the principles of IFRS 15, as described in note 24 of the consolidated and separate financial statements, by gaining an understanding of the budgeting process and significant assumptions applied by management. This involved having detailed discussions with knowledgeable individuals of the management team, corroborating management's assumptions to underlying contracts, quotations, internal assessments performed by experts (such as town planners and quantity surveyors) and comparing past assumptions to historical data. No material variances were noted from the testing performed;
- Assessment of the competence, capabilities and objectivity of management's town planners and quantity surveyors by obtaining evidence relating to their qualifications, expertise and professional memberships. We noted no aspects requiring further consideration;

Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the key audit matter
Construction contract revenue recognised over time	
	▸ Utilisation of our internal quantity surveying expertise to assess the reasonableness of total contract costs through inspection of contract documentation (e.g. forecasts and bills of quantities). We did not identify any material exceptions; ▸ Recalculation of the allocation of non-unit specific contract costs to a project, with no material variances noted; ▸ Recalculation of the percentage of completion of the contract based on the actual costs incurred to date as a percentage of the total estimated forecasted costs, with no material variances noted; ▸ Recalculation of the construction contract revenue recognised based on the percentage of completion method, with no material variances noted; and ▸ Enquiries from the Directors about whether construction and macro-economic risks identified have been factored into the forecasted build costs.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Calgro M3 Developments Limited and its Subsidiaries Consolidated and Company Financial Statements for the year ended 29 February 2020", which includes the Directors' Report, the Report of the Audit and Risk Committee and the Certification of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the consolidated and separate financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Calgro M3 Developments Limited for 13 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: C Marais Roux
Registered Auditor

Waterfall City

18 May 2020

Consolidated and Separate Statements of Financial Position

for the year ended 29 February 2020

		Group		Company	
	Notes	2020	2019	2020	2019
Assets					
Non-current assets					
Property, plant and equipment	6	**19 301 630**	3 808 477	**18 919 057**	3 272 953
Intangible assets	7	**158 960 573**	158 981 977	**4 858**	26 263
Financial assets at fair value through other comprehensive income	8	**23 712 115**	74 100 464	**23 712 115**	74 100 464
Investment in subsidiaries	9	**–**	–	**343 646 584**	343 646 584
Investment in joint ventures and associates	10	**32 583 446**	33 212 489	**–**	–
Deferred income tax asset	11	**21 867 126**	16 465 456	**15 356 300**	–
		256 424 890	286 568 863	**401 638 914**	421 046 264
Current assets					
Loans to Group companies	12	**207 286 050**	447 677 928	**487 064 618**	869 074 180
Loans to joint ventures and associates	13	**267 434 639**	42 215 734	**211 499 365**	–
Inventories	14	**633 883 192**	508 260 900	**166 456 807**	2 000 000
Current tax receivable		**392 494**	1 427 239	**6 945**	–
Construction contracts	15	**990 975 605**	1 336 666 553	**411 846 888**	453 737 016
Trade and other receivables	16	**124 860 372**	228 452 754	**46 920 434**	319 989 510
Cash and cash equivalents	17	**250 505 772**	118 729 528	**238 557 845**	114 527 118
		2 475 338 124	2 683 430 636	**1 562 352 903**	1 759 327 824
Total assets		**2 731 763 014**	2 969 999 499	**1 963 991 817**	2 180 374 088
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the parent					
Stated capital	18	**283 794 872**	283 794 872	**283 794 872**	283 794 872
Other reserves	19	**(139 473 051)**	(89 084 702)	**(139 473 051)**	(89 084 702)
Retained income		**707 911 698**	706 841 046	**251 201 015**	324 984 523
		852 233 519	901 551 216	**395 522 836**	519 694 693
Non-controlling interests	20	**701 527**	278 176	**–**	–
Total equity		**852 935 046**	901 829 392	**395 522 836**	519 694 693
LIABILITIES					
Non-current liabilities					
Deferred income tax liability	11	**202 884 587**	206 916 388	**–**	346 648
		202 884 587	206 916 388	**–**	346 648
Current liabilities					
Loans from Group companies	12	**88 168**	–	**49 846 206**	3 436 696
Loans from joint ventures and associates	13	**–**	23 000 000	**–**	23 000 000
Current income tax liabilities		**354 676**	1 407 574	**–**	1 368 435
Borrowings	21	**1 062 842 931**	969 195 006	**1 062 842 931**	969 195 006
Trade and other payables	22	**612 657 606**	867 651 139	**455 779 844**	663 332 610
		1 675 943 381	1 861 253 719	**1 568 468 981**	1 660 332 747
Total liabilities		**1 878 827 968**	2 068 170 107	**1 568 468 981**	1 660 679 395
Total equity and liabilities		**2 731 763 014**	2 969 999 499	**1 963 991 817**	2 180 374 088

Consolidated and Separate Statements of Comprehensive Income

for the year ended 29 February 2020

		Group		Company	
	Notes	2020	2019	2020	2019
Revenue	24	**953 378 645**	949 103 550	**587 016 846**	747 300 672
Cost of sales	25/27	**(874 300 901)**	(860 578 364)	**(558 554 163)**	(800 230 990)
Gross profit		**79 077 744**	88 525 186	**28 462 683**	(52 930 318)
Other income	26	**8 469 888**	8 649 067	**18 201 927**	58 735 777
Administrative expenses*	27	**(81 277 279)**	(92 381 128)	**(76 183 449)**	(87 983 618)
Other expenses	27	**–**	(929 221)	**–**	–
Impairment gains/(losses) on financial and contract assets	28	**21 910 063**	(6 817 163)	**(11 148 906)**	(10 766 256)
Operating profit		**28 180 416**	(2 953 259)	**(40 667 745)**	(92 944 415)
Finance income	29	**45 598 433**	59 865 587	**76 359 828**	119 008 120
Finance costs	30	**(62 795 896)**	(57 817 574)	**(128 824 274)**	(136 065 986)
Share of profit of associates – net of tax	10	**(732 542)**	17 933 608	**–**	–
Profit before tax		**10 250 411**	17 028 362	**(93 132 191)**	(110 002 281)
Taxation	31	**(7 518 269)**	40 193 895	**20 285 426**	84 926 272
Profit after taxation		**2 732 142**	57 222 257	**(72 846 765)**	(25 076 009)
Other comprehensive income					
Changes in the fair value of investments held at FVOCI	19	**(50 388 349)**	(31 079 873)	**(50 388 349)**	(31 079 873)
Total other comprehensive income		**(50 388 349)**	(31 079 873)	**(50 388 349)**	(31 079 873)
Total comprehensive income		**(47 656 207)**	26 142 384	**(123 235 114)**	(56 155 882)
Profit after taxation and other comprehensive income attributable to:					
– Owners of the parent		**(48 079 558)**	28 154 869	**(123 235 114)**	(56 155 882)
– Non-controlling interests		**423 351**	(2 012 485)	**–**	–
		(47 656 207)	26 142 384	**(123 235 114)**	(56 155 882)

* *Included in the administrative expenses is depreciation on righ-of-use assets as disclosed in notes 6 and 22.*

Consolidated and Separate Statements of Changes in Equity

for the year ended 29 February 2020

	Stated capital	Other reserves	Retained income	Non-controlling interests♦	Total equity
Group					
Balance at 1 March 2018	88 561 467	(58 004 829)	422 188 894	609 620	453 355 152
Investment in Calgro M3 Memorial Parks eliminated to equity▪	–	–	(56 690 713)	1 935 650	(54 755 063)
IFRS 15 opening balance adjustment to equity◊	–	–	(324 792 274)	–	(324 792 274)
IFRS 9 opening balance adjustment to equity◊	–	–	(35 322 072)	–	(35 322 072)
Adjustment to retained income due to predecessor accounting•	–	–	642 832 088	(254 609)	642 577 479
Shares issued#	195 233 405	–	–	–	195 233 405
Dividend declared◊	–	–	(609 619)	–	(609 619)
Comprehensive income					
Profit for the year	–	–	59 234 742	(2 012 485)	57 222 257
Other comprehensive income	–	(31 079 873)	–	–	(31 079 873)
Total comprehensive (expense)/income	–	(31 079 873)	59 234 742	(2 012 485)	26 142 384
Balance at 1 March 2019	**283 794 872**	**(89 084 702)**	**706 841 046**	**278 176**	**901 829 392**
Change in accounting policy: IFRS 16 opening balance adjustment to equity◘	**–**	**–**	**(936 743)**	**–**	**(936 743)**
Restated total equity balance at 1 March 2019	**283 794 872**	**(89 084 702)**	**705 904 303**	**278 176**	**900 892 649**
Dividend declared◊	**–**	**–**	**(301 396)**	**–**	**(301 396)**
Comprehensive income					
Profit for the year	**–**	**–**	**2 308 791**	**423 351**	**2 732 142**
Other comprehensive income	**–**	**(50 388 349)**	**–**	**–**	**(50 388 349)**
Total comprehensive (expense)/income	**–**	**(50 388 349)**	**2 308 791**	**423 351**	**(47 656 207)**
Balance at 29 February 2020	**283 794 872**	**(139 473 051)**	**707 911 698**	**701 527**	**852 935 046**
Notes	18	19			

▪ *This relates to the remaining share-holding purchased in Calgro M3 Memorial Parks Nasrec (Pty) Ltd. Refer to note 20 for further details.*
• *On 1 March 2018, the Group restructured with Calgro M3 Developments Limited acquiring the Calgro M3 Land (Pty) Ltd and Calgro M3 Project Management (Pty) Ltd investment from Calgro M3 Holdings Limited at its carrying value. The restructuring aligns the Group structure with the operating segments within the Group. Predecessor accounting has been applied for the restructuring in the Group.*
\# *An additional share has been issued to Calgro M3 Holdings Limited as part of the Group restructure. Refer to note 18.*
◊ *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.*
♦ *This relates to the shareholding of the subsidiaries, Belhar Calgro M3 Developments Company (Pty) Ltd, Holm Jordaan GWA (Pty) Ltd, Calgro M3 Procurement Services (Pty) Ltd and Calgro M3 Contractors (Pty) Ltd where the Calgro M3 Group does not hold 100% of the shareholding.*
◊ *This relates to the adjustment for the adoption of IFRS 15 and IFRS 9 standards in the prior financial year.*
◘ *This relates to the adjustment for the adoption of IFRS 16 standard in the current financial year. Refer to note 3.5.*

	Stated capital	Other reserves	Retained income	Non-controlling interests♦	Total equity
Company					
Balance at 1 March 2018	88 561 467	(58 004 829)	393 037 401	–	423 594 039
IFRS 15 opening balance adjustment to equity◊	–	–	(32 323 858)	–	(32 323 858)
IFRS 9 opening balance adjustment to equity◊	–	–	(10 653 011)	–	(10 653 011)
Shares issued	195 233 405	–	–	–	195 233 405
Comprehensive income					
Profit for the year	–	–	(25 076 009)	–	(25 076 009)
Other comprehensive income	–	(31 079 873)	–	–	(31 079 873)
Total comprehensive (expense)/income	–	(31 079 873)	(25 076 009)	–	(56 155 882)
Balance at 1 March 2019	**283 794 872**	**(89 084 702)**	**324 984 523**	**–**	**519 694 693**
Change in accounting policy: IFRS 16 opening balance adjustment to equity◘	**–**	**–**	**(936 743)**	**–**	**(936 743)**
Restated total equity balance at 1 March 2019	**283 794 872**	**(89 084 702)**	**324 047 780**	**–**	**518 757 950**
Comprehensive income					
Loss for the year	**–**	**–**	**(72 846 765)**	**–**	**(72 846 765)**
Other comprehensive income	**–**	**(50 388 349)**	**–**	**–**	**(50 388 349)**
Total comprehensive expense	**–**	**(50 388 349)**	**(72 846 765)**	**–**	**(123 235 114)**
Balance at 29 February 2020	**283 794 872**	**(139 473 051)**	**251 201 015**	**–**	**395 522 836**
Notes	18	19			

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

◊ *This relates to the adjustment for the adoption of IFRS 15 and IFRS 9 standards in the prior financial year.*

◘ *This relates to the adjustment for the adoption of IFRS 16 standard in the current financial year. Refer to note 3.5.*

Consolidated and Separate Statements of Cash Flows

for the year ended 29 February 2020

	Notes	Group 2020	2019	Company 2020	2019
Cash generated from/(utilised in) operating activities					
Cash generated from/(utilised in) operations	32	**459 315 399**	269 163 084	**317 195 866**	(6 572 184)
Interest received		**24 000 284**	13 092 242	**48 821 439**	70 584 852
Interest paid		**(122 245 187)**	(116 443 259)	**(122 227 572)**	(120 010 078)
Tax (paid)/refunded	33	**(17 907 083)**	9 621 737	**2 270 356**	9 693 884
Net cash generated from/(utilised in) operating activities		**343 163 413**	175 433 804	**246 060 089**	(46 303 526)
Cash flows utilised in investing activities					
Purchase of property, plant and equipment		**(686 383)**	(928 045)	**(686 383)**	(711 949)
Proceeds from the disposal of property, plant and equipment		**81 383**	–	**81 383**	–
Purchase of intangible assets		**–**	(38 760)	**–**	(38 760)
Acquisition of joint ventures		**(103 500)**	–	**–**	–
Proceeds of loans repaid by joint ventures		**2 775 277**	–	**2 775 276**	–
Loans advanced to joint ventures/associates		**(156 690 843)**	(48 000)	**(146 226 531)**	–
Cash acquired through business combination♦		**–**	2 707 370	**–**	–
Advances to Group companies		**(190 896 206)**	(1 163 540 835)	**(785 729 193)**	(2 538 566 219)
Repayments of loans to Group companies		**186 786 161**	865 219 030	**799 169 159**	2 437 205 523
Net cash utilised in investing activities		**(158 734 111)**	(296 629 240)	**(130 616 289)**	(102 111 405)
Cash flows (utilised in)/from financing activities					
Proceeds from borrowings	21	**145 000 000**	273 000 000	**145 000 000**	273 000 000
Repayment of borrowings	21	**(157 000 000)**	(193 000 000)	**(157 000 000)**	(193 000 000)
Loans received from joint ventures and associates	13	**–**	23 000 000	**–**	23 000 000
Loans repaid to joint ventures and associates	13	**(23 000 000)**	–	**(23 000 000)**	–
Repayment of capital portion on leases		**(1 839 258)**	–	**(1 839 258)**	–
Advances from Group companies		**144 799**	–	**46 293 170**	10 482 807
Repayment of loans from Group companies		**(58 599)**	–	**(866 985)**	(246 386)
Transactions with non-controlling interest	20	**(15 900 000)**	(15 900 000)	**–**	–
Net cash (utilised in)/from financing activities		**(52 653 058)**	87 100 000	**8 586 927**	113 236 421
Net increase/(decrease) in cash and cash equivalents		**131 776 244**	(34 095 436)	**124 030 727**	(35 178 510)
Cash and cash equivalents at the beginning of the year		**118 729 528**	152 824 964	**114 527 118**	149 705 628
Cash and cash equivalents at the end of the year	17	**250 505 772**	118 729 528	**238 557 845**	114 527 118

♦ *The cash acquired relates to the opening balance of cash acquired through the application of predecessor accounting.*

Notes to the Consolidated and Separate Financial Statements

for the year ended 29 February 2020

1. Segment information

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

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

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

- Residential Property Development
- Memorial Parks
- Residential Rental Investment

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

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

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

The segment information provided to Exco for the operating segments for the year ended 29 February 2020 has been provided. The table indicates from where the Group's revenue has been earned, including its joint ventures and associates. The revenue earned by the joint ventures and associates, in their own capacities, has been disclosed in note 10.

The CODM assesses the performance of the operating segments based on two measurement methods, firstly a fully consolidated income statement per segment (including the elimination of intersegmental transactions) and secondly a balance sheet per consolidated segment (transactions between segments has not been eliminated for the balance sheet).

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

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

1. Segment information *(continued)*

	Residential Property Development	Memorial Parks	All other segments	Total
2020				
Total segment revenue	**940 390 250**	**12 988 395**	**–**	**953 378 645**
Fleurhof Project	**379 496 553**	**–**	**–**	**379 496 553**
Jabulani Project	**28 379 457**	**–**	**–**	**28 379 457**
Witpoortjie Calgro M3 Development Company (Pty) Ltd	**41 229 720**	**–**	**–**	**41 229 720**
South Hills Development Company (Pty) Ltd	**88 632 014**	**–**	**–**	**88 632 014**
Belhar Project	**229 038 318**	**–**	**–**	**229 038 318**
Third parties	**173 614 188**	**12 988 395**	**–**	**186 602 583**
Combined revenue*	**1 088 377 362**	**12 988 395**	**–**	**1 101 365 757**
Total segment revenue	**940 390 250**	**12 988 395**	**–**	**953 378 645**
Revenue of joint ventures and associates	**147 987 112**	**–**	**–**	**147 987 112**
Witpoortjie Calgro M3 Development Company (Pty) Ltd	**52 240 967**	**–**	**–**	**52 240 967**
South Hills Development Company (Pty) Ltd	**95 746 145**	**–**	**–**	**95 746 145**
Gross revenue	**940 390 250**	**12 988 395**	**–**	**953 378 645**
Point in time	**364 097 085**	**12 483 418**	**–**	**376 580 503**
Over time	**576 293 165**	**504 977**	**–**	**576 798 142**
Revenue	**940 390 250**	**12 988 395**	**–**	**953 378 645**
Gross revenue	**940 390 250**	**12 988 395**	**–**	**953 378 645**
Cost of sales	**(867 804 062)**	**(6 496 839)**	**–**	**(874 300 901)**
Gross profit	**72 586 188**	**6 491 556**	**–**	**79 077 744**
Other income	**8 416 123**	**53 765**	**–**	**8 469 888**
Administrative expenses	**(79 271 202)**	**(2 006 077)**	**–**	**(81 277 279)**
Impairment losses on financial and contract assets	**21 913 865**	**(3 802)**	**–**	**21 910 063**
Operating profit	**23 644 974**	**4 535 442**	**–**	**28 180 416**
Finance income	**27 841 970**	**71 432**	**17 685 031**	**45 598 433**
Finance costs	**(42 957 844)**	**(5 188 224)**	**(14 649 828)**	**(62 795 896)**
Share of loss of associates/joint venture – net of tax	**(732 542)**	**–**	**–**	**(732 542)**
Profit/(loss) before tax	**7 796 558**	**(581 350)**	**3 035 203**	**10 250 411**
Taxation	**(6 831 190)**	**162 778**	**(849 857)**	**(7 518 269)**
Profit/(loss) after taxation	**965 368**	**(418 572)**	**2 185 346**	**2 732 142**
Other comprehensive income	**–**	**–**	**(50 388 349)**	**(50 388 349)**
Total comprehensive income/(loss)	**965 368**	**(418 572)**	**(48 203 003)**	**(47 656 207)**
Profit after taxation and other comprehensive income attributable to:				
– Owners of the parent	**542 017**	**(418 572)**	**(48 203 003)**	**(48 079 558)**
– Non-controlling interests	**423 351**	**–**	**–**	**423 351**
	965 368	**(418 572)**	**(48 203 003)**	**(47 656 207)**

* *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.*

1. Segment information *(continued)*

	Residential Property Development	Memorial Parks	All other segments	Total
2020				
Non-current assets				
Property plant and equipment	18 919 057	382 573	–	19 301 630
Intangible assets	158 960 573	–	–	158 960 573
Financial assets at fair value through other comprehensive income	–	–	23 712 115	23 712 115
Investment in joint ventures and associates	32 583 446	–	–	32 583 446
Deferred income tax asset	12 668 430	9 198 696	–	21 867 126
	223 131 506	9 581 269	23 712 115	256 424 890
Current assets				
Loans to joint ventures and associates	267 434 639	–	–	267 434 639
Loans to Group companies	–	–	207 286 050	207 286 050
Inventories	528 043 327	105 839 865	–	633 883 192
Current tax receivable	392 494	–	–	392 494
Construction contracts	990 975 605	–	–	990 975 605
Trade and other receivables	124 860 372	–	–	124 860 372
Cash and cash equivalents	244 894 074	5 611 698	–	250 505 772
	2 156 600 511	111 451 563	207 286 050	2 475 338 124
Total assets	2 379 732 017	121 032 832	230 998 165	2 731 763 014
Liabilities				
Non-current liabilities				
Deferred income tax liability	202 884 587	–	–	202 884 587
	202 884 587	–	–	202 884 587
Current liabilities				
Borrowings*	615 974 041	–	446 868 890	1 062 842 931
Loans from Group companies	–	88 168	–	88 168
Current income tax liabilities	354 676	–	–	354 676
Trade and other payables	601 885 538	10 772 068	–	612 657 606
	1 218 214 255	10 860 236	446 868 890	1 675 943 381
Total liabilities	1 421 098 842	10 860 236	446 868 890	1 878 827 968

* *The Group allocated borrowings proportionally to each segment based on the total assets per segment.*

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

1. Segment information *(continued)*

	Residential Property Development	Memorial Parks	All other segments	Total
2019				
Total segment revenue	938 195 803	10 907 747	–	949 103 550
Fleurhof Project	327 330 066	–	–	327 330 066
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	261 780 143	–	–	261 780 143
Belhar Project	153 875 423	–	–	153 875 423
Third parties	113 214 684	10 907 747	–	124 122 431
Combined revenue*	1 222 723 180	10 907 747	–	1 233 630 927
Total segment revenue	938 195 803	10 907 747	–	949 103 550
Revenue of joint ventures and associates	284 527 377	–	–	284 527 377
Witpoortjie Calgro M3 Development Company (Pty) Ltd	17 087 540	–	–	17 087 540
South Hills Development Company (Pty) Ltd	267 439 837	–	–	267 439 837
Gross revenue	938 195 803	10 907 747	–	949 103 550
Point in time	95 137 962	10 509 318	–	105 647 280
Over time	843 057 841	398 429	–	843 456 270
Revenue	938 195 803	10 907 747	–	949 103 550
Gross revenue	938 195 803	10 907 747	–	949 103 550
Cost of sales	(856 553 940)	(4 024 424)	–	(860 578 364)
Gross profit	81 641 863	6 883 323	–	88 525 186
Other income	8 519 272	129 795	–	8 649 067
Administrative expenses	(88 913 558)	(3 467 570)	–	(92 381 128)
Other expenses	(929 221)	–	–	(929 221)
Impairment losses on financial and contract assets	(6 817 163)	–	–	(6 817 163)
Operating (loss)/profit	(6 498 807)	3 545 548	–	(2 953 259)
Finance income	28 972 737	53 896	30 838 954	59 865 587
Finance costs	(30 712 278)	(5 563 801)	(21 541 495)	(57 817 574)
Share of profit of associates/joint venture – net of tax	17 933 608	–	–	17 933 608
Profit/(loss) before tax	9 695 260	(1 964 357)	9 297 459	17 028 362
Taxation	42 247 164	550 020	(2 603 288)	40 193 895
Profit/(loss) after taxation	51 942 424	(1 414 337)	6 694 170	57 222 257
Other comprehensive income	–	–	(31 079 873)	(31 079 873)
Total comprehensive income/(loss)	51 942 424	(1 414 337)	(24 385 703)	26 142 384
Profit after taxation and other comprehensive income attributable to:				
– Owners of the parent	53 215 007	(674 435)	(24 385 703)	28 154 869
– Non-controlling interests	(1 272 583)	(739 902)	–	(2 012 485)
	51 942 424	(1 414 337)	(24 385 703)	26 142 384

* *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.*

1. Segment information *(continued)*

	Residential Property Development	Memorial Parks	All other segments	Total
2019				
Non-current assets				
Property, plant and equipment	3 272 953	535 524	–	3 808 477
Intangible assets	158 981 977	–	–	158 981 977
Financial assets at fair value through other comprehensive income	–	–	74 100 464	74 100 464
Investment in joint ventures and associates	33 212 489	–	–	33 212 489
Deferred income tax asset	9 162 197	7 303 259	–	16 465 456
	204 629 616	7 838 783	74 100 464	286 568 863
Current assets				
Loans to joint ventures and associates	42 215 734	–	–	42 215 734
Loans to Group companies	–	–	447 677 928	447 677 928
Inventories	400 773 459	107 487 441	–	508 260 900
Current tax receivable	1 427 239	–	–	1 427 239
Construction contracts	1 336 666 553	–	–	1 336 666 553
Trade and other receivables	228 452 754	–	–	228 452 754
Cash and cash equivalents	115 571 212	3 158 316	–	118 729 528
	2 125 106 950	110 645 757	447 677 928	2 683 430 636
Total assets	2 329 736 566	118 484 541	521 778 392	2 969 999 499
Non-current liabilities				
Deferred income tax liability	206 916 388	–	–	206 916 388
	206 916 388	–	–	206 916 388
Current liabilities				
Borrowings*	764 732 071	39 701 727	164 761 208	969 195 006
Loans from joint ventures and associates	23 000 000	–		23 000 000
Current income tax liabilities	1 407 574	–	–	1 407 574
Trade and other payables	859 943 807	7 707 332	–	867 651 139
	1 649 083 452	47 409 059	164 761 208	1 861 253 719
Total liabilities	1 855 999 840	47 409 059	164 761 208	2 068 170 107

* *The Group allocated borrowings proportionally to each segment based on the total assets per segment.*

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

2. General information

Calgro M3 Developments Limited (the "Company") and its subsidiaries, joint ventures and associates (together "the Group") is a property and property-related investment company that is a market leader in the Residential Property Development and Memorial Park industries and provides innovative, cost-efficient solutions of the highest quality across these product ranges. The Group's turnkey business model provides the Group with a key differentiator: the capability to fulfil delivery, from conceptualisation to hand-over to the end-user.

The Company has listed instruments on the South African Bond Exchange and is a public company incorporated and domiciled in South Africa. The address of its registered office is Calgro M3 Building, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, 2196.

3. Summary of significant accounting policies

The most significant accounting policies have been presented next to the relevant notes in these financial statements. The remainder of the accounting policies not relating to a specific note is dealt with in the section below. All policies have been consistently applied to all the years presented except for IFRS 16 which is effective for periods beginning after 1 January 2019.

3.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides, and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, except as disclosed in the principal accounting policies below.

They are presented in South African Rand. These accounting policies are consistent with the previous period.

3.2 Working capital cycle

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

3.3 Significant estimates and judgements

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

- Fair value estimation ↩ note 5
- Right-of-use assets and lease liability ↩ note 3.5, ↩ notes 6 and 23
- Impairment of goodwill ↩ note 7
- Assessment of joint control ↩ note 10
- Land under development held for sale ↩ notes 14 and 22
- Impairment of financial assets ↩ note 3.7
- Percentage of completion method for measuring construction revenue ↩ notes 15 and 24
- Scope of construction agreements ↩ notes 15 and 24
- Share-based payments ↩ note 34
- Working capital cycle ↩ note 3.2
- Long service awards provision ↩ note 22

Any reference to Group companies includes Calgro M3 Holdings Limited, the Company's holding company, and fellow subsidiaries, associates and joint ventures of the holding company.

3. Summary of significant accounting policies *(continued)*

3.4 New standards and interpretations

3.4.1 Standards and interpretations issued and effective

One of the new standards and interpretations was effective and adopted in the current year-the adoption of IFRS 16 had a significant impact on the Group and Company. No significant impact was noted on the other standards, refer to note 3.5 for the impact on the adoption of IFRS 16.

Topic	Key requirements	Effective date
IFRS 16: *Leases*	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17: "*Leases*", IFRIC 4: *Determining whether an Arrangement contains a Lease*, SIC 15: *Operating Leases – Incentives* and SIC 27: *Evaluating the Substance of Transactions Involving the Legal Form of a Leases*. Based on the requirements of this new standard the Group has capitalised the lease of the two office buildings and raised the corresponding liability, refer to notes 3.5, 6 and 23.	1 January 2019
Amendments to IAS 19: *Employee benefits on plan amendment, curtailment or settlement*	These amendments require an entity to: ▸ Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and ▸ Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset. The Group has assessed this standard and determined that it has no material impact in the current year.	1 January 2019

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

3. Summary of significant accounting policies *(continued)*

3.4 New standards and interpretations *(continued)*

3.4.1 Standards and interpretations issued and effective

There were a number of new standards and interpretations effective and adopted in the current year, the adoption of IFRS 16 had a significant impact on the Group, no significant impact was noted on the other standards, refer to note 2.6 for the impact on the adoption of IFRS 16.

Topic	Key requirements	Effective date
Amendments to IFRS 10: *Consolidated financial statements* and IAS 28: *Investments in associates and joint ventures on sale or contribution of assets*	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10: *Consolidated Financial Statements* and IAS 28: *Investments in Associates and Joint Ventures*. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.	Effective Date postponed (Initially 1 January 2016)
Amendments to IAS 28: *Investments in associates and joint ventures – long-term interests in associates and joint ventures*	The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective from 1 January 2019, with early application permitted.	1 January 2019 published October 2017
Annual improvements cycle 2015-2017	These amendments include minor changes to: ▸ IFRS 3: *Business combination* – a company remeasures its previously held interest in a joint operation when it obtains control of the business. ▸ IFRS 11: *Joint arrangements* – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. ▸ IAS 12: *Income taxes* – the amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. ▸ IAS 23: *Borrowing costs* – a company treats as part of general borrowings consequences of dividends on financial instruments classified as equity originally made to develop an asset when the asset is ready for its intended use or sale.	1 January 2019 published December 2017

3. Summary of significant accounting policies *(continued)*

3.4 New standards and interpretations *(continued)*

3.4.1 Standards and interpretations issued and effective (continued)

Topic	Key requirements	Effective date
IFRIC 23: *Uncertainty over income tax treatments*	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting. The Group has assessed this standard and determined that it has no material impact in the current year.	1 January 2019 published 7 June 2017

3.4.2 Standards and interpretations issued not yet effective

There are a number of new standards and amendments to new standards and interpretations which will only be effective after the 2020 year-end. The initial assessment by management is that the impact of these standards and interpretations will be immaterial.

Topic	Key requirements	Effective date
Amendment to IAS 1: *Presentation of financial statements* and IAS 8: *Accounting policies, changes in accounting estimates and errors on the definition of material*	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: ▸ use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; ▸ clarify the explanation of the definition of material; and ▸ incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."	1 January 2020
Amendment to IFRS 3: *Business combinations. Definition of a business*	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.	1 January 2020

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

3. Summary of significant accounting policies *(continued)*

3.5 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 on the annual financial statements. The Group has adopted IFRS 16: *Leases* from 1 March 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 March 2019. Accordingly, the comparative information for the previous financial year has not been restated – i.e. it is presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

IAS 17: *Accounting Policy* (old policy)

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

A lease agreement is one whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period.

Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

3.5.1 Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: *Determining Whether an Arrangement contains a Lease* and IAS 17: *Leases*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applied IFRS 16 only to contracts that were previously identified as leases under IAS 17. The definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 March 2019. At 1 March 2019, the Group identified two leases for office buildings in Johannesburg and Cape Town.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component based on their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

3. Summary of significant accounting policies *(continued)*

3.5 Changes in accounting policies *(continued)*

3.5.2 As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases (i.e. these leases are on-balance sheet).

However, the Group has elected not to recognise right-of-use assets and lease liabilities for both low-value assets and leases with a lease term of less than 12 months. The Group recognises the lease payments associated with these leases as expenses when incurred.

The Group presents right-of-use assets in "property, plant and equipment". The carrying amounts of right-of-use assets are as below.

	Office buildings
Balance at 1 March 2019	**19 289 400**
Depreciation on capitalised leased assets [IFRS 16] (↻ note 27)	**(3 147 750)**
Balance at 29 February 2020	**16 141 650**

The Group presents lease liabilities in the statement of financial position under trade and other payables.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised.

The right-of-use asset is initially measured at an amount equal to the sum of the lease liability, initial direct costs, costs of removing and restoring the lease asset and payments made prior to the lease commencement. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment loss and adjusted for certain remeasurements of the lease liability.

The Group has applied judgement to determine whether it is reasonably certain to exercise renewal options, as such options impact the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Management took into account current business performance and future growth forecasts and believes that it is prudent to not commit to any lease extension currently. In the event that the Company terminates the lease at the end of the term, it will consider the purchase or rental of another building, depending on prevailing economic conditions and performance of the Group.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at present value of the remaining leased payments, discounted at the Group's incremental borrowing rate at 1 March 2019. The right-of-use asset is measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

3. Summary of significant accounting policies *(continued)*

3.5 Changes in accounting policies *(continued)*

3.5.2 As a lessee (continued)

The Group and Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use asset and liabilities for leases with a lease term of less than 12 months;
- Excluding initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Applied the modified retrospective approach (see below).

The Group has leases that represent low-value leases. Below are the typical items that represent the types of low-value assets that are leased:

- Printers;
- Telephonic systems and devices;
- Site equipment;
- Off-site data servers.

3.5.3 As a lessor

The Group and Company lease out their investment property and have classified these leases as operating leases.

The accounting policies applicable to the Group and Company as a lessor are not different from those under IAS 17.

The Group and Company are not required to make any adjustments on transition to IFRS 16 for leases in which they acts as a lessor. However, the Group and Company have applied IFRS 15: *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

3.5.4 Transitional provisions – modified retrospective approach

Under the modified retrospective approach, the Group and Company apply IFRS 16: *Leases* from the beginning of the current period. The Group and Company:

- Calculated the lease assets and lease liabilities as at the beginning of the current period being 1 March 2019;
- Do not restate their prior period financial information;
- Recognise an adjustment in equity at the beginning of the current period;
- Apply IAS 36: *Impairment of Assets* to assess the lease assets for impairment on the date of initial application being 1 March 2019; and
- The lease asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.

An incremental borrowing rate was used to determine the value of the lease liability and asset on the date of adoption. The incremental borrowing rate of 11.46% is based on the average cost of debt of the Company at 1 March 2019.

3.5.5 Impact on financial statements on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and lease liabilities. The impact of the transition is as follows.

	1 March 2019
Right-of-use asset recognition	
Right-of-use asset equal to the lease liability	22 634 911
Offset of the lease smoothing liability as at 28 February 2019 against the asset value	(3 345 511)
Right-of-use asset presented in property, plant and equipment	19 289 400
Lease liability recognition	22 634 911
Retained earnings impact	(936 743)

3. Summary of significant accounting policies *(continued)*

3.5 Changes in accounting policies *(continued)*

3.5.5 Impact on financial statements on transition (continued)

When measuring the lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the rate of its average cost of debt at 1 March 2019 being 11.46%.

As a result of initially applying IFRS 16, in relation to leases that were previously classified as operating leases, the Group recognised R19 289 400 right-of-use assets and R22 634 911 lease liabilities.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 29 February 2020, the Group recognised R3 147 750 of depreciation and R2 503 518 of interest costs from these leases and made lease payments of R4 342 776.

	1 March 2019 As reported	IFRS 16 Opening balance Adjustment	1 March 2019 Adjusted	IFRS 16 Year-end impact	29 February 2020
Statement of financial position					
Assets					
Non-current assets					
Property, plant and equipment	3 808 477	19 289 400	23 097 877	(3 147 750)	19 950 127
Deferred tax asset	16 465 456	–	16 465 456	(229 535)	16 235 921
Current assets					
Bank	118 729 528	–	118 729 528	(4 342 776)	114 386 752
Equity and liabilities					
Equity					
Retained income	706 841 046	(936 743)	705 904 303	(4 068 913)	701 835 390
Liabilities					
Deferred income tax liability	206 916 388	936 743	207 853 131	(1 582 355)	206 270 776
Trade and other payables	867 651 139	19 289 400	886 940 539	(819 768)	886 120 771
Statement of comprehensive income					
Administrative expenses				(3 147 750)	
Operating profit				(3 147 750)	
Finance costs				(2 503 518)	
Profit before tax				(5 651 268)	
Taxation				1 582 355	
Profit after taxation				(4 068 913)	
Total comprehensive income				(4 068 913)	

3.5.6 Reconciliation of lease commitments disclosed at 28 February 2019 (IAS 17) to the lease liability recognised at 1 March 2019 (IFRS 16)

	IFRS 16 opening balance adjustment
Operating lease commitments as disclosed at 28 February 2019 for the next five years	22 774 809
Operating lease commitments for longer than five years	10 044 426
	32 819 235
Discounted using the Group's incremental borrowing rate of 11.46%	(10 184 324)
Lease liability recognised as at 1 March 2019	22 634 911

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

3. Summary of significant accounting policies *(continued)*

3.6 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and all its subsidiaries. In the case of joint ventures and associates, those entities are presented as single line items in the statement of comprehensive income and statement of financial position (refer to note 10). Intercompany transactions and balances are eliminated on consolidation. Consistent accounting policies have been applied across the Group in the preparation of the consolidated financial statements.

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

3.7 Impairment of non-financial assets

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

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

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

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

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

3.8 Provisions and contingencies

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Please refer to note 37.

Contingent assets and contingent liabilities are not recognised but rather disclosed in the notes to the financial statements.

3.9 Foreign currency translation

(a) Functional and presentation currency

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

(b) Group companies

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

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

3. Summary of significant accounting policies *(continued)*

3.9 Foreign currency translation *(continued)*

(b) Group companies *(continued)*

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

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

3.10 Financial instruments

3.10.1 Classification and measurement

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

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); 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 sset is managed and its contractual cash flow characteristics.

Financial assets

At initial recognition, the Group and Company measure a financial asset at its fair value plus, in the case of financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset and subsequently recognised at amortised cost.

Financial assets can be measured at amortised cost if the financial asset is held where the objective is to hold the financial asset in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All trade receivables, contract assets and loans to joint ventures and associates are held based on the objective to collect the contractual cash flows and all contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest rate method is used to determine the amortised cost of the relevant financial assets held at amortised cost. Interest income is recognised using the effective interest rate method for all financial assets measured at amortised cost.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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 and Company measure a financial liability at fair value less any transaction cost capitalised to the financial liability at initial recognition.

All of the Group and Company'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 and Company's management have elected to present fair value gains and losses through 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 and Company's right to receive payments is established.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

3. Summary of significant accounting policies *(continued)*

3.10 Financial instruments *(continued)*

3.10.2 Impairment

The Group and Company assess on a forward-looking basis the ECLs (expected credit losses) 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. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and Company expect to receive). ECLs are discounted at the original effective interest rate of the financial asset.

The Group and Company have five types of financial and contract assets that are subject to the expected credit loss model:

- Loans to joint ventures and associates
- Loans to Group companies
- Contract assets relating to construction contracts
- Trade receivables – other
- Trade receivables – rental debtors

Due to the trade receivables and contract assets being linked to long-term projects the simplified approach has been applied to determine the lifetime expected credit losses for the relevant financial assets. A life-time ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset.

The general expected credit loss model for loans to companies outside of the Group held at amortised cost has been applied. There has been no significant increase in the credit risk since initial recognition.

The Group and Company take the following into account when determining the applicable ECL rates for financial assets.

- The probability of each project achieving its budget and probability of misestimating the outcome of a project thus having a negative impact on the project results.
- Overall budget variances where cost increases by more than 5% and revenue shortfalls exceeding 10% will have an impact increasing the overall ECL percentage.
- The relevant stage of completion of the project. If the project is at a more advanced stage of completion the certainty of revenue and cost can more accurately be determined which would lower the overall risk of default.
- The likelihood of what would happen if Calgro demanded payment. Based on precedents and informal policies Calgro would provide a joint venture or associate appropriate time to realise assets at full market value rather than forcing the sale of assets.
- If Calgro would be willing to give support to the project to ensure its financial asset exposure to the relevant project can be recouped.
- If the project has government exposure and relies on subsidies provided by government to install the related infrastructure and services required.
- The impact of a cancellation of a project. The probability of this is higher for a project where ground construction has not yet commenced.
- The sovereign rating of the South African government as a downgrade could result in increased pressure on government spending and thus decrease government subsidy availability.
- The general impact of the economy on these developments/projects. Low to middle income earners are in most circumstances, significantly impacted by interest rates and employment levels; however, this risk is mitigated by the extreme housing shortage of this target market and the limited number of housing being developed in this market.
- Moody's investor services were used in combination with historical recovery rates on sovereign and municipal debts to determine a loss rate. This was then converted into forward-looking expected credit loss by applying three macroeconomic forecast for South Africa – Baseline (SO), Stonger near-term-recovery (S1) and Moderate Recession (S3).

3. Summary of significant accounting policies *(continued)*

3.10 Financial instruments *(continued)*

3.10.2 Impairment (continued)

- Trade receivable – Rental debtors, is a relatively new business and the Group does not have any historical data regarding credit loss provisions and bad debts written off. The Group has taken the poor state of the South African economy and the economic growth forecast, high unemployment rates and other macroeconomic factors when determining the ECL rates.

Financial assets that exhibit similar credit risk and behaviour are grouped together. Credit risk exposure on financial assets can be classified within four distinct categories.

1. 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
2. Normal business risk exposure. The exposure to other corporate customers and businesses within the geographic of South Africa
3. Financial institution risk exposure – The exposure to local financial institutions within the geographic of South Africa
4. Trade Receivable – Rental debtors exposure – The exposure to the consumer risk relating to non-payment of rental debtors

The four distinct categories have been subdivided into their relevant stages of the projects within the Group and Company for the current financial year to further analyse the relevant ECLs applied to the relevant financial assets.

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

	Group			Company		
	Government institution exposure 2020 %	Normal business risk exposure 2020 %	Financial institution risk exposure 2020 %	Government institution exposure 2020 %	Normal business risk exposure 2020 %	Financial institution risk exposure 2020 %
Rates to be utilised for the ECLs						
– New projects/ projects undertaken with higher exposure to government	**8.51**			**8.51**		
– Project at an early to mid stage of completion	**2.9 + (0.62–0.93)**	**2.90**		**2.9 + (0.62–0.93)**	**2.90**	
– Project at an advanced stage of completion	**1.3 + (0.62–0.93)**	**2.90**		**1.3 + (0.62–0.93)**	**2.90**	
– Project backed by a financial institution at an early to mid stage of completion	**1.41 + (0.62–0.93)**		**1.41**	**1.41 + (0.62–0.93)**		**1.41**
Specific exposure	**12.21 – 100**	**0 – 100**		**12.21 – 100**	**0 – 100**	

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

3. Summary of significant accounting policies *(continued)*

3.10 Financial instruments *(continued)*

3.10.2 Impairment (continued)

The relevant government institution exposure rate is determined by the exposure being of national government or a local municipality. Should the exposure be to a local municipality the relevant rate would be higher compared to national government.

The concentration of gross carrying amount of financial assets relevant to the applicable ECL rates are as follows:

	Group			
	Government institution exposure 2020	Normal business risk exposure 2020	Financial institution risk exposure 2020	Total 2020
Loans to Group companies				
Project backed by a financial institution at an early to mid stage of completion	–	–	212 743 667	212 743 667
Loans to Group companies	–	–	212 743 667	212 743 667
Loans to joint ventures and associates				
New projects with significant government exposure	56 813 207	–	–	56 813 207
Project at an early to mid stage of completion	–	217 816 029	–	217 816 029
Project backed by a financial institution at an early to mid stage of completion	–	–	4 013 461	4 013 461
Loans to joint ventures and associates	56 813 207	217 816 029	4 013 461	278 642 697
Construction contracts – contract assets				
Project at an early to mid stage of completion	44 903 721	12 487 596	–	57 391 317
Project at an advanced stage of completion	–	5 732 690	–	5 732 690
Project backed by a financial institution at an early to mid stage of completion	–	–	67 300 763	67 300 763
Specific exposure	1 928 120	308 301 907	–	310 230 027
Construction contracts – contract assets	46 831 841	326 522 193	67 300 763	440 654 797
Trade receivables – other				
Project at an early to mid stage of completion	61 422 184	21 546 088	–	82 968 272
Specific exposure	10 738 795	16 263 542	–	27 002 336
Trade receivables – other	72 160 979	37 809 630	–	109 970 609

3. Summary of significant accounting policies *(continued)*

3.10 Financial instruments *(continued)*

3.10.2 Impairment (continued)

	Company			
	Government institution exposure 2020	Normal business risk exposure 2020	Financial institution risk exposure 2020	Total 2020
Loans to Group companies				
Project backed by a financial institution at an early to mid stage of completion	–	–	504 195 420	504 195 420
Loans to Group companies	–	–	504 195 420	504 195 420
Loans to joint ventures and associates				
Project at an early to mid stage of completion	–	217 816 029	–	217 816 029
Loans to joint ventures and associates	–	217 816 029	–	217 816 029
Construction contracts – contract assets				
Project at an early to mid stage of completion	84 014 549	33 075 227	–	117 089 776
Project at an advanced stage of completion	–	486 655	–	486 655
Project backed by a financial institution at an early to mid stage of completion	–	–	125 552 330	125 552 330
Specific exposure	–	163 211 222	–	163 211 222
Construction contracts – contract assets	84 014 549	196 773 104	125 552 330	406 339 983
Trade receivables – other				
Project at an early to mid stage of completion	25 758 290	15 708 209	–	41 466 499
Project backed by a financial institution at an early to mid stage of completion	–	–	6 964 650	6 964 650
Specific exposure	2 399 230	430 886	–	2 830 116
Trade receivables – other	28 157 520	16 139 095	6 964 650	51 261 265

Rates to be utilised for the ECLs for trade receivables – rental debtors and the concentration of gross carrying amount of trade receivables – rental debtors relevant to the applicable ECL rates are as follows:

	Group		Company	
Ageing	Consumer risk exposure ECL rate applied %	Total gross carrying amount applied	Consumer risk exposure ECL rate applied %	Total gross carrying amount applied
0 to 30 days	10	294 493	10	294 493
31 to 60 days	20	169 267	20	169 267
61 to 90 days	30	198 389	30	198 389
91 to 120 day	50	185 830	50	185 830
121+ days	100	1 551 251	100	1 551 251
		2 399 230		2 399 230

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

3. Summary of significant accounting policies *(continued)*

3.10 Financial instruments *(continued)*

3.10.2 Impairment (continued)

The rates applied in the previous financial year are as follows:

	Group			
	Government institution exposure 2019	**Normal business risk exposure 2019**	**Financial institution risk exposure 2019**	**Total 2019**
Rates to be utilised for the ECLs	7.76%	2.50%	1.11%	
The concentration of gross carrying amount of financial assets relevant to the applicable ECL rates are as follows:				
– Loans to Group companies	–	452 702 931	–	452 702 931
– Loans to joint ventures and associates	41 895 628	–	3 611 292	45 506 920
– Construction contracts – contract assets*	325 746 377	22 831 639	588 812 076	937 390 093
– Trade receivables – other	39 075 484	140 021 879	18 148 426	197 245 790
	406 717 489	615 556 449	610 571 795	1 632 845 733
– Loans to Group companies	–	–	873 606 869	873 606 869
– Construction contracts – contract assets*	6 923 381	4 000 538	419 144 506	430 068 425
– Trade receivables – other	28 800 028	130 778 520	169 086 332	328 664 880
	35 723 409	134 779 058	1 461 837 707	1 632 340 174

** Within the contract assets government institution exposure is a balance of R6.9 million for which a specific ECL rate of 75% was applied due to client entering into liquidation proceedings.*

For the financial year that ended on 28 February 2019, the Group did not separately provide for trade receivables – rental debtors, as the REIT was in its infancy and was immaterial to the Group.

The Group and Company consider a financial asset to be credit impaired when one or more event have incurred such as.

- Financial difficulty being faced by the customer making it unlikely to receive payment;
- Liquidation or business rescue proceedings being instituted by a customer;
- Significant downgrading of a credit rating of a customer.

Should the Group and Company determine that a financial asset is credit impaired it is excluded from the grouped financial asset portfolio for the purpose of calculating an ECL based on the assessment of the individual circumstances of the relevant financial asset and event that lead to the credit impairment.

Financial assets are fully impaired when all efforts to collect the outstanding balance has been exhausted.

3. Summary of significant accounting policies *(continued)*

3.10 Financial instruments *(continued)*

3.10.2 Impairment (continued)

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

		Group		Company	
	Notes	2020	2019	2020	2019
Financial assets at amortised costs					
Loans to Group companies	12	**212 743 667**	447 677 928	**504 195 420**	869 074 180
Loans to joint ventures and associates	13	**278 642 697**	42 215 734	**217 816 029**	–
Construction contracts	15	**444 957 194**	937 390 093	**382 467 031**	430 068 426
Trade and other receivables – other	16	**109 970 609**	197 245 790	**51 261 265**	319 976 039
Trade and other receivables – rental debtors	16	**2 399 230**	–	**2 399 230**	–
Cash and cash equivalents	17	**250 505 772**	118 729 528	**238 557 845**	114 527 118
Financial assets at cost					
Investment in subsidiaries	9	**–**	–	**343 646 584**	343 646 584
Financial assets through equity					
Investment in joint ventures and associates	10	**32 583 446**	33 212 489	**–**	–
Financial assets at fair value through other comprehensive income	8	**23 712 115**	74 100 464	**23 712 115**	74 100 464
		1 355 514 730	1 850 572 026	**1 764 055 519**	2 151 392 811

	Notes	Expected credit loss model applied	Opening balance 1 March 2019	Current year movement	Closing balance 29 February 2020
Group					
Reconciliation of expected credit losses on financial assets at amortised cost – 2020					
– Loans to Group companies	12	General	5 025 003	432 615	**5 457 617**
– Loans to joint ventures and associates	13	General	3 291 186	7 916 872	**11 208 058**
– Construction contracts	15	Lifetime	35 432 920	(31 029 926)	**4 402 994**
– Trade and other receivables – other	16	Lifetime	6 791 149	(1 628 854)	**5 162 296**
– Trade and other receivables – rental debtors	16	Lifetime	–	2 399 230	**2 399 230**
			50 540 258	(21 910 063)	**28 630 195**

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

3. Summary of significant accounting policies *(continued)*

3.10 Financial instruments *(continued)*

3.10.2 Impairment (continued)

	Notes	Expected credit loss model applied	Opening balance 1 March 2019	Current year movement	Closing balance 29 February 2020
Company					
Reconciliation of expected credit losses on financial assets at amortised cost – 2020					
– Loans to Group companies	12	General	4 532 689	12 598 113	**17 130 801**
– Loans to joint ventures and associates	13	General	–	6 316 664	**6 316 664**
– Construction contracts	15	Lifetime	10 265 526	(5 830 561)	**4 434 965**
– Trade and other receivables	16	Lifetime	8 688 841	(5 988 425)	**2 700 417**
– Trade and other receivables – rental debtors	16	Lifetime	–	4 053 115	**4 053 115**
			23 487 056	11 148 906	**30 582 846**

Reasons for the current year movements – Group

Loans to Group companies

- The overall balance decreased due to loan balances with Calgro M3 Real Estate (Pty) Ltd reducing due to the transaction with Afhco Calgro M3 Consortium (Pty) Ltd, Afhco Holdings (Pty) Ltd, SA Retail Properties (Pty) Ltd and SA Corporate Real Estate Limited.

Loans to joint ventures and associates.

- The overall balance increased due to loans being provided to a joint venture, Witpoortjie, amounting to R217 846 028 which is internally funded through the Calgro Group and is thus subject to a higher ECL rate compared to other loans provided to joint ventures with lower risk.

Construction contracts – contract assets

- The overall provision decreased due to the exposure to contract assets relating to infrastructure decreasing by R289 million due to all claims being paid which all have government-related exposure at higher ECL rates.
- A further reduction is due to the overall contract asset balance decrease of R217 million for fully and partially subsidised units as a result of units being transferred and fully paid for by customers and R107 million of units previously being constructed for Calgro M3 Consortium (Pty) Ltd now being constructed to be sold in the open market.

Trade and other receivables – other

- The decrease in the provision is due to the overall decrease in the trade receivable balance of R150 million which has been settled during the period.

Trade and other receivables – rental debtors

- The increase in the provision is due to the first year application of the rates.

Reasons for the current year movements – Company

Loans to Group companies

- The overall provision increased primarily due to the rates on loans being reassessed.

3. Summary of significant accounting policies *(continued)*

3.10 Financial instruments *(continued)*

3.10.2 Impairment (continued)

Loans to joint ventures and associates

- The overall balance increased due to loans being provided to a joint venture, Witpoortjie, amounting to R217 846 028 which is internally funded through the Calgro Group and is thus subject to a higher ECL rate compared to other loans provided to joint ventures with lower risk.

Construction contracts – contract assets

- The overall provision decreased due to the exposure to contract assets relating to infrastructure decreasing by R56 million due to all claims being paid which all have government-related exposure at higher ECL rates.

Trade and other receivables – other

- The decrease in the provision is due to the overall decrease in the trade receivable balance of R260 million which has been settled during the period.

Trade and other receivables – rental debtors

- The increase in the provision is due to the first year application of the rates.

	Notes	Opening balance 1 March 2018	Current year movement	Closing balance 28 February 2019
Group				
Reconciliation of expected credit losses on financial assets at amortised cost – 2019				
Loans to Group companies	12	3 003 314	2 021 689	5 025 003
Loans to joint ventures and associates	13	2 698 437	592 749	3 291 186
Construction contracts	15	34 470 843	962 077	35 432 920
Trade and other receivables	16	3 550 501	3 240 648	6 791 149
		43 723 095	6 817 163	50 540 258
Company				
Reconciliation of expected credit losses on financial assets at amortised cost – 2019				
Loans to Group companies	12	5 335 837	(803 149)	4 532 688
Loans to joint ventures and associates	13	–	–	–
Construction contracts	15	3 733 461	6 532 065	10 265 526
Trade and other receivables	16	3 651 502	5 037 339	8 688 841
		12 720 800	10 766 255	23 487 055

Reasons for the prior year movements – Group

Loans to Group companies

- The overall provision increased due to a general increase in the loan balances.

Loans to joint ventures and associates

- The overall provision increased due to a general increase in the loan balances.

Construction contracts – contract assets

- The overall provision increased due to the slight increase in contract asset balances compared to adjusted opening balances.

Trade and other receivables

- The increase in the provision is due to the overall increase in the other receivables compared to FY2018.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

3. Summary of significant accounting policies *(continued)*

3.10 Financial instruments *(continued)*

3.10.2 Impairment (continued)

Reasons for the prior year movements – Company

Loans to Group companies

- The overall provision reduced due to a general reduction in the loan balances.

Construction contracts – contract assets

- The overall provision increased due to the large increase in ECL rate utilised on a specific contract asset that was believed to be of a higher government-related exposure.

Trade and other receivables

- The increase in the provision is due to the overall increase in the other receivables compared to FY2018.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above.

		Group		Company	
	Notes	2020	2019	2020	2019
Financial liabilities					
Financial liabilities at amortised cost					
Borrowings	21	**1 062 842 931**	969 195 006	**1 062 842 931**	969 195 006
Loans from Group companies	12	**88 168**	–	**49 846 206**	3 436 696
Loans from joint ventures and associates	13	**–**	23 000 000	**–**	23 000 000
Trade and other payables*	22	**544 561 255**	811 565 363	**420 671 622**	612 677 097
		1 607 492 354	1 803 760 369	**1 533 360 759**	1 608 308 799

* *Excluding non-financial liabilities.*

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above.

4. Risk management

4.1 Financial risk management

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

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

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

The Group and Company's interest rate risk arises mainly from borrowings and loans from Group companies (refer to note 12 and 21).

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

4. Risk management *(continued)*

4.1 Financial risk management *(continued)*

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

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

	Group		Company	
	2020	2019	**2020**	2019
2% increase/(decrease) on finance charges interest bearing borrowings	**15 751 462**	14 378 229	**16 160 414**	14 147 634
2% increase/(decrease) on interest-bearing assets	**2 984 919**	6 446 562	**7 013 730**	12 514 668

A 2% shift is considered appropriate by management taking into account the current economic environment that the Group and Company operate in.

(b) Credit risk

Credit risk consists mainly of loans to Group companies and associates of the holding company, cash deposits and cash equivalents and trade and other receivables (including retention debtors). The Group and Company only deposit cash with major banks with a minimum rating of 'BB' and limit the exposure to any one counterparty. Trade and other receivables comprise a widespread customer base.

Customers include government institutions, private sector entities and individuals. Management evaluates credit risk relating to trade debtors (excluding trade receivables owing by joint ventures of the holding company and associates) on an ongoing basis taking into account their financial position, past experience and other factors. Credit risk is limited due to the nature of trade debtors which consist of outstanding drawdowns from banks and municipal institutions. In cases where management deems the risk level to be unacceptable, payment guarantees or collateral are insisted upon.

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

For loans to Group companies, loan receivables, trade and other receivables (including retention debtors), and cash and cash equivalents, the maximum exposure to credit risk is limited to what is disclosed in the statement of financial position.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Executive Committee maintains flexibility in funding by maintaining availability under committed credit lines.

The Group and Company manage liquidity risk by monitoring forecasted cash flows.

The Group and Company strive to match the maturity profile of borrowings with expected cash flows from the development projects.

A specific liquidity risk associated with the Group and Company is the raising of loans at specified dates of repayment, against delivery of construction projects that have the same maturity profile.

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

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

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

4. Risk management *(continued)*

4.1 Financial risk management *(continued)*

(c) Liquidity risk (continued)

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Total
Group						
2020						
Borrowings (including future interest)	**382 713 750**	**323 621 750**	**349 019 300**	**222 333 400**	**66 780 000**	**1 344 468 200**
Loans from Group companies	**–**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**343 380 208**	**112 639 286**	**97 750 897**	**4 367 961**	**13 615 870**	**571 754 223**
	726 093 958	**436 261 036**	**446 770 197**	**226 701 361**	**80 395 870**	**1 916 222 423**
2019						
Borrowings (including future interest)	262 748 500	358 945 375	237 047 000	194 683 950	235 410 300	1 288 835 125
Loans from Group companies	23 000 000	–	–	–	–	23 000 000
Trade and other payables	811 565 363	–	–	–	–	811 565 363
	1 097 313 863	358 945 375	237 047 000	194 683 950	235 410 300	2 123 400 488
Company						
2020						
Borrowings (including future interest)	**382 713 750**	**323 621 750**	**349 019 300**	**222 333 400**	**66 780 000**	**1 344 468 200**
Loans from Group companies	**–**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**415 114 823**	**3 232 279**	**3 892 289**	**4 367 961**	**13 615 870**	**440 223 223**
	797 828 573	**326 854 029**	**352 911 589**	**226 701 361**	**80 395 870**	**1 784 691 423**
2019						
Borrowings (including future interest)	262 748 500	358 945 375	237 047 000	194 683 950	235 410 300	1 288 835 125
Loans from Group companies	23 000 000	–	–	–	–	23 000 000
Trade and other payables	612 677 097	–	–	–	–	612 677 097
	898 425 597	358 945 375	237 047 000	194 683 950	235 410 300	1 924 512 222

The above amounts will be repaid by utilising cash generated from operations, available cash, working capital facilities and the refinancing of borrowings.

4. Risk management *(continued)*

4.1 Financial risk management *(continued)*

(c) Liquidity risk (continued)

The Group and Company have overdraft facilities with major banks to the value of R100 000 000 (2019: R100 000 000). The balance of the utilisation of the overdraft facility at the year-end was Rnil (2019: Rnil).

4.2 Capital risk management

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

The Group monitors capital on the basis of its net debt/equity ratio. The maximum allowed net debt/equity ratio for the Calgro M3 Holdings Ltd Group is 1.5:1.

Net debt/equity ratio
This ratio is calculated as net debt divided by equity. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents. Equity is calculated as the total equity per the statement of financial position. The ratio at a Calgro M3 Holding Ltd Group is: 1.04 (2019: 1.09).

Proparco debt service coverage ratio

The Group monitors capital from Proparco on the basis of its debt service cover ratio, liquidity ratio and its net debt/equity ratio. The minimum allowed debt service cover ratio and liquidity for the Group is 1.2 and the Calgro M3 Holding Ltd Group net debt/equity ratio of 1.5:1.

Liquidity ratio
This ratio means in relation to the consolidated financial statements the ratio of current assets to current liabilities. The current ratio is: 1.48 (2019: 1.44).

Debt service cover ratio ("DSCR")
This ratio is calculated as available cash flow divided by debt service requirement. Available cash flow is calculated as net cash generated from operating activities plus new financial indebtedness incurred plus cash and cash equivalent at the beginning of the year less the aggregate amount expended on the purchase of property, plant and equipment, purchase of intangible assets, acquisition of business, acquisition of subsidiaries and the net amount of intra-Group financial indebtedness for investment purposes made by the borrower (capex).

Debt service requirement is calculated as interest and fees plus principal repayments.

	Group		Company	
	2020	2019	**2020**	2019
Available cash flow				
Cash generated from/(utilised in) operating activities – note 32	**459 315 399**	269 163 084	**317 195 866**	(6 572 184)
New financial indebtedness incurred	**145 144 799**	296 000 000	**191 293 170**	306 482 807
Cash and cash equivalent BoY	**118 729 528**	152 824 964	**114 527 118**	149 705 628
Capex	**(158 589 312)**	(296 629 240)	**(85 190 103)**	(91 874 984)
	564 600 414	421 358 808	**537 826 051**	357 741 267
Debt service requirement				
Net interests and fees*	**(98 244 903)**	(103 351 017)	**(73 406 133)**	(49 425 226)
Principal repayments	**(157 058 599)**	(193 000 000)	**(157 866 985)**	(192 705 085)
	(255 303 502)	(296 351 017)	**(231 273 118)**	(242 130 311)
Debt service cover ratio ("DSCR")	**2.21**	1.42	**2.33**	1.47

* *Net interest cost incurred and interest received.*

Refer to the statement of cashflows for the above balances.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

5. Fair values

Financial instruments

To determine the fair value of the financial instruments, future contractual cash flows are discounted using current market interest rates available to the Company for similar financial instruments.

With the exception of the Group's borrowings, the financial instruments carrying values equal their fair values, due to the short-term nature of the instruments.

Non-financial instruments

In assessing the fair value of investment property, valuations consider title deed information, town planning conditions, locality and improvements made to the property.

Property vacancy rates in surrounding areas, realised yields on comparative sales as well as micro- and macro-economic conditions pertaining to residential properties are considered.

The valuation utilised replacement costs based on a square metre rate, ranging between R7 500 and R8 500 per square metre, including an escalation fee at 3% and professional fee at 12%, which is applicable to all investment properties.

Fair value table

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

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

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

			Fair value			
	Carrying values		Level 2		Level 3	
Group	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Assets						
Investments at fair value through other comprehensive income ("FVOCI")+	**23 712 115**	74 100 464				
Loans to joint ventures and associates	**278 642 697**	42 215 734			**278 642 697**	42 215 734
Trade and other receivables	**112 369 839**	197 245 790			**112 369 839**	197 245 790
Liabilities						
Borrowings	**681 385 966**	589 173 186	**689 784 563***	601 068 374*	**–**	–
Trade and other payables	**544 561 255**	811 565 363			**544 561 255**	811 565 363

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

\+ *Financial assets at fair value through other comprehensive income with a carrying value of R23 712 115 (2019: R74 100 464) is carried at its fair value based on the quoted market price at year-end.*

Borrowings from Proparco are carried at amortised cost.

The carrying values for loans to and from joint ventures and associates, trade and other receivables and trade and other payables are a reasonable approximation of their fair value.

5. Fair values *(continued)*

Fair value table *(continued)*

	Carrying values		Fair value			
			Level 2		Level 3	
Group	**2020**	2019	**2020**	2019	**2020**	2019
Assets						
Investments at fair value through other comprehensive income ("FVOCI")+	**23 712 115**	74 100 464				
Liabilities						
Borrowings	**681 385 966**	589 173 186	**689 784 563***	601 068 374*	**–**	–

* *Based on quoted prices on the Bond Exchange.*
\+ *Financial assets at fair value through other comprehensive income with a carrying value of R23 712 115 (2019: R74 100 464) is carried at its fair value based on the quoted market price at period/year-end.*

Borrowings from Proparco are carried at amortised cost.

The carrying values for loans to and from joint ventures and associates, trade and other receivables and trade payables are a reasonable approximation of their fair value.

6. Property, plant and equipment

Accounting policy

The Group and Company's long life assets mainly provide the infrastructure to enable the Group to operate. The assets are initially measured at cost. The cost of the assets are then recognised in the statement of comprehensive income over the useful lives of the assets as a depreciation charge.

Where the residual value of a building exceeds the carrying amount, no depreciation is provided.

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

Item	**Average useful life**
▸ Plant and machinery, motor vehicles	5 years
▸ Leasehold improvements	10 years
▸ Furniture and fixtures and office equipment	6 years
▸ IT equipment	3 years
Right-of-use asset	
▸ Office buildings	Based on the lease period

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

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

	Cost 2020	Accumulated depreciation 2020	Carrying amount 2020	Cost 2019	Accumulated depreciation 2019	Carrying amount 2019
Group						
Owned						
Plant and machinery	**1 613 359**	**(1 138 642)**	**474 717**	1 613 359	(1 019 162)	594 197
Furniture and fixtures	**1 255 260**	**(878 604)**	**376 656**	1 255 260	(681 035)	574 225
Motor vehicles	**582 196**	**(127 922)**	**454 274**	200 000	(43 333)	156 667
Office equipment	**933 589**	**(739 741)**	**193 848**	933 589	(612 551)	321 038
IT equipment	**2 164 439**	**(1 479 504)**	**684 935**	1 860 252	(885 869)	974 383
Leasehold Improvements	**1 923 613**	**(948 063)**	**975 550**	1 923 613	(735 646)	1 187 967
	8 472 456	**(5 312 476)**	**3 159 980**	7 786 073	(3 977 596)	3 808 477
Right-of-use asset						
Office buildings	**19 289 400**	**(3 147 750)**	**16 141 650**	–	–	–
	19 289 400	**(3 147 750)**	**16 141 650**	–	–	–
Total	**27 761 856**	**(8 460 226)**	**19 301 630**	7 786 073	(3 977 596)	3 808 477

	Opening balance 2020	Additions 2020	Depreciation 2020	Closing carrying amount 2020
Group – Reconciliation of property, plant and equipment – owwned				
Plant and machinery	**594 197**	**–**	**(119 480)**	**474 717**
Furniture and fixtures	**574 225**	**–**	**(197 569)**	**376 656**
Motor vehicles	**156 667**	**382 196**	**(84 589)**	**454 274**
Office equipment	**321 038**	**–**	**(127 190)**	**193 848**
IT equipment	**974 383**	**304 187**	**(593 635)**	**684 935**
Leasehold Improvements	**1 187 967**	**–**	**(212 417)**	**975 550**
	3 808 477	**686 383**	**(1 334 880)**	**3 159 980**

	Opening balance 2020	Additions 2020	Depreciation 2020	Closing carrying amount 2020
Group – Reconciliation of property, plant and equipment – right-of-use asset				
Office buildings	**–**	**19 289 400**	**(3 147 750)**	**16 141 650**
Total	**3 808 477**	**19 975 783**	**(4 482 630)**	**19 301 630**

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

	Opening balance 2019	Additions 2019	Predecessor accounting 2019	Depreciation 2019	Closing carrying amount 2019
2019					
Group – Reconciliation of property, plant and equipment – owned					
Plant and machinery	247 162	415 602	–	(68 567)	594 197
Furniture and fixtures	535 403	32 323	207 836	(201 338)	574 225
Motor vehicles	196 666	–	–	(40 000)	156 667
Office equipment	452 961	–	–	(131 923)	321 038
IT equipment	775 438	687 959	–	(489 013)	974 383
Leasehold improvements	1 400 384	–	–	(212 417)	1 187 967
	3 608 014	1 135 884	207 836	(1 143 258)	3 808 477

	Cost 2020	Accumulated depreciation 2020	Carrying amount 2020	Cost 2019	Accumulated depreciation 2019	Carrying amount 2019
Company						
Plant and machinery	**1 365 810**	**(1 073 457)**	**292 353**	1 365 810	(1 001 527)	364 283
Furniture and fixtures	**910 975**	**(661 064)**	**249 911**	910 975	(520 875)	390 100
Motor vehicles	**582 196**	**(127 923)**	**454 273**	200 000	(43 334)	156 666
Office equipment	**933 589**	**(739 741)**	**193 848**	933 589	(612 551)	321 038
IT equipment	**2 020 378**	**(1 408 906)**	**611 472**	1 716 191	(863 292)	852 899
Leasehold improvements	**1 923 613**	**(948 063)**	**975 550**	1 923 613	(735 646)	1 187 967
Total	**7 736 561**	**(4 959 154)**	**2 777 407**	7 050 178	(3 777 225)	3 272 953
Right-of-use asset						
Office buildings	**19 289 400**	**(3 147 750)**	**16 141 650**	–	–	–
	19 289 400	**(3 147 750)**	**16 141 650**	–	–	–
Total	**27 025 961**	**(8 106 904)**	**18 919 057**	7 050 178	(3 777 225)	3 272 953

	Opening balance 2020	Additions 2020	Depreciation 2020	Closing carrying amount 2020
Company – Reconciliation of property, plant equipment – owned				
Plant and machinery	**364 283**	**–**	**(71 930)**	**292 353**
Furniture and fixtures	**390 100**	**–**	**(140 189)**	**249 911**
Motor vehicles	**156 666**	**382 196**	**(84 589)**	**454 273**
Office equipment	**321 038**	**–**	**(127 190)**	**193 848**
IT equipment	**852 899**	**304 187**	**(545 614)**	**611 472**
Leasehold improvements	**1 187 967**	**–**	**(212 417)**	**975 550**
	3 272 953	**686 383**	**(1 181 929)**	**2 777 407**

Notes to the Consolidated and Separate Financial Statements (continued)

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

	Opening balance 2020	Adoption of new standard 2020	Depreciation 2020	Closing carrying amount 2020
Company – Reconciliation of property, plant and equipment – right - use-assets				
Office buildings	**–**	**19 289 400**	**(3 147 750)**	**16 141 650**
Total	**3 272 953**	**19 975 783**	**(4 329 679)**	**18 919 057**

	Opening balance 2019	Additions 2019	Depreciation 2019	Closing carrying amount 2019
Company – Reconciliation of property, plant and equipment – owned				
Plant and machinery	247 162	168 053	(50 932)	364 283
Furniture and fixtures	535 403	–	(145 304)	390 100
Motor vehicles	196 666	–	(40 000)	156 666
Office equipment	452 961	–	(131 923)	321 038
IT equipment	775 438	543 896	(466 435)	852 899
Leasehold Improvements	1 400 384	–	(212 417)	1 187 967
	3 608 014	711 949	(1 047 011)	3 272 953

Group and Company

Right-of-use assets – terms greater than one year.

The following office buildings were capitalised based on their committed occupation terms:

Building type	Building location	Remaining term of lease	Value of building capitalised
Main head office	Johannesburg	78 months	**17 923 260**
Branch office	Cape Town	42 months	**1 366 140**
			19 289 400

Group

Depreciation expense of R4 482 630 (2019: R1 143 258) has been charged in "administration expenses" in the statement of comprehensive income.

Company

Depreciation expense of R4 329 679 (2019: R1 047 011) has been charged in "administration expenses" in the statement of comprehensive income.

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

7. Intangible assets

Accounting policy

(a) Goodwill

Goodwill for the Group arose as a result of the acquisition of four subsidiaries: MS5 Pennyville (Pty) Ltd, CTE Consulting (Pty) Ltd, Clidet No 1014 (Pty) Ltd, Fleurhof Ext 2 (Pty) Ltd.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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

The cash-generating units for the Group are considered to be consistent with the operating segments that the CODM has identified.

(b) Computer software

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

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

(c) Estimates and key judgements

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

	Cost 2020	Accumulated amortisation/ impairment 2020	Closing carrying amount 2020	Cost 2019	Accumulated amortisation/ impairment 2019	Closing carrying amount 2019
Group						
Goodwill	**174 979 434**	**(16 023 720)**	**158 955 714**	174 979 434	(16 023 720)	158 955 714
Computer software	**98 090**	**(93 231)**	**4 859**	98 090	(71 827)	26 263
	175 077 524	**(16 116 951)**	**158 960 573**	175 077 524	(16 095 547)	158 981 977
Company						
Computer software	**98 090**	**(93 232)**	**4 858**	98 090	(71 827)	26 263
	98 090	**(93 232)**	**4 858**	98 090	(71 827)	26 263

Group

Amortisation expenses of R21 404 (2019: R25 839) have been included in "administration expenses" in the statement of comprehensive income.

Additions of Rnil (2019: R38 760) have been made in the current year to computer software.

No computer software has been disposed of in the current or prior year.

Notes to the Consolidated and Separate Financial Statements (continued)

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7. Intangible assets *(continued)*

Company

Amortisation expenses of R21 405 (2019: R25 839) have been included in "administration expenses" in the statement of comprehensive income.

Additions of Rnil (2019: R38 760) have been made in the current year to computer software.

No computer software has been disposed of in the current or prior year.

	2020	2019
Impairment tests for goodwill		
Goodwill is monitored at the operating segment level. The following is a summary of goodwill allocation for each operating segment:		
Residential property development	**158 955 714**	158 955 714
	158 955 714	158 955 714

The recoverable amounts of the residential property development operating segment has been determined based on value-in-use calculations.

The Group prepares cash flows used for the assessment of goodwill impairment on an unescalated basis to ensure prudence. Only current selling prices and costs are taken into consideration when extrapolating the relevant cash flows and no escalation is provided for on any of the amounts. As a result of this, the Group uses a growth rate of nil to extrapolate cash flows.

This calculation uses real pre-tax cash flow projections based on financial budgets approved by management covering a five year period and takes into account a terminal value from year six onwards. The terminal value is based on year five's cash flow projection.

	2020	2019
The key assumptions used for value-in-use calculations are as follows:		
Gross margin	**8.29%**	8.70%
Pre-tax discount rate (real)	**10.71%**	11.20%

The pre-tax discount rate increased in the current year due to the higher cost of debt in the market.

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

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

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

Impairment tests for goodwill are performed annually.

8. Financial assets at fair value through other comprehensive income

Accounting policy
Equity securities are held in Calgro M3 Holdings Limited. These securities are not held for trading and the Group and Company have irrevocably elected at initial recognition to recognise in this category. The investment is strategic in nature to allow the Group and Company to allocate shares for employee share schemes.

On disposal of these equity securities, any balance within the reserve is reclassified as retained earnings.

In the prior year the Group and Company had designated the equity securities as available-for-sale where management intented to hold them for the medium to long-term.

No fair value adjustment was required upon changing classification of the securities due to it being held at fair value.

	Group		Company	
	2020	**2019**	**2020**	**2019**
Investment in group companies				
Listed securities – Calgro M3 Holdings – issued price	**183 420 048**	183 420 048	**183 420 048**	183 420 048
Losses recognised in other comprehensive income	**(139 473 099)**	(89 084 750)	**(139 473 099)**	(89 084 750)
Shares disposed in terms of the Calgro M3 Executive Share Scheme	**(20 234 834)**	(20 234 834)	**(20 234 834)**	(20 234 834)
Listed securities – Calgro M3 Holdings – balance	**23 712 115**	74 100 464	**23 712 115**	74 100 464
Reconciliation of invesment in Group companies balance				
Opening balance	**74 100 464**	105 180 385	**74 100 464**	105 180 385
Losses recognised in other comprehensive income	**(50 388 349)**	(31 079 921)	**(50 388 349)**	(31 079 921)
Closing balance	**23 712 115**	74 100 464	**23 712 115**	74 100 464

The investment in Group companies is linked to the new Executive Share Scheme as in note 34.

9. Investment in subsidiaries

Accounting policy
Investments in subsidiaries are carried at cost less any accumulated impairment.

Common control business combination
The Group applies the predecessor value method when accounting for a common control business combination. The predecessor value method involves accounting for the assets and liabilities of the acquired business using existing carrying values.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

9. Investment in subsidiaries *(continued)*

	% voting power 2020	% Voting power 2019	% voting holding 2020	% voting holding 2019	Carrying amount 2020	Carrying amount 2019
Company – Direct						
Calgro M3 Land (Pty) Ltd#	**100**	100	**100**	100	**339 146 284**	339 146 284
Calgro M3 Project Management (Pty) Ltd#	**100**	100	**100**	100	**4 500 100**	4 500 100
MS5 Pennyville (Pty) Ltd	**100**	100	**100**	100	**100**	100
MS5 Projects (Pty) Ltd	**100**	100	**100**	100	**100**	100
Calgro M3 Rectification Company (Pty) Ltd*	**100**	100	**100**	100	**–**	–
Calgro M3 Procurement Management (Pty) Ltd*	**100**	100	**49**	49	**–**	–
					343 646 584	343 646 584
Company – Indirect						
Subsidiaries of Calgro M3 Land (Pty) Ltd#						
Fleurhof Ext 2 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Clidet No 1014 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Belhar Calgro M3 Development Company (Pty) Ltd	**51.00**	51.00	**49.00**	49.00		
CM3 Witkoppen Ext 131 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Tres Jolie Ext 24 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Ridgewood Estate (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Business Venture Investment No 1244 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Business Venture Investment No 1221 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Calgro M3 Jabulani (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Calgro M3 Memorial Parks Nasrec Pty) Ltd	**100.00**	100.00	**72.50**	72.50		
Sabre Homes Projects (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Subsidiaries of Calgro M3 Project Management (Pty) Ltd#						
CTE Consulting (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Holm Jordaan GWA (Pty) Ltd	**66.67**	66.67	**50.837**	50.837		
Subsidiaries of MS5 Pennyville (Pty) Ltd						
PZR Pennyville Zamamphilo Relocation (Pty) Ltd	**100**	100	**100**	100		
Subsidiaries of Calgro M3 Procurement Management (Pty) Ltd						
Calgro M3 Procurement Services (Pty) Ltd*	**100**	100	**49**	49		
Calgro M3 Contractors (Pty) Ltd*	**100**	100	**49**	49		

 # Common control business combination
The Calgro M3 Developments Group is a wholly owned group of the Calgro M3 Holdings Group and at 1 March 2018, the Calgro M3 Developments Group applied predecessor accounting and inherited both the Calgro M3 Land Group and the Calgro M3 Project Management Group as if Calgro M3 Developments Ltd was the shareholder of the respective holding companies.
All subsidiaries are incorporated in South Africa. The year-ends of all the direct and indirect subsidiaries are consistent with those of the Group.
** These companies have been incorporated under the new Companies Act 71 of 2008. The value of the shares is stated at no par value.*
The carrying amounts of subsidiaries are shown net of impairment losses.

10. Investment in joint ventures and associates

Accounting policy

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint ventures are companies in which the Group has an investment where it, along with one or more other shareholders, has contractually agreed to share control of the business and where the decisions about relevant activities require the unanimous consent of the joint partners. In both cases, the Group equity accounts these investments resulting in the Group's statement of comprehensive income reflecting its share of the entity's profit or loss after tax and the statement of financial position records the Group's share of the net assets.

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

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

Significant judgement and source of estimation uncertainty

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

	% voting power 2020	% voting power 2019	% voting holding 2020	% voting holding 2019	Carrying amount 2020	Carrying amount 2019#
Joint ventures						
Witpoortjie Calgro M3 Development Company (Pty) Ltd^	**50.00**	50.00	**75.83**	75.83	**–**	134 738
South Hills Development Company (Pty) Ltd^▪	**50.00**	50.00	**57.50**	57.50	**12 479 446**	13 077 251
Safdev Tanganani (Pty) Ltd	**50.00**	50.00	**50.00**	50.00	**500**	500
Table View Properties Proprietary Limited*	**50.00**	50.00	**50.00**	50.00	**20 000 000**	20 000 000
Frankenwald Development (Pty) Ltd♦	**50.00**	0.00	**50.00**	0.00	**103 500**	–
					32 583 446	**33 212 489**

The Group only shares in the above joint venture's net assets, as opposed to having a direct right to the assets and obligations for the liabilities.

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

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

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

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

\# ***Common control business combination***

The Calgro M3 Developments Group is a wholly owned group of the Calgro M3 Holdings Group and at 1 March 2018, the Calgro M3 Developments Group applied predecessor accounting and inherited both the Calgro M3 Land Group and the Calgro M3 Project Management Group as if Calgro M3 Developments Ltd was the shareholder of the respective holding companies.

The joint ventures are managed by Steering Committees that contain an equal number of representatives from both the Calgro M3 Group as well as the other shareholders. The Steering Committees meets on a regular basis to discuss the relevant activities of the project. These activities include the authorisation of budgets, project feasibilities, cash flow forecasts, distributions, potential variation orders, cost overruns, determining of sales prices and the appointment of all contractors and professional teams. Any decisions related to the relevant activities that significantly affect the returns of the entity need to carry the unanimous consent of both joint venture partners, irrespective of the number of representatives a party has on the Steering Committee or directorate of the respective company.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

10. Investment in joint ventures and associate *(continued)*

Other than loans to joint ventures and associates (note 13), trade and other receivables (note 16) and related-party transactions (note 36) which arose in the ordinary course of business, the Calgro M3 Group has no further financial risks associated with these joint ventures and associates.

The Group has no obligation to carry losses over and above its investment into the joint venture and associate.

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

Name of company	Name of project	Segment
Witpoortjie Calgro M3 Development Company (Pty) Ltd	Witpoortjie	Residential Property Development
South Hills Development Company (Pty) Ltd	South Hills	Residential Property Development
Safdev Tanganani (Pty) Ltd	Diepsloot	Residential Property Development
Table View Properties (Pty) Ltd	Vredehoek	Residential Property Development
Frankenwald Development (Pty) Ltd	Frankenwald project	Residential Property Development

The place of business for all joint ventures and associates is South Africa.

The functional currency of all joint ventures and associates are South African Rand.

All the year-ends of joint ventures and associates, except for Frankenwald Development (Pty) Ltd, are consistent with those of the Group. Frankenwald Development (Pty) Ltd's year-end is 30 June; however, the February 2020 results are presented.

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

	2020	2019
Witpoortjie Calgro M3 Development Company (Pty) Ltd	**(134 738)**	(433 517)
South Hills Development Company (Pty) Ltd	**(597 804)**	18 367 125
Safdev Tanganani (Pty) Ltd	**–**	–
Table View Properties (Pty) Ltd	**–**	–
	(732 542)	17 933 608

Please refer to note 3.10.2 for ECLs (expected credit losses) provided for on loans to joint ventures and associates. Expected credit losses take into account the expected credit losses that will result from all possible default events over the expected life of a financial asset. Due to the impact of IFRS 15 on the timing of revenue recognition by the joint ventures, losses might be recognised in any particular year, depending on the type of units constructed during that year. Losses are not an indication that the ECL for that project or joint venture should be adjusted due to increased risk.

10. Investment in joint ventures and associate *(continued)*

	Witpoortjie Calgro M3 Development Company (Pty) Ltd		South Hills Development Company (Pty) Ltd	
	2020	**2019**	**2020**	**2019**
Statement of financial position				
Assets				
Non-current assets				
Deferred income tax asset	**562 325**	–	**–**	–
	562 325	–	**–**	–
Current assets				
Inventories/construction contracts	**289 189 784**	214 933 568	**131 704 973**	116 575 580
Financial asset	**–**	–	**4 196 094**	–
Trade and other receivables	**492 036**	600 586	**10 881 873**	1 850 773
Cash and cash equivalents	**474 500**	1 000	**63 944**	60 480
	290 156 320	215 535 154	**146 846 884**	118 486 833
Total assets	**290 718 645**	215 535 154	**146 846 884**	118 486 833
Equity and liabilities				
Equity				
Share capital	**–**	–	**120**	120
Other reserves	**–**	–	**–**	–
(Accumulated loss)/retained income	**(1 607 342)**	177 684	**29 363 284**	30 769 881
	(1 607 342)	177 684	**29 363 404**	30 770 001
Non-current liabilities				
Deferred income tax liability	**–**	73 570	**12 981 549**	15 090 617
	–	73 570	**12 981 549**	15 090 617
Current liabilities				
Borrowings	**68 520 357**	82 834 257	**–**	–
Bank overdraft	**–**	–	**38 641 070**	38 814 793
Loans from shareholders	**217 816 029**	–	**43 959 013**	19 078 126
Trade and other payables	**5 989 601**	132 449 643	**21 901 848**	14 733 296
	292 325 987	215 283 900	**104 501 931**	72 626 215
Total liabilities	**292 325 987**	215 357 470	**117 483 480**	87 716 832
Total equity and liabilities	**290 718 645**	215 535 154	**146 846 884**	118 486 833
Statement of comprehensive income				
Revenue	**52 240 967**	17 087 540	**95 746 145**	267 439 838
Cost of sales	**(54 372 949)**	(17 910 644)	**(103 450 774)**	(207 534 122)
Gross (loss)/profit	**(2 131 982)**	(823 104)	**(7 704 629)**	59 905 716
Other income	**940**	–	**4 016 716**	–
Administrative expenses	**(212 515)**	(120 005)	**(269 861)**	(341 584)
Net impairment losses on financial and contract assets	**(77 364)**	107 342	**4 669 838**	393 865
Operating (loss)/profit	**(2 420 921)**	(835 767)	**712 064**	59 957 997
Finance income	**–**	–	**3 464**	65 289
(Loss)/profit before tax	**(2 420 921)**	(835 767)	**715 528**	60 023 286
Taxation	**635 895**	264 070	**924 334**	(16 806 520)
(Loss)/profit after taxation	**(1 785 026)**	(571 697)	**1 639 862**	43 216 766
Other comprehensive income	**–**	–	**–**	–
Total comprehensive (loss)/income	**(1 785 026)**	(571 697)	**1 639 862**	43 216 766

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

10. Investment in joint ventures and associate *(continued)*

Reconciliation of financial information

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

	Witpoortjie Calgro M3 Development Company (Pty) Ltd		South Hills Development Company (Pty) Ltd	
	2020	**2019**	**2020**	**2019**
Summarised financial information				
Opening net assets at 1 March	**177 684**	–	**30 770 001**	–
Opening balance adjustment to retained earnings	**–**	–	**(3 046 459)**	–
Predecessor accounting opening balance at 1 March (note 3)	**–**	907 671	**–**	61 614 408
IFRS15 opening balance adjustment	**–**	–	**–**	(61 026 800)
IFRS9 adjustment	**–**	(158 290)	**–**	(4 999 816)
Dividend declared	**–**	–	**–**	(8 034 557)
Profit/(loss) after tax	**(1 785 026)**	(571 697)	**1 639 862**	43 216 766
Closing net assets	**(1 607 342)**	177 684	**29 363 404**	30 770 001
Interest in joint venture at 75.83% and 42.5%	**–**	134 738	**12 479 446**	13 077 251
Carrying value	**–**	134 738	**12 479 446**	13 077 251
Reconciliation of investment in joint venture				
At 1 March	**134 738**	–	**13 077 251**	–
IFRS15 opening balance adjustment	**–**	–	**–**	(25 936 390)
IFRS9 opening balance adjustment	**–**	(120 032)	**–**	(2 124 922)
Predecessor accounting opening balance at 1 March (note 3)	**–**	688 287	**–**	26 186 124
Dividend declared portion relating to the Group	**–**	–	**–**	(3 414 687)
Share of opening balance adjustment to retained earnings	**–**	–	**(1 294 745)**	–
Share of profit/(loss)	**(134 738)**	(433 517)	**696 941**	18 367 126
Net share of (loss)/profit for the current year (limited to carrying amount of investment)	**(134 738)**	134 738	**(597 804)**	13 077 251
Net carrying value	**–**	134 738	**12 479 446**	13 077 251
The impact of the cash flows on the Group consists of the following:				
Cash (outflow)/inflow from construction activities (net movement in trade debtors)	**125 093 081**	(14 648 908)	**189 525**	30 062 569
Cash inflow for loans from joint ventures	**–**	–	**–**	23 000 000
Cash outflow for loans to joint ventures	**–**	–	**(23 000 000)**	–
Net cash flows on the Group from joint ventures	**125 093 081**	(14 648 908)	**(22 810 475)**	53 062 569

10. Investment in joint ventures and associate *(continued)*

	Table View Properties (Pty) Ltd		Safdev Tanganani (Pty) Ltd	
	2020	2019	**2020**	2019
Statement of financial position				
Assets				
Non-current assets				
Deferred income tax asset	**14 115**	6 492	**650 208**	644 321
	14 115	6 492	**650 208**	644 321
Current assets				
Inventories	**–**	–	**91 378 646**	82 515 972
Trade and other receivables	**5 005 782**	5 002 862	**970 345**	970 361
Cash and cash equivalents	**1 860**	4 120	**48 580**	48 200
	5 007 642	5 006 982	**92 397 571**	83 534 533
Total assets	**5 021 757**	5 013 474	**93 047 779**	84 178 854
Equity and liabilities				
Equity				
Share capital	**5 000 000**	5 000 000	**1 000**	1 000
(Accumulated loss)/retain Income	**(78 357)**	(58 755)	**371 459**	386 598
	4 921 643	4 941 245	**372 459**	387 598
Liabilities				
Current liabilities				
Loans from shareholders	**100 114**	72 229	**92 675 320**	83 791 256
	100 114	72 229	**92 675 320**	83 791 256
Total liabilities	**100 114**	72 229	**92 675 320**	83 791 256
Total equity and liabilities	**5 021 757**	5 013 474	**93 047 779**	84 178 854
Statement of comprehensive income				
Revenue	**–**	–	**–**	–
Cost of sales	**–**	–	**–**	–
Gross profit	**–**	–	**–**	–
Administrative expenses	**(19 465)**	(42 689)	**(21 026)**	(1 799)
Operating (loss)/profit	**(19 465)**	(42 689)	**(21 026)**	(1 799)
Finance costs	**(7 760)**	–	**–**	–
(Loss)/profit before tax	**(27 225)**	(42 689)	**(21 026)**	(1 799)
Taxation	**7 623**	176	**5 887**	503
(Loss)/profit after taxation	**(19 602)**	(42 513)	**(15 139)**	(1 296)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive loss	**(19 602)**	(42 513)	**(15 139)**	(1 296)

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

10. Investment in joint ventures and associate *(continued)*

Reconciliation of financial information

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

	Table View Properties (Pty) Ltd		Safdev Tanganani (Pty) Ltd	
	2020	**2019**	**2020**	**2019**
Summarised financial information				
Opening net assets at 1 March	**(58 755)**	–	**387 598**	–
Predecessor accounting opening balance at 1 March (↩ note 3)	**–**	–	**–**	388 894
(Loss)/profit after tax	**–**	(58 755)	**(15 139)**	(1 296)
Closing net assets	**(58 755)**	(58 755)	**372 459**	387 598
Loss limitation	**58 755**	58 755	**(371 959)**	(387 098)
Carrying value	**–**	–	**500**	500
Reconciliation of investment in joint venture				
At 1 March	**20 000 000**	–	**500**	–
Predecessor accounting opening balance at 1 March (↩ note 3)	**–**	20 000 000	**–**	500
Share of profit/(loss) in associate (limited due to sale of interest in associate)	–	–	–	–
Net carrying value	**20 000 000**	**20 000 000**	**500**	**500**
The impact of the cash flows on the Group consists of the following:				
Cash inflow/(outflow) from construction activities (net movement in trade debtors)	**–**	–	**–**	–
Cash inflow/(outflow) from investing activities	**–**	(10 000 000)	**–**	–
Cash inflow for loans from joint ventures	**–**	–	**–**	–
Cash outflow for loans to joint ventures	**–**	–	**–**	–
Net cash flows on the Group from joint ventures	**–**	(10 000 000)	–	–

10. Investment in joint ventures and associate *(continued)*

	Frankenwald Development (Pty) Ltd	
	2020	**2019**
Statement of financial position		
Assets		
Non-current assets		
Deferred income tax asset	**140**	**–**
	140	**–**
Current assets		
Inventories	**18 420 434**	**–**
Trade and other receivables	**2 707 696**	**–**
Cash and cash equivalents	**214 626**	**–**
	21 342 756	**–**
Total assets	**21 342 896**	**–**
Equity and liabilities		
Equity		
Share capital	**–**	**–**
Accumulated loss	**(361)**	**–**
	(361)	**–**
Liabilities		
Non-current liabilities		
Deferred income tax liability	**–**	**–**
	–	**–**
Current liabilities		
Loans from Group companies	**21 343 257**	**–**
	21 343 257	**–**
Total liabilities	**21 343 257**	**–**
Total equity and liabilities	**21 342 896**	**–**
Statement of comprehensive income		
Revenue	**–**	**–**
Cost of sales	**–**	**–**
Gross profit	**–**	**–**
Other income	**–**	**–**
Administrative expenses	**(2 016)**	**–**
Other non-operating gains(losses)	**–**	**–**
Net impairment losses on financial and contract assets	**–**	**–**
Operating loss	**(2 016)**	**–**
Finance income	**1 515**	**–**
Finance cost	**–**	
Loss before tax	**(501)**	**–**
Taxation	**140**	**–**
Loss after taxation	**(361)**	**–**
Other comprehensive income	**–**	**–**
Total comprehensive loss	**(361)**	**–**

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

10. Investment in joint ventures and associate *(continued)*

Reconciliation of financial information

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

	Frankenwald Development (Pty) Ltd	
	2020	**2019**
Summarised financial information		
Opening net assets at 1 March	–	–
(Loss)/profit after tax	(361)	–
Closing net assets	(361)	–
Loss limitation	361	–
Interest in joint venture at 50% and 35%	–	–
Capital investment from the Group	103 500	–
Carrying value	103 500	–
Reconciliation of investment in joint venture		
At 1 March	–	–
Capital investment from the Group	103 500	–
Share of profit/(loss) in associate (limited due to sale of interest in associate)	–	–
Net carrying value	103 500	–
The impact of the cash flows on the Group consists of the following:		
Cash inflow/(outflow) from construction activities (net movement in trade debtors)	–	–
Cash inflow/(outflow) from investing activities	–	–
Cash inflow for loans from joint ventures	–	–
Cash outflow for loans to joint ventures	–	–
Net cash flows on the Group from joint ventures	–	–

11. Deferred income tax (liability)/asset

Accounting policy

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

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

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

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

	Group		Company	
	2020	2019	**2020**	2019
Reconciliation of deferred tax (liability)/asset				
At beginning of the year	**(190 450 932)**	(104 090 256)	**(346 648)**	(103 556 834)
Statement of comprehensive income charge	**9 617 315**	47 036 393	**15 886 792**	88 572 008
Tax losses available for set off against future taxable income	**(10 476 708)**	(45 070 299)	**8 810 908**	(8 906 319)
Construction contracts	**70 880 876**	17 803 223	**60 681 522**	25 259 466
Capital allowances	**92 994**	–	**92 994**	–
Provisions	**(114 917)**	144 323	**(114 917)**	144 323
Operating leases	**(752 967)**	183 777	**(752 967)**	183 776
Bonus accrual	**(7 607 662)**	8 835 563	**(7 607 662)**	8 835 563
Share appreciation right settlement	**21 515**	(393 779)	**21 515**	(393 779)
Executive share scheme	**–**	16 771 736	**–**	16 771 737
Inventories	**(5 693 436)**	6 844 621	**–**	–
Deferred revenue	**503 674**	663 481	**–**	–
Work in progress	**12 065**	(12 065)	**–**	–
Provision for credit losses – trade receivables	**215 706**	481 464	**(541 887)**	1 410 455
Provision for credit losses – contract assets	**(8 688 379)**	765 090	**(1 632 557)**	1 828 949
Income received in advance	**(29 143 126)**	40 019 258	**(43 437 837)**	43 437 837
Capitalised leased assets	**367 680**	–	**367 680**	–

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

11. Deferred income tax (liability)/asset *(continued)*

	Group		Company	
	2020	**2019**	**2020**	**2019**
Increase due to predecessor accounting transaction (note 9)	**–**	(259 336 792)	**–**	–
Tax losses available for set off against future taxable income	**–**	213 748 109	**–**	–
Construction contracts	**–**	(472 272 345)	**–**	–
Capital losses available for future use	**–**	138 412	**–**	–
Inventories	**–**	(5 764 113)	**–**	–
Deferred revenue	**–**	825 673	**–**	–
Provision for credit losses – trade receivables	**–**	425 918	**–**	–
Provision for credit losses – contract assets	**–**	(495 709)	**–**	–
Income received in advance	**–**	4 057 263	**–**	–
Deferred tax effect on IFRS 16 charge	**(183 844)**	–	**(183 844)**	–
Operating leases	**(183 844)**	–	**(183 844)**	–
Deferred tax effect on IFRS 15 charge	**–**	116 221 733	**–**	12 570 359
Construction contracts	**–**	116 221 733	**–**	12 570 359
Deferred tax effect on IFRS 9 charge	**–**	10 645 976	**–**	2 067 819
Provision for credit losses – trade receivables	**–**	994 140	**–**	1 022 421
Provision for credit losses – contract assets	**–**	9 651 836	**–**	1 045 398
Deferred tax losses previously accounted for written off to the income statement	**–**	(927 986)	**–**	**–**
Tax losses available for set off against future taxable income	**–**	(927 986)	**–**	–
	(181 017 461)	(190 450 932)	**15 356 300**	(346 648)
Deferred tax liability				
Tax losses available for set off against future taxable income	**132 643 576**	110 032 997	**–**	–
Construction contracts	**(348 276 648)**	(388 669 546)	**–**	(68 465 077)
Accelerated capital allowances for tax purposes	**–**	(92 994)	**–**	(92 994)
Provisions	**–**	405 059	**–**	405 059
Operating leases	**–**	936 811	**–**	936 811
Bonus accrual	**–**	8 835 563	**–**	8 835 563
Share appreciation right settlement prepayment	**–**	(407 794)	**–**	(407 794)
Executive share scheme	**–**	9 674 563	**–**	9 674 563
Capital losses available for future use	**–**	22 161	**–**	22 161
Inventories	**5 461 005**	5 461 005	**–**	–
Provision for credit losses – trade receivables	**537 321**	1 901 522	**–**	2 432 876
Provision for credit losses – contract assets	**(7 249 841)**	1 546 427	**–**	2 874 347
Income received in advance	**14 000 000**	43 437 838	**–**	43 437 837
Deferred tax liabilities*	**(202 884 587)**	(206 916 388)	**–**	(346 648)

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

11. Deferred income tax (liability)/asset *(continued)*

	Group		Company	
	2020	**2019**	**2020**	**2019**
Deferred tax asset				
Tax losses available for set off against future taxable income	**33 535 859**	66 623 146	**8 810 908**	–
Construction contracts	**(25 922 689)**	(56 410 667)	**(7 783 555)**	–
Provisions	**290 142**	–	**290 142**	–
Capital losses available for future use	**160 573**	138 412	**22 161**	–
Bonus accrual	**1 227 901**	–	**1 227 901**	–
Share appreciation right settlement prepayment	**21 515**	–	**21 515**	–
Executive share appreciation right	**(407 794)**	–	**(407 794)**	–
Executive share scheme	**9 674 563**	–	**9 674 563**	–
Inventories	**(10 069 434)**	(4 375 998)	**–**	–
Work in progress	**–**	(12 065)	**–**	–
Provision for credit losses – trade receivables	**1 579 907**	–	**1 890 989**	–
Provision for credit losses – contract assets	**8 482 680**	8 374 791	**1 241 790**	–
Income received in advance	**933 395**	638 683	**–**	–
Capitalised leased assets	**367 680**	–	**367 680**	–
Deferred revenue	**1 992 828**	1 489 154	**–**	–
Deferred tax assets#	**21 867 126**	16 465 456	**15 356 300**	–
	(181 017 461)	(190 450 932)	**15 356 300**	(346 648)
Deferred tax liability				
Deferred tax liability to be recovered within 12 months	**(208 345 592)**	(269 395 927)	**–**	(59 224 454)
Deferred tax liability to be recovered after more than 12 months	**5 461 005**	15 593 752	**–**	10 132 747
	(202 884 587)	(253 802 175)	**–**	(49 091 707)
Deferred tax asset				
Deferred tax asset to be recovered within 12 months	**21 867 126**	10 350 891	**5 678 175**	–
Deferred tax asset to be recovered after more than 12 months	**–**	–	**9 678 125**	–
	21 867 126	10 350 891	**15 356 300**	–

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

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

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

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

12. Loans to/(from) Group companies

Accounting policy

These loans are classified as loans and receivables or financial liabilities measured at amortised cost.

The loans are unsecured, interest is charged at a rate as agreed to between the parties from time to time and are repayable on demand.

Provision for expected credit losses

The Group and Company apply an expected credit loss provision ("ECL") on the financial asset balances. Refer to note 3.10.2 for the relevant judgements applied.

	Interest rate	Expected Repayment date	2020	2019
Group				
Loans to Group companies				
Calgro M3 Holdings Limited	Prime (2019: prime)	On demand	**1 240 717**	3 861 242
Calgro M3 Memorial Parks Fourways (Pty) Ltd	Prime (2019: prime)	On demand	**64 918 516**	49 127 195
Calgro M3 Real Estate (Pty) Ltd	Prime (2019: prime)	On demand	**144 648 915**	399 118 672
Calgro M3 Memorial Parks Bloemfontein (Pty) Ltd	Prime (2019: prime)	On demand	**1 819 308**	486 172
Calgro M3 Empowerment Trust	Prime (2019: prime)	On demand	**116 211**	109 650
Provisions for expected credit losses			**(5 457 617)**	(5 025 003)
Loans to Group companies			**207 286 050**	447 677 928
Loans from Group companies				
Calgro M3 Memorial Parks Fourways (Pty) Ltd	Prime	On demand	**(88 168)**	–
Loans from Group companies			**(88 168)**	–
Company				
Loans to Group companies				
Calgro M3 Holdings Limited	Prime (2019: prime)	On demand	**1 240 717**	3 861 242
Calgro M3 Land (Pty) Ltd	Prime (2019: prime)	On demand	**78 970 253**	154 796 455
PZR Pennyville Zamimphilo Relocation (Pty) Ltd	Prime (2019: prime)	On demand	**12 241 062**	3 660
CM3 Witkoppen Ext 131 (Pty) Ltd	Prime (2019: prime)	On demand	**50 197 316**	6 227 034
Fleurhof Extension 2 (Pty) Ltd	Prime (2019: prime)	On demand	**93 384 827**	170 273 106
Clidet No 1014 (Pty) Ltd	Prime (2019: prime)	On demand	**17 266 033**	21 611 857
Belhar Calgro M3 Development Company (Pty) Ltd	Prime (2019: prime)	On demand	**28 864 211**	48 065 871
Calgro M3 Memorial Parks Fourways (Pty) Ltd	Prime (2019: prime)	On demand	**64 918 516**	49 127 196
Calgro M3 Contractors (Pty) Ltd	Prime (2019: prime)	On demand	**1 616 123**	767 093
Calgro M3 Jabulani (Pty) Ltd	Prime (2019: prime)	Repaid	**–**	11 747 105
Calgro M3 Rectification (Pty) Ltd	Prime (2019: prime)	On demand	**1 344 704**	940 236
Calgro M3 Real Estate (Pty) Ltd	Prime (2019: prime)	On demand	**144 648 915**	399 118 671
CTE Consulting (Pty) Ltd	Prime (2019: prime)	Repaid	**–**	723 177
Holm Jordaan GWA (Pty) Ltd	Prime (2019: prime)	On demand	**372 425**	3 070 054
Calgro M3 Memorial Parks Nasrec (Pty) Ltd	Prime (2019: prime)	On demand	**6 033 806**	2 678 290
Calgro M3 Empowerment Trust	Prime (2019: prime)	On demand	**116 211**	109 650
Calgro M3 Memorial Parks Bloemfontein (Pty) Ltd	Prime (2019: prime)	On demand	**1 819 307**	486 172
Sabre Homes Projects (Pty) Ltd	Prime	On demand	**1 160 994**	–
Provisions for expected credit losses			**(17 130 802)**	(4 532 689)
Loans to Group companies			**487 064 618**	869 074 180

12. Loans to/(from) Group companies *(continued)*

	Interest rate	Expected repayment date	2020	2019
Loans from Group companies				
Calgro M3 Procurement Services (Pty) Ltd	Prime (2019: prime)	On demand	**(2 483 460)**	(3 404 554)
Calgro M3 Jabulani (Pty) Ltd	Prime	On demand	**(46 537 626)**	–
CTE Consulting (Pty) Ltd	Prime	On demand	**(825 120)**	–
Sabre Homes Projects (Pty) Ltd	Prime (2019: prime)	Repaid	**–**	(32 142)
			(49 846 206)	(3 436 696)

The carrying value of loans to/(from) Group companies approximates their fair values, due to the short-term nature of these financial instruments.

All loans to Group companies will be recovered within the next 12 months.

13. Loans to/(from) joint ventures and associates

Accounting policy
These loans are recognised initially at fair value plus direct transaction costs and subsequently measured at amortised cost.

Significant estimates and judgements
The Group and Company apply an expected credit loss provision ("ECL") on the financial asset balances. Refer to note 3.10.2 for the relevant judgements applied.

	Interest rate	Expected repayment date	2020	2019
Group				
South Hills Development Company (Pty) Ltd (unsecured)	Prime plus 2%	28 February 2021	**3 913 347**	3 539 063
Safdev Tanganani (Pty) Ltd (unsecured)	Prime	28 February 2022	**46 348 896**	41 895 628
Table View Properties (Pty) Ltd (unsecured)	Prime plus 2%	28 February 2021	**100 114**	72 229
Witpoortjie Calgro M3 Development Company (Pty) Ltd (unsecured)	Prime plus 2%	28 February 2021	**151 104 148**	–
Witpoortjie Calgro M3 Development Company (Pty) Ltd (unsecured)	Interest free	28 February 2021	**66 711 880**	–
Frankenwald Development (Pty) Ltd	Interest free	28 February 2022	**10 464 312**	–
Provisions for expected credit losses			**(11 208 058)**	(3 291 186)
Loans to joint ventures and associates			**267 434 639**	42 215 734
Reconciliation of loans to joint ventures and associates				
Principal loan amount			**278 642 697**	–
Principal loan amount increase due to predecessor accounting transaction (note 8)			**–**	45 506 920
Provisions for expected credit losses			**(11 208 058)**	(3 291 186)
			267 434 639	42 215 734

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

13. Loans to/(from) joint ventures and associates *(continued)*

	Interest rate	Expected repayment date	2020	2019
Loans to joint ventures and associates				
Loans to be realised within 12 months			**221 829 489**	72 229
Loans to be realised after more than 12 months			**56 813 208**	45 434 691
			278 642 697	45 506 920
Loans (from) joint ventures and associates				
South Hills Development Company (Pty) Ltd (unsecured)	Prime plus 2%	Repaid	**–**	(23 000 000)
Loans (from) joint ventures and associates			**–**	(23 000 000)
Company				
Witpoortjie Calgro M3 Development Company (Pty) Ltd (unsecured)	Prime plus 2%	28 February 2021	**151 104 149**	–
Witpoortjie Calgro M3 Development Company (Pty) Ltd (unsecured)	Interest free	28 February 2021	**66 711 880**	–
Provisions for expected credit losses			**(6 316 664)**	–
Loans to joint ventures and associates			**211 499 365**	–
Reconciliation of loans to joint ventures and associates				
Principal loan amount			**217 816 029**	–
Witpoortjie Calgro M3 Development Company (Pty) Ltd (unsecured)			**(6 316 664)**	–
			211 499 365	–
South Hills Development Company (Pty) Ltd (unsecured)	Prime plus 2%	Repaid	**–**	(23 000 000)
Loans from joint ventures and associates			**–**	(23 000 000)
Loans to joint ventures and associates				
Loans to be realised within 12 months			**217 816 029**	–
Loans to be realised after more than 12 months			**–**	–
			217 816 029	–
Loans from joint ventures and associates				
Loans to be repaid within 12 months			**–**	(23 000 000)
Loans to be repaid after more than 12 months			**–**	–
			–	(23 000 000)
Borrowings cash flow reconciliation for Group and Company				
Opening balance			**23 000 000**	–
Proceeds from South Hills Development Company (Pty) Ltd			**–**	23 000 000
Repayments to South Hills Development Company (Pty) Ltd			**(23 000 000)**	–
Closing balance			**–**	23 000 000

14. Inventories

Accounting policy

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

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

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

Significant estimates and judgements

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
Opening balance	**508 260 900**	17 872 216	**2 000 000**	2 000 000
Increase in balance due to predecessor transaction (note 3.6.1)	**–**	516 256 003	**–**	–
Additions (net of transfers to construction contracts)	**232 666 994**	44 382 234	**164 456 807**	–
Borrowing costs capitalised	**12 210 596**	22 165 471	**–**	–
Net realisable value adjustments+	**(681 929)**	(54 452 744)	**–**	–
Disposals	**(118 573 369)**	(37 962 280)	**–**	–
	633 883 192	508 260 900	**166 456 807**	2 000 000
Inventories to be sold within 12 months	**322 452 614**	203 386 469	**–**	–
Inventories to be sold after more than 12 months	**311 430 578**	304 874 431	**166 456 807**	2 000 000
	633 883 192	508 260 900	**166 456 807**	2 000 000

Group and Company

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

Group

Included in the additions for the current year are additions of R163 766 327 from the transaction with Afhco Calgro M3 Consortium (Pty) Ltd, Afhco Holdings (Pty) Ltd, SA Retail Properties (Pty) Ltd and SA Corporate Real Estate Limited, where the Group acquired 90 freestanding units from Afhco Calgro M3 Consortium (Pty) Ltd.

Also included in the current year additions is the acquisition of Portion 2 Erf 30 Cornubia for R45 640 000 for the future development.

+ *The NRV adjustment for the current year relates to the Summerset and Bridge City projects. The prior year relates to the The La Vie Nouvelle Lifestyle and Wellness Estate frail care centre. Inventories to the value of R5 957 792 (2019: R88 236 445) are stated at net realisable value.*

Company

Included in the additions for the current year are additions of R163 766 327 from the transaction with Afhco Calgro M3 Consortium (Pty) Ltd, Afhco Holdings (Pty) Ltd, SA Retail Properties (Pty) Ltd and SA Corporate Real Estate Limited, where the Group acquired 90 freestanding units from Afhco Calgro M3 Consortium (Pty) Ltd.

Inventories to the value of R2 000 000 (2019: R2 000 000) are stated at net realisable value.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

15. Construction contracts

Accounting policy

The accounting policy for construction contracts need to be read in conjunction with the accounting policy for revenue in note 24.

Construction contracts consist of both contract assets and cost incurred to be allocated to future contract assets when the Group enters into an agreement with a customer.

Future costs to be allocated to contract assets are costs incurred on the development of land which includes costs such as direct labour, materials, professional/consulting services, commissions and allocation of overhead costs which relate directly to the development of the land. These costs are only allocated to the individual units when a contract is entered into with a customer to purchase the relevant unit.

Contract assets arise on the basis that costs are incurred to satisfy performance obligations, the related payment and timing is determined based on each individual contract.

These costs include costs to fulfil a contract and includes costs such as direct labour, materials, professional/consulting services, commissions and allocation of overhead costs which relate directly to satisfy performance obligations of the contract. Contract assets are recovered from the relevant customer when the relevant performance obligations are completed and payment can be obtained from the customer.

If costs are incurred on a contract without a corresponding payment received it is shown as a contract asset at the reporting period, if the customer has paid in advance for performance obligations to be satisfied it is shown as a contract liability within trade and other payables.

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

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs. They are presented as costs incurred to be allocated to future contract assets depending on their nature, that will be assessed on a case by case basis.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “trade and other receivables” (refer to note 16).

The transaction price for each performance obligation is the contractually stipulated price and represents the stand-alone selling price at the time when the contract is entered into with the customer.

Significant estimates and judgements

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 costs incurred on a unit/dwelling/project compared to the forecasted costs of the unit/dwelling/project which equals the percentage of work completed (“percentage of completion”). The corresponding percentage of revenue is then recognised in that period.

The Group allocates non-unit specific costs which include land, infrastructure, town planning and other project related cost based on approved feasibilities. Estimates are made by management to calculate the forecasted costs of a project which includes non-unit specific costs 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.

15. Construction contracts *(continued)*

Accounting policy *(continued)*
The Group and Company apply an expected credit loss provision ("ECL") on the financial asset balances. Refer to note 3.10.2 for the relevant judgements applied.

	Group		Company	
	2020	**2019**	**2020**	**2019**
The aggregate costs incurred and recognised profits to date	**922 830 800**	4 230 030 943	**149 627 615**	6 573 776 012
Less: Progress billings	**–**	(3 061 010 070)	**–**	(6 393 843 714)
Net statement of financial position balance for ongoing contracts	**922 830 800**	1 169 020 873	**149 627 615**	179 932 297
Excess billings over work done classified under trade and other payables (note 22)	**69 115 355**	198 231 246	**266 654 238**	278 040 056
Provision for loss making contracts classified under trade and other payables (note 22)	**3 432 444**	4 847 354	**–**	6 030 189
Statement of financial position balance for ongoing contracts	**995 378 599**	1 372 099 473	**416 281 853**	464 002 542
Construction contracts to be realised within 12 months	**290 835 735**	764 102 816	**416 281 853**	464 002 542
Construction contracts to be realised after 12 months	**704 542 864**	607 996 657	**–**	–
	995 378 599	1 372 099 473	**416 281 853**	464 002 542
The previous year's contract liabilities have been recognised in revenue in full during the current reporting period.				
Disaggregated construction contracts – pre expected credit loss provisions				
Infrastructure – contract assets	**29 180 561**	315 881 180	**71 996 491**	128 602 625
Fully and partially subsidised units – contract assets	**333 326 098**	563 294 110	**280 080 858**	271 561 223
Non-subsidised units – contract assets	**28 368 945**	10 871 906	**30 389 682**	29 904 578
Serviced land – contract assets	**54 081 590**	47 342 897	**–**	–
Contract assets	**444 957 194**	937 390 093	**382 467 031**	430 068 426
Future contract asset costs				
Development costs for future contract assets	**550 421 405**	434 709 380	**33 814 822**	33 934 116
	995 378 599	1 372 099 473	**416 281 853**	464 002 542
Reconciliation of construction contracts				
Gross statement of financial position balance for ongoing contracts	**444 957 194**	937 390 093	**382 467 031**	430 068 426
Provisions for expected credit losses	**(4 402 994)**	(35 432 920)	**(4 434 965)**	(10 265 526)
Development costs for future contract assets	**550 421 405**	434 709 380	**33 814 822**	33 934 116
	990 975 605	1 336 666 553	**411 846 888**	453 737 016

The aggregate revenue still to be recognised on the current contract asset balances amount to R1 874 632 584 (2019: R1 935 650 160) and will be recognised within the normal operating cycle of the business.

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

Borrowing costs to the value of R57 384 762 (2019: R54 291 729) have been capitalised (note 30) at a Group level. No interest is capitalised at a Company level.

Notes to the Consolidated and Separate Financial Statements (continued)

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15. Construction contracts *(continued)*

As part of the developments, there are certain costs incurred in the current year that will only be allocated to contracts with specific performance obligations in the future. These costs, are disclosed as "Development cost for future contract assets" as part of the construction contracts balance. These costs therefore, are a form of inventory but have no related contract with a customer yet due to the long-term nature of property development. Therefore these activities have no revenue or profit impact and as such, have been excluded from the input method in the current year. The costs incurred for future contract assets is accounted for as part of the construction contracts balance due to the nature of the expenses (property development), but they are not treated as contract assets on which profit is recognised.

16. Trade and other receivables

Accounting policy

Trade receivables are a financial asset measured at amortised cost. Refer to the financial instruments accounting policy in note 3.10 for further information.

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

Significant estimates and judgements

The Group and Company apply an expected credit loss provision ("ECL") on the financial asset balances. Refer to note 3.10.2 for the relevant judgements applied.

	Group		Company	
	2020	2019	**2020**	2019
Trade receivable and retention debtors	**96 825 814**	179 962 230	**41 915 927**	314 250 764
Trade receivables – third parties	**79 862 953**	37 028 689	**25 707 462**	22 309 430
Retention debtors – third parties	**3 868 980**	5 943 945	**3 114 584**	5 266 808
Trade receivables – rental debtors – third parties	**2 399 230**	–	**2 399 230**	–
Trade receivables – related parties	**10 694 651**	130 925 316	**10 694 651**	275 907 010
Retention debtors – related parties	**–**	6 064 280	**–**	10 767 516
Other receivables	**11 329 515**	12 839 865	**10 511 199**	11 949 969
Dividends receivable*	**–**	4 619 871	**857 384**	1 734 171
Securing deposits	**4 214 510**	6 614 973	**375 985**	729 976
Value added tax	**20 052 059**	31 206 964	**13 471**	13 471
Provision for credit losses	**(7 561 526)**	(6 791 149)	**(6 753 532)**	(8 688 841)
	124 860 372	228 452 754	**46 920 434**	319 989 510
Financial instruments	**112 369 839**	197 245 790	**53 660 495**	319 976 039
Non-financial instruments	**12 490 533**	31 206 964	**(6 740 061)**	13 471
	124 860 372	228 452 754	**46 920 434**	319 989 510

Group and Company

* *The dividends receivable relate to dividends being receivable from a joint venture company. The income relating to these dividends is already accounted for through the share of profits of joint ventures and associates in the statement of comprehensive income. Refer to note 10.*

Group – trade receivables and retention debtors fully performing

At 2020, trade receivables and retention debtors of R94 721 077 (2019: R179 962 230) were fully performing.

Company – trade receivables and retention debtors fully performing

At 2020, trade receivables and retention debtors of R39 811 190 (2019: R314 250 764) were fully performing.

16. Trade and other receivables *(continued)*

	Group		Company	
	2020	2019	**2020**	2019
Trade receivables and retention debtors from related parties				
Fleurhof Ext 2 (Pty) Ltd	**–**	–	**–**	149 684 930
South Hills Development Company (Pty) Ltd	**5 009 212**	5 198 739	**5 009 212**	5 198 739
Calgro KuumBA Planning and Design (Pty) Ltd	**–**	1 000 000	**–**	1 000 000
Witpoortjie Calgro M3 Development Company (Pty) Ltd	**5 685 439**	130 778 520	**5 685 439**	130 778 520
Calgro M3 Memorial Parks Holding (Pty) Ltd	**–**	12 337	**–**	12 337
Total	**10 694 651**	136 989 596	**10 694 651**	286 674 526

Trade receivables and retention debtors owing from related parties are not considered past due as they were granted in the normal course of business within the Group's operating cycle of greater than 12 months. The due dates for amounts are determined specifically for each related party. Management of the Group has insight into the financial position of all joint ventures and associates as at 28 February 2020 and do not believe that there are indicators that these amounts are impaired at year-end. The Group does, however, raise expected credit loss provisions on the receivable balances. These receivables bear interest at market-related rates. Please refer to note 10 for summarised financial information as well as detailed analysis of joint venture and associates relationships.

Group and Company – trade receivables and retention debtors – third parties past due but not impaired

At 28 February 2019, trade receivables and retention debtors of R2 104 737 (2019: R251 596) were past due but not impaired.

	Group		Company	
	2020	2019	**2020**	2019
Ageing of trade receivables and retention debtors (other than rental trade receivables) – third parties				
Less than 30 days	**41 996 213**	37 454 229	**15 360 629**	22 057 833
30 days and older	**41 735 720**	5 518 405	**13 461 417**	5 518 405
Total	**83 731 933**	42 972 634	**28 822 046**	27 576 238
Ageing of trade receivables – rentals				
0 to 30 days	**294 493**	–	**294 493**	–
31 to 60 days	**169 267**	–	**169 267**	–
61 to 90 days	**198 389**	–	**198 389**	–
91 to 120 days; and	**185 830**	–	**185 830**	–
121+ days	**1 551 251**	–	**1 551 251**	–
Total	**2 399 230**	–	**2 399 230**	–

Group and Company – trade receivables impairment

At 29 February 2020, trade receivables of Rnil (2019: R529 205) were written off as bad debt.

The maximum exposure to credit risk for these instruments at the reporting date is the carrying value of each class of receivable mentioned above. The Group and Company do not hold any collateral as security for trade and other receivables. Refer to note 4 for details of financial instruments. All trade and other receivables will be recovered in the next 12 months.

Notes to the Consolidated and Separate Financial Statements (continued)

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17. Cash and cash equivalents

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

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

	Group		Company	
	2020	2019	**2020**	2019
Cash on hand	**4 266**	3 290	**3 765**	2 789
Bank balances	**250 501 506**	118 726 238	**238 554 080**	114 524 329
	250 505 772	118 729 528	**238 557 845**	114 527 118

18. Stated capital

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

	Group		Company	
	2020	2019	**2020**	2019
Authorised				
1000 ordinary no par value shares				
Issued				
102 ordinary no par value shares	**283 794 872**	283 794 872	**283 794 872**	283 794 872
	283 794 872	283 794 872	**283 794 872**	283 794 872
Reconciliation of shares issued				
Opening balance at 1 March	**283 794 872**	88 561 467	**283 794 872**	88 561 467
Share issued*	**–**	195 233 405	**–**	195 233 405
Closing balance	**283 794 872**	283 794 872	**283 794 872**	**283 794 872**

* *On 1 March 2018, the Group restructured with Calgro M3 Developments Limited acquiring the Calgro M3 Land (Pty) Ltd and Calgro M3 Project Management (Pty) Ltd Investment from Calgro M3 Holdings Limited at its carrying value. The restructuring aligns the Group structure with the operating segments within the Group. Calgro M3 Holdings further increased its investment into Calgro M3 Developments Limited as part of the restructure.*

All issued shares are fully paid.

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

19. Other reserve

Financial assets at fair value through other comprehensive income

	Group		Company	
	2020	2019	**2020**	2019
Opening balance	**(89 084 702)**	(58 004 829)	**(89 084 702)**	(58 004 829)
Total – other comprehensive income	**(50 388 349)**	(31 079 873)	**(50 388 349)**	(31 079 873)
Revaluation at year-end	**(50 388 349)**	(31 079 873)	**(50 388 349)**	(31 079 873)
Closing balance	**(139 473 051)**	(89 084 702)	**(139 473 051)**	(89 084 702)

Refer to note 8 for details of financial assets at fair value through other comprehensive income.

20. Non-controlling interest

		Group	
	NCI %	2020	2019
Summary of non-controlling interest where the Group owns less than 100% of shareholding is summarised below:			
Procurement companies (Calgro M3 Procurement Services (Pty) Ltd and Calgro M3 Contractors (Pty) Ltd)	26.01	**365 986**	301 939
Belhar Calgro M3 Development Company (Pty) Ltd	51.00	**51**	51
Holm Jordaan GWA (Pty) Ltd	49.16	**335 490**	(23 814)
		701 527	278 176

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

	Calgro M3 Memorial Parks Nasrec (Pty) Ltd		Holm Jordaan GWA (Pty) Ltd		Procurement companies	
	2020	2019	2020	2019	2020	2019
Total assets	**–**	120 024 682	**1 336 955**	3 473 592	**29 639 746**	27 272 817
Total liabilities	**–**	127 266 853	**654 551**	3 522 030	**28 232 652**	26 114 027
Total equity	**–**	(5 303 149)	**682 404**	(48 438)	**1 407 094**	1 158 790
Non-controlling interest relating to equity	**–**	–	**335 490**	(23 814)	**365 986**	301 939
Current year charge						
Dividend distributed	**–**	–	**–**	–	**(1 158 780)**	(2 343 791)
IFRS9 adjustments to equity	**–**	–	**–**	(7 365)	**–**	(407 143)
Comprehensive income	**–**	(2 026 906)	**730 842**	(1 955 294)	**1 407 087**	1 565 933
Net distributable equity	**–**	–	**730 842**	(1 962 659)	**248 307**	(1 185 001)
Non-controlling Interest relating to equity	**–**	(739 902)	**359 304**	(964 902)	**64 585**	(307 681)

Acquisition of remaining 37.5% shareholding of Calgro M3 Memorial Parks Nasrec (Pty) Ltd.
On 16 April 2018, the Group entered into an agreement to obtain the remaining 36.5% shareholding in Calgro M3 Memorials Parks Nasrec (Pty) Ltd for R63 600 000. The Group paid the second payment of R15 900 000 in the current financial year, with two more payments of R15 900 000 remaining to be paid in June 2020 and 2021. The Group obtained 100% of the economic benefits of the Company from the transaction date, shares are transferred to the Group upon payment of each of the tranches.

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

21. Borrowings

Accounting policy
Borrowings are classified as financial liabilities at amortised cost. Refer to the financial instruments accounting policy, note 3.10 for further details.

Borrowings are classified as current liabilities based on the operating cycle of the Group and Company (refer to note 3.2).

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

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

21. Borrowings *(continued)*

			Group		Company	
Bond exchange	**Interest rate %**	**Expiration date**	**2020**	**2019**	**2020**	**2019**
Floating rate note – CGR 21	JIBAR plus 4.5	12 October 2020	**70 000 000**	70 000 000	**70 000 000**	70 000 000
Floating rate note – CGR 24	JIBAR plus 5	8 February 2021	**20 000 000**	20 000 000	**20 000 000**	20 000 000
Floating rate note – CGR 25	JIBAR plus 4	27 June 2019	**–**	111 000 000	**–**	111 000 000
Floating rate note – CGR 27	JIBAR plus 4	25 November 2019	**–**	46 000 000	**–**	46 000 000
Floating rate note – CGR 29	JIBAR plus 4.35	8 February 2021	**52 000 000**	52 000 000	**52 000 000**	52 000 000
Floating rate note – CGR 32	JIBAR plus 3.9	21 July 2020	**38 000 000**	38 000 000	**38 000 000**	38 000 000
Floating rate note – CGR 33	JIBAR plus 3.9	22 September 2020	**59 000 000**	59 000 000	**59 000 000**	59 000 000
Floating rate note – CGR 38	JIBAR plus 4	13 February 2021	**30 000 000**	30 000 000	**30 000 000**	30 000 000
Floating rate note – CGR 39	JIBAR plus 3.95	4 May 2021	**30 000 000**	30 000 000	**30 000 000**	30 000 000
Floating rate note – CGR 40	JIBAR plus 3.95	4 June 2021	**51 000 000**	51 000 000	**51 000 000**	51 000 000
Floating rate note – CGR 41	JIBAR plus 3.95	25 June 2021	**20 000 000**	20 000 000	**20 000 000**	20 000 000
Floating rate note – CGR 42	JIBAR plus 4.	3 August 2023	**45 000 000**	45 000 000	**45 000 000**	45 000 000
Floating rate note – CGR 43	JIBAR plus 3.95	8 February 2022	**18 000 000**	18 000 000	**18 000 000**	18 000 000
Floating rate note – CGR 44	JIBAR plus 3.95	5 April 2022	**104 000 000**	–	**104 000 000**	–
Floating rate note – CGR 45	JIBAR plus 3.5	30 October 2021	**45 000 000**	–	**45 000 000**	–
Floating rate note – CGR 46	JIBAR plus 3.95	28 February 2023	**40 000 000**	–	**40 000 000**	–
Floating rate note – CGR 47	JIBAR plus 4.5	28 February 2025	**60 000 000**	–	**60 000 000**	–
Proparco loan*	JIBAR plus 4.9	15 September 2023	**387 000 000**	387 000 000	**387 000 000**	387 000 000
Transaction cost amortisation+			**(6 157 069)**	(7 804 994)	**(6 157 069)**	(7 804 994)
Bond exchange			**1 062 842 931**	969 195 006	**1 062 842 931**	969 195 006

All borrowings are unsecured.

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

* *The Proparco loan is repayable in five equal instalments on a six monthly basis starting from 15 September 2021.*

The following financial covenants are applicable to the loan:

- Debt service coverage ratio ("DSCR") of higher than 1.2 at a Group level; and
- A maximum net debt to equity ratio of less than 1.5:1.

The total facility value is R387 000 000.

Refer to note 4.2 for the DSCR and net debt to equity calculation.

21. Borrowings *(continued)*

The table below provides information regarding the present value of the borrowings to be settled within 12 months and after 12 months. For the undiscounted cash flows related to borrowings, refer to note 4.

	Group		Company	
	2020	**2019**	**2020**	**2019**
Borrowings to be settled within 12 months	**269 000 000**	157 000 000	**269 000 000**	157 000 000
Borrowings to be settled after more than 12 months	**793 842 931**	812 195 006	**793 842 931**	812 195 006
	1 062 842 931	969 195 006	**1 062 842 931**	969 195 006
Borrowings cash flow reconciliation				
Openiwng balance	**969 195 006**	889 596 522	**969 195 006**	889 596 522
Repayments of CGR notes	**(157 000 000)**	(193 000 000)	**(157 000 000)**	(193 000 000)
Amortised expense through the statement of comprehensive income	**2 045 750**	2 193 649	**2 045 750**	2 193 649
Borrowings raised by offset of loan accounts* (non-cash item)	**104 000 000**	–	**104 000 000**	–
Transaction costs paid	**(397 825)**	(2 595 165)	**(397 825)**	(2 595 165)
Proceeds from new CGR notes issued	**145 000 000**	164 000 000	**145 000 000**	164 000 000
Proceeds from Proparco loan	**–**	109 000 000	**–**	109 000 000
Closing balance	**1 062 842 931**	969 195 006	**1 062 842 931**	969 195 006
Interest paid on borrowings	**117 612 227**	115 459 090	**117 612 227**	115 459 090
Total interest paid on borrowings	**117 612 227**	115 459 090	**117 612 227**	115 459 090

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

General

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

22. Trade and other payables

Accounting policy

Trade and other payables are financial instruments measured at amortised cost. Refer to the financial instruments accounting policy, note 3.10.

	Group		Company	
	2020	**2019**	**2020**	**2019**
Trade payables	**162 557 379**	141 260 408	**96 367 267**	118 327 818
Retention creditors	**13 893 776**	18 894 332	**13 893 776**	18 894 332
Accrued expenses	**38 341 024**	34 822 330	**36 414 946**	34 668 992
Value added tax	**22 707 728**	15 616 358	**5 191 421**	9 490 955
Accrual for leave pay	**936 218**	1 346 637	**936 219**	1 346 637
Share appreciation rights liabilities	**76 838**	–	**76 838**	–
Calgro M3 Executive Share Scheme liability	**1 485 929**	–	**1 485 929**	–
Other payables	**9 561 827**	9 842 916	**9 561 827**	9 842 916
Deposits received – summerset and other units	**50 000**	–	**–**	–
Deposits received – Afhco Consortium – related parties*	**–**	155 209 633	**–**	155 135 133
Afhco settlement liability	**17 761 718**	–	**11 718**	–
Land purchase liability – balance of purchase price for acquisition of Bridge City+	**21 358 608**	19 450 199	**–**	–
Land purchase liability – balance of purchase price for acquisition of Jabulani land+	**145 000 000**	145 000 000	**–**	–

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

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

22. Trade and other payables *(continued)*

	Group		Company	
	2020	2019	**2020**	2019
Land purchase liability – balance of purchase price for acquisition of KwaNobuhle land#	**32 378 241**	43 649 344	**–**	–
Land purchase liability – Umhlanga property	**4 942 812**	–		–
Lease liability office building**	**20 800 304**	–	**20 800 304**	–
Deferred levenue	**7 384 782**	5 318 406	**–**	–
Nasrec Memorial Parks share purchase liability	**29 216 940**	41 868 944	**–**	–
Income received in advance	**173 755**	249 755	**–**	–
Dividends payable	**241 117**	487 696	**–**	–
Long service awards provision▪	**4 385 361**	6 211 582	**4 385 361**	6 211 582
Executive share settlement*	**–**	25 344 000	**–**	25 344 000
La Vie Nouvelle Frail Care equipment provision	**6 855 450**	–	**–**	–
Provision for loss making contracts◊	**3 432 444**	4 847 354	**–**	6 030 189
Excess billings over work done	**69 115 355**	198 231 246	**266 654 238**	278 040 056
	612 657 606	867 651 139	**455 779 844**	663 332 610
Financial instruments	**544 561 255**	811 565 363	**420 671 622**	612 677 097
Non-financial instruments	**68 096 351**	56 085 776	**35 108 222**	50 655 513
	612 657 606	867 651 139	**455 779 844**	663 332 610

▪ *The Group has a long-term service award for its employees based on years of service. (10 years – two months' salary, 15 years – three months' salary, 5 years thereafter - 3 months salary). To determine the value of the provision, the following was taken into account: The average annual salary increases, the employee attrition rate, retirement age, discount rate and mortality rate.*

* *This amount will be paid out to the executives as a once-off payment. Refer to note 34.*

◆ *Deposits received related to units that would have completed and transferred within the next 12 months.*

\# *Land purchase liability is carried at amortised cost. Repayments have been aligned with the sale of completed units.*

◊ *A provision for a loss making contract is made when the Group can reliably determine that the cost to complete the relevant performance obligations will be more than the expected revenue and the Group has no alternative than to incur the cost. Refer to note 15.*

** *This amount relates to the capitalisation of long-term* leases. *Refer to note 23.*

Trade and other payables are unsecured, and are repayable within a period of 12 months. The carrying amounts of trade and other payables approximate their fair value, due to the short-term nature of these financial instruments.

23. Lease liability

Accounting policy

Refer to note 3.5: Changes in accounting policy for the new adopted accounting policy and the implications thereof for IFRS 16: *Leases.*

	Group		Company	
	2020	2019	**2020**	2019
Lease agreements for office buildings	**20 800 304**	–	**20 800 304**	–
	20 800 304	–	**20 800 304**	–
Less: Current portion	**2 395 619**	–	**2 395 619**	–
Long-term portion	**18 404 685**	–	**18 404 685**	–
	20 800 304	–	**20 800 304**	–

23. Lease liability *(continued)*

	Group		Company	
	2020	2019	**2020**	2019
The carrying vaues of interest-bearing liabilities approximates their fair value The interest rate used is 11.46% which was the Group's average cost of debt when IFRS 16 was adopted by the Group				
Lease payments are due as follows:				
Within one year from 1 March 2019	**4 660 395**	–	**4 660 395**	–
Two to five years	**20 917 460**	–	**20 917 460**	–
Greater than five years	**2 898 604**	–	**2 898 604**	–
	28 476 459	–	**28 476 459**	–

Building type	Building location	**Remaining term of lease**
Main head office	Johannesburg	66 months from 29 February 2020
Branch office	Cape Town	30 months from 29 February 2020

	Group		Company	
	2020	2019	**2020**	2019
Amounts related to lease liabilities included in the statement of comprehensive income				
Administrative expenses				
Depreciation on right-of-use assets (IFRS 16)	**3 147 750**	–	**3 147 750**	–
Lease rentals on operating leases	**–**	5 916 326	**–**	5 842 256
Finance costs				
Lease liability	**2 503 518**	–	**2 503 518**	–

The Group and Company does not sub-lease right of use assets and therefore generates no income.

There were no additions to right-of-use assets in the current year other than those assets recognised at the point the new accounting standard was adopted.

No gains or losses arose from any sale and leaseback agreements.

The carrying amount of right-of-use assets is reflected in note 6.

24. Revenue

Accounting policy

The Group and Company derive 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 and Company measure and account 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 are transferred to the customer.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

24. Revenue *(continued)*

Accounting policy *(continued)*

The Group and Company recognise revenue over time if one of the following criteria is met:

- The Group and Company create or enhance an asset which the customer controls as the asset is created;
- The Group and Company do not create an asset with an alternative use to the Group and Company and has an enforceable right to payment for the work completed to date;
- The customer simultaneously receives and consumes all of the benefits provided by the Group and Company.

The Group and Company recognise 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 passes 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 and Company have right to payment.

The Group recognises retention debtors based on certified work completed for specific contracts. It should be noted that the retention debtors have no impact on the contract price and are short-term in nature, usually three to six months. Revenue recognised on contracts that have retention debtors are done in terms of the Group's revenue recognition policy (over time or point in time), depending on how control of the goods are transferred to the customer. Payment of any retention debtors are measured for recoverability and are generally received within three to six months.

The costs incurred to obtain a contract is expensed to profit and loss as and when the costs are incurred as the Group and Company consider these costsnot to be recoverable until an agreement has been reached to recover these costs.

The transaction price for each performance obligation is the contractually stipulated price and represents the stand-alone selling price at the time when the contract is entered into with the customer.

Significant judgement and source of estimation uncertainty

Property Development Segment

The Group and Company uses the "percentage of completion" method (also known as an 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 and Company to estimate the construction services and activities performed to date as a proportion of the total services and activities to be performed. The Group and Company perform 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"). Inputs can be reliably measured and results in the performance obligation being satisfied to the customer. The Group and Company, therefore, have determined that this method faithfully depicts the Group and Company's performance in transferring control of the goods and services to the customer.

The Group and Company use 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 and Company are remunerated on a cost plus basis. The relevant costs are determined by qualified industry experts, where applicable, and is based on the overall infrastructure requirements as per the contract.

The Group and Company allocate non-unit specific costs which include land, infrastructure, town planning and other project-related costs based on approved feasibilities. Estimates are made by management to calculate the forecasted costs of a project which includes non-unit specific costs 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 and Company apply judgement in determining whether contracts for the sale of land and the construction of residential housing include separately identifiable performance obligations or whether they should be Group and Company together. The Group and Company apply 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.

24. Revenue *(continued)*

Accounting policy *(continued)*

Variations on original contract prices are agreed with customers 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. 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 and their revenue recognition within the Group for the Residential Development Segment is set out below:

Terms of the contract	Revenue recognition
Fully subsidised (Reconstruction and Development Programme ("RDP")/Breaking New Ground ("BNG") and Community Residential Units ("CRU")	
▸ Overall agreement between parties to construct a specified number of RDP and CRU units. ▸ Purchase order received from government based on approved budget within the relevant department, based on gazetted prices for RDP and 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.	**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 and Bulk Purchaser	
▸ 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.	**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.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

24. Revenue *(continued)*

Accounting policy *(continued)*

Terms of the contract	Revenue recognition
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. ▸ Specifications of the units is standard across the development.	**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.

The type of products and their revenue recognition within the Group and Company for the Residential Development Segment is set out below:

Affordable Housing and High-end units	
▸ Agreement entered into with parties for the purchase of property and the construction of a free-standing 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.	**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. **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;

24. Revenue *(continued)*

Accounting policy *(continued)*

Terms of the contract	Revenue recognition
Affordable Housing and High-end units (continued)	
	Single performance obligation Or 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 accept transfer due to their funding arrangement with a financial institution or requirements of the contract. All costs incurred 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.
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.	**Every contract with a customer to be recognised and accounted for individually**. 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 Segment

The Group and Company determine 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. Revenue for maintenance is recognised over a period of 18 years, from the sale of the associated burial right.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

24. Revenue *(continued)*

Accounting policy *(continued)*

As a cash payment for the memorial parks burial services and maintenance service is received in advance of the entity performing the burial and maintenance service, a significant financing component exists in the contract. The revenue for these related services will be recognised when the service is rendered and will carry an interest expense up to the date the service is rendered.

The interest expense portion is calculated based on the Group and Company's weighted average cost of debt.The type of products and their revenue recognition within the Group for the Memorial Parks Segment is set out below:

Terms of the contract	Revenue recognition
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.	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	
▸ 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 a customer..	Individual contract treatment with revenue recognised at a point in time when the burial service has rendered to the 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.	Individual contract treatment with revenue recognised over time as the maintenance services are being rendered for the customer.

Residential Rental Segment

The type of products and their revenue recognition within the Group for the Residential Rental Segment is set out below:

Terms of the contract	Revenue recognition
Rental income	
▸ Agreement with customer to allow the customer to use an identified residential property for a specified period, usually 12 months.	All rental income revenue is recognised on a straight-line basis over the term of the relevant lease.

24. Revenue *(continued)*

	Group		Company	
	2020	**2019**	**2020**	**2019**
Disaggregated revenue				
Residential Property Development Segment				
Infrastructure	**173 464 550**	440 224 268	**128 219 146**	373 640 684
Fully and partially subsidised units	**496 042 085**	414 116 227	**371 952 337**	276 635 892
Non-subsidised units	**222 325 693**	33 621 990	**83 648 353**	97 024 096
Serviced land sales	**45 360 911**	50 233 318	**–**	–
	937 193 239	938 195 803	**583 819 836**	747 300 672
Memorial Parks Segment				
Memorial parks burial rights	**10 670 907**	9 538 317	**–**	–
Memorial parks maintenance	**504 977**	398 429	**–**	–
Memorial parks burial services	**1 812 511**	971 001	**–**	–
	12 988 395	10 907 747	**–**	–
Residential Property Rental Segment				
Rental income Residential	**3 197 010**	–	**3 197 010**	–
	3 197 010	–	**3 197 010**	–
Total revenue	**953 378 644**	949 103 550	**587 016 846**	747 300 672

25. Cost of sales

	Group		Company	
	2020	**2019**	**2020**	**2019**
Disaggregated cost of sales				
Residential Property Development Segment				
Infrastructure	**118 819 186**	288 917 076	**122 479 412**	324 832 678
Fully and partially subsidised units	**494 191 819**	424 908 199	**352 263 613**	379 329 487
Non-subsidised units	**246 478 784**	89 090 979	**98 469 583**	96 068 825
Serviced land sales	**22 972 718**	53 637 686	**–**	–
	882 462 507	856 553 940	**573 212 608**	800 230 990
Memorial Parks Segment				
Memorial parks burial rights	**3 997 118**	3 606 742	**–**	–
Memorial parks maintenance	**2 333 137**	36 527	**–**	–
Memorial parks burial services	**166 584**	381 155	**–**	–
	6 496 839	4 024 424	**–**	–
Residential Property Rental Segment				
Rental income Residential	**1 567 780**	–	**1 567 780**	–
	1 567 780	–	**1 567 780**	–
Insurance claims recovered*	**(16 226 225)**	–	**(16 226 225)**	–
Total cost of sales	**874 300 901**	860 578 364	**558 554 163**	800 230 990

* *Insurance claims recovered in the 2020 financial year amounting to R16.2 million, were accounted for in the cost of sales line in order to correct the cumulative GP margin of the Fleurhof and Scotdene projects. In the prior financial year the additional operating costs incurred resulting from the illegal invasion and occupation of units at these two projects were expensed as part of cost of sales.*

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

26. Other income

Accounting policy

(a) Dividend income

Dividend income is recognised when the right to receive payment is established.

(b) Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term.

(c) Management fees

Management fees are recognised on the date the services are performed.

	Group		Company	
	2020	**2019**	**2020**	**2019**
Bond commissions	**1 732 725**	1 289 302	**1 732 725**	1 289 302
Dividends received	**–**	–	**857 384**	35 336 486
Profit on disposal of property, plant and equipment	**81 382**	–	**81 382**	–
Other rental income	**1 201 456**	–	**50 187**	–
Management fees	**5 189 272**	5 768 848	**15 278 447**	21 651 139
SETA refunds and other income	**265 053**	1 590 917	**201 802**	458 850
	8 469 888	8 649 067	**18 201 927**	58 735 777

27. Expense by nature

	Group		Company	
	2020	**2019**	**2020**	**2019**
Administration and management fees	**5 040 000**	3 175 000	**5 040 000**	3 175 000
Advertising	**5 349 078**	10 518 288	**4 245 794**	9 244 042
Auditors' remuneration	**5 003 206**	4 238 279	**3 408 627**	2 851 058
Bank charges	**1 797 699**	1 901 857	**1 673 571**	1 756 440
Computer expenses	**4 465 703**	4 542 370	**4 455 952**	4 536 095
Fully and partially subsidised units	**494 191 819**	424 908 199	**352 263 613**	379 329 487
Depreciation on owned property, plant and equipment and amortisation on computer software	**1 356 286**	1 169 097	**1 203 334**	1 072 850
Depreciation on capitalised leased assets (IFRS 16)	**3 147 750**	–	**3 147 750**	–
Donations	**1 922 494**	1 546 907	**1 922 494**	1 521 821
Fines, penalties and interest	**–**	1 543	**–**	
Infrastructure	**118 819 186**	288 917 076	**122 479 412**	324 832 678
Insurance	**1 471 817**	1 583 534	**1 471 817**	1 583 534
Insurance claims recovered	**(16 226 225)**	–	**(16 226 225)**	–
Lease rentals on operating leases	**–**	5 916 326	**–**	5 842 256
Legal fees	**847 013**	1 051 422	**843 915**	1 046 792
Loss on sale of investments	**–**		**–**	
Memorial park costs	**6 496 839**	4 024 424	**–**	–
Motor vehicle expenses	**527 200**	910 780	**526 064**	830 966
Non-subsidised units	**246 478 784**	89 090 979	**98 469 583**	96 068 825
Printing and stationery	**297 565**	627 590	**297 565**	604 550
Professional fees	**2 628 997**	1 926 369	**1 086 608**	1 866 369
Rental income Residential	**1 567 780**	–	**1 567 780**	–
Short-term leases	**195 018**	–	**168 138**	–
Social corporate responsibilities	**91 575**	3 662 642	**91 575**	3 475 326
Total employee costs	**41 285 956**	40 087 968	**41 285 956**	40 087 968

27. Expense by nature *(continued)*

	Group		Company	
	2020	**2019**	**2020**	**2019**
Executive share scheme expense*	**1 485 929**	(46 989 307)	**1 485 929**	(46 989 307)
Employee costs	**39 723 189**	87 718 933	**39 723 189**	87 718 933
Share Appreciation Rights expense/(income)*	**76 838**	(641 658)	**76 838**	(641 658)
Sponsorships	**–**	3 500	**–**	3 500
Serviced land sales	**22 972 718**	53 637 686	**–**	–
Sundry expenses	**5 164 452**	9 141 386	**4 628 819**	7 179 560
Telephone and fax	**685 470**	1 305 491	**685 470**	1 305 491
Total cost of sales, administration expenses and other expenses	**955 578 180**	953 888 713	**634 737 612**	888 214 608

* *Refer to note 34.*

28. Net impairment (gains)/losses on financial and contract assets

	Group		Company	
	2020	**2019**	**2020**	**2019**
Loans to Group companies	**432 615**	2 021 689	**12 598 113**	(803 149)
Loans to joint ventures	**7 916 872**	592 749	**6 316 664**	–
Contract assets	**(31 029 926)**	962 077	**(5 830 561)**	6 532 066
Trade receivables	**770 377**	3 240 648	**(1 935 310)**	5 037 339
	(21 910 063)	6 817 163	**11 148 906**	10 766 256

29. Finance income

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
Bank	**4 343 580**	5 953 312	**3 648 453**	5 103 614
Trade receivables	**1 341 509**	1 012 868	**1 151 246**	846 234
SARS	**135 260**	636 409	**126 331**	566 603
Related parties (SAR Vendor Finance)	**–**	424 968	**–**	424 968
Related parties	**39 778 084**	51 838 030	**71 433 798**	112 066 701
	45 598 433	59 865 587	**76 359 828**	119 008 120

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

30. Finance costs

Accounting policy

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

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

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

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

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
Bank	**4 015 187**	4 086 232	**4 014 310**	4 086 315
Related parties	**1 968**	1 040 674	**591 906**	6 469 662
Other payables	**5 117 081**	17 470 261	**961 040**	13 832 402
Lease liability	**2 503 518**	–	**2 503 518**	–
Interest bearing borrowings	**120 753 500**	111 677 607	**120 753 500**	111 677 607
Finance cost	**132 391 254**	134 274 774	**128 824 274**	136 065 986
Less: Amounts capitalised on qualifying assets (inventory)	**(12 210 596)**	(22 165 471)	**–**	–
Less: Amounts capitalised on qualifying assets (construction contracts)	**(57 384 762)**	(54 291 729)	**–**	–
Total finance cost recognised in statement of comprehensive income	**62 795 896**	57 817 574	**128 824 274**	136 065 986

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

31. Taxation

Accounting policy

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

31. Taxation *(continued)*

Major components of the income tax expense

	Group		Company	
	2020	**2019**	**2020**	**2019**
Current tax				
Local income tax – current period	**21 534 666**	6 842 499	**–**	3 645 736
Local income tax – recognised in current tax for prior periods	**(3 645 736)**	–	**(3 645 736)**	–
	17 888 930	6 842 499	**(3 645 736)**	3 645 736
Deferred				
Current year	**(13 923 471)**	(49 214 415)	**(20 192 500)**	(88 667 419)
Prior year overprovision	**3 552 810**	2 178 021	**3 552 810**	95 411
	(10 370 661)	(47 036 394)	**(16 639 690)**	(88 572 008)
	7 518 269	(40 193 895)	**(20 285 426)**	(84 926 272)
Reconciliation of income tax expense				
Applicable tax rate	**28.00%**	28.00%	**28.00%**	28.00%
Disallowable charges	**17.39%**	19.31%	**(0.44%)**	(1.24%)
Empowerment expenses	**9.17%**	13.46%	**(0.02%)**	(0.71%)
Fines and penalties – SARS	**0.10%**	2.35%	**0.00%**	0.00%
Professional fees	**8.12%**	3.50%	**(0.42%)**	(0.53%)
Non-taxable income	**0.00%**	0.00%	**0.26%**	8.99%
Dividends received from subsidiary	**0.00%**	0.00%	**0.26%**	8.99%
IFRS rate adjustments	**28.87%**	(297.82%)	**(6.14%)**	41.54%
Executive share scheme – old	**(0.00%)**	(268.33%)	**0.00%**	41.54%
Executive share scheme – new	**4.06%**	0.00%	**(0.45%)**	0.00%
IFRS 9 – net impairment losses on financial assets – loans	**22.81%**	0.00%	**(5.69%)**	0.00%
Share of profit/(loss) of associates – net of tax	**2.00%**	(29.49%)	**0.00%**	0.00%
Underprovision for deferred tax prior years	**34.66%**	12.79%	**(3.81%)**	(0.09%)
Over provision for current tax prior years	**(35.57%)**	0.00%	**3.91%**	0.00%
Losses for which no deferred tax has been recognised	**0.00%**	1.68%	**0.00%**	0.00%
Effective tax rate	**73.35%**	(236.04%)	**21.78%**	77.20%

The estimated tax loss for the Group available for set off against future taxable income is R255 139 569 (2019: R295 875 028).

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

32. Cash generated from operations

	Group		Company	
	2020	**2019**	**2020**	**2019**
Profit before taxation	**10 250 411**	17 028 362	**(93 132 191)**	(110 002 281)
Adjustments for:				
Depreciation	**4 482 631**	1 143 258	**4 329 679**	1 047 011
Dividend paid	**(301 396)**	–	**–**	–
Profit on disposal of property, plant and equipment	**(81 382)**	–	**(81 382)**	–
Finance income	**(45 598 433)**	(59 865 587)	**(76 359 828)**	(119 008 120)
Finance cost	**62 795 896**	57 817 574	**128 824 274**	136 065 986
Executive share scheme expense*	**1 485 929**	(46 989 307)	**1 485 929**	(46 989 307)
Share Appreciation Rights expense/(income)*	**76 838**	–	**76 838**	–
Amortisation of intangible assets	**21 405**	25 839	**21 405**	25 839
Share of profit of associate – net of tax	**732 542**	(17 933 608)	**–**	–
Net impairment (gains)/losses on financial and contract assets – loans to group companies	**432 614**	–	**12 598 112**	–
Net impairment (gains)/losses on financial and contract assets – loans to joint ventures	**7 916 872**	–	**6 316 664**	–
Net impairment (gains)/losses on financial and contract assets – contract assets	**(31 029 926)**	–	**(5 830 561)**	–
Net impairment (gains)/losses on financial and contract assets – trade receivables	**770 377**	–	**(1 935 310)**	–
Other	**443**	–	**–**	–
Changes in working capital:				
Inventories	**(180 123 576)**	48 032 790	**(117 842 381)**	–
Trade and other receivables	**99 141 875**	66 862 552	**268 006 331**	(105 920 344)
Construction contracts	**434 105 636**	176 779 812	**47 720 689**	60 666 995
Trade and other payables	**94 236 643**	26 261 400	**142 997 598**	177 542 037
	459 315 399	269 163 084	**317 195 866**	(6 572 184)

33. Tax paid

	Group		Company	
	2020	**2019**	**2020**	**2019**
Balance at the beginning of the year	**19 665**	12 150 493	**(1 368 435)**	11 971 185
Current tax for the year	**(17 888 930)**	(6 842 499)	**3 645 736**	(3 645 736)
Increase in tax balance through predecessor accounting	**–**	4 333 408	**–**	–
Balance at the end of the year	**(37 818)**	(19 665)	**(6 945)**	1 368 435
	(17 907 083)	9 621 737	**2 270 356**	9 693 884

34. Share-based payments

Accounting policy

Share-based payments are remuneration payments to selected employees that take the form of award schemes in the Group. The Group's award schemes are all settled in cash, i.e. the employees do not receive shares or options at settlement. The year in which the employee renders services to the Group to obtain the award is the year in which the expense is recognised in the statement of comprehensive income with a corresponding increase recognised in the liability. The expense is determined by measuring the fair value of the liability at each year-end.

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

If the share-based payments vest immediately, the services received are recognised in full.

If the terms of a scheme are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

Significant judgement and source of estimation uncertainty

Management used the Binomial Tree Valuation method to determine the value of the Share Appreciation Rights at issue date.

Group and Company

Calgro M3 Executive Share Scheme – new scheme

A new executive share scheme has been approved on 28 June 2019 by the shareholders of the Group which was developed by the Remuneration Committee.

In terms of the scheme, the participants, who are all Group Executive Directors, will be remunerated over the long-term when the Group shows a return higher than the average market return for investors. It will be a share-based remuneration scheme, with share appreciation rights being allocated in favour of participants and Calgro M3 shares then being issued in the event that certain compounded share price growth targets per share are achieved.

The implementation of the scheme will ensure that the interests of the Executive Directors are aligned with those of shareholders, as the share-based remuneration will be determined by the growth in value of Calgro M3's shares.

It is a five year scheme, commencing on 1 March 2019, with the allocated share appreciation rights vesting in four (4) yearly tranches on 1 March in each of 2021, 2022, 2023 and 2024.

The participants, their allocated share appreciation rights and values are as follows:

	Maximum number of share appre-ciation rights to be issued	Number of shares granted	Final vesting date	Intrinsic value of scheme at 28 June 2019	Vesting value tranch 1 1 March 2021	Vesting value tranch 2 1 March 2022	Vesting value tranch 3 1 March 2023	Vesting value tranch 4 1 March 2024
Directors								
WJ Lategan	3 500 000	2 423 599	1 Mar 2024	7 078 912	1 769 728	1 769 728	1 769 728	1 769 728
W Williams	2 541 306	1 759 745	1 Mar 2024	5 139 910	1 284 978	1 284 978	1 284 978	1 284 978
WA Joubert	2 435 361	1 686 383	1 Mar 2024	4 925 632	1 231 408	1 231 408	1 231 408	1 231 408
MN Nkuhlu	2 646 844	1 832 826	1 Mar 2024	5 353 367	1 338 342	1 338 342	1 338 342	1 338 342
	11 123 511	7 702 553		22 497 821	5 624 455	5 624 455	5 624 455	5 624 455

Notes to the Consolidated and Separate Financial Statements (continued)

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34. Share-based payments *(continued)*

Calgro M3 Executive Share Scheme – new scheme *(continued)*

The allocated share appreciation rights will vest in four equal tranches on each of the vesting dates.

Valuation of this instrument is achieved by performing a Monte Carlo simulation involving the CGR share, volatility, risk free rates, and certain dividend assumptions. The process assumed is risk-neutral geometric Brownian motion.

If vesting is achieved according to the vesting schedule on the next page, the number of shares issued to settle the vested share appreciation rights is calculated as

N = TSR x (S - K)/S

where

S = is the 30-day VWAP of CGR on 28 February in the vesting date year; and
K = is the base price R7.95; being the 30-day VWAP of CGR on 28 February 19; and
N = the number of share appreciation rights granted; and
TSR = the percentage vesting according to vesting schedule below.

The valuation was done resulting in the equity-settled shares being valued at intrinsic value based on the 30-day volume weighted average market price of R6.00 at the grant date of 28 June 2019.

Share appreciation rights will only vest if a minimum year-on-year "total shareholder return" ("TSR") increase has been achieved in the year of vesting and will be measured against a base price of R7.95, being the 30 "volume weighted average price" ("VWAP") of Calgro M3 shares at the close of business on 28 February 2019.

The remuneration to which a participant becomes entitled, will be paid through the issuing of ordinary Calgro M3 Holdings Limited shares at the 30-day VWAP price as at 28 February of each year.

The Calgro M3 Holdings Limited shares will vest on the vesting date but will only be issued on 30 June of each vesting year.

If the minimum TSR for a specific year is not met, then the vesting for that year will be deferred by one year. If the compounded 15% TSR targets as set out in the schedule on the next page is also not reached the following year (as per the following year's targets), the award for the year that has been deferred will lapse.

In terms of the scheme, Calgro M3 Holdings Limited shares will be issued in favour of a participant, only if the participant is still in the employ of the Company on the issue date (30 June each year).

This gives rise to an effective lock in period.

	Group and Company	
	2020	**2019**
Reconciliation of New Share Scheme liability		
Opening balance of New Executive Share Scheme liability	–	–
Executive share scheme expense (fair value adjustment up to 29 February 2020 recognised through profit and loss) (refer to note 27)	**1 485 929**	–
Closing balance of New Executive Share Scheme liability	**1 485 929**	–

34. Share-based payments *(continued)*

Calgro M3 Executive Share Scheme – new scheme *(continued)*

The number of share appreciation rights that vest on a vesting date will depend on the achievement of the different TSR milestones. TSR milestones required for vesting of the allocated share appreciation rights are as follows:

	Vesting date	Number of share appreciation rights available for vesting	Required compounded TSR for vesting to occur measured from 1 March 2019	Directors	Vesting date	Number of share appreciation rights available for vesting	Required compounded TSR for vesting to occur measured from 1 March 2019
Directors							
WJ Lategan	01 Mar 2021	605 900	TSR of 15%	WA Joubert	01 Mar 2021	421 596	TSR of 15%
	01 Mar 2022	302 950	TSR of 15%		01 Mar 2022	210 798	TSR of 15%
	01 Mar 2022	302 950	TSR of 20%		01 Mar 2022	210 798	TSR of 20%
	01 Mar 2023	201 967	TSR of 15%		01 Mar 2023	140 532	TSR of 15%
	01 Mar 2023	201 967	TSR of 20%		01 Mar 2023	140 532	TSR of 20%
	01 Mar 2023	201 967	TSR of 25%		01 Mar 2023	140 532	TSR of 25%
	01 Mar 2024	201 967	TSR of 15%		01 Mar 2024	140 532	TSR of 15%
	01 Mar 2024	201 967	TSR of 20%		01 Mar 2024	140 532	TSR of 20%
	01 Mar 2024	201 967	TSR of 25%		01 Mar 2024	140 532	TSR of 25%
W Williams	01 Mar 2021	439 936	TSR of 15%	MN Nkuhlu	01 Mar 2021	458 206	TSR of 15%
	01 Mar 2022	219 968	TSR of 15%		01 Mar 2022	229 103	TSR of 15%
	01 Mar 2022	219 968	TSR of 20%		01 Mar 2022	229 103	TSR of 20%
	01 Mar 2023	146 645	TSR of 15%		01 Mar 2023	152 735	TSR of 15%
	01 Mar 2023	146 645	TSR of 20%		01 Mar 2023	152 735	TSR of 20%
	01 Mar 2023	146 645	TSR of 25%		01 Mar 2023	152 735	TSR of 25%
	01 Mar 2024	146 645	TSR of 15%		01 Mar 2024	152 735	TSR of 15%
	01 Mar 2024	146 645	TSR of 20%		01 Mar 2024	152 735	TSR of 20%
	01 Mar 2024	146 645	TSR of 25%		01 Mar 2024	152 735	TSR of 25%
		4 183 344				3 519 209	
Total shares vested		7 702 553					

Old Calgro M3 Executive Share Scheme

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

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

In terms of IFRS 2: *Share Based Payments*, the above scheme is considered to be cash-settled from the perspective of Calgro M3 Developments Limited and equity-settled from the perspective of Calgro M3 Holdings Limited.

Notes to the Consolidated and Separate Financial Statements (continued)

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34. Share-based payments *(continued)*

Calgro M3 Executive Share Scheme *(continued)*

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

During the prior year, the following amendments were approved with respect to the Category 1 shares:
(1) Trading restriction 1 – 20 February 2018 (previously 1 March 2018);
(2) Trading restriction 2 – 20 February 2018 (previously 1 March 2019);
(3) Service period – two years (previously – three years).

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

In the current financial year the participants of the scheme and the Board of Directors took the decision to cancel the scheme effective 31 August 2018.

All related financing of the scheme was cancelled with all participants who contributed towards the scheme being refunded.

This also lead to the reversal of the share-based payment liability recognised for a cash-settled scheme as per IFRS 2.

	Group and Company	
	2020	**2019**
Reconciliation of subscription price for shares issued:		
Opening balance receivable from participants	–	7 706 659
Interest paid	–	(72 000)
Interest written off	–	(1 463 308)
Cancellation of executive share scheme vendor finance	–	(6 596 320)
Finance income on receivable	–	424 969
Balance receivable/(payable) by Group included under trade and other receivables/(payables)	–	–

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

	Group and Company	
	2020	**2019**
Expense		
Executive share scheme expense (fair value adjustment up to 31 August 2018)	–	1 369 090
Reversal of the remainder of executive share scheme liability after cancellation through profit and loss	–	45 620 217
Reconciliation of executive share scheme liability		
Opening balance	–	(46 989 307)
Share-based payment expense		
Share based payment charge for the year recognised in statement of comprehensive income	–	46 989 307
Closing balance	–	–

The spot price on 31 August 2018 was R9.95 (28 February 2018: R12.42). The strike price or the allocation price is the price at which the SAR scheme is granted to the employee and is used to calculate the benefit payable to the employee. A 30-day average spot price, measured 30-days prior to the vesting date was applied to calculate the strike price.

The volatality used in the valuation was 44.95% (2018: 76.45%). The ZAR zero coupon swap curve as at the valuation date was used as the risk free rate.

34. Share-based payments *(continued)*

Share Appreciation Rights – new scheme

The Group awarded a cash settled scheme to six participants, two of whom are prescribed officers. Vesting of the awards occurs after three, four and five years; with a third of the award vesting at each year. Vesting is subject to employment (and notice of resignation not being given), otherwise the award falls away.

The scheme has two performance conditions for vesting, namely the return to a shareholder (TSR) condition and the profit after tax ("PAT") condition.

The TSR of CGR (GC) is compared to the average of the TSR of the Industrial, Construction and Property Indices (GI), and the compound annual growth in CPI as published by Statistics South Africa. Of the 50% portion allocated for the TSR condition, the percentage that vests is determined as follows:

Percentage	Condition
0%	If GC<GI + CPI + 2%
25%	if GI + CPI + 2%<=GC<=GI + CPI + 12%
50%	If GI + CPI + 12%<=GC<=GI + CPI + 22%
100%	If GC>=GI + CPI + 22%

The TSR condition is measured over the period starting from the award date until vesting.

The compound annual growth in CGR's profit after tax (GP) (for that division/segment) is compared to the compound annual growth in CPI as published by Statistics South Africa. Of the 50% portion allocated to the PAT condition, the percentage that vests is determined as follows:

Percentage	Condition
0%	If GP<CPI + 2%
25%	if CPI + 2%<=GP<=CPI + 12%
50%	If CPI + 12%<=GP<=CPI + 22%
100%	If GP>=CPI + 22%

Vesting dates, percentages and conditions are as in table below based on a grant date of 1 March 2018:

Condition	Vesting date	Percentage
TSR	01 Mar 2021	1/3 x 50%
	01 Mar 2022	1/3 x 50%
	01 Mar 2023	1/3 x 50%
PAT	01 Mar 2021	1/3 x 50%
	01 Mar 2022	1/3 x 50%
	01 Mar 2023	1/3 x 50%

Valuation of this instrument is achieved by performing a Monte Carlo simulation involving the CGR share and the Africa All Share Industrials Index (Bloomberg Code: JASINTR), the SA Listed Property Index (Bloomberg Code: JSAPYTR) and the Africa Construction & Materials Index (Bloomberg Code: JCBDMTR). We use volatilities, a correlation of returns, risk free rates, and dividend assumptions. The process assumed is risk-neutral geometric Brownian motion. The process is a simultaneous evolution of the codes found via the Cholesky decomposition.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

34. Share-Based Payments *(continued)*

Share Appreciation Rights – new scheme *(continued)*

The table below sets out scheme structure:

			Tranche 1		Tranche 2		Tranche 3	
	Grant date	Maximum value of award	%	Vest date	%	Vest date	%	Vest date
Employee								
UK Kissoon Singh	01 Mar 2018	3 200 000	33.33	2021/03/01	33.33	2022/03/01	33.33	2023/03/01
AJ Langson	01 Mar 2018	2 500 000	33.33	2021/03/01	33.33	2022/03/01	33.33	2023/03/01
Participant 3	01 Mar 2018	3 000 000	33.33	2021/03/01	33.33	2022/03/01	33.33	2023/03/01
Participant 4	01 Mar 2018	1 800 000	33.33	2021/03/01	33.33	2022/03/01	33.33	2023/03/01
Participant 5	01 Mar 2018	1 440 000	33.33	2021/03/01	33.33	2022/03/01	33.33	2023/03/01
Participant 6	01 Mar 2018	1 575 000	33.33	2021/03/01	33.33	2022/03/01	33.33	2023/03/01
		13 515 000						

Share appreciation rights ("SAR") exercised reconciliation

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

	Group and Company	
	2020	2019
Share appreciation rights (SAR) reconciliation		
Expense		
Share appreciation rights expense	**76 838**	–
Liability		
Share appreciation rights liabilities	**76 838**	–

35. Employee costs

Accounting policy

(a) *Defined contribution plans*

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

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

(b) *Short-term benefits*

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

35. Employee costs *(continued)*

Accounting policy *(continued)*

(b) Short-term benefits (continued)

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

(c) Bonus plans

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
Salary and wages	**81 919 917**	101 687 963	**81 919 917**	101 687 963
Executive share scheme expense	**1 485 929**	(46 989 307)	**1 485 929**	(46 989 307)
Directors' share-based payment expense/(income)	**1 485 929**	(37 653 666)	**1 485 929**	(37 653 666)
Employees' share-based payment expense/(income)	**–**	(9 335 641)	**–**	(9 335 641)
Share Appreciation Rights expense	**76 838**	(641 658)	**76 838**	(641 658)
Directors' emoluments*	**12 149 986**	37 735 988	**12 149 986**	37 735 988
Salary and wages	**95 632 670**	91 792 986	**95 632 670**	91 792 986
Less: Amounts allocated to qualifying assets (construction contracts)	**(54 346 714)**	(51 705 018)	**(54 346 714)**	(51 705 018)
Total employee costs and share appreciation rights settlement	**41 285 956**	40 087 968	**41 285 956**	40 087 968

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

36. Related parties

All subsidiaries are considered related parties to the Group and Company. Refer to note 9 for a detailed list of all subsidiaries.

All associates are considered related parties to the Group and Company. Refer to note 10 for a detailed list of all associates.

(a) Related party balances

(i) Loans to/(from) Group companies

During the period loans have been issued to/(received from) Group companies, refer to note 12 for details.

(ii) Receivables from Group companies, joint ventures and associates of the holding company

During the period, the Group and Company obtained receivables from Group companies and joint ventures and associates of the holding company, refer to note 16.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

36. Related parties *(continued)*

(a) Related-party balances *(continued)*

(iii) Amounts repaid to Directors who obtained personal funding to fund their portion of the executive scheme including interest on the financed portion:

	Company	
	2020	**2019**
WJ Lategan	**–**	13 561 811
W Williams	**–**	6 412 678
WA Joubert	**–**	5 630 890
MN Nkuhlu	**–**	6 192 344
	–	31 797 723

The above payments were made due to the cancellation of the executive share scheme.

(b) Related-party transactions

(i) Key management personnel compensation

	Group		Company	
	2020	**2019**	**2020**	**2019**
Employee benefits – directors	**14 643 463**	44 350 107	**14 643 463**	44 350 107
	14 643 463	44 350 107	**14 643 463**	44 350 107

(ii) Transactions with Group companies and joint ventures and associates of the holding company

	Group		Company	
	2020	**2019**	**2020**	**2019**
Finance income earned				
Calgro M3 Land (Pty) Ltd	**–**	–	**(11 866 916)**	(57 275 356)
Calgro M3 Holdings Limited	**(2 780 555)**	(3 932 536)	**(2 780 555)**	(3 740 716)
Calgro M3 Memorial Parks Holding (Pty) Ltd	**(5 334 620)**	(3 356 376)	**(5 334 620)**	(2 125 020)
Calgro M3 Memorial Parks Nasrec (Pty) Ltd	**–**	–	**–**	(1 254 218)
Holm Jordaan GWA (Pty) Ltd	**–**	–	**(339 621)**	(73 088)
Calgro M3 Educational Trust	**–**	(70 773)	**–**	(70 772)
Calgro M3 Memorial Parks Bloemfontein (Pty) Ltd	**(61 463)**	(4 118)	**(61 463)**	(4 118)
Belhar Calgro M3 Development Company (Pty) Ltd	**–**	–	**(3 663 338)**	(493 766)
Clidet No 1014 (Pty) Ltd	**–**	–	**(1 918 379)**	(1 882 354)
PZR Pennyville Zamamphilo Relocation (Pty) Ltd	**–**	–	**(98 657)**	(196 033)
CTE Consulting (Pty) Ltd	**–**	–	**(47 285)**	–
Calgro M3 Procurement Services (Pty) Ltd	**–**	–	**(112 272)**	–
Calgro M3 Contractors (Pty) Ltd	**–**	–	**(19 631)**	(25 303)
Calgro M3 Rectification (Pty) Ltd	**–**	–	**(115 885)**	(56 181)
Table View Properties (Pty) Ltd	**(7 760)**	(4 105)	**–**	–
Fleurhof Ext 2 (Pty) Ltd	**–**	–	**(14 160 509)**	(2 700 251)
Witpoortjie Calgro M3 Development Company (Pty) Ltd	**(16 925 257)**	(14 011 582)	**(16 925 257)**	(14 011 582)
Calgro M3 Jabulani (Pty) Ltd	**–**	–	**(408 220)**	(1 132 554)
Calgro M3 Real Estate (Pty) Ltd	**(9 508 393)**	(23 545 926)	**(9 508 393)**	(23 545 925)
Sabre Homes Projects (Pty) Ltd	**–**	–	**(110 482)**	(314 586)
CM3 Witkoppen Ext 131 (Pty) Ltd	**–**	–	**(3 608 441)**	(594 901)
Safdev Tanganani (Pty) Ltd	**(4 431 878)**	(4 004 370)	**–**	–
South Hills Development Company (Pty) Ltd	**(728 158)**	(2 908 244)	**(353 874)**	(2 569 977)
	(39 778 084)	(51 838 030)	**(71 433 798)**	(112 066 701)

36. Related-parties *(continued)*

(b) Related-party transactions *(continued)*

(ii) Transactions with Group companies and joint ventures and associates of the holding company (continued)

	Group		Company	
	2020	**2019**	**2020**	**2019**
Finance costs incurred				
Calgro M3 Holdings Limited	**–**	1 040 674	**–**	–
Calgro M3 Memorial Parks Holding (Pty) Ltd	**1 968**	–	**–**	–
Fleurhof Ext 2 (Pty) Ltd	**–**	–	**–**	1 663 074
CTE Consulting (Pty) Ltd	**–**	–	**6 357**	1 861 980
Calgro M3 Procurement Services (Pty) Ltd	**–**	–	**26 020**	197 167
Calgro M3 Contractors (Pty) Ltd	**–**	–	**13 508**	4 503
PZR Pennyville Zamamphilo Relocation (Pty) Ltd	**–**	–	**170 950**	342 720
Calgro M3 Jabulani (Pty) Ltd	**–**	–	**375 071**	–
Belhar Calgro M3 Development Company (Pty) Ltd	**–**	–	**–**	2 397 274
Sabre Homes Projects (Pty) Ltd	**–**	–	**–**	272
Holm Jordaan GWA (Pty) Ltd	**–**	–	**–**	2 672
	1 968	1 040 674	**591 906**	6 469 662
Construction fees earned				
Calgro M3 Land (Pty) Ltd	**–**	–	**(17 155 639)**	(21 950 519)
Fleurhof Ext 2 (Pty) Ltd	**–**	–	**(141 216 907)**	(240 868 134)
PZR Pennyville Zamamphilo Relocation (Pty) Ltd	**–**	–	**(17 263 311)**	(8 633 679)
Clidet No 1014 (Pty) Ltd	**–**	(752 870)	**–**	(752 870)
Witpoortjie Calgro M3 Development Company (Pty) Ltd	**(30 828 560)**	(27 585 799)	**(30 828 560)**	(27 585 799)
Belhar Calgro M3 Development Company (Pty) Ltd	**–**	–	**(161 574 891)**	(44 996 052)
Calgro M3 Jabulani (Pty) Ltd	**–**	–	**(352 626)**	(83 024 759)
South Hills Development Company (Pty) Ltd	**(93 424 812)**	(394 484 331)	**(93 424 812)**	(394 484 331)
	(124 253 372)	(422 823 000)	**(461 816 746)**	(822 296 143)
Management/cost recovered from fellow subsidiaries				
CTE Consulting (Pty) Ltd	**–**	–	**(3 233 705)**	(4 052 301)
Holm Jordaan GWA (Pty) Ltd	**–**	–	**(691 857)**	(3 129 073)
Calgro M3 Memorial Parks Holding (Pty) Ltd	**(4 947 166)**	(5 624 938)	**(4 947 166)**	(5 624 938)
Calgro M3 Memorial Parks Nasrec (Pty) Ltd	**–**	–	**(1 880 741)**	(1 755 448)
Calgro M3 Memorial Parks Bloemfontein (Pty) Ltd	**(242 106)**	(143 910)	**(242 106)**	(143 910)
Calgro M3 Procurement Services (Pty) Ltd	**–**	–	**(3 934 335)**	(6 585 396)
Calgro M3 Contractors (Pty) Ltd	**–**	–	**(348 537)**	(360 073)
	(5 189 272)	(5 768 848)	**(15 278 447)**	(21 651 139)
Goods, services and professional fees procured by				
Calgro M3 Procurement Services (Pty) Ltd	**–**	–	**194 998 694**	323 653 002
Calgro M3 Contractors (Pty) Ltd	**–**	–	**1 643 390**	574 895
Holm Jordaan GWA (Pty) Ltd	**–**	–	**3 752 912**	1 745 221
	–	–	**200 394 996**	433 242 265
Management fees incurred				
Calgro M3 Holdings Limited	**5 040 000**	3 175 000	**5 040 000**	3 175 000
	5 040 000	3 175 000	**5 040 000**	3 175 000

* *This amount relates to the share-based payment expense recognised in the statement of comprehensive income and is not a cash consideration paid to Directors.*

Refer to note 34 for further details of share-based compensation benefits.

Refer to note 34 for further details on the Calgro M3 Executive Share Scheme.

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

36. Related-parties *(continued)*

(b) Related-party transactions *(continued)*

(iii) Shares issued to directors and prescribed officers with respect to the old Calgro M3 Executive Share scheme - Group and Company

Directors and prescribed officers	**Share based payment expense for 2020 FY***	Share based payment expense for 2019 FY*	Number of shares granted	Grant date	50% trading restriction – release date 1	50% trading restriction – release date 2
BP Malherbe	–	–	1 050 069	1 March 2015	20 February 2017	20 February 2017
WJ Lategan	–	(13 544 277)	2 294 214	1 March 2015	1 March 2020	1 March 2021
W Williams	–	(6 404 390)	1 084 815	1 March 2015	1 March 2020	1 March 2021
WA Joubert	–	(5 623 611)	952 562	1 March 2015	1 March 2020	1 March 2021
MN Nkuhlu	–	(12 081 388)	2 046 421	1 March 2015	1 March 2020	1 March 2021
	–	(37 653 666)	7 428 081			

* *This amount relates to the share based payment expense recognised in the statement of comprehensive income and is not a cash consideration paid to directors.*

Refer to note 34 for further details of share based compensation benefits.

Refer to note 34 for further details on the Calgro M3 Executive Share Scheme.

(b) Related-party transactions *(continued)*

(iv) Shares issued to Directors and prescribed officers with respect to the new Calgro M3 Executive Share Scheme – Group and Company

	Share-based payment expense for 2020*	**Share-based payment expense for 2019 FY***	**Maximum value of award**
Directors and prescribed officers			
WJ Lategan	**467 546**	–	2 423 599
W Williams	**339 479**	–	1 759 745
WA Joubert	**325 327**	–	1 686 383
MN Nkuhlu	**353 577**	–	1 832 826
	1 485 929	–	7 702 553

(v) Share appreciation right expense recognised for prescribed officers

	Share-based payment expense for 2020*	**Share-based payment expense for 2019 FY***	**Maximum value of award**
Directors			
UK Kissoon Singh	**23 417**	–	3 200 000
AJ Langson	**18 295**	–	2 500 000
	41 712	–	5 700 000

Refer to note 34 for further details of share-based compensation benefits.

Refer to note 34 for further details on the Calgro M3 Executive Share Scheme.

37. Contingent assets and liabilities

There are no contingent assets or liabilities in the current year.

38. Directors' emoluments

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

	Remuneration and other benefits			
	Guaranteed remuneration 2020	Once-off payment 2020	Short-term incentive 2020	Total 2020
Group and Company				
WJ Lategan	**3 376 365**	**–**	**–**	**3 376 365**
FJ Steyn (resigned 30 June 2019)	**293 951**	**–**	**–**	**293 951**
DN Steyn (resigned 30 June 2019)	**294 263**	**–**	**–**	**294 263**
WA Joubert	**2 388 318**	**–**	**–**	**2 388 318**
MN Nkuhlu	**2 563 107**	**–**	**–**	**2 563 107**
UV Kissoon Singh	**1 630 901**	**–**	**145 455**	**1 776 356**
AJ Langson	**1 322 033**	**–**	**135 593**	**1 457 626**
	11 868 938	**–**	**281 048**	**12 149 986**

	Remuneration and other benefits			
	Guaranteed remuneration 2019	Once-off payment 2019	Short-term incentive 2019	Total 2019
Group and Company				
WJ Lategan	3 294 504	9 064 000	–	12 358 504
FJ Steyn	2 805 533	–	–	2 805 533
DN Steyn	2 637 081	–	–	2 637 081
WA Joubert	2 331 460	4 180 000	–	6 511 460
MN Nkuhlu	2 505 155	7 920 000	–	10 425 155
UV Kissoon Singh	1 562 653	–	277 500	1 840 153
AJ Langson	1 158 102	–	–	1 158 102
	16 294 488	21 164 000	277 500	37 735 988

The prescribed officers' appointment, terms of contract and remuneration for the year under review is as follows:

	Date appointed as prescribed officer	Contract expiry
W Williams	2017/03/01	3 month notice

The remuneration noted below is for services rendered in connection with the carrying on of affairs of other companies in the same group.

	Remuneration and other benefits			
	Guaranteed remuneration	Once-off payment	Short-term incentive	Total
Group and Company – 2020				
W Williams	**2 493 477**	**–**	**–**	**2 493 477**
Group and Company – 2019				
W Williams	2 434 119	4 180 000	–	6 614 119

Notes to the Consolidated and Separate Financial Statements (continued)

for the year ended 29 February 2020

38. Directors' emoluments *(continued)*

	Group and Company	
	2020	**2019**
Summary		
Executive Directors	**12 149 986**	37 735 988
Prescribed officers	**2 493 477**	6 614 119
	14 643 463	44 350 107

39. Going concern

The Group financial statements have been prepared on the going concern basis. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Please refer to note 40 in the consolidated financial statements, for the assessment of the impact of Covid-19 after the reporting period. Based on management's assessment, even taking the expected impact that Covid-19 will have on Calgro's operations and cash flows into account, the Group is still expected to continue as a going concern for the foreseeable future.

40. Events after the reporting period

Covid-19

In terms of IAS 10: *Events after the reporting period*, non-adjusting post-balance sheet events are events after the reporting period that are indicative of a condition that arose after the reporting period ended 29 February 2020. It was concluded that the declaration of Covid-19 as a pandemic is such an event. Refer below for management's judgements in arriving at this conclusion. The impact of Covid-19 on accounting standards that require the use of forward-looking information (expected credit losses and goodwill impairment) was assessed based on information available as at 29 February 2020.

It is anticipated that the Covid-19 pandemic may impact Calgro's profitability for the year ending 28 February 2021 in respect of below. It is, however, not possible to make an accurate estimate of its full financial effect for the year ahead as the virus's infection rate and impact on macro-economic conditions is fluid.

At the time of compiling these financial statements, the coronavirus disease 2019 ("Covid-19") has affected the majority of the countries in the world. The national lockdowns implemented by most governments around the world is having a profound impact on businesses, both large and small, the economies of these countries and ultimately the global economy. It is common cause that the effect that Covid-19 has had on the global economy was last seen during World War II with unprecedented job losses and business closures. Calgro M3 is no different to other businesses in that it has been severely impacted by Covid-19. However, as with any crisis, the threat of the disease will come to an end, and only when this happens, we will be in a position to fully evaluate the effect that Covid-19 has had on the Group.

We have, however, taken all available information into account, evaluated the Covid-19 impact on the estimation processes inherent to financial reporting and required finance functions. We also took a closer look at impairment, valuation, net realisable value, loss contingency and exposure considerations. It is our view that as we have always accounted for these values based on cost. We expense the cost of obtaining property development rights as well as a material part of holding cost in the financial years that is incurred.

The Group believes that the impact of Covid-19 on its financial position and performance will be a timing related insofar as the construction, completion and handover of units is concerned.

The cost associated with the potential delay timing is primarily overhead and finance cost related. With interest rates reduced by 2% since 29 February 2020, it has reduced the Group's annual interest payment requirement by circa R21.4 million (R1.07 billion x 2%). The Group has also in the past 12 months reduced fixed overheads with the change in business model. This reduction has resulted in administrative expenses reducing by 53.1% in the current financial year. The Group currently outsources the majority of its construction to third-party contractors. Any potential claim from contractors as a result of force majeure, will be offset by penalties contained in the contacts for late handover, resulting in a negligible cost to the Group.

40. Events after the reporting period *(continued)*

(1) We have assessed the impact on the ability of our clients to continue paying for our residential property development units as well as our burial plots within the Memorial Parks business:

Residential Property Development clients

(i) Government – Risk of default is considered to be negligible. With the enhanced efforts, focus and pressure on housing delivery, we believe that there is a potential enhanced business opportunity as opposed to an additional risk.

(ii) Individual clients – Are dependent on funding obtained from local banks. The probability of default of one of the local banks is considered to be immaterial. Possible reassessment by the banks to determine the ability of the clients to service the bonds, might result in some sales transactions being cancelled. These transactions will be resold and the immediate impact is holding cost related (see above).

Memorial Parks clients

Majority of clients purchasing a grave at one of our Memorial Parks, do so with funds received from funeral policies. Those clients' ability to afford the purchase of the graves will be affected minimally.

The Group has limited to no risk of unrecoverable debtors in either the Residential Property Development business or the Memorial Parks business as transfer of the property (residential units or Memorial Park plots) are only provided to the customer upon full receipt of the purchase price.

(2) Debt maturities

Based on the cash flow forecast prepared by management, the Group is comfortable that it will be able to repay all debt and related interest that becomes due in the next 12 months (R269 million capital repayment).

(3) ECL rate adjustments

Due to the trade receivables and contract assets being linked to long-term projects the simplified approach has been applied to determine the lifetime expected credit losses.

A life-time ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset. The Group does not believe that the temporary impact of Covid-19 on the economic and business environment will have a significant impact on the risk of default over the expected life of a project. With an enhanced focus on housing delivery from government, as well as the vast housing shortage in South Africa, we believe any potential risk is mitigated and as such will have a negligible impact on ECL rates.

4) Using our cash flow forecasts prepared for 2021 which takes into account a range of possible outcomes resulting from our best estimate of the anticipated impact of Covid 19, we believe that we will still comply with our financial covenants applicable to our Proparco loan for the next 12 months as set out in note 17 of the consolidated financial statements.

The Company has maintained a strong balance sheet throughout the year ended 29 February 2020 and has a healthy cash position going into this crisis.

Management has assessed the impact of the Moody's downgrade subsequent to year-end and believe that there is no immediate impact on the Group as the effects of the downgrade has been priced into the market for a long period in time.

Due to the current state of uncertainty around the pandemic, management has taken all necessary steps to preserve the Company's cash going forward.

The challenges that the Company faces from the Covid-19 pandemic are complex and unpredictable and as such, it is not possible to quantify the financial impact with reasonable accuracy at this time, other than the guidance given above and the assurance that the Calgro M3 management team is fully committed to steering the Group through this uncertain time that lies ahead.

General information

Calgro M3 Developments Limited
Incorporated in the Republic of South Africa
Registration number 1996/017246/06

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18 May 2020

Bankers
First National Bank
Standard Bank
Nedbank

Auditors
PricewaterhouseCoopers Inc.

Company Secretary
I April

Directors

AJ Langson	Executive
MN Nkuhlu	Executive
UK Kissoon Singh	Executive
WA Joubert	Executive

Preparer
The financial statements were internally compiled by TW Graaff and P Perumalswami CA(SA) under the supervision of WA Joubert CA(SA).

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

Regulatory requirements relating to public companies
Calgro M3 Developments Limited and its subsidiaries are wholly owned subsidiaries of Calgro M3 Holdings Limited. These financial statements should be read in conjunction with the 2019 Integrated Annual Report for Calgro M3 Holdings Ltd as published on 17 May 2020. Also refer to the Calgro M3 website (http://www.calgrom3.com) for a detailed analysis of the King IV™ requirements.

The Company's ultimate holding company has appointed an Audit and Risk Committee which performs the functions required under section 94(7) of the Companies Act 71 of 2008 on behalf of Calgro M3 Developments Limited and its subsidiaries.

CALGRO M3

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