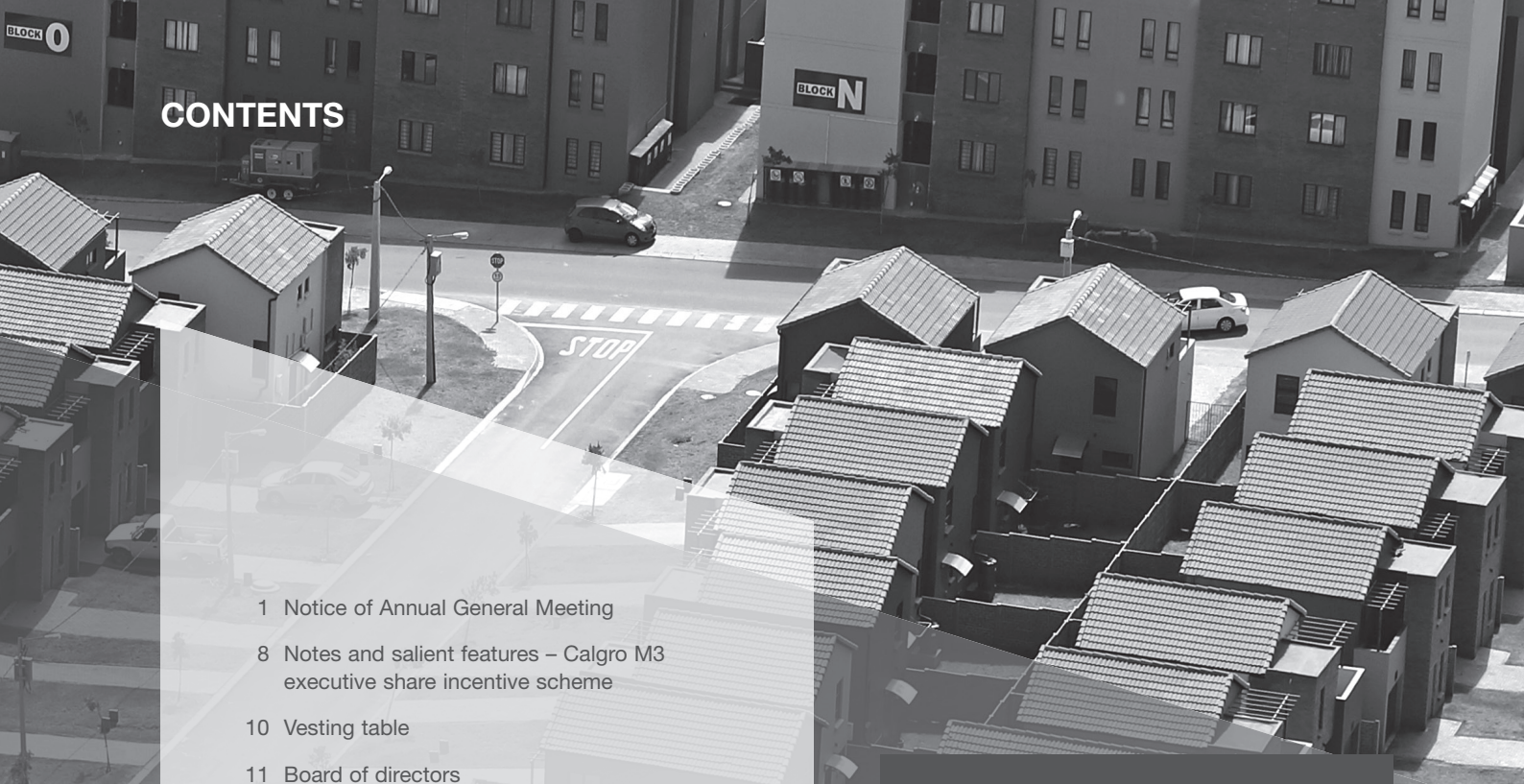
CALGRO M3
Group

Notice of AGM

2019

Building legacies. Changing lives



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IBC General information

To request a printed copy of the Integrated Report, please contact:
Tumi April
Company Secretary
Tel: +27 11 300 7500
Email: April@calgrom3.com

Notes and background to shareholders

This document contains the detailed Notice of Calgro M3 Holdings Limited's Annual General Meeting, which will be held on Friday, 28 June 2019.

Calgro M3's Integrated Report and Annual Financial Statements are available for viewing and download on the company's website www.calgrom3.com. These reports will not be posted to shareholders.

Navigation toolkit

Website reference **Notes reference** **Page reference**

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

Integrated Annual Report 2019	Annual Financial Statements 2019	Sustainability Report
Corporate Governance Report	Notice of AGM	King IV application register
GRI Index		

NOTICE OF ANNUAL GENERAL MEETING

Calgro M3 Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/027663/06)
Share code: CGR ISIN: ZAE000109203
("Calgro M3" or "the Group" or "the Company")

Notice is hereby given to all members of the Company as at 24 May 2019, being the record date to receive notice of the Annual General Meeting in terms of section 59(1) of the Companies Act, 71 of 2008, as amended ("Companies Act"), that the Annual General Meeting ("AGM") of members or any postponement or adjournment thereof will be held at 10:00 on Friday, 28 June 2019 at the Calgro M3 Boardroom, Calgro M3 Building, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, Sandton to (i) deal with such other business as may lawfully be dealt with at the meeting and (ii) consider and, if deemed fit to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements"), which meeting is to be participated in and voted at by shareholders as at 21 June 2019, being the record date to attend, participate, speak and vote at the AGM in terms of section 62(3)(a), read with section 59(1)(b), of the Companies Act ("Voting Record Date").

Important dates to note	2019
Last day to trade in order to be eligible to vote at the AGM	**Tuesday, 18 June**
Voting record date to be able to vote at the AGM	**Friday, 21 June**
Forms of proxy to be received by no later than 10:00 on	**Wednesday, 26 June**
AGM to be held at 10:00 on	**Friday, 28 June**

NB: Section 63(1) of the Companies Act – Identification of meeting participants.

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

Presentation of Annual Financial Statements

The Annual Financial Statements of the Company for the year ended 28 February 2019 (as approved by the Board of Directors of the Company), including the Directors' Report and the Report of the Auditors thereon, have been distributed as required and will be presented to the shareholders.

The complete Annual Financial Statements can be found on the Company's website.

1. Ordinary Resolution Number One: Re-election of Non-Executive Director

"Resolved that the reappointment of ME Gama as a Non-Executive Director of the Company, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 24.9, read with Article 24.3 of the Company's Memorandum of Incorporation, for a further term of office be authorised and confirmed." (A brief CV of ME Gama appears on page 12 of the Notice of AGM 2019 booklet.)

The percentage of voting rights that will be required for this ordinary resolution number one to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

2. Ordinary Resolution Number Two: Re-election of Non-Executive Director

"Resolved that the reappointment of BP Malherbe as a Non-Executive Director of the Company, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 24.9, read with Article 24.3 of the Company's Memorandum of Incorporation, for a further term of office be authorised and confirmed." (A brief CV of BP Malherbe appears on page 13 of the Notice of AGM 2019 booklet.)

The percentage of voting rights that will be required for this ordinary resolution number two to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

3. Ordinary Resolution Number Three: Appointment of Non-Executive Director

"Resolved that the appointment of GS Hauptfleisch as a Non-Executive Director of the Company in accordance with Article 24.3 of the Company's Memorandum of Incorporation for a first term in office, be authorised and confirmed."

(A brief CV of GS Hauptfleisch appears on page 12 of the Notice of AGM 2019 booklet.)

The percentage of voting rights that will be required for this ordinary resolution number three to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

4. Ordinary Resolution Number Four: Reappointment of auditors

"Resolved that the reappointment of PricewaterhouseCoopers as auditors, and Chantal Marais Roux being a member of PricewaterhouseCoopers Inc., as the individual designated auditor who will undertake the audit of the Company for the ensuing year, until the conclusion of the next Annual General Meeting in accordance with the Companies Act, be authorised and confirmed."

The percentage of voting rights that will be required for this ordinary resolution number four to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

5. Ordinary Resolution Number Five: Appointment of Audit Committee member

"Resolved that the appointment of GS Hauptfleisch as a member of the Audit Committee in terms of section 94(2) of the Companies Act, is approved with effect from the end of this meeting."

The percentage of voting rights that will be required for this ordinary resolution number five to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

6. Ordinary Resolution Number Six: Appointment of Audit Committee member

"Resolved that the appointment of RB Patmore as a member of the Audit Committee in terms of section 94(2) of the Companies Act, is approved with effect from the end of this meeting."

The percentage of voting rights that will be required for this ordinary resolution number six to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

7. Ordinary Resolution Number Seven: Appointment of Audit Committee member

"Resolved that the appointment of ME Gama as a member of the Audit Committee in terms of section 94(2) of the Companies Act, is approved with effect from the end of this meeting."

The percentage of voting rights that will be required for this ordinary resolution number seven to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

8. Ordinary Resolution Number Eight: General payments to shareholders

"Resolved that, in terms of Articles 5.1.1.3 and 21 of the Company's Memorandum of Incorporation and subject to the Companies Act and to the Directors being satisfied that after considering the effect of such maximum payment, the:

(a) Company will in the ordinary course of business be able to pay its debts for a period of 12 months after the date of the notice of the AGM;

(b) assets of the Company will be in excess of the liabilities of the Company for a period of 12 months after the date of the notice of the AGM. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited Annual Group Financial Statements;

(c) share capital and reserves to the Company will be adequate for ordinary business purposes for a period of 12 months after the date of notice of the AGM; and

(d) working capital of the Company will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the AGM.

The Directors of the Company shall be entitled, from time to time, to pay by way of reduction of share premium, capital distributions to shareholders of the Company in lieu of a dividend. Such distributions shall be made pro rata to all shareholders and be amounts equal to the amounts which the Directors would have declared and paid out of profits of the Company as interim and final dividends in respect of the financial year ended 28 February 2019. This authority shall not extend beyond the date of the AGM following the date of the AGM at which this resolution is being proposed, or 15 months from date of the resolution, whichever is shorter."

Shareholders are referred to the explanatory notes set out under special resolution number one (termed "Reason and effect of special resolution number one") which apply *mutatis mutandis* to this resolution.

The percentage of voting rights that will be required for this ordinary resolution number eight to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

9. Ordinary Resolution Number Nine: Control of authorised but unissued shares

"Resolved that all the unissued shares in the authorised share capital of the Company be and are hereby placed under the control of the Directors of the Company, who are authorised to allot and issue the same to such persons and on such terms and conditions as they may determine in their sole and absolute discretion, until the next Annual General Meeting of the Company, subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and the JSE Listings Requirements."

The percentage of voting rights that will be required for this ordinary resolution number nine to be adopted is at least 50%+1 of the voting rights exercised on the resolution.

10. Ordinary Resolution Number Ten: General authority to issue shares for cash

"Resolved that the Directors be given the general authority to issue unissued shares of a class already in issue held under their control, for cash, when the Directors consider it appropriate in the circumstances, subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation, the JSE Listings Requirements and subject to the following limitations, that:

- the authority shall be valid until the next Annual General Meeting of the Company (provided it shall not extend beyond 15 months from the date of this resolution);
- an announcement giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date the Company agrees to issue the shares, and an explanation, including supporting information, of the intended use of the funds, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to such issue;
- issues for cash in any one financial year may not exceed 15% of the issued shares in the share capital of the Company, as at the date of the notice of Annual General Meeting, being 22 056 678 ordinary shares;
- any shares issued for cash under the authority must be deducted from the number above;
- in the event of a subdivision or consolidation of issued shares during the period when this authority is valid, the existing authority must be adjusted accordingly to represent the same allocation ratio;
- the issues for cash must be made to public shareholders and not to related parties as defined by the JSE Listings Requirements; and
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the volume weighted average traded price of those shares as determined over the 30 business days prior to the date that the price of the issue is determined or agreed by the Directors of the Company."

The percentage of voting rights that will be required for this ordinary resolution number ten to be adopted is at least 75%+1 of the voting rights exercised on the resolution.

Shareholders are referred to the explanatory notes set out under special resolution number one (termed "Reason and effect of special resolution number one") which apply *mutatis mutandis* to this resolution.

11. Ordinary Resolution Number Eleven: Approval of the Calgro M3 Executive Share Incentive Scheme 2019 ("Calgro M3 Executive Scheme")

"Resolved that, subject to compliance with Schedule 14 of the Listings Requirements, the Companies Act and the Company's Memorandum of Incorporation, the Calgro M3 Executive Scheme constituted in terms of the scheme rules ("Calgro M3 Executive Scheme Rules"), a copy of which has been initialled by the chairperson of the Annual General Meeting for purposes of identification and tabled at this meeting, and the salient features of which are set out in the explanatory notes accompanying this notice, be and is hereby approved, and the directors of the Company be and are hereby authorised to do all such things and sign all documents and take all such actions as may be necessary for the establishment and bringing into effect of the Calgro M3 Executive Scheme."

The percentage of voting rights that will be required for this ordinary resolution number eleven to be adopted is at least 75% of the voting rights exercised on the resolution. Participants of the Calgro M3 Executive Scheme will be precluded from voting on Ordinary Resolution Number Eleven.

Note: Shareholders are referred to the salient features in the explanatory notes accompanying this notice for more information on the proposed scheme.

The Calgro M3 Executive Scheme documents will be available for inspection by equity security holders during normal business hours at the registered office of the Company, from the date of this notice of Annual General Meeting until the date of the annual general meeting.

12. Special Resolution Number One: General authority to repurchase shares

"Resolved that the Board of Directors of the Company be hereby authorised, by way of a general authority, to approve the purchase of the Company's own ordinary shares or to approve the purchase of ordinary shares in the Company by any subsidiary of the Company, from time to time, provided that:

(a) any acquisition of shares shall be implemented through the order book operated by the JSE Limited's trading system and done without any prior understanding or arrangement between the Company and/or its relevant subsidiaries and the counterparty;
(b) this authority shall be valid only until the next Annual General Meeting provided that it shall not extend beyond 15 months from the date of this resolution;
(c) the general repurchase(s) shall in any one financial year be limited to a maximum of 20% of the Company's issued share capital of that class at the time the authority is granted;
(d) a resolution by the Board of Directors is passed which authorises the repurchase, confirms that the Company passes the solvency and liquidity test in terms of section 4 of the Companies Act;
(e) a subsidiary of the Company may not hold in excess of 10% in aggregate of the number of issued shares of the Company;
(f) repurchase(s) must not be made at a price more than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date of repurchase(s);
(g) a paid press announcement (complying with paragraph 11.27 of the JSE Listings Requirements) will be published as soon as the Company and/or its subsidiaries have acquired shares constituting, on a cumulative basis, 3% or more of the initial number of ordinary shares in issue at the time of the granting of this authority, giving full details of such acquisitions and for each 3% in aggregate of the initial number of ordinary shares acquired thereafter by the Company and/or its subsidiaries;
(h) the Company will, at any point in time, appoint only one agent to effect any repurchase(s) on the Company's behalf;
(i) the Company will not repurchase its shares during any prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
(j) such repurchase(s) shall be subject to the Companies Act, the Company's Memorandum of Incorporation and the JSE Listings Requirements."

Reason and effect of Special Resolution Number One

The reason for special resolution number one is to grant the Company a general authority in terms of the Companies Act for the acquisition by the Company or any of its subsidiaries of shares issued by the Company or its holding company, which authority shall be valid until the earlier of the next Annual General Meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond 15 months from the date of this AGM. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company or its holding company.

Shareholders are notified that, although no arrangements have been put in place, a general repurchase of shares is being contemplated. The Company's share price is currently not in line with executive management's valuation of the Company. The Board believes it to be in the interest of the Company and shareholders that shareholders grant a general authority to provide the Board with optimum flexibility to repurchase shares as and when an opportunity that is in the best interest of the Company arises.

Shareholders are referred to the explanatory notes attached to this notice for further disclosures in respect of this general authority to repurchase shares in terms of paragraph 11.26 of the JSE Listings Requirements.

The percentage of voting rights that will be required for this special resolution number one to be adopted is at least 75% of the voting rights exercised on the resolution.

13. Special Resolution Number Two: Remuneration of Non-Executive Directors

"Resolved that the fees paid to the Non-Executive Directors of the Company set out below, be approved up and to the date of the next Annual General Meeting."

Director	Annual retainer fee 2019/2020	Board Chair	Audit Committee Chair	Any other Committee Chair	Audit Committee meeting attendance	Remuneration Committee, Investment Committee, and Social and Ethics Committee meeting attendance	Board meeting attendance
PF Radebe	R261 450	R42 000	–	R31 500	–	R21 000	R25 200
H Ntene	R175 350	–	–	R31 500	–	R21 000	R25 200
RB Patmore	R210 000	–	–	R31 500	R23 100	R21 000	R25 200
BP Malherbe	R175 350	–	–	R31 500	–	R21 000	R25 200
ME Gama	R175 350	–	–	R31 500	R23 100	R21 000	R25 200
GS Hauptfleisch	R175 350	–	R36 750	R31 500	–	R21 000	R25 200

Reason for and effect of Special Resolution Number Two

Special resolution number two is proposed in order to comply with the requirements of the Companies Act and the Company's Memorandum of Incorporation. The above rates have been selected to ensure that the remuneration of Non-Executive Directors remains competitive in order to enable the Company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required in order to make meaningful contributions to the Company.

The effect of special resolution number two is that, if approved by the shareholders at the Annual General Meeting, the fees payable to Non-Executive Directors until the next Annual General Meeting will be as set out above.

The percentage of voting rights that will be required for this special resolution number two to be adopted is at least 75% of the voting rights exercised on the resolution.

14. Special Resolution Number Three: Authorising general financial assistance

"Resolved that, to the extent required by the Companies Act, the Board of Directors of the Company may, subject to compliance with the requirements of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

- any of its present or future subsidiaries and/or any other company or entity that is/or becomes related or inter-related to the Company or any of its subsidiaries, and/or to a member of such subsidiary or related or inter-related company or entity, all as contemplated in sections 44 and/or 45 of the Companies Act, for such amounts and on such terms and conditions as the Directors of the Company may determine. Such authority to endure until the Annual General Meeting of the Company for the year ended February 2019."

Reasons for and effect of Special Resolution Number Three

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and other entities, including, inter alia, its subsidiaries, associates, joint ventures, partnerships, collaboration arrangements, etc for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies or other entities, in the event that the financial assistance is provided for the purpose of, or in connection with, the acquisition or subscription for any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company.

Both sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the Board of Directors must be satisfied that:

- considering all reasonably foreseeable financial circumstances of the Company at the time, immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test;
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and
- any conditions or restrictions in respect of the granting of financial assistance set out in the Company's Memorandum of Incorporation have been satisfied.

The Company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for the Company to provide financial assistance to related or inter-related companies and entities to acquire or subscribe for options or securities or purchase securities of the Company or another company related or inter-related to it. Under the Companies Act, the Company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that the Company's subsidiaries and other related and inter-related companies and entities have access to financing and/or financial backing from the Company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number three.

Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the Company's shares or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in sections 44 and 45) to be provided under such schemes will, inter alia, also require approval by special resolution.

Accordingly, special resolution number three will have the effect of authorising financial assistance to any of the Company's Directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is a participant in any of the Company's share or other employee incentive schemes, in order to facilitate their participation in any such schemes that do not satisfy the requirements of section 97 of the Companies Act. This resolution will enable the Company to provide financial assistance within the Company's group which may be required from time to time in the normal course of business.

The percentage of voting rights that will be required for this special resolution number three to be adopted is at least 75% of the voting rights exercised on the resolution.

15. Non-Binding Advisory Endorsement of the Remuneration Philosophy (Policy)

To endorse, through a non-binding advisory vote, the Company's remuneration policy, as set out on pages 56 to 65 of the Integrated Annual Report. In terms of the King Report on Governance for South Africa, 2016 ("King IV"), an advisory vote should be put to the shareholders relating to the Company's remuneration policy. The vote allows the shareholders to express their views on the remuneration policy adopted and implemented, but it is not binding on the Company.

16. Non-Binding Advisory Endorsement of the Remuneration Implementation Report

To endorse, through non-binding advisory vote, the Company's Remuneration Implementation Report, as set out on pages 56 to 65 of the Integrated Annual Report. In terms of the King Report on Governance for South Africa, 2016 ("King IV"), an advisory vote should be put to the shareholders relating to the Company's Remuneration Implementation Report. The vote allows the shareholders to express their views on the Remuneration Implementation Report adopted and implemented, but it is not binding on the Company.

17. To transact such other business as may be transacted at an Annual General Meeting

Explanatory notes

Disclosures in terms of paragraph 11.26 of the JSE Listings Requirements:

- Major shareholders: pages 10 and 11 of the Annual Financial Statements
- Share capital of the Company: page 9, note 16 of the notes to the Annual Financial Statements

Directors' responsibility statement

The Directors, whose names are given on page 3 of the Corporate Governance report on the Company's website and pages 11 to 13 of this notice, collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Integrated Annual Report and notice contain all information required by law and the JSE Listings Requirements.

Material changes

There has been no material change in the financial or trading position of the Company and its subsidiaries that has occurred since 28 February 2019.

Quorum

The shareholders' meeting may not begin until sufficient persons are present (in person or represented by proxy) at the shareholders' meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the shareholders' meeting. A matter to be decided at the shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting (in person or represented by proxy) to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda.

For the purpose of counting a quorum at any time, a shareholder who is personally present or represented at the meeting at that time, or who participates in person or through a representative electronically, shall be counted towards the quorum at that time.

Form of proxy

Any shareholders wishing to attend the AGM who have already dematerialised their shares in Calgro M3, and such dematerialised shares are not recorded in the electronic sub-register of Calgro M3 in their own names, should request letters of representation from their duly appointed CSDP or stockbroker, as the case may be, to authorise them to attend and vote at the AGM in person.

In terms of section 62(3)(e) of the Companies Act, any shareholders who are entitled to attend and vote at the AGM are entitled to appoint proxies to attend, speak and vote at the AGM in the name and stead of the shareholder. The proxies so appointed need not be shareholders of the Company but must be individuals.

If you have not yet dematerialised your shares in Calgro M3 and are unable to attend the AGM, but wish to be represented thereat, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries of Calgro M3, namely Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received by no later than 10:00 on 26 June 2019. Attached to the form of proxy is an extract of section 58 of the Companies Act, to which shareholders are referred.

If you have already dematerialised your shares in Calgro M3:

- and such dematerialised shares are recorded in the electronic sub-register of Calgro M3 in your own name and you are unable to attend the AGM, but wish to be represented thereat, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries of Calgro M3, namely Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received by no later than 10:00 on 28 June 2019; or
- and such dematerialised shares are not recorded in the electronic sub-register of Calgro M3 in your own name, you should notify your duly appointed CSDP or stockbroker, as the case may be, in the manner and cut-off time stipulated in the agreement governing your relationship with your CSDP or broker of your instructions as regards voting your shares at the AGM.

If any shareholders of the Company wish to participate (but not vote) in the AGM electronically, they:

- must contact the Company Secretary on 011 300 7500, five business days prior to the Annual General Meeting in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the AGM, provided that shareholders and their proxies will not be able to vote telephonically at the AGM and will still need to appoint a proxy to attend the AGM and to vote on their behalf.

By order of the Board

Itumeleng April
Company Secretary

10 May 2019
Sandton

NOTES AND SALIENT FEATURES – CALGRO M3 EXECUTIVE SHARE INCENTIVE SCHEME

Purpose of the share incentive scheme

The implementation of a share incentive scheme to incentivise and remunerate members of the executive management of Calgro M3 over the long term and to provide such executive management with an opportunity to share in the capital growth of Calgro M3 and thereby align the interests of the executives with those of Calgro M3 shareholders.

Participants

Means an eligible employee (a person who as at the implementation date, is in the permanent employ of Calgro M3 or any associated company, and such other employees of Calgro M3 or any associated company who the Directors, in their sole and absolute discretion, may determine from time to time), who has received an allocation notice and has duly executed a confirmation of acceptance, and who, on any day, remains a participant of the scheme.

Number of securities

- The maximum number of share appreciation rights that may be allocated to each participant under the scheme is 3 500 000;
- The maximum number of Calgro M3 shares that may be issued to participants under the scheme is 11 123 511; and
- the maximum number of Calgro M3 shares that may be issued to a participant shall not exceed the number corresponding to the participant's name in the below allocation table (and therefore 3 500 000).

Awards

- The Directors shall, as soon as reasonably possible after the implementation date, and once all shareholder resolutions have been passed and any other company secretarial matters attended to as may be required to implement the scheme, prepare and deliver an award certificate to each identified eligible employee inviting the eligible employee to participate in the scheme.
- Each award certificate issued to an eligible employee shall specify the number of share appreciation rights available to the eligible employee.
- If an eligible employee wishes to participate in the scheme, he/she shall, within five business days after receipt of the award certificate execute a confirmation of acceptance as instructed and return it to the Directors, failing which such eligible employee shall be deemed to have elected not to participate in the scheme.
- Upon delivering a confirmation of acceptance to the Directors, the eligible employee shall become a participant.

Allocations

- The maximum aggregate number of share appreciation rights which may at any time be allocated and/or issued to each participant in respect of this scheme may not exceed that number of share appreciation rights corresponding to the name of the participant in the allocation table and which may in any event not exceed 3 500 000 (three million five hundred thousand) Share appreciation rights per participant.
- Once the Directors have received an executed confirmation of acceptance from a participant, Calgro M3 shall forthwith provide the participant with a written allocation notice specifying the number of share appreciation rights which may not exceed the number corresponding to the participant's name in the allocation table to be allotted to the participant in terms of these rules.

Vesting of share appreciation rights

- The share appreciation rights will be available for vesting in 4 (four) equal tranches, on each of the vesting dates.
- On a vesting date, the number of share appreciation rights available for vesting under the allocation shall vest in a participant provided that the vesting condition has been met.
- Should the vesting condition not be met, the share appreciation rights available for vesting in the year in question, shall be transferred to the subsequent year. Accordingly, and should the vesting condition be met in the subsequent year, the share appreciation rights payable to the participant in that subsequent year shall be the share appreciation rights allocated for that year plus the share appreciation rights that were carried over from the previous year. Should the vesting condition again not be met in the subsequent year, the share appreciation rights that were carried over will lapse. Such lapsed share appreciation rights will revert back to the scheme.

Consequences of vesting

- Subject to the vesting condition having been met, the net appreciation will be settled through the issuing by Calgro M3 of Calgro M3 shares in favour of the participant on the settlement date.
- A participant shall, in respect of each share appreciation right vested, be entitled to be settled, the value of X where X is calculated in accordance with the following formula:

  $X = (N \times A)$

  Where:

  X = the net appreciation to be settled in Calgro M3 Shares

  N = the number of share appreciation rights which have vested

  A = the appreciation

- Calgro M3 shall issue as many Calgro M3 Shares to the participant, based on the vesting price, as are required to settle X. Settlement shall be calculated in accordance with the following formula:
  Y=X/V

  Where:
  Y = the number of Calgro M3 shares to be issued
  X = the net appreciation to be settled in Calgro M3 shares
  V = the vesting price

Exiting participants

- In order to qualify for the settlement of any vested share appreciation rights, a participant must be in the full-time employ of Calgro M3 or any associated company and not have tendered his/her notice of resignation or been given notice of termination of employment for any reason whatsoever as at the relevant settlement date.
- Other than the exception contained in clause 8.4, if a participant ceases to be employed by Calgro M3 or any associated company for any reason whatsoever, any unvested or vested but un-settled share appreciation rights shall be deemed to have been reacquired by Calgro M3, unless the Directors, in their sole and absolute discretion, determine otherwise, in which case the share appreciation rights available to be settled to the participant, as determined by the Directors, whether vested or not, shall be so settled on the exit date.
- Upon termination of a participant's employment with Calgro M3 or any associated company, the participant shall be deemed to have forfeited any and all rights to participate further under this scheme with effect from the exit date.
- If a participant is a good leaver, which shall be determined by the Directors in their sole and exclusive discretion, but acting reasonably at all times, the termination of the participant's employment with Calgro M3 or any associated company shall constitute a liquidity event and whereupon clause 9.1 will apply.
- Where a participant's employment with Calgro M3 or any associated company (the "former employer company") terminates and such participant immediately (or following an interval of not more than three months) assumes employment with another of Calgro M3 of any associated company (the "new employer company"), from the date of transfer of employment:
  – for purposes of this clause 8.5, the participant will not be treated as ceasing to be an eligible employee;
  – all of that eligible employee's/participant's rights under this scheme shall remain in force on the same terms and conditions as set out in these rules; and
  – for avoidance of doubt, this clause 8.5 shall not apply to a temporary transfer of employment or secondment of an eligible employee/participant from a former employer company to a new employer company. In such circumstances, the eligible employee's/participant's employment with the new employer company shall for all purposes under these rules be regarded as continued employment by the former employer company.
- Any allocated share appreciation rights which are not subsequently issued to the identified participants due to forfeiture as a result of clause 8, will revert back to the scheme.

Issue of Calgro M3 shares

- Calgro M3 shares will only be issued in favour of a participant if the participant is still in the full time employ of Calgro M3 or any associated company on the settlement Date.
- The maximum aggregate number of Calgro M3 shares which may at any time be issued to participants under this scheme shall not exceed 11 123 511 (eleven million one hundred and twenty three thousand five hundred and eleven) Calgro M3 shares.
- The maximum number of Calgro M3 shares which may at any time be issued to a participant under this scheme shall not exceed the number corresponding to the participant's name in the allocation table.
- Subject to applicable law and the provisions of the JSE Listings Requirements Calgro M3 shares may be issued to participants in terms of these rules, taking cognisance of possible restrictions in terms of closed periods or prohibited periods, the provisions of the JSE Listings Requirements and the terms of the relevant code of corporate governance as applied by the Company.
- Upon the issue of Calgro M3 shares in favour of a participant, the participant shall be recorded as a shareholder in the uncertificated share register of Calgro M3 and shall enjoy the same rights as existing shareholders in Calgro M3, including but not limited to full voting rights, the right to distributions and dividends, rights issues and any and all other rights which Calgro M3 Shareholders are entitled to.
- The participants shall not be required to pay any amount to Calgro M3 in respect of the share appreciation rights or Calgro M3 shares that may be issued to the participants in terms of the provisions of this scheme.
- Settlement will be effected by issuing new Calgro M3 shares from authorised but unissued share capital or by utilising any available Calgro M3 shares held in treasury by subsidiaries.

NOTES AND SALIENT FEATURES – CALGRO M3 EXECUTIVE SHARE INCENTIVE SCHEME (continued)

Allocation table

Eligible employee	Allocated unvested share appreciation rights	Maximum number of share appreciation rights to be issued	Maximum number of Calgro M3 shares to be issued
WJ Lategan	**2 423 599**	**3 500 000**	**3 500 000**
W Williams	**1 759 745**	**2 541 306**	**2 541 306**
MN Nkuhlu	**1 832 826**	**2 646 844**	**2 646 844**
WA Joubert	**1 686 383**	**2 435 361**	**2 435 361**
Total	**7 702 553**	**11 123 511**	**11 123 511**

VESTING TABLE

Participant	Vesting date	Number of share appreciation rights available for vesting	Required TSR for vesting to occur measured from 1 March 2019
WJ Lategan	First vesting date: 1 March 2021	605 899.75	A compounded TSR of 15%
	Second vesting date: 1 March 2022	302 949.88	A compounded TSR of 15%
	Third vesting date: 1 March 2023	201 966.58 201 966.58 201 966.58	A compounded TSR of 15% A compounded TSR of 20% A compounded TSR of 25%
	Fourth vesting date: 1 March 2024	201 966.58 201 966.58 201 966.58	A compounded TSR of 15% A compounded TSR of 20% A compounded TSR of 25%
W Williams	First vesting date: 1 March 2021	439 936.32	A compounded TSR of 15%
	Second vesting date: 1 March 2022	219 968.16 219 968.16	A compounded TSR of 15% A compounded TSR of 20%
	Third vesting date: 1 March 2023	146 645.44 146 645.44 146 645.44	A compounded TSR of 15% A compounded TSR of 20% A compounded TSR of 25%
	Fourth vesting date: 1 March 2024	146 645.44 146 645.44 146 645.44	A compounded TSR of 15% A compounded TSR of 20% A compounded TSR of 25%
MN Nkuhlu	First vesting date: 1 March 2021	458 206.42	A compounded TSR of 15%
	Second vesting date: 1 March 2022	229 103.21 229 103.21	A compounded TSR of 15% A compounded TSR of 20%
	Third vesting date: 1 March 2023	152 735.47 152 735.47 152 735.47	A compounded TSR of 15% A compounded TSR of 20% A compounded TSR of 25%
	Fourth vesting date: 1 March 2024	152 735.47 152 735.47 152 735.47	A compounded TSR of 15% A compounded TSR of 20% A compounded TSR of 25%
WA Joubert	First vesting date: 1 March 2021	421 595.80	A compounded TSR of 15%
	Second vesting date: 1 March 2022	210 797.88 210 797.88	A compounded TSR of 15% A compounded TSR of 20%
	Third vesting date: 1 March 2023	140 531.93 140 531.93 140 531.93	A compounded TSR of 15% A compounded TSR of 20% A compounded TSR of 25%
	Fourth vesting date: 1 March 2024	140 531.93 140 531.93 140 531.93	A compounded TSR of 15% A compounded TSR of 20% A compounded TSR of 25%

BOARD OF DIRECTORS

Calgro M3 Board of Directors

Independent Chairperson	Lead Independent Director
Pumla Radebe	Ralph Patmore

Executive Directors	Independent Non-Executive Directors	Non-Executive Director
Wikus Lategan (CEO)	Mdu Gama	Ben Pierre Malherbe
Waldi Joubert (FD)	Hatla Ntene	
Derek Steyn	George Hauptfleisch	
Manda Nkuhlu	Venete Klein*	
Wayne Williams		

Remuneration and Nominations Committee	Audit and Risk Committee	Investment Committee	Social and Ethics Committee	Stakeholder Relations
Pumla Radebe (Chairperson Nomination Committee)	George Hauptfleisch (Chairperson)	Ben Pierre Malherbe (Chairperson)	Mdu Gama (Chairperson)	Wikus Lategan
Ralph Patmore (Chairperson Remuneration Committee)	Ralph Patmore	Hatla Ntene	Hatla Ntene	Waldi Joubert
Venete Klein*	Mdu Gama	George Hauptfleisch	Waldi Joubert	Wayne Williams
Wikus Lategan#	Wikus Lategan#	Wikus Lategan	Manda Nkuhlu#	
	Waldi Joubert#	Waldi Joubert	Wikus Lategan#	
		Derek Steyn#	Wayne Williams#	
		Manda Nkuhlu#		
		Wayne Williams#		

 # Invited to Committee meetings in FY2019.
** Resigned on 14 February 2019.*

BOARD OF DIRECTORS (continued)

Chairperson

Pumla Fundiswa Radebe (63) *CD(SA), BA (Social Sciences)*

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

Skills set

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

Lead Independent Director

Ralph Bruce Patmore (67) *BCom, MBL (SBL)*

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

Skills set

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

Independent Non-Executive Directors

Dr Mduduzi Edward (Mdu) Gama (50) *PhD (Finance)*

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

Skills set

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

Hatla Ntene (64) *BSc (QS), Dip. Con. Econ, Dip. Civ. Eng, PRQS, PMAQS, Pr.CPM*

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

Hatla is currently Executive Chairman of Mvua Property Partners and Pulaprop. He is a Non-Executive Director of a listed retail property fund company. Hatla was previously a partner in Farrow Laing Ntene, one of the largest quantity surveyor firms in South Africa. Hatla was also the Property Executive Manager of Propnet (Property Division of Transnet) for three years.

Skills set

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

George Hauptfleisch (62) *CA(SA)*

George is a Chartered Accountant and was a partner at PwC for 30 years. He brings with him a wealth of experience as a registered auditor of listed companies in sectors such as manufacturing, engineering, construction and chemicals, fast moving consumer goods and agriculture. George is a member of the Institute of Directors of South Africa.

Skills set

George joined the Board in 2018 adequately taking on the Chairmanship of the Audit and Risk Committee and sits as a member of the Investment Committee. His wealth of expertise attained in three decades in the audit profession is extremely valuable to Calgro M3.

Non-Executive Director

Ben Pierre Malherbe (53) *BSc (QS), MBA*

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

Skills set

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

Company Secretary

Tumi April (36) *LLB (UNW)*

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

Executive Directors

Willem Jakobus (Wikus) Lategan (38) *CA(SA)*

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

Willem Adolph (Waldi) Joubert (33) *CA(SA)*

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

Manda Njongonkulu Nkuhlu (39) *BSc (Honours), MBA*

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

Frederik Johannes (Derek) Steyn (56) *BSc (QS)*

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

Wayne Williams (50) *BProc*

Wayne joined Calgro M3 in 2012 and was appointed as Executive Director with effect from 1 June 2015. He is a qualified attorney who was in private practice for 20 years, specialising in commercial and corporate law where he obtained extensive experience in commercial transactions and property-related negotiations and acquisitions. Wayne leads all acquisition negotiations.

REMUNERATION REPORT

Remuneration philosophy

Calgro M3's remuneration philosophy is designed to attract, develop and retain passionate, committed and talented people who are required to effectively implement the overall Calgro M3 strategy to create value for shareholders.

Over many years, the Group has refined its remuneration policy and practices to support our aim of being a thriving, growing Group which is highly dependent on the motivation of its people. During the year, further refinement of the Group structure took place and will continue to take place as strategy dictates.

This saw separate management teams appointed for each of the three distinct businesses in an endeavour to extend capacity. The Group believes that its remuneration practices are in line with the King IV remuneration governance principles, and that these principles underpin the achievement of its business objectives, its ethical culture and an overriding philosophy of "pay for performance". Employee compensation is annually the largest item under the value-added statement distribution of wealth section. During the 2019 financial year, employees received 79.22% of the total wealth created by the Group. (See the value-added statement on page 67 of the Integrated Annual Report.)

Remuneration strategy

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

Remuneration policy

Middle and senior management and employees

The Company's target is to remunerate all performing employees between 50th and 90th percentile when short and long-term incentives are included, thereby ensuring that these employees are properly benchmarked (please refer to guaranteed remuneration) within their respective disciplines. Further to this we also differentiate between bonuses and targets for different businesses and departments in the Group. This is all in an endeavour to ensure that staff are financially motivated in their respective fields.

Components of employee remuneration

The Remuneration Committee ensures that the components of remuneration, being annual guaranteed remuneration, short-term incentives and long-term service rewards are linked in such a way as to achieve the Group's strategy, and drive performance objectives.

In the case of management in each of the underlying businesses, the Group has identified that each entity requires a different combination of the elements of remuneration. Group executives believe that no senior management member should be motivated by money, but each member should be rewarded in a way that makes them feel proud of what they have "earned" for their family.

Employee benefits

Calgro M3 makes provision for employee retirement funding by means of a defined contribution fund, which is compulsory for all salaried employees. The Group also provides employees with death, disability and funeral cover benefits as part of its Group risk policy taken out with Discovery insurance. During the year, the Group increased the funeral policies for all salaried staff to R50 000 at no additional cost to employees.

Group Executive Management

The remuneration strategy for executive and senior management is based on principles of retention of key and critical skills and to drive performance in alignment with shareholders' interests, through guaranteed remuneration and short and long-term incentives. A significant portion of an executive's total potential remuneration is performance-related in order to encourage the right behaviour to optimise Company performance. Targets are set annually in the context of prospects of the Calgro M3 Group and the prevailing economic environment in which it operates.

Components of Executive Remuneration

The Remuneration Committee ensures that the components of remuneration include:

- Guaranteed remuneration – Benchmarked to between the 50th and 75th percentile;
- Short-term incentive – Up to double guaranteed annual remuneration, if specific targets are achieved;
- Long-term incentives – Calculated at four times the individual's guaranteed annual remuneration at the time of vesting, with vesting occurring over a five-year period if all targets are met.

The above was developed and implemented to ensure achievement of the Group's strategy and performance objectives.

Benchmarking was performed by PE Corporate Services, an independent consultant, in August 2017 for application in the 2018 and 2019 financial year. This benchmarking resulted in extraordinary adjustments made to Messrs Williams, Nkuhlu, and Joubert's guaranteed remuneration in the 2018 financial year. External benchmarking takes place every two years and will be performed in August 2019.

Guaranteed Remuneration

Increases for all management levels as well as staff, are adjusted at our annual increase cycle in September and will again be CPI linked. The Group also provides an additional increase to lower earning staff members to promote distribution of wealth to this bracket. This is offset by a lower increase awarded to executive management.

Middle and Senior Management and Employees

The Group utilises a total "cost to company" approach, which encompasses a cash component and retirement funding contributions. The compensation of all management and employees are determined by industry benchmarking performed

by PwC's Remchannel platform, together with oversight from the Remuneration Committee.

Group Executive Management

The Group utilises a total "cost to company" approach, which encompasses a cash component, fixed car allowance and retirement funding contributions. The Remuneration Committee considers benchmarking remuneration through external consultants (mentioned above), which enables reliable comparisons of remuneration for executive job descriptions and other disciplines in the sector.

Variable Remuneration

Middle and Senior Management and Employees

All permanent employees qualify for short-term incentives.

A long-term service incentive to remunerate staff committed to the Group for a long period of time was implemented during the 2019 financial year.

Short-term incentives

Permanent employees

- A bonus pool is calculated annually based on Group profit between 1 September and 31 August of the next year for all general and administrative staff that do not have specific individual performance measurements;
- The total bonus pool is a percentage of the profit after tax based on the average percentage profit of the previous three years;
- The bonus pool is divided by the total average staff payroll to determine the average number of monthly pay "cheques" per employee;
- A minimum allocation per employee is determined by Group Exco;
- Any surplus bonus amounts are allocated to highly committed, top performing employees;
- Bonuses are payable in December of that year;
- An employee will not qualify for a bonus if the employee:
  - is still in a probation period
  - is under performance management
  - has received a final written warning during the period
- An employee will only qualify for 50% of an allocated bonus if the employee received any written warnings during the period.

Sales agents (all three businesses)

- Our sales agents are remunerated on a variable commission structure based on a sliding scale and volume of transactions. This commission is payable monthly if various sales and closing milestones are reached. Sales agents do not qualify for any other short-term incentives.

Contract managers

- Contract managers are rewarded and receive a bonus based on the performance of their respective sites.

Memorial Parks

- Memorial Parks management and staff are rewarded in several ways that range from quarterly, bi-annual to annual bonuses, depending on the type of role and the measurement of performance of the individuals. No Memorial Park staff member is on a guaranteed bonus as all employees are responsible for creating and demonstrating a culture of superior client service. All employees are partially measured on client feedback received.

Long-term service incentive

Five years of service

- Two (2) extra leave days per year to be added to the employees' annual leave, taking the annual leave days up to 17 days from the normal 15 days.

10 years of service

- Two (2) extra leave days per year to be added to the employees' annual leave, taking the leave days up to 19 days from the 17 days they had post five (5) years' employment;
- Monetary compensation of two months' salary at the prevalent salary at the date of payment.

15 years + of service

- Two (2) extra leave days per year to be added to the employees' annual leave, taking the leave days up to 21 days (maximum leave days for any staff member) from the 19 they had post 10 years employment;
- Monetary compensation of three months' salary at the prevalent salary at the date of payment.
- Monetary compensation of three months' salary at the prevalent salary at the date of payment for every five (5)-year increment after 15 years.

Long-term incentive scheme for senior management effective 1 March 2019

- Value of award is set to realise a targeted percentage of guaranteed remuneration when vesting;
- Award of 1.5 to 2 times guaranteed remuneration at time of the award:
  - Award can be increased up to four times guaranteed remuneration over the five (5)-year period of the scheme, as new awards can/will be made on an ongoing basis to ensure that the plan remains a continuous reward plan for performing senior management members that need to be retained.
- Payment of award to be made in cash. One third in year three (3), one third in year four (4) and one third in year five (5), subject to the manager being in the employment of the Company (and his/her notice of resignation has not been tendered at that stage), otherwise the award falls away. Vesting will occur at the end of February each year and will be paid 1 August of that same year.
- Performance measure:
  - 50% of the award to be measured against the Company's profit after tax growth (for the particular business division/ segment) that exceeds inflation, plus a margin of 2%, compounded from commencement to vesting:
    - 25% of the 50% vests if the division's profit after tax growth is equal to the above-mentioned compounded profit growth target (inflation + 2%)
    - 50% of the 50% vests if the profit after tax growth exceeds the target by 10%

- 100% of the 50% vests if the profit after tax growth exceeds the target by 20% or more.

– 50% of the award to be the growth in Total Shareholder Return ("TSR"), as a percentage, compared to the combined average movement in the Industrial, Property and Construction Share Index ("SI") over the three to five-year period:
  - 25% of the 50% vests if the compounded TSR growth is equal to the compounded growth in SI + 2%
  - 50% of the 50% vests if the compounded TSR growth exceeds the SI by 10%
  - 100% of the 50% vests if the compounded TSR growth exceeds the SI by 20% or more.
– Vesting to be rolled over for two years in the event that the Company growth and the TSR does not exceed the benchmarks on the first and/or second vesting (year three and four) but will vest if the required milestones are met on a cumulative basis over a five-year period.

Group Executive Management

Short-term incentives

The objectives of the short-term incentive ("STI") policy are:

- To motivate executives to manage and lead the business successfully and to drive strong long-term growth in line with strategy and business objectives
- To provide competitive and balanced, performance-related remuneration
- To ensure that the interests of the executives are aligned with those of shareholders by linking remuneration directly to the Company's bottom line profit and strategic and operational objectives; and
- To ensure that there is transparency and responsible remuneration of executives.

The bonus pool will be calculated in increments, based on the percentage growth in Headline Earnings ("HE") (after bonus payment is taken into account). The calculation of the pool is in line with the calculation method of the previous three (3) years.

If new IFRS changes come into effect after targets have been set, the bonus will be calculated, paid and reported on, based on the IFRS requirements in place at the time of setting the targets at the beginning of each financial year.

The Group Executive Management STI bonus pool is calculated as follows:

< 10%	**= equal**	**> 20%**	**> 40%**	**> 60%**	**> 80%**	**> 100%**
of previous financial year Headline Earnings						
▼	▼	▼	▼	▼	▼	▼
3% – if Group is still profitable after payment of bonus	**6%**	**7%**	**8%**	**9%**	**10%**	**12%**

In line with the King IV principles, the bonus pool has sub-parameters to ensure that the executives focus on all elements and aspects of the Group's businesses, and not just profit. This should benefit all stakeholders as it ensures that the businesses are managed on sustainability principles. Once the STI bonus pool is calculated in terms of the above methodology, the allocation is done as follows:

40% **Financial targets**

Targets will be based on Return on Equity ("ROE") targets, as outlined below. The calculation will exclude any IFRS adjustments on equity as IFRS adjustments do not give rise to additional equity to be deployed in the businesses.

Equity deployed in each of the businesses will be based on the segmental report. All businesses are funded in the same debt to equity proportions to avoid any interpretation requirements or bias.

Equity calculated as: Opening capital available to be deployed (as per segmental report).

The following minimum targets will be applicable for the next three (3) financial years:

1. **Residential Property Development business – 25% ROE (HEPS/Equity)**

2. **Memorial Parks business – A sliding scale building up to 25% ROE (HEPS*/Equity)**
   (i) 2020 financial year: 17.5%
   (ii) 2021 financial year: 20%
   (iii) 2022 financial year: 25%

   * Due to the disparity between cash generated and accounting profit recognised in the Memorial Parks business, the ROE for Memorial Parks will not be calculated on the traditional ROE principles, but will be based on the following two principles:
     (i) Cash generated from operations after interest and taxation, divided by Equity invested
     (ii) A minimum of 50% cash gross profit margin must be achieved.

3. **Residential Rental Investment business – 20% ROE (Total return (including revaluation)/Equity)**

Should the ROE target be reached for each of the three businesses, then the full 40% allocation of the STI pool will be granted. Should any of the individual businesses' targets not be reached, then a proportionate allocation will be done based on equity deployed to each of the businesses.

From year four (effective in the 2023 financial year), the following targets will apply:
Consolidated Group numbers – 25% ROE (HEPS/Opening Equity)

20% **Risk mitigation and sustainability**

All risks equal to or above a level 12 scoring (based on impact and probability (1-5)) on the Group's risk register to be managed, to remain consistent or reduce. The weighting remains high to align with the Group's main driver of risk mitigation to ensure sustainability.

20% **Empowerment targets**

Retain or improve the current level. If the scoring elements on the scorecard changes, a recalculation by a reputable consultant based on the previous scorecard will be performed.

20% **Board discretion**

The Board will use its discretion in assessing the efforts and contribution of each member in achieving the various targets set.

General discretion

Where no pool is available for allocation, the Board can award an individual with a discretionary bonus of up to 20% of his/her annual guaranteed remuneration in recognition of exceptional performance, while operating in a difficult environment/under difficult circumstances outside his/her control.

Proposed new 2019 long-term Executive Share Incentive Scheme (subject to shareholder approval)

Pursuant to the cancellation of the 2015 Executive share scheme, as dealt with under the section "Voluntary cancellation of the 2015 Executive Share Scheme and Settlement" a new long-term incentive was developed by the Remuneration Committee as set out below.

In terms of the scheme, the participants, whom 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 (5)-year scheme, commencing on 1 March 2019 (subject to shareholder approval), with the allocated share appreciation rights vesting in four (4) yearly tranches on 1 March in each of 2021, 2022, 2023 and 2024.

The number of allocated share appreciation rights is based on a year-on-year total shareholder return ("TSR") of at least 15% and return for participants based on four (4) times the guaranteed annual salary of each participant as at 1 March 2019.

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

Participant	Share appreciation rights to be awarded
WJ Lategan	**2 423 599**
W Williams	**1 759 745**
MN Nkuhlu	**1 832 826**
WA Joubert	**1 686 383**
Total share appreciation rights	**7 702 553**

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

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

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:

1. First vesting of ¼ of the allocated share appreciation rights – year two: 1 March 2021:
   (a) 100% at a compounded TSR of 15% from 1 March 2019
2. Second vesting of ¼ of the allocated share appreciation rights – year three: 1 March 2022:
   (a) 50% at a compounded TSR of 15% from 1 March 2019
   (b) 50% at a compounded TSR of 20% from 1 March 2019
3. Third vesting of ¼ of the allocated share appreciation rights – year four: 1 March 2023:
   (a) 33.3% at a compounded TSR of 15% from 1 March 2019
   (b) 33.3% at a compounded TSR of 20% from 1 March 2019
   (c) 33.3% at a compounded TSR of 25% from 1 March 2019
4. Fourth vesting of ¼ of the allocated share appreciation rights – year five: 1 March 2024:
   (a) 33.3% at a compounded TSR of 15% from 1 March 2019
   (b) 33.3% at a compounded TSR of 20% from 1 March 2019
   (c) 33.3% at a compounded TSR of 25% from 1 March 2019

To determine whether the allocated share appreciation rights are in the money on the vesting date, the base price (R7.95), compounded annually for the above targets to be achieved each year, shall be measured against the 30-day VWAP of Calgro M3 shares at the end of business on 28 February of the year in which a vesting is determined.

The value of vested share appreciation rights will be determined by taking the difference in value between the base price of R7.95 and the 30-day VWAP of Calgro M3 shares at the end of business on 28 February of the year in which a vesting is determined and multiplying this with the number of share appreciation rights allocated for each TSR milestone reached.

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

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

For purposes of clarity, herewith a synopsis of how the remuneration and number of shares to be issued, will be determined:

Example:

- Total share appreciation rights allocated = 1 000 000
- Base Price = R7.95
- Vesting tranche = 250 000
- Vesting Date = 1 March 2021 (the first vesting date)
- The minimum TSR for vesting to take place at the first vesting date (1 March 2021) is R10.51, being R7.95 compounded by 15% over two years
- At the first vesting date (1 March 2021) the 30-day VWAP of the share price is R10.95, and therefore the minimum TSR has been achieved (it being more than the minimum TSR of R10.51)
- Increase in share price from = R3.00 (i.e. R10.95 current price – R7.95 base price)
- Calculation of value of share appreciation rights and number of shares to be issued:

250 000 share appreciation rights x R3.00 = R750 000 ÷ R10.95 per share (being the share value at that stage) = 68 493 shares

Therefore 68 493 Calgro M3 shares will be issued to settle the vested share appreciation rights.

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 point 10 is also not reached the following year (as per the following years targets), the award for the year that has been deferred, will lapse.

In terms of the scheme, Calgro M3 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.

Voluntary cancellation of the 2015 Executive Share Scheme and Settlement

In response to the current year adjustments to opening retained earnings, resulting from the IFRS 15 and IFRS 9 implementation, the participants of the executive share scheme unanimously agreed to cancel the current share scheme to unlock the current share-based payment reserve and reverse the reserve to retained earnings in order to enhance equity. This was decided as a key covenant to the Group's debt providers is the net debt/equity ratio that has a maximum level of 1.5:1 and this ratio was negatively impacted by these IFRS adjustments.

The cancellation of the scheme was accounted for in the 2019 financial year. The remaining expense on the scheme was accelerated to the income statement in the 2019 financial year as determined by IFRS 2. The corresponding share-based payment reserve was also reversed to retained earnings, resulting in a net zero impact on retained earnings.

The 2015 Calgro M3 Executive Share Scheme

The 2015 executive share scheme was approved by shareholders in July 2015. 10 215 572 shares were made available to participants of the scheme at a subscription price of R4.08. Only individuals who were allocated share appreciation rights ("SARs"), in the previous cash-settled scheme, 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 issued to individuals and 696 872 shares were not taken up. The 2015 Calgro M3 executive share scheme was considered to be a modification of the SAR scheme.

Under the 2015 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 periods as outlined below. Shares issued under the scheme could not be sold by participants until the completion of service periods and release dates stipulated in the scheme rules as outlined below. In terms of the scheme rules, in the event that that scheme was to be cancelled or forfeited by the individual, the Company would buy the shares back from the individual at R4.08 plus interest at prime % that the individual incurred on the funding to acquire the issued shares.

The shares were deeply in the money, resulting in the equity-settled shares being valued at intrinsic value based on the 30-day VWAP of R19.27 at the grant date of 29 July 2015.

Total shares made available under the scheme	**10 215 572**
Shares not taken up initially	**(696 872)**
Shares vested	**(1 050 070)**
Shares forfeited	**(696 872)**
Total shares remaining before cancellation	**7 771 758**

Details pertaining to this scheme are presented in the Group's Annual Financial Statements (refer to note 32) and available on the website (www.calgrom3.com).

The total number of shares cancelled by participants on 31 August 2018 amounted to 7 771 758 shares. As per the scheme rules, the total subscription price on these shares was paid back to individuals at R4.08 per share plus interest at prime %. The shares issued to participants under the scheme were also traded back to Calgro M3 Developments Ltd, a wholly owned subsidiary company and are currently held as treasury shares at Group level.

Once-off award in lieu of several previous schemes cancelled, converted and forfeited by executive management

As the 2015 scheme was in the money when it was cancelled, the Remuneration Committee and Board has approved a once-off payment to the executive team.

The payment was determined based on a number of factors, including:

- Number of years employed by the Company
- Financial loss due to the share scheme being cancelled
- Contribution towards the Group over the employment term
- Remuneration of peers in the industry
- Incentive to retain executive staff
- Motivation for executives that have embraced the values of the Group over a period of time

No previous long-term share incentive schemes have vested for the participating executives during their employment at the Company. The previous cash-settled scheme (SAR scheme) was converted into the equity-settled 2015 executive share scheme, which is the one that was cancelled during the year. Based on these factors, the effective length of service considered when determining the below settlement, is as follows:

Executive	Number of years, on 28 February 2019, without any prior payment against a long-term scheme
WJ Lategan	**10.58**
W Williams	**7.00**
MN Nkuhlu	**4.50**
WA Joubert	**7.16**

Based on these factors the Remuneration Committee has determined a once-off payment amount of R25 344 000 for the executive management members that participated in the initial SAR scheme and the 2015 scheme. The amount will be divided as follows:

Executive	Amount before deduction of income tax
WJ Lategan	**R9 064 000**
W Williams	**R4 180 000**
MN Nkhulu	**R7 920 000**
WA Joubert	**R4 180 000**

The amounts above will be paid to the individuals after year-end, subject to them still being in the employment of the Company on the specified date. Should the employee not be employed by the Company at that date, no settlement will be paid.

It is the intention of executive management to apply the funds to purchase Calgro M3 shares in the open market.

Shareholder engagement and voting

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

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

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

Calgro M3 will:

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

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

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

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

At the 2018 AGM the result of the non-binding advisory vote on the remuneration policy was:

- For – 100%
- Against – 0%
- Abstention – 0%

Non-Executive Directors' fees

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

To comply with the requirements of King IV, the Board has instituted rulings that Non-Executive Directors' fees are split between an annual retainer and an attendance component. The weighting per meeting, per Committee has changed after shareholders' input. The proposed fees for the 2020 financial year are as follows:

Director	Annual retainer fee 2019/2020	Board Chair	Audit Committee Chair	Any other Committee Chair	Audit Committee meeting attendance	Remuneration Committee, Investment Committee, and Social and ethics Committee meeting attendance	Board meeting attendance
PF Radebe	R261 450	R42 000	–	R31 500	–	R21 000	R25 200
H Ntene	R175 350	–	–	R31 500	–	R21 000	R25 200
RB Patmore	R210 000	–	–	R31 500	R23 100	R21 000	R25 200
BP Malherbe	R175 350	–	–	R31 500	–	R21 000	R25 200
ME Gama	R175 350	–	–	R31 500	R23 100	R21 000	R25 200
GS Hauptfleisch	R175 350	–	R36 750	R31 500	–	R21 000	R25 200

Details pertaining to Non-Executive Directors' remuneration earned during the year are contained in the table above and can be referenced in the Annual Financial Statements to note 35 which can be found on the Company's website.

Restraint of trade

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

Independent external advice

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

Directors' interest in shares

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

	Direct 2019	Direct 2018	Indirect 2019	Indirect 2018
Ordinary shares				
BP Malherbe	**50 069**	1 050 069	**12 500 000**	12 500 000
WJ Lategan	**5 428 228**	5 336 090	**–**	–
WJ Lategan*	**–**	2 294 214	**–**	–
FJ Steyn	**–**	–	**7 734 949**	8 602 622
WA Joubert	**16 000**	16 000	**–**	–
WA Joubert*	**–**	952 562	**–**	–
W Williams	**183 667**	183 667	**86 666**	86 666
W Williams*	**–**	1 084 815	**–**	–
MN Nkuhlu	**3 926**	3 926	**–**	–
MN Nkuhlu*	**–**	2 046 421	**–**	–

** Shares issued as part of the Calgro M3 Executive Share Scheme have service conditions and trading restrictions associated to them and are disclosed as treasury shares until such time when the trading restrictions are lifted.*

Refer to note 32 for further details on the Calgro M3 Executive Share Scheme. Refer to note 35 for details of the Directors' emoluments. Both notes can be found in the Annual Financial Statements on the Company's website.

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

Executive Directors' remuneration

Given the financial performance for the 2018 and 2019 financial years, short-term incentive bonus payments to executives was zero. The minimum hurdle being Headline Earnings greater or equal to the prior year (2017 and 2018 financial years respectively). An increase in Headline Earnings was not achieved and as such, no STI bonuses have been accrued or paid in the current year.

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

	Remuneration and other benefits		
	Guaranteed remuneration	Once off payment incentive#	Total
2019			
WJ Lategan	**3 294 504**	**9 064 000**	**12 358 504**
FJ Steyn	**2 805 533**	**–**	**2 805 533**
WA Joubert	**2 331 460**	**4 180 000**	**6 511 460**
W Williams	**2 434 119**	**4 180 000**	**6 614 119**
MN Nkuhlu	**2 505 155**	**7 920 000**	**10 425 155**
Total Executive Directors	**13 370 772**	**25 344 000**	**38 714 772**
2018			
WJ Lategan	3 024 523	–	3 024 523
FJ Steyn	2 658 248	–	2 658 248
WA Joubert	2 063 279	–	2 063 279
W Williams	2 151 057	–	2 151 057
MN Nkuhlu	2 060 425	–	2 060 425
Total Executive Directors	11 957 531	–	11 957 531

 # Refer to page 62 of the Annual Financial Statements on the Company's website.

Non-Executive directors' remuneration

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

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

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

	2019	2018
PF Radebe	**530 333**	458 000
BP Malherbe	**367 333**	308 167
H Ntene	**419 833**	332 667
RB Patmore	**493 000**	407 164
ME Gama	**485 833**	403 167
HC Cameron	**13 125**	401 667
VJ Klein*	**295 833**	289 666
GS Hauptfleisch	**345 458**	–
Total Non-Executive Directors	**2 950 750**	2 600 497
Summary		
Executive Directors	**38 714 772**	11 957 531
Non-Executive Directors	**2 950 750**	2 600 497
Total Directors	**41 665 522**	14 558 028

** Mrs Klein resigned as a Non-Executive Director in February 2019.*

Employee costs

	2019 FY	2018 FY
Salary and wages	**98 270 453**	84 188 828
Executive share scheme expense (IFRS expense)	**43 992 366**	23 794 152
Directors' share-based payment expense	**38 801 335**	15 807 951
Employees' share-based payment expense	**5 191 031**	7 986 201
Share Appreciation Rights expense	**(641 658)**	(569 902)
Share Appreciation Rights Settlement expense	**–**	1 746 933
Directors' emoluments	**41 665 522**	14 558 028
Executive Directors*	**38 714 772**	11 957 531
Non-executive Directors	**2 950 750**	2 600 497
Salary and wages	**183 286 682**	123 718 039
Less: Amounts allocated to qualifying assets (construction contracts)	**(51 236 120)**	(46 541 406)
Total employee costs and share appreciation rights settlement	**132 050 562**	77 176 633

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

INDEPENDENT AUDITOR'S REPORT

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

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Calgro M3 Holdings Limited ("the Company") and its subsidiaries (together "the Group") as at 28 February 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Calgro M3 Holdings Limited's consolidated and separate financial statements set out on pages 18 to 108 of the Annual Financial Statements on the website comprise:

- the consolidated statement of financial position and the separate statement of financial position as at 28 February 2019;
- the consolidated statement of comprehensive income and the separate statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity and separate statement of changes in equity for the year then ended;
- the consolidated statement of cash flows and the separate statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the notes to the company financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

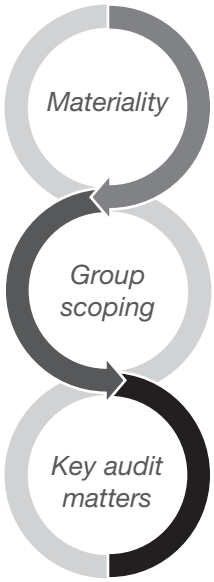
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality

- *Overall group materiality: R7 477 000, which represents 0.75% of consolidated revenue*

Group audit scope

- *The Group comprises 37 subsidiaries, associates and joint ventures (referred to as "components"). We performed full scope audits on 12 components as a result of their financial significance and specified audit procedures over 10 components. The remaining 15 components are considered to be financially inconsequential*

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

- *Adoption of IFRS 15:* Revenue from Contracts with Customers
- *Construction contract revenue recognised over time*

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 477 000*
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.* *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 37 subsidiaries, associates and joint ventures (referred to as “components”). We performed full scope audits on 12 of these components due to their financial significance, specified procedures on 10 components as a result of significant account balances and transactions within these components, and the remaining 15 components represent insignificant subsidiaries, associates and joint ventures for group scoping purposes. Analytical review procedures were performed on these insignificant components. The significant components are all located in South Africa, representing the Group’s principal place of business.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Adoption of IFRS 15: *Revenue from Contracts with Customers*	
The Group adopted IFRS 15: *Revenue from Contracts with Customers* ("IFRS 15") for the first time in the 2019 reporting period, applying the modified retrospective restatement method. The Group earns revenue from the sale of land and burial plots, through the rendering of services and construction contracts. The core principle of IFRS 15 is "to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". IFRS 15 establishes a five-step model that should be applied to revenue earned from a contract with a customer. IFRS 15 requires each contract to be assessed against the five-step model. This model includes the identification of a contract with the customer, the performance obligations within the contracts, identification and allocation of the transaction price and the recognition of revenue either over time or at a point in time. Management assessed the impact of this new accounting standard for each of its contract types (refer to note 19: Revenue to the consolidated financial statements). The application of IFRS 15 has resulted in a fundamental change in the method and timing of revenue recognised for the Group's integrated residential property developments which are core revenue generators of the business. Under IFRS 15, the timing of revenue recognition has changed from recognising revenue as a percentage of completion of the development as well as recognising a blended margin for the project as a whole to recognising revenue either over time or at a point in time for each contract type, at the individual contract margins being recognised within the integrated development. This has resulted in a R318 million adjustment to opening retained earnings. Refer to the following notes to the consolidated financial statements: ▸ Note 2.6.1: Impact on the financial statements; and ▸ Note 2.6.2: Impact of adoption of IFRS 15: *Revenue from Contracts with Customers*. The adoption of IFRS 15 is considered to be an area of most significance in our audit of the current year due to the complexity of applying the standard to the Group's contracts as well as the significant judgement involved in the cost allocation pertaining to construction contracts.	Our audit procedures included, inter alia, obtaining management's assessment of the impact of IFRS 15 on a sample of the contract types identified by management. We performed an analysis of the construction activity within an integrated development project to identify the various construction contracts within such a development. The following procedures were performed over the accounting for the transition to IFRS 15: ▸ Using our accounting expertise, we reviewed the underlying contracts for a sample of different contract types to evaluate the implementation of the new accounting standard; ▸ Agreed management's assessment of the impact of IFRS 15 on a sample of the contract types to audited contract feasibilities and work in progress calculations, and noted no significant variances; ▸ Recalculated management's assessment for mathematical accuracy and noted no material differences; ▸ Held discussions with management on their judgements made in arriving at the assumptions and estimates applied in the assessment of cost allocations to the construction contracts and assessed the reasonability thereof.

All notes can be found in the Annual Financial Statements on the Company's website.

Key audit matter	How our audit addressed the key audit matter
Construction contract revenue recognised over time	
The Group has significant long-term construction contracts within the "Residential Property Development" operating segment. Revenue recognised over time comprises more than 88% of the Group's total revenue (refer to note 1: Segment information of the consolidated financial statements). For contracts accounted for over time, the stage of completion is used to determine the revenue to be recognised in the financial statements. This is calculated based on the proportion of actual costs to the total contract costs over the life of the contract. In determining the stage of completion, the Group estimates the cost of construction services and activities to be performed at the statement of financial position date. Due to the high level of judgement and estimation required in determining the revenue recognised over time and in turn, the stage of completion, we considered the accounting for construction contracts over time to be a matter of most significance in our audit of the current year. Refer to the following notes to the consolidated financial statements: ▸ Note 2.4: Significant estimates and judgements; and ▸ Note 19: Revenue.	Our audit procedures, inter alia, comprised a combination of internal control assessments over contract-related procurement and payroll expenditure, and substantive audit procedures. Our internal financial control tests consisted mainly of three way match and payment pack testing: ▸ Three way match testing was performed on a sample of transactions to determine whether those transactions are supported by a purchase order, invoice, receiving document and/or progress certificate. ▸ The payment pack testing was performed on a sample of transactions to determine whether payments to subcontractors were authorised by the appropriate level of management and supported by valid underlying third-party documents. ▸ 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. 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 assessing whether there were any significant lossmaking contracts or contracts with significant claims. Audit procedures performed in assessing the appropriateness of estimates and judgements applied by management, in determining the stage of completion of the selected contracts, included the following: ▸ Discussions with management and quantity surveyors regarding the status of the selected contracts; ▸ Verified a sample of actual costs incurred to supporting documentation, with no significant variances noted; ▸ Evaluated and tested management's cost and revenue estimation process in accordance with the principles of IFRS 15, as described in note 19: Revenue of the consolidated 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; ▸ Recalculated the stage of completion of the contract based on the actual costs incurred to date as a percentage of the total estimated contracted costs, with no material variances noted; and ▸ Recalculated the construction contract revenue recognised based on the recalculated stage of completion of the contract, with no material variances noted.

All notes can be found in the Annual Financial Statements on the Company's website.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Calgro M3 Integrated Annual Report 2019, which includes the Directors' Report, the Report of the Audit and Risk Committee and the Certification of the Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Calgro M3 Holdings Limited for 12 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: C Marais Roux
Registered Auditor

Waterfall City
10 May 2019

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

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

* *Cash paid back to participants for the subscription of shares issued under the Calgro M3 Executive Share Scheme.*

\# *Cash paid for the purchase of the remaining portion of shares in Calgro M3 Memorial Parks Nasrec (Pty) Ltd.*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital	Share-based payment reserve	Retained income	Total	Non-controlling interests	Total equity
Balance at 1 March 2017	116 255 971	60 847 268	846 079 473	1 023 182 712	(101 281)	1 023 081 431
Share-based payment expense	–	23 794 152	–	23 794 152	–	23 794 152
Cancellation of executive share scheme participant	–	(10 585 109)	10 585 109	–	–	–
Comprehensive income						
Profit for the period	–	–	120 350 383	120 350 383	456 292	120 806 675
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	120 350 383	120 350 383	456 292	120 806 675
Balance at 28 February 2018	116 255 971	74 056 311	977 014 965	1 167 327 247	355 011	1 167 682 258
Balance at 1 March 2018	**116 255 971**	**74 056 311**	**977 014 965**	**1 167 327 247**	**355 011**	**1 167 682 258**
Investment in Calgro M3 Memorial Parks eliminated to equity	**–**	**–**	**(56 690 715)**	**(56 690 715)**	**1 935 650**	**(54 755 065)**
IFRS 15 opening balance adjustment to equity	**–**	**–**	**(318 004 388)**	**(318 004 388)**	**–**	**(318 004 388)**
IFRS 9 opening balance adjustment to equity	**–**	**–**	**(32 945 553)**	**(32 945 553)**	**–**	**(32 945 553)**
Share-based payment expense	**–**	**43 992 366**	**–**	**43 992 366**	**–**	**43 992 366**
Share-based payment reserve released to retained earnings	**–**	**(118 048 677)**	**118 048 677**	**–**	**–**	**–**
Dividend declared*	**–**	**–**	**(609 619)**	**(609 619)**	**–**	**(609 619)**
Comprehensive income						
Profit for the year	**–**	**–**	**3 240 735**	**3 240 735**	**(2 013 023)**	**1 227 712**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**3 240 735**	**3 240 735**	**(2 013 023)**	**1 227 712**
Balance at 28 February 2019	**116 255 971**	**–**	**690 054 102**	**806 310 073**	**277 638**	**806 587 711**

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

SUMMARISED SEGMENT REPORT OF THE GROUP

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

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

1. *Combined revenue is the total segment revenue plus the total revenue of joint ventures and associates. The revenue included represents the gross revenue of each joint venture and does not include any inter-group eliminations.*
2. *The unrealised profit adjustment consists of profits that are generated on the development/construction of units to the Afhco Calgro M3 Consortium (Pty) Ltd (REIT JV), in which Calgro M3 has a 49% shareholding that is eliminated on consolidation.*
3. *The Group allocated borrowings proportionally to each segment based on the total assets per segment in the current year.*

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

SUMMARISED SEGMENT REPORT OF THE GROUP (continued)

2018	Residential Property Development	Memorial Parks	Residential Rental Investments	Holding Company/ unallocated*	Total
Total segment revenue	1 729 998 215	12 603 947	–	–	1 742 602 162
Fleurhof Project	530 838 879	–	–	–	530 838 879
Jabulani Project	167 150 653	–	–	–	167 150 653
Witpoortjie Calgro M3 Development Company (Pty) Ltd	47 342 527	–	–	–	47 342 527
South Hills Development Company (Pty) Ltd	433 560 555	–	–	–	433 560 555
Belhar Project	310 020 058	–	–	–	310 020 058
Third parties	241 085 542	12 603 947	–	–	253 689 489
Combined revenue[1]	2 309 890 477	12 603 947	–	–	2 322 494 424
Total segment revenue	1 729 998 215	12 603 947	–	–	1 742 602 162
Revenue of joint ventures and associates	579 892 262	–	–	–	579 892 262
Witpoortjie Calgro M3 Development Company (Pty) Ltd	39 314 391	–	–	–	39 314 391
South Hills Development Company (Pty) Ltd	540 577 871	–	–	–	540 577 871
Gross revenue	1 729 998 215	12 603 947	–	–	1 742 602 162
Point in time	4 866 583	11 461 877	–	–	16 328 460
Over time	1 725 131 632	1 142 070	–	–	1 726 273 702
Revenue	1 729 998 215	12 603 947	–	–	1 742 602 162
Gross revenue	1 818 010 401	12 603 947	–	–	1 830 614 348
Reversal of unrealised profit adjustment[2]	(88 012 186)	–	–	–	(88 012 186)
Cost of sales	(1 465 064 495)	(7 448 392)	–	–	(1 472 512 887)
Gross profit	264 933 720	5 155 555	–	–	270 089 275
Other income	11 178 583	1 743 044	–	–	12 921 627
Administrative expenses	(126 248 289)	(1 186 892)	–	(4 339 651)	(131 774 832)
Other expenses	(1 310 074)	–	–	–	(1 310 074)
Operating profit/(loss)	148 553 940	5 711 707	–	(4 339 651)	149 925 996
Finance income	28 922 307	27 960	–	6 299	28 956 566
Finance costs[3]	(15 587 290)	(1 100 136)	–	(2)	(16 687 428)
Share of profit/(loss) of associates/joint venture – net of tax	9 052 094	–	508 411	–	9 560 505
Profit/(loss) before tax	170 941 051	4 639 531	508 411	(4 333 354)	171 755 639
Taxation	(52 264 429)	1 575 310	–	(259 845)	(50 948 964)
Profit/(loss) after taxation	118 676 622	6 214 841	508 411	(4 593 199)	120 806 675
Other comprehensive income					
Total comprehensive income	118 676 622	6 214 841	508 411	(4 593 199)	120 806 675

2018	Residential Property Development	Memorial Parks	Residential Rental Investments	Holding Company/ unallocated*	Total
Profit after taxation and other comprehensive income attributable to:					
– Owners of the parent	117 880 609	6 554 562	508 411	(4 593 199)	120 350 383
– Non-controlling interests	796 013	(339 721)	–	–	456 292
	118 676 622	6 214 841	508 411	(4 593 199)	120 806 675
Statement of financial position					
Non-current assets					
Investment property	–	8 878 835	–	–	8 878 835
Property, plant and equipment	3 608 015	2 554 682	–	–	6 162 697
Intangible assets	158 969 056	694 804	–	–	159 663 860
Investment in joint ventures and associates	41 400 411	–	508 411	–	41 908 822
Deferred income tax asset	22 042 141	1 290 580	666 335	–	23 999 056
	226 019 623	13 418 901	1 174 746	–	240 613 270
Current assets					
Loans to joint ventures and associates	41 092 059	–	102 330 124	–	143 422 183
Inventories	423 642 093	130 755 404	–	–	554 397 497
Current tax receivable	16 484 054	32 241	–	83 211	16 599 506
Construction contracts	1 820 973 990	–	–	–	1 820 973 990
Trade and other receivables	287 782 932	5 482 035	450 685	23 493	293 739 145
Cash and cash equivalents	152 897 545	2 825 185	–	1 000 205	156 722 935
	2 742 872 673	139 094 865	102 780 809	1 106 909	2 985 855 256
Total assets	2 968 892 296	152 513 766	103 955 555	1 106 909	3 226 468 526
Liabilities					
Non-current liabilities					
Deferred income tax liability	354 283 263	–	–	–	354 283 263
	354 283 263	–	–	–	354 283 263
Current liabilities					
Borrowings[3]	271 426 074	–	–	618 170 448	889 596 522
Current income tax liabilities	22 652	–	–	–	22 652
Trade and other payables	787 199 020	25 946 826	–	1 737 985	814 883 831
	1 058 647 746	25 946 826	–	619 908 433	1 704 503 005
Total liabilities	1 412 931 009	25 946 826	–	619 908 433	2 058 786 268

1. *Combined revenue is the total segment revenue plus the total revenue of joint ventures and associates. The revenue included represents the gross revenue of each joint venture and does not include any inter-group eliminations.*
2. *The unrealised profit adjustment consists of profits that are generated on the development/construction of units to the Afhco Calgro M3 Consortium (Pty) Ltd (REIT JV), in which Calgro M3 has a 49% shareholding that is eliminated on consolidation.*
3. *The Group only allocated specific borrowings to segments.*

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

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. Basis of preparation

1.1 Statement of compliance

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*.

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

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

This summarised report is extracted from audited information, but is not itself audited. The consolidated annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon.

The audited consolidated annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office. The directors take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying annual financial statements.

1.2 Judgements and estimates

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

2. Accounting policies

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

3. Changes in accounting policies

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

3.1 Impact on the financial statements

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

3. Changes in accounting policies (continued)

3.1 Impact on the financial statements (continued)

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

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

3. Changes in accounting policies (continued)

3.1 Impact on the financial statements (continued)

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

Consolidated statement of comprehensive income impact analysis:

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

cps – cents per share.

3. Changes in accounting policies (continued)

3.1 Impact on the financial statements (continued)

Consolidated statement of financial position impact analysis:

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

3. Changes in accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

3.4 Impact of adopting IFRS 9: Financial instruments

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

3. Changes in accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

3.5 IFRS 9: Accounting policies applied from 1 March 2018

3.5.1 Classification and measurement

(i) Classification

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

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

3. Changes in accounting policies (continued)

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

3.5.1 Classification and measurement (continued)

(i) Classification (continued)

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

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

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

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

(ii) Measurement

Financial assets

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

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

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

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

Financial liabilities

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

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

Equity instruments

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

(iii) Impairment

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

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

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

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

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

3. Changes in accounting policies (continued)

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

3.5.1 Classification and measurement (continued)

(iii) Impairment (continued)

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

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

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

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

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

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

4. Revenue

Accounting policy applied from 1 March 2018

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

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

The Group recognises revenue over time if one of the following criteria is met:

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

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

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

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

4. Revenue (continued)

Significant judgement and source of estimation uncertainty

Property Development Segment

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

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

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

Estimates are made by management to calculate the forecasted cost of a project which includes non-unit specific cost to be allocated to units as and when they are constructed. The estimates used are in terms of an approved feasibility study. Management forecasts are approved by the Board of Directors and if third parties are involved, their approval is also obtained.

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

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

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

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

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

Community Residential Units ("CRU")

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

Social Housing

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

Bulk Purchaser

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

4. Revenue (continued)

Significant judgement and source of estimation uncertainty (continued)

Property Development Segment (continued)

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

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

Affordable Housing

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

High-end units

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

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

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

Memorial Parks Segment

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

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

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

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

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

Memorial Parks burial rights

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

Memorial Parks burial services

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

Memorial Parks maintenance services

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

4. Revenue (continued)

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

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

4. Revenue (continued)

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

4. Revenue (continued)

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

4. Revenue (continued)

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

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

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

4. Revenue (continued)

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

5. Earnings reconciliation

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

6. Inventories

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

7. Construction contracts

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

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

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

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

8. Related-party transactions

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

9. Financial instruments

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

10. Bond exchange

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

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

11. Dividends

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

12. Going concern

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

13. Corporate governance

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

14. Ratio calculations

Net debt/equity ratio

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

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

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

The maximum allowed net debt/equity ratio for the Group is 1.5:1.

Debt service cover ratio ("DSCR")

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

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

The minimum allowed DSCR ratio for the Group is 1.2.

Proparco requirements

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

SHAREHOLDER DIARY

Financial year-end	**28 February**
Year end results	**Monday, 13 May**
Annual general meeting	**Friday, 28 June**
Interim report	**October**

SHAREHOLDER ANALYSIS

	Number of shareholders	%	Number of shares	%
Shareholders' spread				
1 – 1 000 shares	**1 088**	**50.72**	**320 206**	**0.25**
1 001 – 10 000 shares	**786**	**36.64**	**2 705 771**	**2.11**
10 001 – 100 000 shares	**212**	**9.89**	**6 168 902**	**4.81**
100 001 – 1 000 000 shares	**43**	**2.00**	**10 301 033**	**8.04**
1 000 001 shares and over	**16**	**0.75**	**108 654 157**	**84.79**
	2 145	**100.00**	**128 150 069**	**100.00**

	Number of shares	%
Distribution of shareholders		
Financial institutions and other corporations	**53 175 663**	**41.49**
Nominee and trusts	**33 763 491**	**26.35**
Empowerment	**25 693 486**	**20.05**
Individuals	**12 836 228**	**10.02**
Private and public companies	**2 681 201**	**2.09**
	128 150 069	**100.00**
Public/non-public shareholders		
Directors and associates of the holding company	**38 382 822**	**29.95**
Public shareholders	**89 767 247**	**70.05**
	128 150 069	**100.00**
Shareholders with an interest of 3% or more in shares		
Pershing LLC	**36 048 081**	**28.13**
Snowball Wealth Pty Ltd	**13 640 445**	**10.64**
BPM Family Trust	**12 000 000**	**9.36**
DNS Trust	**10 010 000**	**7.81**
FJS Trust	**7 734 949**	**6.04**
Mr LCH Chou	**6 200 000**	**4.84**
Mr WJ Lategan	**5 428 228**	**4.24**
Allan Gray Investment Funds	**4 918 407**	**3.84**
	95 980 110	**74.90**
Reconciliation of shares issued in the share register		
Total shares in issue	**147 044 518**	
Less: Treasury shares		
Calgro M3 Employee Benefit Trust	**(5 212 909)**	
Calgro M3 Empowerment Trust	**(5 212 909)**	
Calgro M3 Executive Share Scheme*	**(8 468 631)**	
	128 150 069	

** The Executive Share Scheme was cancelled effective 31 August 2018, the shares are being held by Calgro M3 Developments Limited to be allocated for future share schemes.*

NOTES

FORM OF PROXY

Calgro M3 Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/027663/06)
Share code: CGR ISIN: ZAE000109203
("Calgro M3" or "the Company")

For use by the holders of certificated shares and/or dematerialised shares held through a CSDP or broker who have selected "own-name" registration, registered as such at the close of business on the voting record date, at the Annual General Meeting to be held at 10:00 on Friday, 28 June 2019 at the Calgro M3 boardroom, Calgro M3 Building, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston or any postponement or adjournment thereof.

Dematerialised shareholders who have not selected "own-name" registration must inform their CSDP or broker timeously of their intention to attend and vote at the AGM or be represented by proxy thereat in order for the CSDP or broker to issue them with the necessary letter of representation to do so or provide the CSDP or broker timeously with their voting instruction, should they not wish to attend the AGM in order for the CSDP or broker to vote in accordance with their instructions at the AGM.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE)

of (ADDRESS)

Telephone Cellphone number

Email address:

being the holder/s of ordinary shares in Calgro M3

hereby appoint (see note 1 below) or failing him/her,

the Chairperson of the AGM, as my/our proxy to act for me/our behalf at the AGM in accordance with the following instructions (see note 2 below)

	Number of votes*		
	For	**Against**	**Abstain**
Ordinary resolution number one: Re-election of Non-Executive Director (ME Gama)			
Ordinary resolution number two: Re-election of Non-Executive Director (BP Malherbe)			
Ordinary resolution number three: Appointment of Non-Executive Director (GS Hauptfleisch)			
Ordinary resolution number four: Reappointment of auditors (PricewaterhouseCoopers)			
Ordinary resolution number five: Appointment of Audit Committee member (GS Hauptfleisch)			
Ordinary resolution number six: Appointment of Audit Committee member (RB Patmore)			
Ordinary resolution number seven: Appointment of Audit Committee member (ME Gama)			
Ordinary resolution number eight: General payments to shareholders			
Ordinary resolution number nine: Control of authorised but unissued shares			
Ordinary resolution number ten: General authority to issue shares for cash			
Ordinary resolution number eleven: Approval of Calgro M3 Executive Share Incentive Scheme 2019			
Special resolution number one: General authority to repurchase shares			
Special resolution number two: Remuneration of Non-Executive Directors			
1. Board appointees			
1.1 Chairperson			
1.2 Non-Executive Directors			
2. Audit and Risk Committee			
2.1 Chairperson			
2.2 Committee member			
3. Remuneration Committee			
3.1 Chairperson			
3.2 Committee member			
4. Social and Ethics Committee			
4.1 Chairperson			
4.2 Committee member			
5. Investment Committee			
5.1 Chairperson			
5.2 Committee member			
Special resolution number three: Authorising general financial assistance			
Non-binding advisory endorsement of the Remuneration Philosophy (Policy)			
Non-binding advisory endorsement of the Remuneration Implementation Report			

* One vote per share held by shareholders recorded in the register on the voting record date.

Date

Signed at on 2019

Signature

Assisted by me (where applicable)

NOTES TO THE FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space(s) provided. The person whose name appears first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A proxy appointed by a shareholder in terms hereof may not delegate his authority to act on behalf of the shareholder to any other person.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he deems fit in respect of all the shareholder's votes exercisable thereat.
4. Forms of proxy must be lodged at or posted to Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received by not later than 10:00 on 26 June 2019.
5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. In addition to the aforegoing, a shareholder may revoke the proxy appointment by (i) cancelling it in writing or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to Calgro M3. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
6. The chairman of the AGM may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, he is satisfied as to the manner in which the shareholder(s) concerned wish(es) to vote.
7. Each shareholder is entitled to appoint one or more proxies (none of whom need be a member of Calgro M3) to attend, speak and vote in place of that shareholder at the AGM.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Calgro M3 or Computershare Investor Services (Pty) Limited or waived by the chairman of the AGM.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
10. Where there are joint holders of shares:
    10.1 Any one holder may sign the form of proxy; and
    10.2 The vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of Calgro M3 shares.
11. This form of proxy may be used at any adjournment or postponement of the AGM, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
12. An extract from the Companies Act reflecting the provisions of section 58 of the Companies Act is attached as Annexure A to this form of proxy.

Annexure A

"58. Shareholder's right to be represented by proxy

(1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:
    (a) participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder; or
    (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

(2) A proxy appointment:
    (a) must be in writing, dated and signed by the shareholder; and
    (b) remains valid for:
        (i) one year after the date on which it was signed; or
        (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).

(3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
    (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
    (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
    (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

(4) Irrespective of the form of instrument used to appoint a proxy:
   (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
   (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
   (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by:
      (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
      (ii) delivering a copy of the revocation instrument to the proxy, and to the company.

(5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
   (a) the date stated in the revocation instrument, if any; or
   (b) the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).

(6) If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to:
   (a) the shareholder; or
   (b) the proxy or proxies, if the shareholder has:
      (i) directed the company to do so, in writing; and
      (ii) paid any reasonable fee charged by the company for doing so.

(7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

(8) If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy:
   (a) the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
   (b) the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must:
      (i) bear a reasonably prominent summary of the rights established by this section;
      (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
      (iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
   (c) the company must not require that the proxy appointment be made irrevocable; and
   (d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).

(9) Subsection (8)(b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder."

NOTES

GENERAL INFORMATION

Calgro M3 Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 2005/027663/06
Share code: CGR
ISIN: ZAE000109203

Registered office
Calgro M3 Building
Ballyclare Office Park
33 Ballyclare Drive
Bryanston
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Business address
Calgro M3 Building
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2024

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13 May 2019

Transfer secretaries
Computershare Investor Services

Bankers
First National Bank
Standard Bank
Nedbank

Auditors
PricewaterhouseCoopers Inc.

Sponsors
Grindrod Bank Limited

Secretary
I April

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

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

CALGRO M3

www.calgrom3.com