CALGRO M3
Group

*Building legacies. Changing lives*

# 2020

Consolidated Financial Statements
for the year ended 29 February




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

- ESG Report 2020
- Corporate Governance Report 2020
- Integrated Annual Report 2020
- King IV™ Application Register 2020

# Directors' responsibilities and approval

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

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

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

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

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

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

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

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

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

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

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

The consolidated and separate financial statements set out on pages 18 to 110, which have been prepared on the going concern basis, were approved by the Board of Directors on 18 May 2020 and were signed on its behalf by:



WA Joubert



WJ Lategan

# Certification by the Company Secretary

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



**Itumeleng April**
*Company Secretary*

18 May 2020

# Report of the Audit and Risk Committee

## Introduction

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

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

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

## Composition of the Audit and Risk Committee

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

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

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

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

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

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

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

## Meetings

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

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

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

### Committee attendance register

| Member name | 3 May 2019 | 18 July 2019 | 10 October 2019 | 7 February 2020 |
|---|---|---|---|---|
| GS Hauptfleisch | ✓ | ✓ | ✓ | ✓ |
| ME Gama | ✓ | ✓ | ✓ | ✓ |
| RB Patmore | ✓ | ✓ | ✓ | ✓ |
| **By invitation** | | | | |
| WJ Lategan | # | # | # | # |
| WA Joubert | # | # | # | # |
| I April | * | * | * | * |
| **Sponsor^** | | | | |
| Grindrod Bank | ^ | **n/a** | **n/a** | **n/a** |
| **Auditor** | | | | |
| PwC | # | # | # | # |
| **Internal audit** | | | | |
| Prozilog | # | # | # | # |

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

## Fulfilment of the Committee's mandate

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

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

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

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

# Report of the Audit and Risk Committee (continued)

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

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

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

## Risk functions

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

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

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

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

## Internal audit and internal controls

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

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

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

The Committee:

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

## External auditors

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

The Committee:

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

## Statements

### External auditors

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

### Statement on effectiveness of internal financial controls

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

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

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

### Integrated Annual Report

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

# Report of the Audit and Risk Committee (continued)

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

## Regulatory compliance

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

## Going concern

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

The Board's statement regarding the going concern status of the Group, as supported by the Committee, is included in the Directors' Report on pages 7 to 12.

## Expertise and experience of Financial Director and the finance function

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

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

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

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

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

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

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

## Annual financial statements

The Committee reviewed the annual financial statements and the accounting policies and practices of the Group and is satisfied that they comply with International Financial Reporting Standards and ensured that appropriate financial reporting procedures exist and are working, which includes consideration of all the entities in the Consolidated Group Financial Statements.

The Committee recommended the financial statements to the Board for approval. The Board concurred with this assessment.

## Conclusion

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

On behalf of the Audit and Risk Committee



**GS Hauptfleisch**

*Chairman: Audit and Risk Committee*

18 May 2020

# Directors' report

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

## 1. Nature of business

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

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

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

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

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

**Postal address**
Private Bag X33
Craighall
2024

## 2. Financial results

The consolidated and separate financial statements on pages 18 to 110, set out fully the financial position, results of operations and cash flows of the Group and Company for the year ended 29 February 2020 and do not in our opinion require any further comment.

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

## 3. Type of company

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

## 4. Subsidiary and associate entities

Refer to note 9 for further details of the investments held in associates and joint ventures.

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

Particulars of the joint ventures and associates (note 9) and the principal subsidiaries (note 40) are set out in the financial statements.

# Directors' report (continued)

## 5. Directors' interest in shares

At the date of this report, the following direct and indirect interests in the Company were held by directors:

| | Total | BP Malherbe* | WJ Lategan | FJ Steyn* | WA Joubert | W Williams | MN Nkuhlu |
|---|---|---|---|---|---|---|---|
| **Beneficial shareholding at 28 February 2019** | | | | | | | |
| Direct | 5 681 890 | 50 069 | 5 428 228 | – | 16 000 | 183 667 | 3 926 |
| Indirect | 20 321 615 | 12 500 000 | – | 7 734 949 | – | 86 666 | – |
| | 26 003 505 | 12 550 069 | 5 428 228 | 7 734 949 | 16 000 | 270 333 | 3 926 |
| **Shares acquired/(disposed of) during the year** | | | | | | | |
| Direct | 1 429 938 | – | 1 138 036 | – | – | 195 000 | 96 902 |
| Indirect | (1 115 305) | (1 178 795) | – | (250 000) | 313 490 | – | – |
| | 314 633 | (1 178 795) | 1 138 036 | (250 000) | 313 490 | 195 000 | 96 902 |
| **Elimination due to having resigned as director during the year** | (18 856 223) | (11 371 274) | – | (7 484 949) | – | – | – |
| **Beneficial shareholding at 29 February 2020** | | | | | | | |
| Direct | **7 061 759** | **–** | **6 566 264** | **–** | **16 000** | **378 667** | **100 828** |
| Indirect | **400 156** | **–** | **–** | **–** | **313 490** | **86 666** | **–** |
| | **7 461 915** | **–** | **6 566 264** | **–** | **329 490** | **465 333** | **100 828** |
| **Beneficial shareholding at 29 February 2020 that are subject to security, guarantee or collateral** | | | | | | | |
| Direct | **6 566 264** | **–** | **6 566 264** | **–** | **–** | **–** | **–** |
| Indirect | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| | **6 566 264** | **–** | **6 566 264** | **–** | **–** | **–** | **–** |
| **Total facility value (Rands)** | | | **1 208 978** | | | | |
| **Facility expiry date** | | | **29 November 2024** | | | | |

** These directors resigned in the current year, refer to note 11 of the directors report for their resignation dates.*

No other Directors or prescribed officers within Calgro M3 have pledged securities as guarantee/collateral during the course of the reporting period or at the present date. Should securities be pledged the necessary announcement will be made to the market. There were no changes in the shareholding of directors and prescribed officers between the end of the financial year and the date of approval of the Annual Financial Statements.

## 6. Accounting policies

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

## 7. Authorised and issued share capital

Total number of ordinary shares authorised at 29 February 2020: 500 000 000.

Total number of ordinary shares in issue at 29 February 2020: 128 150 069.

## 8. Capital expenditure

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

## 9. Dividends

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

## 10. Going concern

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

Please refer to note 38 in the consolidated financial statements, for the assessment of the impact of Covid-19 after the reporting period. Based on managements' assessment, even taking the expected impact that Covid-19 will have on Calgro's operations and cash flows into account, the Group is still expected to continue as a going concern for the foreseeable future.

## 11. Directors

| Name | Position | Date appointed | Date resigned | Contract expiry |
|---|---|---|---|---|
| Frederik Johannes Steyn | Executive Director | **5 August 2005** | **30 June 2019** | |
| Manda Njongonkulu Nkhulu | Executive Director | **1 March 2018** | | **Three month notice** |
| Wayne Williams | Executive Director | **1 June 2015** | | **Three month notice** |
| Willem Adolph Joubert | Finance Director | **1 June 2015** | | **Three month notice** |
| Willem Jakobus Lategan | Chief Executive Officer | **5 August 2008** | | **Three month notice** |
| Ben Pierre Malherbe | Non-Executive | **5 August 2005** | **27 June 2019** | |
| George Stephanus Hauptfleisch | Independent Non-Executive | **6 June 2018** | | |
| Hatla Ntene | Independent Non-Executive | **12 October 2007** | | |
| Sibusisiwe Lynette Ntuli | Independent Non-Executive | **23 March 2020** | | |
| Mduduzi Edward Gama | Independent Non-Executive | **10 January 2012** | | |
| Pumla Fundiswa Radebe | Independent Chairperson | **29 June 2007** | | |
| Ralph Bruce Patmore | Independent Non-Executive | **18 January 2011** | | |
| Thembalihle Phillip Baloyi | Independent Non-Executive | **23 March 2020** | | |

## 12. Secretary

I April will continue in office in accordance with section 86 of the Companies Act.

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

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

The address of the secretary is set out below:

**Business address**
Calgro M3 Building
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196

**Postal address**
Private Bag X33
Craighall
2024

## 13. Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act 71 of 2008 of South Africa, subject to approval of shareholders at the upcoming annual general meeting. Chantal Marais Roux will be the individual registered auditor who will undertake the audit for the 2021 financial year. PwC has been the auditors for the Group since 2007. Mandatory audit partner rotations were implemented every five years. The audit committee monitors the independence of PwC and the audit partner on an annual basis, to ensure that they remain independent.

## 14. Preparer

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

## 15. Liquidity and solvency

The Directors have performed the required liquidity and solvency tests required by the Companies Act No. 71 of 2008. The Directors believe that the Group has adequate financial resources and is liquid and solvent to continue in operation for the foreseeable future. Refer to note 37.

## 16. Level of assurance

The consolidated and company financial statements have been audited by our external auditors PricewaterhouseCoopers Inc. in compliance with the applicable requirements of the Companies Act 71 of 2008.

# Directors' report (continued)

## 17. Special resolutions

At the Annual General Meeting held on 28 June 2019, the following special resolutions were approved:

- General authority to repurchase shares
- Remuneration of Non-Executive Directors
- Authorising general financial assistance

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

## 18. Analysis of shareholders

Shareholders' spread analysis as at 29 February 2020:

| Shareholders' spread | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| 1 – 1 000 shares | 953 | 54.77 | 231 410 | 0.18 |
| 1 001 – 10 000 shares | 541 | 31.09 | 1 924 507 | 1.50 |
| 10 001 – 100 000 shares | 186 | 10.69 | 5 451 385 | 4.25 |
| 100 001 – 1 000 000 shares | 44 | 2.53 | 12 732 694 | 9.94 |
| 1 000 001 shares and over | 16 | 0.92 | 107 810 073 | 84.13 |
| | 1740 | 100.00 | 128 150 069 | 100.00 |
| **Public/non-public shareholders** | | | | |
| Public shareholders | 1729 | 99.37 | 69 964 844 | 54.60 |
| Non-public shareholders | 11 | 0.63 | 58 185 225 | 45.40 |
| | 1740 | 100.00 | 128 150 069 | 100.00 |
| **Analysis of non-public shareholders** | | | | |
| Directors of the company or any subsidiaries | 9 | 0.52 | 7 375 249 | 5.79 |
| Holdings of 10% or more | | | | |
| Pershing LLC | 1 | 0.06 | 37 117 462 | 28.96 |
| Snowball Wealth Pty Ltd | 1 | 0.06 | 13 642 445 | 10.65 |
| | 11 | 0.63 | 58 135 156 | 45.40 |

| | | |
|---|---|---|
| **Distribution of shareholders** | | |
| Financial institutions and other corporations | 53 605 395 | 41.83 |
| Nominee and trusts | 34 004 454 | 26.53 |
| Empowerment | 25 590 227 | 19.97 |
| Individuals | 12 784 889 | 9.98 |
| Private and public companies | 2 165 104 | 1.69 |
| | 128 150 069 | 100.00 |
| **Shareholders with an interest of 3% or more in shares** | | |
| Pershing LLC | 37 117 462 | 28.96 |
| Snowball Wealth Pty Ltd | 13 642 445 | 10.65 |
| BPM Family Trust | 11 271 205 | 8.80 |
| DNS Trust | 10 010 000 | 7.81 |
| FJS Trust | 7 484 949 | 5.84 |
| Mr WJ Lategan | 6 566 264 | 5.12 |
| Mr LCH Chou | 6 200 000 | 4.84 |
| Allan Gray Fund Managers | 4 800 634 | 3.75 |
| | 97 092 959 | 75.77 |
| **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.*

## 19. Events after reporting year

### Covid-19

At the time of compiling these financial statements, the corona virus disease 2019 ("Covid-19") has affected, or is about to affect, the majority of the countries in the world.

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

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

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

The potential impact of Covid-19 on the Group:

- Our market
  - Our market will be significantly impacted by the psychological effect that Covid-19 will invariably have on the South African public as a whole. The buying of a home or the early purchase of a grave is a big decision, especially for first time buyers and people will be hesitant to make big decisions for a while after the negativity created by Covid-19;
  - The banks' appetite to continue granting new home loans is a concern;
  - Government has a renewed awareness of the great need for dignified housing in South Africa. Our belief is that this will bring about new opportunities.
- Our potential customers
  - Our potential customers will be affected in two ways:
    - The negative effect of Covid-19 and their cautious approach to decisions in view thereof;
    - Severe financial pressure affecting their ability to acquire housing or even a dignified final resting place – whether it being for themselves or family members.
- Contractors and on-site activities
  - Construction and construction cost management will be affected through the increased cost of improved and additional health and safety requirements on our sites for at least 6 to 12 months after the crisis. This is imperative to limit the renewed spread of the disease;
- Health of executive directors and key executives
  - The Group was proactive in dealing with the dangers of exposure to Covid-19 by directing all executive directors and key staff members to work from home a week in advance of the commencement of the national lockdown;
    - Notwithstanding the above, the risk of infection remains and all key staff are committed to applying prescribed preventative measures;
    - This risk associated with the infection of key staff members has increased due to the reduction in the management team over the last 18 months, making each individual's role so much more critical.
  - A critical temporary succession plan has been complied for all executives with different stages of implementation, which also makes provision for two or more executives falling ill at the same time.

# Directors' report (continued)

- Employees
  - Calgro M3's first responsibility is its employees, who it has supported and protected, in as much as is possible, during this time.
    - Actions:
      - no-travel policies were implemented pursuant to the first Covid-19 diagnosis in South Africa;
      - work-from-home policies for all key function staff with additional and/or required; infrastructure communication cost paid for by the Company:
        - Assisting in making remote work practical and simple whenever possible
      - implementation of social distancing at work;
      - various amendments to the head and site offices layouts to adhere to the strict hygiene principles for Covid-19;
      - introduction of an employee lifestyle programme that includes amongst other, the following support functions that we believe might be helpful during this time:
        - Unlimited Counselling
        - Financial Advice
        - Legal Advice
        - Comprehensive Trauma Response
        - Interactive Health Portal
      - increased staff communication from both management and the Health and Safety department;
      - more focus on balancing the needs and expectations of the Group with those of employees, thereby reinforcing our message that their well-being is a top priority;
      - educating employees on the benefits of prescribed personal hygiene preventative measures, personal protective equipment, self-isolation, social distancing and all other available protective and preventative measures to ensure health and safety;
      - the Group is proud thereof that it was able to pay full salaries to employees up to the date of this report and will endevour to continue to pay the salaries for the foreseeable future.
  - Effect on operations
    - All construction activities were suspended two days before the commencement of the official lockdown to afford employees the opportunity to travel to their families and stockup with supplies;
    - In total, construction activities were suspended due to the national lockdown.
    - The deeds offices were closed during the lockdown period, with conveyancers being required to remove all lodged transactions when the lockdown commenced. This has brought about a major backlog with registrations which has brought about a further estimated six-week delay on the operations of the residential development business;
    - The most material effect on the development business' revenue and returns will be attributable to the delay in construction with the expected transfers for both August 2020 and February 2021 being affected, and the danger existing of transactions being cancelled due to creditworthiness and affordability issues that may have arisen due to the national lockdown;
    - The impact that the effect of Covid-19 had on revenue and profitability is extremely uncertain at this stage as highlighted above. The Group was, however, well-positioned for substantial growth in the current year, and we believe that the Group will be able to absorb the ultimate effect of Covid-19 on its performance;
    - The pendulum might not swing back fully once the outbreak has relented and therefore forward-planning is so important. We are therefore actively focusing on actions, steps and processes required post the crisis, to ensure that business operations return to full capacity as soon as possible.
  - Debt service ability and source of sufficient liquidity
    - The Group believes that it has sufficient financial resources to honour all current and short-term commitments.
  - Social responsibility
    - Please refer to the "ESG report" on the Calgro M3 www.calgrom3.com.
  - Operational outlook
    - Please refer to the integrated annual report on the Calgro M3 www.calgrom3.com.

# 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 29 February 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards 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 110 comprise:

- the consolidated and company statements of financial position as at 29 February 2020;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the consolidated and 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.

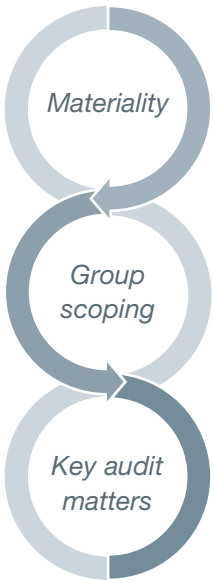
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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

## Our audit approach

### Overview




*Overall Group materiality*

- R7 380 000, which represents 0.75% of consolidated revenue.

*Group audit scope*

The Group comprises the holding company, 29 subsidiaries and 7 joint ventures (referred to as "components"). We performed full scope audit procedures on 12 components as a result of their financial significance and specified audit procedures over 8 components. The remaining 17 components are considered to be financially inconsequential.

*Key audit matters*

- Construction contract revenue recognised over time.

# Independent auditor's report (continued)

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

## Materiality

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

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

| | |
|---|---|
| Overall Group materiality | *R7 380 000* |
| How we determined it | *0.75% of consolidated revenue* |
| Rationale for the materiality benchmark applied | *We have selected consolidated revenue as our materiality benchmark because, in our view, it best reflects the true operational performance of the Group and it is a benchmark against which the performance of the Group is most commonly measured by its users due to the fluctuation of profit before income tax.*<br><br>*We chose 0.75% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality and taking into account the level of debt within the Group and the cyclical nature of the construction industry.* |

## How we tailored our Group audit scope

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

The Group consists of the holding company, 29 subsidiaries and 7 joint ventures (referred to as "components"), all located in South Africa which represents the Group's principal place of business. We performed full scope audits on 12 of these components due to their financial significance, specified procedures on 8 components as a result of significant account balances and transactions within these components, and the remaining 17 components are considered to be financially inconsequential, for Group scoping purposes. Analytical review procedures were performed on these inconsequential components. The audit was performed by one audit team and no reliance was placed on other auditors.

## Key audit matters

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

## Consolidated financial statements

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Construction contract revenue recognised over time** | |
| Refer to the following accounting policies and notes to the consolidated financial statements.<br>▸ note 1: Segment information;<br>▸ note 2.4: Significant estimates and judgements; and<br>▸ note 20: Revenue.<br><br>Revenue from construction contracts recognised over time amounts to 60% of the Group's revenue within the "Residential Property Development" operating segment, as disclosed within note 1 to the consolidated financial statements.<br><br>For property development contracts, the Group uses the percentage of completion method (also known as an input method) to account for revenue over time. Under this method, the Group compares the actual costs incurred on a unit/dwelling/project to the forecasted cost of the unit/dwelling/project which equals the percentage of work completed.<br><br>The following judgements and estimations are applied by the Group in determining the percentage of completion of a unit/dwelling/project at reporting date:<br>▸ The calculation of the percentage of completion including the estimation of the forecasted costs of the unit/dwelling/project;<br>▸ The allocation of the non-unit specific cost based on approved feasibilities.<br><br>We considered the accounting for construction contracts over time to be a matter of most significance to our current year audit due to judgement and estimation made by management in determining the percentage of completion and the magnitude of contract revenue and contract assets to the consolidated financial statements. | Our audit procedures, as noted below, included an evaluation of the relevance and application of the significant judgements and estimates within the Group's percentage of completion method calculations.<br><br>Our procedures comprised a combination of internal control assessments over construction contract revenue, contract-related procurement and payroll expenditure, and substantive audit procedures.<br><br>Our internal control tests consisted mainly of:<br>▸ 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.<br>▸ 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.<br>▸ 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.<br>▸ Testing was performed over a sample of project feasibilities to determine whether the required reviews and approvals have been obtained.<br><br>We selected a sample of contracts on which detailed substantive testing procedures were performed. Our sample was selected based on a combination of risk and monetary thresholds. This included high-value contracts and the assessment of whether there were any significant loss-making contracts.<br><br>Our audit procedures performed in assessing the appropriateness of estimates and judgements applied by management included:<br>▸ Discussions with management and quantity surveyors regarding the status of the selected contracts;<br>▸ Tests of a sample of actual costs incurred from a selection of contracts, to supporting documentation, with no significant variances noted;<br>▸ Evaluated and tested management's cost and revenue estimation process in accordance with the principles of IFRS 15, as described in note 20 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;<br>▸ Assessment of the competence, capabilities and objectivity of management's town planners and quantity surveyors by obtaining evidence relating to their qualifications, expertise and professional memberships. We noted no aspects requiring further consideration; |

# Independent auditor's report (continued)

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

### Separate financial statements

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

## Other information

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

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

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

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

## Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

## Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
*Director: C Marais Roux*
Registered Auditor

Waterfall City

18 May 2020

# Consolidated statement of financial position

for the year ended 29 February 2020

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment property | 5 | **13 833 550** | 14 019 768 |
| Property, plant and equipment | 6 | **27 490 484** | 12 173 346 |
| Intangible assets | 7 | **159 655 377** | 159 676 781 |
| Investments | 8 | **12 269 982** | 11 089 608 |
| Investment in joint ventures and associates | 9 | **152 377 193** | 153 006 235 |
| Deferred income tax asset | 10 | **57 263 604** | 43 354 750 |
| | | **422 890 190** | 393 320 488 |
| **Current assets** | | | |
| Loans to joint ventures and associates | 11 | **279 903 888** | 311 393 438 |
| Inventories | 12 | **719 305 469** | 568 498 000 |
| Current tax receivable | | **1 227 212** | 2 538 268 |
| Construction contracts | 13 | **945 948 487** | 1 279 072 872 |
| Trade and other receivables | 14 | **130 437 204** | 233 818 424 |
| Cash and cash equivalents | 15 | **255 069 163** | 122 632 997 |
| | | **2 331 891 423** | 2 517 953 999 |
| **Total assets** | | **2 754 781 613** | 2 911 274 487 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity attributable to owners of the parent | | | |
| Stated capital | 16 | **116 255 971** | 116 255 971 |
| Share-based payment reserve | 32 | **4 499 565** | – |
| Retained income | | **693 734 868** | 690 054 102 |
| | | **814 490 404** | 806 310 073 |
| Non-controlling interests | 31 | **701 527** | 277 638 |
| **Total equity** | | **815 191 931** | 806 587 711 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liability | 10 | **219 242 079** | 214 300 153 |
| | | **219 242 079** | 214 300 153 |
| **Current liabilities** | | | |
| Borrowings | 17 | **1 062 842 931** | 969 195 006 |
| Loans from joint ventures and associates | 11 | **–** | 23 000 000 |
| Current income tax liabilities | | **672 463** | 1 912 518 |
| Trade and other payables | 18 | **656 832 209** | 896 279 099 |
| | | **1 720 347 603** | 1 890 386 623 |
| **Total liabilities** | | **1 939 589 682** | 2 104 686 776 |
| **Total equity and liabilities** | | **2 754 781 613** | 2 911 274 487 |

# Consolidated statement of comprehensive income

for the year ended 29 February 2020

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Revenue** | 20 | **984 130 486** | 997 064 528 |
| Cost of sales | 21, 23 | **(883 521 154)** | (868 374 481) |
| **Gross profit** | | **100 609 332** | 128 690 047 |
| Other income | 22 | **11 314 454** | 36 538 480 |
| Administrative expenses* | 23 | **(89 116 268)** | (186 013 859) |
| Other expenses | 23 | **–** | (929 221) |
| Impairment gains/(losses) on financial and contract assets | 24 | **25 169 310** | (7 189 512) |
| **Operating profit/(loss)** | | **47 976 828** | (28 904 065) |
| Finance income | 25 | **30 800 370** | 50 005 032 |
| Finance costs | 26 | **(64 717 053)** | (59 365 719) |
| Share of (loss)/profit of joint ventures and associates – net of tax | 9 | **(732 541)** | 14 188 053 |
| **Profit/(loss) before tax** | | **13 327 604** | (24 076 699) |
| Taxation | 27 | **(7 984 810)** | 25 304 411 |
| **Profit after taxation** | | **5 342 794** | 1 227 712 |
| Other comprehensive income | | **–** | – |
| **Total comprehensive income** | | **5 342 794** | 1 227 712 |
| **Profit after taxation and other comprehensive income attributable to:** | | | |
| – Owners of the parent | | **4 918 905** | 3 240 735 |
| – Non-controlling interests | | **423 889** | (2 013 023) |
| | | **5 342 794** | 1 227 712 |
| **Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents per share)** | | | |
| – Basic | 36 | **3.84** | 2.53 |
| – Diluted | 36 | **3.68** | 2.48 |

* *Included in the administrative expenses is depreciation on right-of-use assets as disclosed in notes 6 and 19.*

# Consolidated statement of changes in equity

for the year ended 29 February 2020

| | Stated capital | Share-based payment reserve | Retained income | Total | Non-controlling interests[1] | Total equity |
|---|---|---|---|---|---|---|
| **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[2] | – | – | (56 690 715) | (56 690 715) | 1 935 650 | (54 755 065) |
| IFRS 15 opening balance adjustment to equity[3] | – | – | (318 004 388) | (318 004 388) | – | (318 004 388) |
| IFRS 9 opening balance adjustment to equity[3] | – | – | (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[4] | – | – | (609 619) | (609 619) | – | (609 619) |
| **Comprehensive income** | | | | | | |
| Profit/(loss) for the period | – | – | 3 240 735 | 3 240 735 | (2 013 023) | 1 227 712 |
| Other comprehensive income | – | – | – | – | – | – |
| **Total comprehensive income/ (expense)** | – | – | 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 |
| **Balance at 1 March 2019** | **116 255 971** | **–** | **690 054 102** | **806 310 073** | **277 638** | **806 587 711** |
| Change in accounting policy | | | | | | |
| IFRS 16 opening balance adjustment to equity[5] | **–** | **–** | **(936 743)** | **(936 743)** | **–** | **(936 743)** |
| **Restated total equity balance at 1 March 2019** | **116 255 971** | **–** | **689 117 359** | **805 373 330** | **277 638** | **805 650 968** |
| Share-based payment expense | **–** | **4 499 565** | **–** | **4 499 565** | **–** | **4 499 565** |
| Dividend declared[4] | **–** | **–** | **(301 396)** | **(301 396)** | **–** | **(301 396)** |
| **Comprehensive income** | | | | | | |
| Profit for the period | **–** | **–** | **4 918 905** | **4 918 905** | **423 889** | **5 342 794** |
| Other comprehensive income | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total comprehensive income** | **–** | **–** | **4 918 905** | **4 918 905** | **423 889** | **5 342 794** |
| **Balance at 29 February 2020** | **116 255 971** | **4 499 565** | **693 734 868** | **814 490 404** | **701 527** | **815 191 931** |
| Notes | 16 | 32 | | | 31 | |

1. *This relates to the shareholding of the subsidiaries, Calgro M3 Memorial Parks (Pty) Ltd, Belhar Calgro M3 Developments Company (Pty) Ltd, Holm Jordaan GWA (Pty) Ltd, Calgro M3 Procurement Services (Pty) Ltd and Calgro M3 Contractors (Pty) Ltd where the Calgro M3 Group does not hold 100% of the shareholding.*
2. *This relates to the remaining shareholding purchased in Calgro M3 Memorial Parks Nasrec (Pty) Ltd. Refer to note 31.*
3. *This relates to the adjustment for the adoption of IFRS 15 and IFRS 9 standards in the prior financial year.*
5. *This relates to the adjustment for the adoption of IFRS 16 standard in the current financial year. Refer to note 2.6.*
4. *The dividend is payable by Calgro M3 Procurement Management (Pty) Ltd, a wholly owned subsidiary of the Group, to the Calgro M3 Educational Trust, which is not consolidated into the Group as the Group does not have control of the Trust.*

# Consolidated statement of cash flows

for the year ended 29 February 2020

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Cash generated from operating activities** | | | |
| Cash generated from operations | 28 | **464 208 720** | 298 290 312 |
| Finance income received | | **14 598 305** | 10 647 074 |
| Finance cost paid | | **(117 612 227)** | (115 459 090) |
| Tax (paid)/refunded | 29 | **(17 817 929)** | 8 604 779 |
| **Net cash generated from operating activities** | | **343 376 869** | 202 083 075 |
| **Cash flows invested in investing activities** | | | |
| Additions of investment property | | **(16 759)** | (50 946) |
| Purchase of property, plant and equipment | | **(771 883)** | (2 802 835) |
| Proceeds from the sale of property plant and equipment | | **379 635** | – |
| Purchase of intangible assets | | **–** | (38 760) |
| Investments in joint venture and associates | 9 | **(103 500)** | (119 793 746) |
| Acquisition of business | 30 | **(12 500 000)** | (25 500 000) |
| Loans advanced to joint ventures and associates | | **(163 238 723)** | (149 974 273) |
| Loans repaid by joint ventures and associates | | **18 049 785** | – |
| **Net cash invested in investing activities** | | **(158 201 445)** | (298 160 560) |
| **Cash flows (repaid in)/from financing activities** | | | |
| Proceeds from borrowings | 17 | **145 000 000** | 273 000 000 |
| Repayment of borrowings | 17 | **(157 000 000)** | (193 000 000) |
| Loans received from joint ventures and associates | 11 | **–** | 23 000 000 |
| Loans repaid to joint ventures and associates | 11 | **(23 000 000)** | – |
| Repayment of capital portion on leases | | **(1 839 258)** | – |
| Equity paid back | | **–** | (25 112 453) |
| Transactions with non-controlling interest | 31 | **(15 900 000)** | (15 900 000) |
| **Net cash (repaid in)/from financing activities** | | **(52 739 258)** | 61 987 547 |
| **Net increase/(decrease) in cash and cash equivalents** | | **132 436 166** | (34 089 938) |
| Cash and cash equivalents at the beginning of the year | | **122 632 997** | 156 722 935 |
| **Cash and cash equivalents the at end of the year** | 15 | **255 069 163** | 122 632 997 |

# Notes to the consolidated financial statements

for the year ended 29 February 2020

## 1. Segment information

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

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

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

- Residential Property Development
- Memorial Parks
- Residential Rental Investments

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

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

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

The segmental information provided to Exco for the year ended 29 February 2020 has been provided below. The table indicates from where the Group's revenue has been earned, including its joint ventures and associates. The revenue earned by the joint ventures and associates, in their own capacities, have been disclosed in note 9.

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

## 1. Segment information *(continued)*

| | Residential Property Development | Memorial Parks | Residential Rental Investments | All other segments | Total |
|---|---|---|---|---|---|
| **2020** | | | | | |
| **Total segment revenue** | **950 342 471** | **25 692 483** | **8 095 532** | **–** | **984 130 486** |
| Fleurhof Project | **379 496 553** | **–** | **–** | **–** | **379 496 553** |
| Jabulani Project | **28 379 457** | **–** | **–** | **–** | **28 379 457** |
| Witpoortjie Calgro M3 Development Company (Pty) Ltd | **41 229 720** | **–** | **–** | **–** | **41 229 720** |
| South Hills Development Company (Pty) Ltd | **88 632 014** | **–** | **–** | **–** | **88 632 014** |
| Belhar Project | **229 038 318** | **–** | **–** | **–** | **229 038 318** |
| Third parties | **183 566 409** | **25 692 483** | **8 095 532** | **–** | **217 354 424** |
| **Combined revenue*** | **1 098 329 583** | **25 692 483** | **8 095 532** | **–** | **1 132 117 598** |
| **2020** | | | | | |
| Total segment revenue | **950 342 471** | **25 692 483** | **8 095 532** | **–** | **984 130 486** |
| Revenue of joint ventures and associates | **147 987 112** | **–** | **–** | **–** | **147 987 112** |
| Witpoortjie Calgro M3 Development Company (Pty) Ltd | **52 240 967** | **–** | **–** | **–** | **52 240 967** |
| South Hills Development Company (Pty) Ltd | **95 746 145** | **–** | **–** | **–** | **95 746 145** |
| **Gross revenue** | **950 342 471** | **25 692 483** | **8 095 532** | **–** | **984 130 486** |
| Point in time | **364 097 085** | **23 505 534** | **8 095 532** | **–** | **395 698 151** |
| Over time | **586 245 386** | **2 186 949** | **–** | **–** | **588 432 335** |
| Revenue | **950 342 471** | **25 692 483** | **8 095 532** | **–** | **984 130 486** |
| Gross revenue | **924 964 186** | **25 692 483** | **8 095 532** | **–** | **958 752 201** |
| Reversal of unrealised profit realised adjustment# | **25 378 285** | **–** | **–** | **–** | **25 378 285** |
| Cost of sales | **(866 919 573)** | **(11 840 138)** | **(4 761 443)** | **–** | **(883 521 154)** |
| **Gross profit** | **83 422 898** | **13 852 345** | **3 334 089** | **–** | **100 609 332** |
| Other income | **3 477 007** | **5 563 750** | **2 273 697** | **–** | **11 314 454** |
| Administrative expenses | **(76 382 272)** | **(7 426 071)** | **(396 423)** | **(4 911 502)** | **(89 116 268)** |
| Net impairment losses on financial and contract assets | **27 763 743** | **(16 872)** | **(2 577 561)** | **–** | **25 169 310** |
| **Operating profit/(loss)** | **38 281 376** | **11 973 152** | **2 633 802** | **(4 911 502)** | **47 976 828** |
| Finance income | **27 841 970** | **156 961** | **1 212 114** | **1 589 325** | **30 800 370** |
| Finance costs^ | **(42 957 844)** | **(15 076 820)** | **(6 682 389)** | **–** | **(64 717 053)** |
| Share of loss of associates/joint venture – net of tax | **(732 541)** | **–** | **–** | **–** | **(732 541)** |
| **Profit/(loss) before tax** | **22 432 960** | **(2 946 707)** | **(2 836 473)** | **(3 322 177)** | **13 327 604** |
| Taxation | **(18 204 746)** | **7 149 500** | **3 214 308** | **(143 872)** | **(7 984 810)** |
| **Profit/(loss) after taxation** | **4 228 215** | **4 202 793** | **377 835** | **(3 466 049)** | **5 342 794** |
| Other comprehensive income | **–** | **–** | **–** | **–** | **–** |
| **Total comprehensive income/(loss)** | **4 228 215** | **4 202 793** | **377 835** | **(3 466 049)** | **5 342 794** |

** Combined revenue is the total segment revenue plus the total revenue of joint ventures and associates. The revenue included represents the gross revenue of each joint venture and does not include any inter-group eliminations. Refer to note 9 for details on revenue attributable to joint ventures and associates.*

*# The unrealised profit adjustment consists of profits that were generated on the development/construction of units to the Afhco Calgro M3 Consortium (Pty) Ltd (REIT JV), in which Calgro M3 had a 49% shareholding historically. The unrealised profit is realised upon transfer of the unit to the end user.*

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 1. Segment information *(continued)*

| | Residential Property Development | Memorial Parks | Residential Rental Investments | All other segments | Total |
|---|---|---|---|---|---|
| **Profit/(loss) after taxation and other comprehensive income attributable to:** | | | | | |
| – Owners of the parent | 3 804 326 | 4 202 793 | 377 835 | (3 466 049) | 4 918 905 |
| – Non-controlling interests | 423 889 | – | – | – | 423 889 |
| | 4 228 215 | 4 202 793 | 377 835 | (3 466 049) | 5 342 794 |
| **2020** | | | | | |
| **Non-current assets** | | | | | |
| Investment property | – | 13 833 550 | – | – | 13 833 550 |
| Property, plant and equipment | 18 919 057 | 8 571 427 | – | – | 27 490 484 |
| Intangible assets | 158 960 573 | 694 804 | – | – | 159 655 377 |
| Investments | – | 12 269 982 | – | – | 12 269 982 |
| Investment in joint ventures and associates | 32 583 446 | – | 119 793 747 | – | 152 377 193 |
| Deferred income tax asset | 33 503 781 | 5 732 007 | 3 285 734 | 14 742 082 | 57 263 604 |
| | 243 966 857 | 41 101 770 | 123 079 481 | 14 742 082 | 422 890 190 |
| **Current assets** | | | | | |
| Loans to joint ventures and associates | 267 434 639 | – | 12 469 249 | – | 279 903 888 |
| Inventories | 525 747 341 | 193 558 128 | – | – | 719 305 469 |
| Current tax receivable | 556 190 | – | 671 022 | – | 1 227 212 |
| Construction contracts | 945 948 487 | – | – | – | 945 948 487 |
| Trade and other receivables | 124 729 259 | 5 707 945 | – | – | 130 437 204 |
| Cash and cash equivalents | 244 895 174 | 9 730 310 | 379 565 | 64 114 | 255 069 163 |
| | 2 109 311 090 | 208 996 383 | 13 519 836 | 64 114 | 2 331 891 423 |
| **Total assets** | 2 353 277 947 | 250 098 153 | 136 599 317 | 14 806 196 | 2 754 781 613 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Deferred income tax liability | 138 692 911 | 3 317 240 | – | 77 231 928 | 219 242 079 |
| | 138 692 911 | 3 317 240 | – | 77 231 928 | 219 242 079 |
| **Current liabilities** | | | | | |
| Borrowings* | 912 423 390 | 97 315 153 | 53 104 388 | – | 1 062 842 931 |
| Current income tax liabilities | 523 138 | 149 325 | – | – | 672 463 |
| Trade and other payables | 562 869 653 | 92 297 312 | 9 309 | 1 655 935 | 656 832 209 |
| | 1 475 816 181 | 189 761 790 | 53 113 697 | 1 655 935 | 1 720 347 603 |
| **Total liabilities** | 1 614 509 092 | 193 079 030 | 53 113 697 | 78 887 863 | 1 939 589 682 |

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

## 1. Segment information *(continued)*

| | Residential Property Development | Memorial Parks | Residential Rental Investments | All other segments | Total |
|---|---|---|---|---|---|
| **2019** | | | | | |
| **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*** | 1 260 672 163 | 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# | 41 956 195 | – | – | – | 41 956 195 |
| Reversal of unrealised profit adjustment# | (8 849 044) | – | – | – | (8 849 044) |
| Cost of sales | (861 396 493) | (6 977 988) | – | – | (868 374 481) |
| **Gross profit** | 114 748 293 | 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 profit/(loss)** | (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^ | (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 |
| **Profit/(loss) 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/(loss)** | 4 532 448 | 1 721 265 | 1 667 645 | (6 693 646) | 1 227 712 |

** Combined revenue is the total segment revenue plus the total revenue of joint ventures and associates. The revenue included represents the gross revenue of each joint venture and does not include any inter-group eliminations. Refer to note 9 for details on revenue attributable to joint ventures and associates.*

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

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 1. Segment information *(continued)*

| | Residential Property Development | Memorial Parks | Residential Rental Investments | All other segments | 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 |
| **2019** | | | | | |
| **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* | 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 |

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

## 2. General information

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

The Company is listed on the Johannesburg Stock Exchange.

## 2. General information *(continued)*

### 2.1 Summary of significant accounting policies

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

### 2.2 Basis of preparation

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

### 2.3 Working capital cycle

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

### 2.4 Significant estimates and judgements

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

- Fair value estimation ↪ note 4
- Right-of-use assets and lease liability ↪ notes 2.6, 6 and 19
- Impairment of goodwill ↪ note 7
- Assessment of joint control ↪ note 9
- Land under development held for sale ↪ note 12
- Impairment of financial assets ↪ note 2.11.2
- Percentage of completion method for measuring construction revenue ↪ note 20
- Scope of construction agreements ↪ note 20
- Share-based payments ↪ note 32
- Working capital cycle ↪ note 2.3
- Long service awards provision ↪ note 18

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 2. General information *(continued)*

### 2.5 New standards and interpretations

#### *2.5.2 Standards and interpretations issued and effective*

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

| Topic | Key requirements | Effective date |
|---|---|---|
| IFRS 16: *Leases* | This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.<br><br>Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.<br><br>For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.<br><br>At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.<br><br>IFRS 16 supersedes IAS 17: *Leases*, IFRIC 4: *Determining whether an Arrangement contains a Lease*, SIC 15: *Operating Leases – Incentives* and SIC 27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.<br><br>Based on the requirements of this new standard the Group has capitalised the lease of the two office buildings and raised the corresponding liability, refer to notes 2.6, 6 and 19. | 1 January 2019 |
| Amendments to IAS 19: *Employee benefits on plan amendment, curtailment or settlement* | These amendments require an entity to:<br>▸ Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and<br>▸ Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset.<br><br>The Group has assessed this standard and determined that it has no material impact in the current year. | 1 January 2019 |

## 2. General information *(continued)*

### 2.5 New standards and interpretations *(continued)*

#### *2.5.2 Standards and interpretations issued and effective (continued)*

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 2. General information *(continued)*

### 2.5 New standards and interpretations *(continued)*

#### 2.5.2 *Standards and interpretations issued and effective (continued)*

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

#### 2.5.2 *Standards and interpretations issued not yet effective*

There are a number of new standards and amendments to new standards and interpretations which will only be effective after the 2020 year-end.

The initial assessment by management is that the impact of these standards and interpretations will be immaterial.

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

## 2. General information *(continued)*

### 2.6 Changes in accounting policies

This note explains the impact of the adoption of IFRS16 on the annual financial statements.

The Group has adopted IFRS 16: *Leases* from 1 March 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 March 2019.

Accordingly, the comparative information for the previous financial year has not been restated – i.e. it is presented as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

*IAS 17: Accounting Policy (old policy)*

*Determining whether an arrangement contains a lease*

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

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

*Leased assets*

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

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

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

*Lease payments*

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

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

#### *2.6.1 Definition of a lease*

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

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

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 2. General information *(continued)*

### 2.6 Changes in accounting policies *(continued)*

#### *2.6.2 As a lessee*

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

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

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

| | Office buildings |
|---|---|
| Balance at 1 March 2019 | **19 289 400** |
| Depreciation on right-of-use assets [IFRS 16] (↻ note 23) | **(3 147 750)** |
| **Balance at 29 February 2020** | **16 141 650** |

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

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

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

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

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

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

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

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

## 2. General information *(continued)*

### 2.6 Changes in accounting policies *(continued)*

#### *2.6.2 As a lessee (continued)*

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

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

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

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

#### *2.6.3 As a lessor*

The Group leases out its investment property and has classified these leases as operating leases.

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

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

#### *2.6.4 Transitional provisions – modified retrospective approach*

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

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

An incremental borrowing rate was used to determine the value of the lease liability and asset on the date of adoption. The incremental borrowing rate of 11.46% determined based on a borrowing over a similar term and similar security with an asset of a similar value.

#### *2.6.5 Impact on financial statements on transition*

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

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 2. General information *(continued)*

### 2.6 Changes in accounting policies *(continued)*

#### 2.6.5 *Impact on financial statements on transition (continued)*

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

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

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

| | 1 March 2019 as reported | IFRS 16 Opening balance adjustment | 1 March 2019 adjusted | IFRS 16 Year-end impact | 29 February 2020 |
|---|---|---|---|---|---|
| **Statement of financial position** | | | | | |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 173 346 | 19 289 400 | 31 462 746 | (3 147 750) | **28 314 996** |
| Deferred tax asset | 16 465 456 | – | 16 465 456 | (229 535) | **16 235 921** |
| **Current assets** | | | | | |
| Bank | 122 632 997 | – | 122 632 997 | (4 342 776) | **118 290 221** |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Retained income | 690 054 102 | (936 743) | 689 117 359 | (4 068 913) | **685 048 446** |
| **Liabilities** | | | | | |
| Deferred income tax liability | 214 300 153 | 936 743 | 215 236 896 | (1 582 355) | **213 654 541** |
| Trade and other payables | 896 279 099 | 19 289 400 | 915 568 499 | (819 768) | **914 748 731** |
| **Statement of comprehensive income** | | | | | |
| Administrative expenses | | | | (3 147 750) | |
| **Operating profit** | | | | (3 147 750) | |
| Finance costs | | | | (2 503 518) | |
| **Profit before tax** | | | | (5 651 268) | |
| Taxation | | | | 1 582 355 | |
| **Profit after taxation** | | | | (4 068 913) | |
| **Total comprehensive income** | | | | (4 068 913) | |

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

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

## 2. General information *(continued)*

### 2.7 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and all its subsidiaries. In the case of joint ventures and associates, those entities are presented as single line items in the statement of comprehensive income and statement of financial position (refer to note 9). Intercompany transactions and balances are eliminated on consolidation. Consistent accounting policies have been applied across the Group in the preparation of the Consolidated Financial Statements.

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

### 2.8 Impairment of non-financial assets

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

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

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

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

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

### 2.9 Provisions and contingencies

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

Contingent assets and contingent liabilities are not recognised but rather disclosed in the notes to the financial statements. No contingent assets or liabilities existed at the year-end.

### 2.10 Foreign currency translation

*Functional and presentation currency*

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

### 2.11 Financial instruments

#### *2.11.1 Classification and measurement of financial assets*

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

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 2. General information *(continued)*

### 2.11 Financial instruments *(continued)*

#### *2.11.1 Classification and measurement of financial assets (continued)*

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 flows characteristics.

*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 are directly attributable to the acquisition of the financial asset and subsequently recognised at amortised cost.

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

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

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

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

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

*Financial liabilities*

At initial recognition the Group 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 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.

#### *2.11.2 Impairment*

The Group assesses on a forward looking basis the ECLs (expected credit losses) associated with its financial asset instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECLs are a probability weighted estimate of credit losses.

Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the original effective interest rate of the financial asset.

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

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

## 2. General information *(continued)*

### 2.11 Financial instruments *(continued)*

#### *2.11.2 Impairment (continued)*

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

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

The Group takes the following into account when determining the applicable ECL rates for financial assets.

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

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

1. Government institution exposure. The exposure to government is based on the type of project and units being constructed for government institutions within the geographic of South Africa.
2. Normal business risk exposure. The exposure to other corporate customers and businesses within the geography of South Africa.
3. Financial institution risk exposure – the exposure to local financial institutions within geographic of South Africa
4. Trade receivables – rental debtors exposure – the exposure to the consumer risk relating to non-payment of rental debtors.

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 2. General information *(continued)*

### 2.11 Financial instruments *(continued)*

#### *2.11.2 Impairment (continued)*

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

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

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

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

| | Government institution exposure | Normal business risk exposure | Financial institution risk exposure | Total |
|---|---|---|---|---|
| **Loans to joint ventures and associates** | | | | |
| New projects with significant government exposure | 56 813 207 | – | – | 56 813 207 |
| Project at an early to mid-stage of completion | – | 217 816 029 | – | 217 816 029 |
| Project backed by a financial institution at an early to mid-stage of completion | – | – | 16 661 041 | 16 661 041 |
| **Loans to joint ventures and associates** | 56 813 207 | 217 816 029 | 16 661 041 | 291 290 277 |
| **Construction contracts – contract assets** | | | | |
| Project at an early to mid-stage of completion | 47 265 307 | 12 487 597 | – | 59 752 904 |
| Project at an advanced stage of completion | – | 5 732 690 | – | 5 732 690 |
| Project backed by a financial institution at an early to mid-stage of completion | – | – | 67 300 763 | 67 300 763 |
| Specific exposure | 1 928 120 | 265 215 600 | – | 267 143 720 |
| **Construction contracts – contract assets** | 49 193 427 | 283 435 886 | 67 300 763 | 399 930 077 |
| Trade receivables – other | | | | |
| Project at an early to mid-stage of completion | 54 552 369 | 36 038 652 | – | 90 591 021 |
| Project backed by a financial institution at an early to mid-stage of completion | – | – | 7 573 262 | 7 573 262 |
| Specific exposure | 10 738 795 | 1 794 585 | – | 12 533 380 |
| **Trade receivables – other** | 65 291 164 | 37 833 237 | 7 573 262 | 110 697 663 |

## 2. General information *(continued)*

### 2.11 Financial instruments *(continued)*

#### *2.11.2 Impairment (continued)*

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

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

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

| | February 2019 | | | |
|---|---|---|---|---|
| | Government institution exposure | Normal business risk exposure | Financial institution risk exposure | Total |
| **Rates to be utilised for the ECLs** | 7.76% | 2.50% | 1.11% | |
| **The concentration of gross carrying amount of financial assets relevant to the applicable ECL rates are as follows:** | | | | |
| ▸ Loans to joint ventures and associates | 41 895 628 | – | 275 810 407 | 317 706 035 |
| ▸ Construction contracts – contract assets* | 325 746 377 | 22 831 639 | 531 218 395 | 879 796 411 |
| ▸ Trade receivables – other | 42 362 841 | 130 895 691 | 35 998 117 | 209 256 649 |
| | 410 004 846 | 153 727 330 | 843 026 919 | 1 406 759 095 |

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

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

The Group considers a financial asset to be credit impaired when one or more events have incurred such as:

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 2. General information *(continued)*

### 2.11 Financial instruments *(continued)*

#### *2.11.2 Impairment (continued)*

Should the Group determine that a financial asset is credit impaired, it is excluded from that grouping for the purpose of calculating the ECL. A specific ECL rate is determined based on the assessment of the individual circumstances relevant to that financial asset and the events that led to the credit impairment

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

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

| | Notes | **2020** | 2019 |
|---|---|---|---|
| **Financial assets** | | | |
| **Financial assets at amortised costs** | | | |
| Loans to joint ventures and associates | 11 | **291 290 277** | 317 706 034 |
| Construction contracts – contract assets | 13 | **399 930 077** | 879 796 412 |
| Trade and other receivables – other | 14 | **110 697 663** | 209 256 649 |
| Trade and other receivables – rental debtors | 14 | **2 399 230** | – |
| Cash and cash equivalents | 15 | **255 069 163** | 122 632 997 |
| | | **1 059 386 410** | 1 529 392 092 |
| **Financial assets through equity** | | | |
| Investment in joint ventures and associates | 9 | **152 377 193** | 153 006 235 |
| | | **152 377 193** | 153 006 235 |
| **Financial assets at fair value through profit and loss** | | | |
| Investments | 8 | **12 269 982** | 11 089 608 |
| | | **12 269 982** | 11 089 608 |

| | Notes | Expected credit loss model applied | Opening balance 1 March 2019 | Current year movement | **Closing balance 29 February 2020** |
|---|---|---|---|---|---|
| **Reconciliation of expected credit losses on financial assets at amortised cost – 2020** | | | | | |
| Loans to joint ventures and associates | 11 | General | 6 312 596 | 5 073 794 | **11 386 390** |
| Construction contracts – contract assets | 13 | Lifetime | 35 432 921 | (31 029 926) | **4 402 995** |
| Trade and other receivables – other | 14 | Lifetime | 6 791 575 | (1 612 408) | **5 179 167** |
| Trade and other receivables – rental debtors | 14 | Lifetime | – | 2 399 230 | **2 399 230** |
| Cash and cash equivalents | 15 | | – | – | **–** |
| | | | 48 537 092 | (25 169 310) | **23 367 782** |

Reasons for the current year movements in the ECL balance.

*Loans to joint ventures and associates*

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

## 2. General information *(continued)*

### 2.11 Financial instruments *(continued)*

#### *2.11.2 Impairment (continued)*

*Construction contracts – contract assets*

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

*Trade and other receivables – other*

- The decrease in the provision is due to the overall decrease in the trade receivable balance of R98 million which has been settled during the period.

*Trade and other receivables – rental debtors*

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

| | Notes | Expected credit loss model applied | Opening balance 1 March 2019 | Current year movement | **Closing balance 29 February 2020** |
|---|---|---|---|---|---|
| **Reconciliation of expected credit losses on financial assets at amortised cost – February 2019** | | | | | |
| Loans to joint ventures and associates | 11 | General | 3 322 651 | 2 989 945 | **6 312 596** |
| Construction contracts – contract assets | 13 | Lifetime | 34 470 844 | 962 077 | **35 432 921** |
| Trade and other receivables | 14 | Lifetime | 3 554 086 | 3 237 489 | **6 791 575** |
| Cash and cash equivalents | 15 | Lifetime | – | – | **–** |
| | | | 41 347 581 | 7 189 511 | **48 537 092** |

**Reasons for the prior year movements in the ECL balance**

*Loans to joint ventures and associates*

- The overall balance increased due to loans to joint ventures increasing from R143.4 million to R317 million. This is mainly due to the increase in the loan provided to AFHCO Calgro M3 Consortium (Pty) Ltd to fund the acquisition of residential rental units.

*Construction contracts – contract assets*

- The overall provision increased due to the slight increase in contract asset balances compared to adjusted opening balances and the higher ECL rates applied.

*Trade and other receivables*

- The increase in the balance is due to a significant amount of the outstanding trade receivable balance (R36.4 million) having government-related exposure compared to relatively no exposure at February 2018. The overall trade receivable balance also increased from R165.6 million at February 2018 to R179.9 million at February 2019 which increased the overall expected credit loss provision.

| | Notes | **2020** | 2019 |
|---|---|---|---|
| **Financial liabilities** | | | |
| Financial liabilities at amortised cost | | | |
| Borrowings | 17 | **1 062 842 931** | 969 195 006 |
| Trade and other payables** | 18 | **596 229 973** | 825 420 956 |
| | | **1 659 072 904** | 1 794 615 962 |

** *Excluding non-financial liabilities.*

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 3. Risk management

### 3.1 Financial risk management

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

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

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

The Group's interest rate risk arises mainly from its borrowings (refer to note 17).

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

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

| | **2020** | 2019 |
|---|---|---|
| 2% increase/(decrease) on finance charges on interest-bearing borrowings | **15 750 192** | 14 378 229 |
| 2% increase/(decrease) on finance income on interest-bearing assets | **3 237 246** | 1 885 325 |

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

*(b) Credit risk*

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

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

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

*(c) Liquidity risk*

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

## 3. Risk management *(continued)*

### 3.1 Financial risk management *(continued)*

*(c) Liquidity risk (continued)*

A specific liquidity risk associated with the Group is the raising of loans at specified dates of repayment, against delivery of construction projects that have the same maturity profile. The related cash inflows from these construction projects are, however, uncertain and dependent on factors not under the control of the Group. The financial liabilities to be settled within one year will be funded by cash and cash equivalents as well as the realisation of trade and other receivables and construction contracts. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining year at the reporting year date to the contractual maturity date.

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

| | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | Total |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| **Financial instruments recognised on the statement of financial position** | | | | | | |
| Borrowings (including future interest) | **382 713 750** | **323 621 750** | **349 019 300** | **222 333 400** | **66 780 000** | **1 344 468 200** |
| Trade and other payables | **347 567 612** | **119 539 286** | **114 616 252** | **6 092 961** | **21 379 582** | **609 195 693** |
| | **730 281 362** | **443 161 036** | **463 635 552** | **228 426 361** | **88 159 582** | **1 953 663 893** |
| **2019** | | | | | | |
| **Financial instruments recognised on the statement of financial position** | | | | | | |
| Borrowings (including future interest) | 262 748 500 | 358 945 375 | 237 047 000 | 194 683 950 | 235 410 300 | 1 288 835 125 |
| Loans from joint ventures | 23 000 000 | – | – | – | – | 23 000 000 |
| Trade and other payables | 764 662 754 | 31 450 000 | 31 150 000 | – | – | 827 262 754 |
| | 1 050 411 254 | 390 395 375 | 268 197 000 | 194 683 950 | 235 410 300 | 2 139 097 879 |

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

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

### 3.2 Capital risk management

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

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 3. Risk management *(continued)*

### 3.2 Capital risk management *(continued)*

**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).

| | 2020 | 2019 |
|---|---|---|
| **Net debt** | | |
| Borrowings (refer to note 17) | **1 062 842 931** | 969 195 006 |
| Other interest-bearing borrowings | **30 920 436** | 29 293 118 |
| *Less:* Cash and cash equivalents (refer to note 15) | **(255 069 163)** | (122 632 997) |
| | **838 694 204** | 875 855 127 |
| **Equity** | | |
| Stated capital | **116 255 971** | 116 255 971 |
| Retained income | **693 734 868** | 690 054 102 |
| | **809 990 839** | 806 310 073 |
| **Net debt/equity ratio** | **1.04** | 1.09 |

The Group monitors capital repayments and interest serviceability on the basis of its debt service cover ratio ("DSCR"). The minimum allowed DSCR ratio for the Group is 1.2.

**Debt Service Cover Ratio ("DSCR")**
This ratio is calculated as available cash flow divided by debt service requirement. Available cash flow is calculated as cash generated from/(utilised in) operating activities plus new financial indebtedness incurred plus cash and cash equivalent at the beginning of the year less 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.

| | 2020 | 2019 |
|---|---|---|
| **Available cash flow** | | |
| Cash generated from operating activities (refer to note 28) | **464 208 720** | 298 290 312 |
| New financial indebtedness incurred | **145 000 000** | 296 000 000 |
| Cash and cash equivalent | **122 632 997** | 156 722 935 |
| Capex | **(158 201 445)** | (298 160 560) |
| | **573 640 272** | 452 852 687 |
| **Debt service requirement** | | |
| Interests and fees | **(117 612 227)** | (115 459 090) |
| Principal repayments | **(180 000 000)** | (193 000 000) |
| | **(297 612 227)** | (308 459 090) |
| **Debt service cover ratio** | **1.93** | 1.47 |

Refer to the statement of cash flows for the above balances.

*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.

## 4. Fair values

### Financial instruments

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

### Non-financial instruments

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

The valuation utilised replacement costs based on a $m^2$ rate, ranging between R7 500 and R8 500 per $m^2$, including an escalation fee at 3% and professional fee at 12%, which is applicable to all investment properties.

### Fair value table

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

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

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

| | | | Fair value | | | |
|---|---|---|---|---|---|---|
| | Carrying values | | Level 2 | | Level 3 | |
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| **Assets** | | | | | | |
| Investments% | **12 269 982** | 11 089 608 | | | **12 269 982** | 11 089 608 |
| Investment property | **13 833 550** | 14 019 768 | | | **13 833 550** | 14 019 768 |
| Loans to joint ventures and associates | **291 290 277** | 311 393 438 | | | **291 290 277** | 311 393 438 |
| Trade and other receivables | **113 096 893** | 209 256 649 | | | **113 096 893** | 209 256 649 |
| **Liabilities** | | | | | | |
| Borrowings | **681 385 966** | 589 173 186 | **689 784 563*** | 601 068 374* | **–** | – |
| Loans from joint ventures and associates | **–** | – | | | **–** | – |
| Trade and other payables | **596 229 973** | 786 681 789 | | | **596 229 973** | 786 681 789 |

*% Based on prices for units trusts held by reputable financial institutions.*
** Based on quoted prices on the Bond Exchange.*

Borrowings from Proparco are carried at amortised cost.

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 5. Investment property

**Accounting policy**
Investment property is initially recognised at cost and subsequently measured at fair value. The fair value for the commercial properties are determined based on their replacement value.

| | Cost 2020 | Fair value adjustment 2020 | Carrying amount 2020 | Cost 2019 | Fair value adjustment 2019 | Carrying amount 2019 |
|---|---|---|---|---|---|---|
| Investment property | **12 177 963** | **1 655 587** | **13 833 550** | 12 364 181 | 1 655 587 | 14 019 768 |

| | 2020 | 2019 |
|---|---|---|
| **Reconciliation of investment** | | |
| Opening balance at 1 March | **14 019 768** | 8 878 835 |
| Additions | **16 759** | 4 565 346 |
| Transfer to property, plant and equipment | **(202 977)** | (1 080 000) |
| Fair value adjustment | **–** | 1 655 587 |
| **Closing balance** | **13 833 550** | 14 019 768 |

In the current year, the crematorium in the Memorial Parks Fourways was transferred from investment properties to properties, plant and equipment with a carrying amount of R202 977.

In the prior year, investment properties to the value of R1 080 000 were transferred from investment properties to properties, plant and equipment due to the building being owner occupied.

In the current year, additions to the value of R16 760 (2019: R4 565 346) were made to the investment properties. In the prior year, additions of R4 322 880 were acquired through the acquisition of the Durbanville Memorial Park business and R191 520 acquired through the acquisition of Bloemfontein Memorial Park Business. Refer to note 30.

Land and buildings under investment property have a fair value of R14 019 768 (2019: R14 019 768). All investment properties held in the Group are commercial properties.

The company obtains an external valuation every 2nd year as management does not believe there to be a material movement year on year. The last valuation was performed at 28 February 2019, by an independent valuer who held a recognised and relevant professional qualification and had recent experience in the location and category of the investment property being valued. At year-end there was no indication that the value would have differed significantly from the prior year.

Rental income received in respect of investment property amounts to R4 022 489 (2019: R3 892 305). Refer to note 22.

## 6. Property, plant and equipment

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

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

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

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

| Owned item | Average useful life |
|---|---|
| Land and buildings | Land: Unlimited, Buildings: Up to 50 years |
| Plant and machinery and motor vehicles | 5 years |
| Leasehold improvements | 10 years |
| Furniture and fixtures and office equipment | 6 years |
| IT equipment | 3 years |
| **Right-of-use asset** | |
| Office buildings | Based on the lease period |

| | Cost 2020 | Accumulated depreciation 2020 | Carrying amount 2020 | Cost 2019 | Accumulated depreciation 2019 | Carrying amount 2019 |
|---|---|---|---|---|---|---|
| **Owned** | | | | | | |
| Land and buildings | **6 897 434** | **–** | **6 897 434** | 6 897 434 | – | 6 897 434 |
| Plant and machinery | **3 237 421** | **(1 579 773)** | **1 657 648** | 3 281 521 | (1 362 063) | 1 919 458 |
| Furniture and fixtures | **1 439 452** | **(958 444)** | **481 008** | 1 439 452 | (732 736) | 706 716 |
| Motor vehicles | **582 196** | **(127 922)** | **454 274** | 200 000 | (43 333) | 156 667 |
| Office equipment | **933 589** | **(739 741)** | **193 848** | 933 589 | (612 551) | 321 038 |
| IT equipment | **2 189 382** | **(1 500 311)** | **689 071** | 1 885 195 | (901 129) | 984 066 |
| Leasehold improvements | **1 923 613** | **(948 062)** | **975 551** | 1 923 613 | (735 646) | 1 187 967 |
| | **17 203 087** | **(5 854 253)** | **11 348 834** | 16 560 804 | (4 387 458) | 12 173 346 |
| **Right-of-use asset** | | | | | | |
| Office buildings | **19 289 400** | **(3 147 750)** | **16 141 650** | – | – | – |
| | **19 289 400** | **(3 147 750)** | **16 141 650** | – | – | – |
| **Total** | **36 492 487** | **(9 002 003)** | **27 490 484** | 16 560 804 | (4 387 458) | 12 173 346 |

| | Opening balance | Additions | Transfer from investment property | Disposal | Depreciation | Closing carrying amount |
|---|---|---|---|---|---|---|
| **Reconciliation of property, plant and equipment – owned – 2020** | | | | | | |
| Land and buildings | **6 897 434** | **–** | **–** | **–** | **–** | **6 897 434** |
| Plant and machinery | **1 919 458** | **85 500** | **202 977** | **(251 747)** | **(298 540)** | **1 657 648** |
| Furniture and fixtures | **706 716** | **–** | **–** | **–** | **(225 708)** | **481 008** |
| Motor vehicles | **156 667** | **382 196** | **–** | **–** | **(84 589)** | **454 274** |
| Office equipment | **321 038** | **–** | **–** | **–** | **(127 190)** | **193 848** |
| IT equipment | **984 066** | **304 187** | **–** | **–** | **(599 182)** | **689 071** |
| Leasehold improvements | **1 187 967** | **–** | **–** | **–** | **(212 416)** | **975 551** |
| | **12 173 346** | **771 883** | **202 977** | **(251 747)** | **(1 547 625)** | **11 348 834** |
| **Reconciliation of property, plant and equipment – right-of-use asset – 2020** | | | | | | |
| Office buildings | **–** | **19 289 400** | **–** | **–** | **(3 147 750)** | **16 141 650** |
| | **–** | **19 289 400** | **–** | **–** | **(3 147 750)** | **16 141 650** |

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

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

| | Opening balance | Additions | Transfer from investment properties | Depreciation | Closing carrying amount |
|---|---|---|---|---|---|
| **Reconciliation of property, plant and equipment – owned – 2019** | | | | | |
| Land and buildings | 1 728 692 | 4 088 742 | 1 080 000 | – | 6 897 434 |
| Plant and machinery | 712 158 | 1 422 470 | – | (215 170) | 1 919 458 |
| Furniture and fixtures | 879 203 | 56 003 | – | (228 490) | 706 716 |
| Motor vehicles | 196 667 | – | – | (40 000) | 156 667 |
| Office equipment | 452 961 | – | – | (131 923) | 321 038 |
| IT equipment | 792 634 | 687 956 | – | (496 524) | 984 066 |
| Leasehold improvements | 1 400 384 | – | – | (212 417) | 1 187 967 |
| | 6 162 699 | 6 255 171 | 1 080 000 | (1 324 524) | 12 173 346 |

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

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

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

In the current year, a crematorium which was disclosed as investment properties was transferred to property, plant and equipment and was disposed.

In the prior year, investment properties to the value of R1 080 000 were transferred to property, plant and equipment to land and buildings due to the building being owner occupied.

Additions of R2 541 250 in the prior year were acquired through the acquisition of the Durbanville Memorial Park business and R911 088 acquired through the acquisition of the Bloemfontein Memorial Park business. Refer to note 30.

Depreciation expense of R4 695 375 (2019: R1 324 524) has been charged to “administrative expenses” in the statement of comprehensive income.

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

## 7. Intangible assets

**Accounting policy**

*(a) Goodwill*

Goodwill for the Group arose as a result of the acquisition of five subsidiaries: MS5 Pennyville (Pty) Ltd, CTE Consulting (Pty) Ltd, Clidet No 1014 (Pty) Ltd, Fleurhof Ext 2 (Pty) Ltd and Calgro M3 Memorial Parks Holdings (Pty) Ltd.

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

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

## 7. Intangible assets *(continued)*

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

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

*(b) Computer software*

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

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

*(c) Estimates and key judgements*

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

| | **Cost 2020** | **Accumulated amortisation/ impairment 2020** | **Carrying amount 2020** | Cost 2019 | Accumulated amortisation/ impairment 2019 | Carrying amount 2019 |
|---|---|---|---|---|---|---|
| Goodwill | **175 674 238** | **(16 023 721)** | **159 650 517** | 175 674 238 | (16 023 721) | 159 650 517 |
| Computer software | **98 091** | **(93 231)** | **4 860** | 98 091 | (71 827) | 26 264 |
| | **175 772 329** | **(16 116 952)** | **159 655 377** | 175 772 329 | (16 095 548) | 159 676 781 |

Amortisation expenses on computer software of R21 405 (2019: R25 839) has been included in “administration expenses” in the statement of comprehensive income.

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

No computer software has been written off in the current or prior year.

There were no additions to goodwill in the current or prior year.

### Impairment tests for goodwill

Goodwill is monitored at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

| | **2020** | 2019 |
|---|---|---|
| Residential Property Development | **158 955 713** | 158 955 713 |
| Memorial Parks | **694 804** | 694 804 |
| | **159 650 517** | 159 650 517 |

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

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

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 7. Intangible assets *(continued)*

### Impairment tests for goodwill *(continued)*

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

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

| | Residential Property Development | |
|---|---|---|
| | **2020 %** | 2019 % |
| Gross margin | **11.33** | 11.76 |
| Pre-tax discount rate (real) | **10.42** | 11.20 |

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

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

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

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

## 8. Investments

**Accounting policy**

The current investments held are carried at fair value through profit or loss (FVPL).

The current classification of the financial asset is based on the characteristics and how the contractual cash flows are managed.

| | **2020** | 2019 |
|---|---|---|
| Investments | **12 269 982** | 11 089 608 |
| | **12 269 982** | 11 089 608 |
| **Reconciliation of Investments** | | |
| Opening balance at 1 March | **11 089 608** | 10 606 678 |
| Fair value adjustment through profit or loss. Refer to note 22 | **1 180 374** | 482 930 |
| | **12 269 982** | 11 089 608 |

The current investments held relate to money market and other long-term deposits. These investments are accounted for at fair value through profit or loss.

Fair value adjustment of R1 180 374 (2019: R482 930) relating to these investments has been recognised through profit and loss. Refer to note 22.

## 9. Investment in joint ventures and associates

**Accounting policy**

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

## 9. Investment in joint ventures and associates *(continued)*

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

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

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

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

| | **% voting power 2020** | % voting power 2019 | **% holding 2020** | % holding 2019 | **Carrying amount 2020** | Carrying amount 2019 |
|---|---|---|---|---|---|---|
| **Joint ventures** | | | | | | |
| Witpoortjie Calgro M3 Development Company (Pty) Ltd[1] | **50.00** | 50.00 | **75.83** | 75.83 | **–** | 134 738 |
| South Hills Development Company (Pty) Ltd[1, 2] | **50.00** | 50.00 | **57.50** | 57.50 | **12 479 446** | 13 077 250 |
| Safdev Tanganani (Pty) Ltd | **50.00** | 50.00 | **50.00** | 50.00 | **500** | 500 |
| Table View Properties Proprietary Limited[3] | **50.00** | 50.00 | **50.00** | 50.00 | **20 000 000** | 20 000 000 |
| Calgro M3 JCO Holdings Proprietary Limited[1, 4] | **50.00** | 50.00 | **80.00** | 80.00 | **119 793 747** | 119 793 747 |
| Frankenwald Development (Pty) Ltd[5] | **50.00** | 0.00 | **50.00** | 0.00 | **103 500** | – |
| | | | | | **152 377 193** | 153 006 235 |
| **Associates** | | | | | | |
| Afhco Calgro M3 Consortium (Pty) Ltd[6] | **0.00** | 49.00 | **0.00** | 49.00 | **–** | – |
| | | | | | **152 377 193** | 153 006 235 |

1. *Although the Group has majority shareholding in these entities, it does not have control of the company as the board comprises an equal number of representatives from both the Group as well as the minority shareholder. Both parties have equal voting rights, irrespective of the percentage shareholding or representation on the board of directors. Any decision regarding the relevant activities of these entities that significantly affect the returns of the entity are made with the unanimous consent of both parties.*
2. *Although the Group holds 57.5% of the shareholding in South Hills Development Company (Pty) Ltd, it only equity accounts for 42.5% as 15% of the shareholding and related profits/(losses) have been ceded to a third party.*
3. *The Group has a 50% shareholding in this entity and it does not have control of the Company as both parties have equal voting rights, and representation on the Board of Directors. Any decision regarding the relevant activities of this entity that significantly affects the returns of the entity are made with the unanimous consent of both parties. The shares held give right to 100% of the profits in the company.*
4. *The Group entered into a agreement with a joint venture partner to establish a new rental portfolio for the Group through the joint venture partnership. Investments were made to the joint venture company to enable the company to acquire new rental units for the portfolio.*
5. *The Group has a 50% shareholding in this entity and it does not have control of the company as both parties have equal voting rights, and representation on the Board of Directors. Any decision regarding the relevant activities of this entity that significantly affects the returns of the entity are made with the unanimous consent of both parties.*
6. *During the current financial year, Calgro Group sold its 49% investment in associate (Afhco Calgro M3 Consortium (Pty) Ltd) to Afhco Holdings (Pty) Ltd. The table below shows the various components making up the transaction undertaken by Calgro Group. The net profit on sale amounted to R2 273 697.*

The Group only shares in the above joint ventures nett assets, as opposed to having a direct right to the assets and obligations for the liabilities.

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 9. Investment in joint ventures and associates *(continued)*

| | Profit on the sale of investment calculation |
|---|---|
| Loan to Afhco Calgro M3 Consortium (Pty) Ltd (note 11) | **(252 172 253)** |
| Deposits received from Afhco Calgro M3 Consortium (Pty) Ltd (note 18) | **155 135 133** |
| Purchase of 152 freestanding units from Afhco Calgro M3 Consortium (Pty) Ltd on the South Hills Development. | **163 551 707** |
| The repurchase of units handed over to Afhco Calgro M3 Consortium (Pty) Ltd for Scottsdene and Fleurhof | **159 962 337** |
| Sale of La Vie Nouvelle Frail Care Building to SA Retail Properties (Pty) Ltd. | **(113 326 307)** |
| Cash settlement from Calgro for fees | **(11 717)** |
| Rental guarantees paid by Calgro in terms of the sale | **(6 865 203)** |
| Listed bond issued by Calgro M3 Developments Ltd for the remaining balance owing to SA Corporate Real Estate Ltd (note 17) | **(104 000 000)** |
| Proceeds from sale of shares | **2 273 697** |
| Carrying amount of shares | **–** |
| **Profit on sale of investment in joint venture (note 22)** | **2 273 697** |

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

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

Other than loans to joint ventures and associates (note 11), trade and other receivables (note 14) and related-party transactions (note 34) which arose in the ordinary course of business, the Calgro M3 Group has no further financial risks associated with these joint ventures and associates.

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

## 9. Investment in joint ventures and associates *(continued)*

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

| Name of company | Name of project | Segment |
|---|---|---|
| Witpoortjie Calgro M3 Development Company (Pty) Ltd | Witpoortjie | Residential Property Development |
| South Hills Development Company (Pty) Ltd | South Hills | Residential Property Development |
| Safdev Tanganani (Pty) Ltd | Diepsloot | Residential Property Development |
| Table View Properties (Pty) Ltd | Vredehoek | Residential Property Development |
| Calgro M3 JCO Holdings (Pty) Ltd | The Falls – Ruimsig | Residential Rental Investment |
| Frankenwald Development (Pty) Ltd | Frankenwald project | Residential Property Development |

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

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

All the year ends of joint ventures and associates, except for Frankenwald Development (Pty) Ltd, are consistent with those of the Group.

Frankenwald Development (Pty) Ltd's year-end is 30 June, however the February 2020 results are presented.

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

| | 2020 | 2019 |
|---|---|---|
| Witpoortjie Calgro M3 Development Company (Pty) Ltd | **(134 738)** | (433 517) |
| South Hills Development Company (Pty) Ltd | **(597 803)** | 15 129 982 |
| Safdev Tanganani (Pty) Ltd | **–** | – |
| Table View Properties (Pty) Ltd | **–** | – |
| Afhco Calgro M3 Consortium (Pty) Ltd | **–** | (508 412) |
| Calgro M3 JCO Holdings (Pty) Ltd | **–** | – |
| | **(732 541)** | 14 188 053 |

Please refer to note 2.11 for ECLs (expected credit losses) provided for on loans to joint ventures and associates. Expected credit losses take into account the expected credit losses that will result from all possible default events over the expected life of a financial asset. Due to the impact of IFRS 15 on the timing of revenue recognition by the joint ventures, losses might be recognised in any particular year, depending on the type of units constructed during that year. Losses are not an indication that the ECL for that project or joint venture should be adjusted due to increased risk.

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 9. Investment in joint ventures and associates *(continued)*

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

## 9. Investment in joint ventures and associates *(continued)*

### Reconciliation of financial information

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

| | Witpoortjie Calgro M3 Development Company (Pty) Ltd | | South Hills Development Company (Pty) Ltd | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Summarised financial information** | | | | |
| Opening net assets at 1 March | **177 684** | 907 671 | **30 770 001** | 61 614 408 |
| Opening balance adjustment to retained earnings | **–** | – | **(3 046 459)** | – |
| IFRS 15 opening balance adjustment | **–** | – | **–** | (61 026 800) |
| IFRS 9 opening balance adjustment | **–** | (158 290) | **–** | (4 999 816) |
| Dividend declared | **–** | – | **–** | (8 034 557) |
| (Loss)/profit after tax | **(1 785 026)** | (571 697) | **1 639 862** | 43 216 766 |
| **Closing net assets** | **(1 607 342)** | 177 684 | **29 363 404** | 30 770 001 |
| Interest in joint venture at 75.83% and 42.5% | **–** | 134 738 | **12 479 446** | 13 077 250 |
| Cumulative unrealised profits eliminated | **–** | – | **–** | – |
| **Carrying value** | **–** | 134 738 | **12 479 446** | 13 077 250 |
| **Reconciliation of investment in joint venture** | | | | |
| At 1 March | **134 738** | 688 287 | **13 077 250** | 20 711 623 |
| IFRS 15 opening balance adjustment | **–** | – | **–** | (25 936 390) |
| IFRS 9 opening balance adjustment | **–** | (120 032) | **–** | (2 124 922) |
| Unrealised profit IFRS15 adjustment | **–** | – | **–** | 8 711 643 |
| Current unrealised profits eliminated | **–** | – | **–** | 4 080 102 |
| Losses realised on Afhco units in joint venture | **–** | – | **–** | (7 317 245) |
| Dividend declared portion relating to the Group | **–** | – | **–** | (3 414 687) |
| Share of opening balance adjustment to retained earnings | **–** | – | **(1 294 745)** | – |
| Share of (loss)/profit | **(134 738)** | (433 517) | **696 941** | 18 367 126 |
| Net share of (loss)/profit for the current year (limited to carrying amount of investment) | **(134 738)** | (553 549) | **(597 804)** | (7 634 373) |
| **Net carrying value** | **–** | 134 738 | **12 479 446** | 13 077 250 |
| **The impact of the cash flows on the Group consists of the following:** | | | | |
| Cash inflow/(outflow) from construction activities (net movement in trade debtors) | **125 093 081** | (14 648 908) | **189 525** | 30 062 569 |
| Cash inflow for loans from joint ventures | **–** | – | **–** | 23 000 000 |
| Cash outflow for loans to joint ventures | **–** | – | **(23 000 000)** | – |
| **Net cash flows on the Group from joint ventures** | **125 093 081** | (14 648 908) | **(22 810 475)** | 53 062 569 |

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 9. Investment in joint ventures and associates *(continued)*

| | Table View Properties (Pty) Ltd | | Safdev Tanganani (Pty) Ltd | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Statement of financial position** | | | | |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Deferred income tax asset | **14 115** | 6 492 | **650 208** | 644 321 |
| | **14 115** | 6 492 | **650 208** | 644 321 |
| **Current assets** | | | | |
| Inventories | **–** | – | **91 378 646** | 82 515 972 |
| Trade and other receivables | **5 005 782** | 5 002 862 | **970 345** | 970 361 |
| Cash and cash equivalents | **1 860** | 4 120 | **48 580** | 48 200 |
| | **5 007 642** | 5 006 982 | **92 397 571** | 83 534 533 |
| **Total assets** | **5 021 757** | 5 013 474 | **93 047 779** | 84 178 854 |
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| Share capital | **5 000 000** | 5 000 000 | **1 000** | 1 000 |
| (Accumulated loss)/retained income | **(78 357)** | (58 755) | **371 459** | 386 598 |
| | **4 921 643** | 4 941 245 | **372 459** | 387 598 |
| **Current liabilities** | | | | |
| Loans from shareholders | **100 114** | 72 229 | **92 675 320** | 83 791 256 |
| | **100 114** | 72 229 | **92 675 320** | 83 791 256 |
| **Total liabilities** | **100 114** | 72 229 | **92 675 320** | 83 791 256 |
| **Total equity and liabilities** | **5 021 757** | 5 013 474 | **93 047 779** | 84 178 854 |
| **Statement of comprehensive income** | | | | |
| Revenue | **–** | – | **–** | – |
| Cost of sales | **–** | – | **–** | – |
| **Gross profit** | **–** | – | **–** | – |
| Administrative expenses | **(19 465)** | (65 247) | **(21 026)** | (1 799) |
| Net impairment losses on financial and contract assets | **–** | | **–** | – |
| **Operating loss** | **(19 465)** | (65 247) | **(21 026)** | (1 799) |
| Finance income | **–** | – | **–** | – |
| Finance costs | **(7 760)** | – | **–** | – |
| **Loss before tax** | **(27 225)** | (65 247) | **(21 026)** | (1 799) |
| Taxation | **7 623** | 6 492 | **5 887** | 503 |
| **Loss after taxation** | **(19 602)** | (58 755) | **(15 139)** | (1 296) |
| Other comprehensive income | **–** | – | **–** | – |
| **Total comprehensive loss** | **(19 602)** | (58 755) | **(15 139)** | (1 296) |

## 9. Investment in joint ventures and associates *(continued)*

### Reconciliation of financial information

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

| | Table View Properties (Pty) Ltd | | Safdev Tanganani (Pty) Ltd | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Summarised financial information** | | | | |
| Opening net assets at 1 March | **(58 755)** | – | **387 598** | 388 894 |
| Loss after tax | **(19 602)** | (58 755) | **(15 139)** | (1 296) |
| **Closing net assets** | **(78 357)** | (58 755) | **372 459** | 387 598 |
| Loss limitation | **78 357** | 58 755 | **(371 959)** | (387 098) |
| **Carrying value** | **–** | – | **500** | 500 |
| **Reconciliation of investment in joint venture** | | | | |
| At 1 March | **20 000 000** | 20 000 000 | **500** | 500 |
| Capital investment from the Group | **–** | – | **–** | – |
| **Net carrying value** | **20 000 000** | 20 000 000 | **500** | 500 |
| **The impact of the cash flows on the Group consists of the following:** | | | | |
| Cash inflow/(outflow) from construction activities (net movement in trade debtors) | **–** | – | **–** | – |
| Cash outflow from investing activities | **–** | (10 000 000) | **–** | – |
| Cash inflow for loans from joint ventures | **–** | – | **–** | – |
| Cash outflow for loans to joint ventures | **–** | – | **–** | – |
| **Net cash flows on the Group from joint ventures** | **–** | (10 000 000) | **–** | – |

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 9. Investment in joint ventures and associates *(continued)*

| | Afhco Calgro M3 Consortium (Pty) Ltd | | Calgro M3 JCO Holdings (Pty) Ltd | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Statement of financial position** | | | | |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Investment properties | **–** | 738 197 000 | **135 326 667** | – |
| Property, plant and equipment | **–** | 74 177 | **107 333** | 130 333 |
| Deferred tax asset | **–** | – | **966 109** | 108 937 |
| | **–** | 738 271 177 | **136 400 109** | 239 270 |
| **Current assets** | | | | |
| Loans to related parties | **–** | – | **4 954 181** | – |
| Trade and other receivables | **–** | 254 535 149 | **81 354 395** | 139 472 040 |
| Cash and cash equivalents | **–** | 30 647 691 | **4 637 960** | 813 |
| | **–** | 285 182 840 | **90 946 536** | 139 472 853 |
| **Total assets** | **–** | 1 023 454 017 | **227 346 645** | 139 712 123 |
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| Stated capital | **–** | 100 | **129 602 147** | 119 793 747 |
| Retained income/(accumulated loss) | **–** | (34 417 330) | **(2 484 281)** | (280 125) |
| | **–** | (34 417 230) | **127 117 866** | 119 513 622 |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | **–** | 236 186 416 | **–** | – |
| | **–** | 236 186 416 | **–** | – |
| **Current liabilities** | | | | |
| Loans from Group companies | **–** | – | **74 589 428** | 20 026 861 |
| Loans from shareholders | **–** | 743 153 245 | **12 647 580** | – |
| Trade and other payables | **–** | 78 531 586 | **12 991 771** | 171 640 |
| | **–** | 821 684 831 | **100 228 779** | 20 198 501 |
| **Total liabilities** | **–** | 1 057 871 247 | **100 228 779** | 20 198 501 |
| **Total equity and liabilities** | **–** | 1 023 454 017 | **227 346 645** | 139 712 123 |
| **Statement of comprehensive income** | | | | |
| Revenue | **–** | 64 557 891 | **5 363 059** | 142 542 |
| Cost of sales | **–** | (11 804 019) | **(1 896 734)** | (8 374) |
| **Gross profit** | **–** | 52 753 872 | **3 466 325** | 134 168 |
| Other income | **–** | 35 837 | **–** | – |
| Administrative expenses | **–** | – | **(237 393)** | (17 120) |
| Other non-operating gains/(losses) | **–** | (31 645 095) | **–** | – |
| Net impairment losses on financial and contract assets | **–** | – | **(456 274)** | (1 582) |
| **Operating profit** | **–** | 21 144 614 | **2 772 658** | 115 466 |
| Finance income | **–** | – | **716 361** | – |
| Finance cost | **–** | (56 599 518) | **(6 550 346)** | (504 528) |
| **Profit before tax** | **–** | (35 454 904) | **(3 061 327)** | (389 062) |
| Taxation | **–** | – | **857 171** | 108 937 |
| **Profit after taxation** | **–** | (35 454 904) | **(2 204 156)** | (280 125) |
| Other comprehensive income | **–** | – | **–** | – |
| **Total comprehensive income** | **–** | (35 454 904) | **(2 204 156)** | (280 125) |

## 9. Investment in joint ventures and associates *(continued)*

### Reconciliation of financial information

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

| | Afhco Calgro M3 Consortium (Pty) Ltd | | Calgro M3 JCO Holdings (Pty) Ltd | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Summarised financial information** | | | | |
| Opening net assets at 1 March | **–** | 1 037 574 | **(280 125)** | – |
| Loss after tax | **–** | (35 454 904) | **(2 204 156)** | (280 125) |
| **Closing net liabilities** | **–** | (34 417 330) | **(2 484 281)** | (280 125) |
| Interest in joint venture at 49.00% and 80.00% | **–** | 17 372 902 | **1 763 325** | 224 100 |
| **Closing net liabilities** | **–** | (17 044 428) | **(720 956)** | (56 025) |
| **Reconciliation of investment in joint venture** | | | | |
| At 1 March | **–** | 508 412 | **119 793 747** | – |
| Share of (loss)/profit | **–** | (17 372 904) | **(1 763 325)** | (224 100) |
| Capital investment from the Group | **–** | – | **–** | 119 793 747 |
| Loss limitation | **–** | 16 864 492 | **1 763 325** | 224 100 |
| **Net carrying value** | **–** | – | **119 793 747** | 119 793 747 |
| **The impact of the cash flows on the Group consist of the following:** | | | | |
| Cash inflow from construction activities (net movement in deposits received and repaid) | **–** | – | **–** | – |
| Cash (outflow) from investing activities | **–** | – | **(103 500)** | (119 793 746) |
| Cash inflow for loans from joint ventures | **–** | – | **–** | – |
| Cash outflow for loans to joint ventures | **–** | (130 452 940) | **–** | (19 521 333) |
| **Net cash flows on the Group from joint ventures** | **–** | (130 452 940) | **(103 500)** | (139 315 079) |

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 9. Investment in joint ventures and associates *(continued)*

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

## 9. Investment in joint ventures and associates *(continued)*

### Reconciliation of financial information

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

| | Frankenwald Development (Pty) Ltd | |
|---|---|---|
| | **2020** | 2019 |
| **Summarised financial information** | | |
| Opening net assets at 1 March | – | – |
| Profit after tax | **(361)** | – |
| **Closing net liabilities** | **(361)** | – |
| Loss limitation | **361** | – |
| **Closing net liabilities** | **–** | – |
| **Reconciliation of investment in joint venture** | | |
| At 1 March | – | – |
| Share of (loss)/profit | – | – |
| Capital investment from the Group | **103 500** | – |
| Loss limitation | – | – |
| **Net carrying value** | **103 500** | – |
| **The impact of the cash flows on the Group consists of the following:** | | |
| Cash inflow from construction activities (net movement in deposits received and repaid) | – | – |
| Cash (outflow) from investing activities | – | – |
| Cash inflow for loans from joint ventures | – | – |
| Cash outflow for loans to joint ventures | – | – |
| **Net cash flows on the Group from joint ventures** | **–** | – |

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 10. Deferred income tax (liabilities)/assets

**Accounting policy**

Deferred tax assets and liabilities represent amounts of tax that will become recoverable or payable in future accounting years. They generally arise as a result of temporary differences, where the time at which profits and losses are recognised for tax purposes differs from the time at which the relevant transaction is recorded in the accounts.

A deferred tax asset represents a tax reduction that is expected to arise in a future year. A deferred tax liability represents taxes which will become payable in a future year as a result of a current or an earlier transaction. In respect of deferred tax assets, the Group only recognises a deferred tax asset when the availability of future profits necessary to support the deferred tax asset is probable.

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

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

| | **2020** | 2019 |
|---|---|---|
| **Reconciliation of deferred tax (liability)/asset** | | |
| Opening balance | **(170 945 403)** | (330 284 207) |
| **Statement of comprehensive income charge** | **9 903 671** | 32 649 948 |
| Construction contracts | **67 362 238** | 8 607 704 |
| Accelerated capital allowances for tax purposes | **92 994** | – |
| Inventories | **(5 665 421)** | 6 823 036 |
| Bonus accrual | **(7 607 662)** | 8 835 563 |
| Share appreciation scheme | **–** | (393 779) |
| Work in progress | **12 065** | (12 065) |
| Tax losses available for set off against future taxable income | **(8 068 834)** | (47 238 990) |
| Executive share scheme | **–** | 9 192 975 |
| Share appreciation right | **21 515** | – |
| Deferred revenue | **1 066 027** | 1 224 321 |
| Provisions | **290 142** | – |
| Investment properties | **–** | (4 491) |
| Provision for credit losses – trade receivables | **220 311** | 906 497 |
| Provision for credit losses – contract assets | **(8 688 380)** | 269 382 |
| Income received in advance | **(29 093 878)** | 44 111 696 |
| Capitalised leased assets | **367 680** | – |
| Other | **(405 126)** | 328 099 |
| **Deferred tax effect on IFRS 15 opening balance charge** | **–** | 116 969 861 |
| Construction contracts | **–** | 116 969 861 |
| **Deferred tax effect on IFRS 16 opening balance charge** | **(936 743)** | – |
| Leases – lessee | **(936 743)** | – |
| **Deferred tax effect on IFRS 9 opening balance charge** | **–** | 10 646 980 |
| Provision for credit losses – trade receivables | **–** | 995 144 |
| Provision for credit losses – contract assets | **–** | 9 651 836 |
| **Deferred tax losses previously accounted for written off to the income statement** | **–** | (927 985) |
| Tax losses available for set off against future taxable income | **–** | (927 985) |
| **Closing balance** | **(161 978 475)** | (170 945 403) |

## 10. Deferred income tax (liabilities)/assets *(continued)*

| | 2020 | 2019 |
|---|---|---|
| The analyses of deferred tax liabilities and deferred tax assets are as follows: | | |
| **Deferred tax liabilities** | | |
| Construction contracts | **(259 003 638)** | (293 985 721) |
| Capital allowances | **–** | (92 994) |
| Inventories | **(14 161 035)** | (10 252 488) |
| Deferred revenue | **26 483** | 22 183 |
| Bonus accrual | **–** | 8 835 563 |
| Work in progress | **–** | (12 065) |
| Tax losses available for set off against future taxable income | **37 811 593** | 15 201 014 |
| Capital losses available for future use | **–** | 22 161 |
| Share appreciation right settlement prepayment | **–** | (407 794) |
| Executive share scheme | **–** | 9 674 563 |
| Investment properties | **92 857** | 92 857 |
| Provision for credit losses – trade receivables | **553 048** | 1 901 641 |
| Provision for credit losses – contract assets | **1 438 613** | 9 921 218 |
| Income received in advance | **14 000 000** | 43 437 840 |
| Other | **–** | 1 341 869 |
| **Deferred tax liabilities*** | **(219 242 079)** | (214 300 153) |
| **Deferred tax assets** | | |
| Construction contracts | **(7 783 555)** | (40 163 710) |
| Inventories | **9 524 260** | 11 281 134 |
| Provisions | **290 142** | – |
| Capitalised leased assets | **367 680** | – |
| Deferred revenue | **3 307 943** | 2 246 216 |
| Bonus accrual | **1 227 901** | – |
| Share appreciation right settlement prepayment | **(407 794)** | – |
| Share appreciation right | **21 515** | – |
| Executive share scheme | **9 674 563** | – |
| Capital losses available for future use | **160 573** | 138 412 |
| Provision for credit losses – trade receivables | **1 568 904** | – |
| Provision for credit losses – contract assets | **(205 775)** | – |
| Income received in advance | **1 017 818** | 673 856 |
| Tax losses available for set off against future taxable income | **38 499 429** | 69 178 842 |
| Deferred tax assets# | **57 263 604** | 43 354 750 |
| **Net deferred tax balance** | **(161 978 475)** | (170 945 403) |
| **Deferred tax liabilities** | | |
| Deferred tax liability to be realised within 12 months | **(123 423 779)** | (120 641 689) |
| Deferred tax liability to be realised after more than 12 months | **(95 818 300)** | (93 658 464) |
| | **(219 242 079)** | (214 300 153) |
| **Deferred tax assets** | | |
| Deferred tax asset to be recovered within 12 months | **19 382 147** | 14 674 384 |
| Deferred tax asset to be recovered after more than 12 months | **37 881 457** | 28 680 366 |
| | **57 263 604** | 43 354 750 |

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 11. Loans to/(from) joint ventures and associates

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

**Significant estimates and judgements**
The Group applies an expected credit loss provision (ECL) on the financial asset balances. Refer to note 2.11.2 for the relevant judgements applied.

| | Interest rate | Expected repayment date | 2020 | 2019 |
|---|---|---|---|---|
| **Loans to joint ventures and associates** | | | | |
| Afhco Calgro M3 Consortium (Pty) Ltd* | Prime | 31 March 2019 | **–** | 252 172 253 |
| South Hills Development Company (Pty) Ltd (unsecured) | Prime plus 2% | 28 February 2021 | **3 913 347** | 3 539 063 |
| Safdev Tanganani (Pty) Ltd (unsecured) | Prime | 28 February 2022 | **46 348 896** | 41 895 628 |
| Table View Properties (Pty) Ltd (unsecured) | Prime plus 2% | 28 February 2021 | **100 114** | 72 229 |
| Calgro M3 JCO Holdings (Pty) Ltd (unsecured) | Prime | 28 February 2021 | **12 647 580** | 20 026 861 |
| Witpoortjie Calgro M3 Development Company (Pty) Ltd (unsecured) | Prime plus 2% | 28 February 2021 | **151 104 148** | – |
| Witpoortjie Calgro M3 Development Company (Pty) Ltd (unsecured) | Interest free | 28 February 2021 | **66 711 880** | – |
| Frankenwald Development (Pty) Ltd | Interest free | 28 February 2022 | **10 464 312** | – |
| Provisions for expected credit losses | | | **(11 386 389)** | (6 312 596) |
| **Loans to joint ventures and associates** | | | **279 903 888** | 311 393 438 |
| **Loans (from) joint ventures and associates** | | | | |
| South Hills Development Company (Pty) Ltd (unsecured) | Prime plus 2% | 31 March 2019 | **–** | (23 000 000) |
| **Loans (from) joint ventures and associates** | | | **–** | (23 000 000) |
| **Loans (from) joint ventures cash flow reconciliation** | | | | |
| Opening balance | | | **23 000 000** | – |
| Repayment of loan | | | **(23 000 000)** | – |
| Proceeds from South Hills Development Company (Pty) Ltd | | | **–** | 23 000 000 |
| **Closing balance** | | | **–** | 23 000 000 |
| **Reconciliation of loans to joint ventures and associates** | | | | |
| Principal loan amount | | | **291 290 277** | 317 706 034 |
| Provisions for expected credit losses | | | **(11 386 389)** | (6 312 596) |
| | | | **279 903 888** | 311 393 438 |
| **Loans to joint ventures and associates** | | | | |
| Loans to be realised within 12 months | | | **234 477 069** | 272 271 343 |
| Loans to be realised after more than 12 months | | | **56 813 208** | 45 434 691 |
| | | | **291 290 277** | 317 706 034 |
| **Loans (from) joint ventures and associates** | | | | |
| Loans to be repaid within 12 months | | | **–** | (23 000 000) |
| Loans to be repaid after more than 12 months | | | **–** | – |
| | | | **–** | (23 000 000) |

** Refer to note 9 for the analysis of the movement of the loan.*

## 12. Inventories

**Accounting policy**

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

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

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

**Significant estimates and judgements**

In assessing the net realisable value of land under development held for sale, valuators consider title deed information, town planning conditions, locality and improvements made to the property.

Property vacancy rates in surrounding areas, realised yields on comparative sales as well as micro and macro economic conditions require judgement.

| | **2020** | 2019 |
|---|---|---|
| **Opening balance** | **568 498 000** | 554 397 497 |
| Additions (net of transfers to construction contracts) | **269 440 817** | 91 327 959 |
| Borrowing costs capitalised | **12 210 596** | 22 165 556 |
| Net realisable value adjustments[2] | **(681 928)** | (54 452 744) |
| Disposals | **(130 162 016)** | (44 940 268) |
| **Closing balance** | **719 305 469** | 568 498 000 |
| Inventories to be sold within 12 months | **322 452 614** | 203 386 469 |
| Inventories to be sold after more than 12 months | **396 852 855** | 365 111 531 |
| | **719 305 469** | 568 498 000 |

*1. The normal operating cycle for inventory, construction contracts and work in progress is considered to be longer than 12 months.*
*2. The NRV adjustment for the current year relates to the Summerset project. The prior year relates to the La Vie Nouvelle Lifestyle and Wellness Estate frail care centre.*

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

Included in the additions for the prior year are additions of R27 759 910 from the acquisition of the Durbanville Memorial Park and R9 606 320 from the acquisition of the Bloemfontein Memorial Park. Refer to note 30.

Inventories to the value of R5 957 792 (2019: R88 456 969) are stated at net realisable value.

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 13. Construction contracts

**Accounting policy**

The accounting policy for construction contracts needs to be read in conjunction with the accounting policy for revenue in note 20.

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

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

Contract assets arise on the basis that cost are incurred to satisfy performance obligations, the related payment and timing is determined based on each individual contract. These costs include cost to fulfil a contract and includes costs such as direct labour, materials, professional/consulting services, commissions and allocation of overhead costs which relate directly to satisfy performance obligations of the contract. Contract assets are recovered from the customer when the relevant performance obligations are completed and payment can be obtained from the customer.

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

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

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

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings that are invoiced but not yet paid by customers as well as retentions are included within "trade and other receivables" (refer to note 14).

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

**Significant estimates and judgements**

The Group uses the "percentage-of-completion" method (also known as input method) in accounting for its "over time" construction contracts where control is transferred to a customer over a period of time. Use of the "percentage-of-completion" method requires the Group to estimate the construction services and activities performed to date as a proportion of the total services and activities to be performed. The Group performs this by comparing actual costs incurred on a unit/dwelling/project compared to the forecasted costs of the unit/dwelling/project which equals the percentage of work completed ("percentage of completion"). The corresponding percentage of revenue is then recognised in that period.

The Group allocates non-unit specific costs which include land, infrastructure, town planning and other project-related costs based on approved feasibilities. Estimates are made by management to calculate the forecasted costs of a project which includes non-unit specific costs to be allocated to units as and when they are constructed. The estimates used are in terms of an approved feasibility study. Management forecasts are approved by the Board of Directors and if third parties are involved, their approval is also obtained.

The Group applies an expected credit loss provision ("ECL") on the financial asset balances. Refer to note 2.11.2 for the relevant method and judgement applied.

## 13. Construction contracts *(continued)*

| | 2020 | 2019 |
|---|---|---|
| The aggregate costs incurred and recognised profits to date | **4 651 857 895** | 4 172 437 264 |
| *Less:* Progress billings | **(3 774 054 211)** | (3 061 010 070) |
| **Net statement of financial position balance for ongoing contracts** | **877 803 684** | 1 111 427 194 |
| Excess billings over work done classified under trade and other payables (note 18) | **69 115 355** | 198 231 245 |
| Provision for loss making contracts classified under trade and other payables (note 18) | **3 432 443** | 4 847 353 |
| **Gross statement of financial position balance for ongoing contracts** | **950 351 482** | 1 314 505 792 |
| Construction contracts to be realised within 12 months | **276 406 665** | 671 469 797 |
| Construction contracts to be realised after 12 months | **673 944 817** | 643 035 995 |
| | **950 351 482** | 1 314 505 792 |
| The previous year's contract liabilities have been recognised in revenue in full during the current reporting period. | | |
| **Disaggregated construction contracts – pre expected credit loss provisions** | | |
| Infrastructure – contract assets | **29 180 561** | 315 881 180 |
| Fully and partially subsidised units – contract assets | **288 298 981** | 505 700 429 |
| Non-subsidised units – contract assets | **28 368 945** | 10 871 906 |
| Serviced land – contract assets | **54 081 590** | 47 342 897 |
| **Contract assets** | **399 930 077** | 879 796 412 |
| **Future contract asset costs** | | |
| Development cost for future contract assets | **550 421 405** | 434 709 380 |
| | **950 351 482** | 1 314 505 792 |
| **Reconciliation of construction contracts** | | |
| Gross statement of financial position balance for ongoing contracts | **399 930 077** | 879 796 412 |
| Provisions for expected credit losses on contract assets | **(4 402 995)** | (35 432 920) |
| Development cost for future contract assets | **550 421 405** | 434 709 380 |
| **Statement of financial position balance for construction contracts** | **945 948 487** | 1 279 072 872 |

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

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

Borrowing costs to the value of R57 384 762 (2019: R54 291 729) have been capitalised (note 26).

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

## 14. Trade and other receivables

**Accounting policy**

Trade receivables are a financial asset measured at amortised cost. Refer to the financial instruments accounting policy in note 2.11 for further information.

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

**Significant estimates and judgements**

The Group applies an expected credit loss provision (ECL) on the financial asset balances. Refer to note 2.11.2 for the relevant method and judgement applied.

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 14. Trade and other receivables *(continued)*

| | 2020 | 2019 |
|---|---|---|
| Trade receivables, rental debtors and retention debtors | **97 427 334** | 179 988 288 |
| Trade receivables – other – third parties | **80 464 473** | 37 067 085 |
| Retention debtors – other – third parties | **3 868 980** | 5 943 945 |
| Trade receivables – rental debtors – third parties | **2 399 230** | – |
| Trade receivables – other – related parties | **10 694 651** | 130 925 315 |
| Retention debtors – other – related parties | **–** | 6 051 943 |
| Value added tax | **24 918 709** | 31 353 350 |
| Other receivables | **11 344 820** | 12 864 270 |
| Dividends receivable[2] | **–** | 4 619 870 |
| Securing deposits[3] | **4 324 739** | 11 784 221 |
| Provision for credit losses | **(7 578 398)** | (6 791 575) |
| | **130 437 204** | 233 818 424 |
| Trade and other receivables to be realised within 12 months | **123 065 684** | 226 385 550 |
| Trade and other receivables to be realised after 12 months | **7 371 520** | 7 432 874 |
| | **130 437 204** | 233 818 424 |

1. *The normal operating cycle for inventory, construction contracts and work in progress is considered to be longer than 12 months.*
2. *The dividends receivable related to dividends being receivable from a joint venture company. The income relating to these dividends are already accounted for through the share of profits of joint ventures and associates in the statement of comprehensive income (note 9).*
3. *This relates to deposits paid to secure land for future projects.*

### Trade receivables and retention debtors fully performing

At 29 February 2020, trade receivables and retention debtors of R95 322 597 (28 February 2019: R179 988 288) were fully performing.

| | 2020 | 2019 |
|---|---|---|
| Trade receivables and retention debtors from related parties | | |
| South Hills Development Company (Pty) Ltd | **5 009 212** | 5 198 738 |
| Calgro KuumBA Planning and Design (Pty) Ltd | **–** | 1 000 000 |
| Witpoortjie Calgro M3 Development Company (Pty) Ltd | **5 685 439** | 130 778 520 |
| **Total** | **10 694 651** | 136 977 258 |

Trade receivables and retention debtors owing from related parties are not considered past due as they were granted in the normal course of business within the Group's operating cycle of greater than 12 months. The due dates for amounts are determined specifically for each related party. Management of the Group has insight into the financial position of all joint ventures and associates as at 29 February 2020 and do not believe that there are indicators that these amounts are impaired at year-end.

The Group does, however, raise expected credit loss provisions on the receivable balances. These receivables bear interest at market-related rates. Please refer to note 9 for summarised financial information as well as detailed analysis of joint venture and associates relationships.

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

At 29 February 2020, trade receivables and retention debtors of R2 104 737 (28 February 2019: R251 596) were past due but not impaired.

A relevant expected credit loss provision has been raised for trade receivables. Refer to note 2.11.

| | Other debtors | |
|---|---|---|
| | 2020 | 2019 |
| **Ageing of trade receivables and retention debtors (other than rental trade receivables) – third parties** | | |
| Less than 30 days | **40 160 108** | 37 492 625 |
| 30 days and older | **41 774 115** | 5 518 405 |
| **Total** | **81 934 223** | 43 011 030 |

## 14. Trade and other receivables *(continued)*

### Trade receivables and retention debtors – third parties past due but not impaired *(continued)*

| | Other debtors | |
|---|---|---|
| | **2020** | 2019 |
| Ageing of trade **receivables** – rentals | | |
| 0 to 30 days | **294 493** | – |
| 31 to 60 days | **169 267** | – |
| 61 to 90 days | **198 389** | – |
| 91 to 120 days | **185 830** | – |
| 121+ days | **1 551 251** | – |
| **Total** | **2 399 230** | – |

### Trade receivables impairment

At 29 February 2020, trade receivables of Rnil (28 February 2019: R529 205) were written off as bad debt.

The maximum exposure to credit risk for these instruments at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security for trade and other receivables, other than for deposits as disclosed above. Refer to note 2.11 for details of financial instruments.

## 15. Cash and cash equivalents

**Accounting policy**
Cash and cash equivalents include cash on hand and deposits held on call with banks.

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

| | **2020** | 2019 |
|---|---|---|
| Cash on hand | **6 797** | 4 720 |
| Bank balances | **255 062 366** | 122 628 277 |
| | **255 069 163** | 122 632 997 |

## 16. Stated capital

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

| | Number of shares | | Rand amount | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Authorised** | | | | |
| Ordinary no par value shares | **500 000 000** | 500 000 000 | | |
| **Issued** | | | | |
| **Balance at the beginning of the year** | **128 150 069** | 128 150 069 | **116 255 971** | 116 255 971 |
| Shares held by Calgro M3 Employee Benefit Trust | **5 212 909** | 5 212 909 | **104 239 627** | 104 239 627 |
| Shares held by Calgro M3 Empowerment Trust | **5 212 909** | 5 212 909 | **104 239 627** | 104 239 627 |
| Shares held by Calgro M3 Developments Limited | **8 468 631** | 8 468 631 | **163 190 199** | 163 190 199 |
| Treasury shares in issue opening balance | **(18 894 449)** | (18 894 449) | **(371 669 453)** | (371 669 453) |
| Equity share scheme – trading restrictions released (note 32) | **–** | – | **–** | – |
| Closing balance treasury shares in issue | **(18 894 449)** | (18 894 449) | **(371 669 453)** | (371 669 453) |
| **Balance at the end of the year** | **128 150 069** | 128 150 069 | **116 255 971** | 116 255 971 |

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 16. Stated capital *(continued)*

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

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

All issued shares are fully paid.

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

## 17. Borrowings

**Accounting policy**

Borrowings are classified as financial liabilities at amortised cost. Refer to the financial instruments accounting policy, note 2.11 for further details.

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

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

| | Interest rate | Expiration date | 2020 | 2019 |
|---|---|---|---|---|
| **Bond exchange** | | | **1 062 842 931** | 969 195 006 |
| Floating rate note – CGR 21 | JIBAR plus 4.5% | 12 October 2020 | **70 000 000** | 70 000 000 |
| Floating rate note – CGR 24 | JIBAR plus 5% | 8 February 2021 | **20 000 000** | 20 000 000 |
| Floating rate note – CGR 25 | JIBAR plus 4% | 27 June 2019 | **–** | 111 000 000 |
| Floating rate note – CGR 27 | JIBAR plus 4% | 25 November 2019 | **–** | 46 000 000 |
| Floating rate note – CGR 29 | JIBAR plus 4.35% | 8 February 2021 | **52 000 000** | 52 000 000 |
| Floating rate note – CGR 32 | JIBAR plus 3.9% | 21 July 2020 | **38 000 000** | 38 000 000 |
| Floating rate note – CGR 33 | JIBAR plus 3.9% | 22 September 2020 | **59 000 000** | 59 000 000 |
| Floating rate note – CGR 38 | JIBAR plus 4% | 13 February 2021 | **30 000 000** | 30 000 000 |
| Floating rate note – CGR 39 | JIBAR plus 3.95% | 4 May 2021 | **30 000 000** | 30 000 000 |
| Floating rate note – CGR 40 | JIBAR plus 3.95% | 4 June 2021 | **51 000 000** | 51 000 000 |
| Floating rate note – CGR 41 | JIBAR plus 3.95% | 25 June 2021 | **20 000 000** | 20 000 000 |
| Floating rate note – CGR 42 | JIBAR plus 4.5% | 3 August 2023 | **45 000 000** | 45 000 000 |
| Floating rate note – CGR 43 | JIBAR plus 3.95% | 8 February 2022 | **18 000 000** | 18 000 000 |
| Floating rate note – CGR 44 | JIBAR plus 3.95% | 5 April 2022 | **104 000 000** | – |
| Floating rate note – CGR 45 | JIBAR plus 3.5% | 30 October 2021 | **45 000 000** | – |
| Floating rate note – CGR 46 | JIBAR plus 3.95% | 28 February 2023 | **40 000 000** | – |
| Floating rate note – CGR 47 | JIBAR plus 4.5% | 28 February 2025 | **60 000 000** | – |
| Proparco loan[1] | JIBAR plus 4.9% | 15 September 2023 | **387 000 000** | 387 000 000 |
| Transaction cost amortisation[2] | | | **(6 157 069)** | (7 804 994) |
| **Total borrowings** | | | **1 062 842 931** | 969 195 006 |

*1. The Proparco loan is repayable in five equal instalments on a six monthly basis starting from 15 September 2021.*
*2. The transaction costs are amortised over the life of the facilities. It is expected that these costs will be fully amortised when the facilities are settled.*

All borrowings are unsecured.

The following financial covenants are applicable to the loan:

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

The total facility value is R387 000 000.

Refer to note 3.2 for the DSCR and net debt to equity calculation.

## 17. Borrowings *(continued)*

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

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

** CGR 44 was raised as part of the Afhco exit transaction on the remaining balance owing to SA Corporate.*

### General

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

## 18. Trade and other payables

**Accounting policy**

Trade and other payables are measured at amortised cost. Refer to the financial instruments accounting policy, note 2.11.

| | 2020 | 2019 |
|---|---|---|
| Trade payables | **153 992 240** | 132 410 319 |
| Trade payables – related parties | **9 965 355** | 9 965 355 |
| Retention creditors | **13 893 776** | 18 894 331 |
| Long service awards provision[1] | **4 385 361** | 6 211 582 |
| Executive once-off payment[2] | **–** | 25 344 000 |
| Accrued expenses | **40 101 433** | 35 726 420 |
| Share appreciation rights liabilities | **76 838** | – |
| Value added tax | **23 152 711** | 15 675 701 |
| Income received in advance | **298 622** | 310 821 |
| Accrual for leave pay | **936 219** | 1 346 638 |
| Deferred revenue | **22 773 950** | 19 235 278 |
| Deposits received – Summerset and other units | **50 000** | 74 500 |
| Deposits received – Afhco Consortium – related parties[3] | **–** | 155 135 133 |
| Nasrec Memorial Parks share purchase liability | **29 216 941** | 41 868 944 |
| Afhco Settlement liability | **17 761 718** | – |

1. *The Group has a long-term service award for its employees based on years of service. (10 years – two months' salary, 15 years – three months' salary, every subsequent five years thereafter – three months' salary). To determine the value of the provision, the following was taken into account: The average annual salary increases, the employee attrition rate, retirement age, discount rate and mortality rate.*
2. *This amount was paid out to the executives as a once-off payment. Refer to note 35.*
3. *Deposits received related to units that would have completed and transferred within the next 12 months.*

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 18. Trade and other payables *(continued)*

| | 2020 | 2019 |
|---|---|---|
| Land purchase liability – balance of purchase price for acquisition of Bridge City land[1] | **21 358 608** | 19 450 199 |
| Land purchase liability – balance of purchase price for acquisition of Jabulani land[1] | **145 000 000** | 145 000 000 |
| Land purchase liability – balance of purchase price for acquisition of KwaNobuhle land[1] | **32 378 241** | 43 649 344 |
| Land purchase liability – balance of purchase price for acquisition of Enokuthula[1] | **26 290 695** | 5 821 131 |
| Land purchase liability – Umhlanga Property[1] | **4 942 812** | – |
| Other payables – balance of purchase price for acquisition of Fourways Private Memorial Parks | **–** | 2 250 193 |
| Other payables – balance of purchase price for the acquisition of Durbanville Memorial Parks | **–** | 4 500 000 |
| Other payables – balance of purchase price for the acquisition of Bloemfontein Memorial Parks | **250 193** | – |
| Lease liability office building[2] | **20 800 304** | – |
| Other payables – related parties | **9 561 827** | 9 842 916 |
| La Vie Nouvelle Frail Care equipment provision | **6 855 450** | – |
| Dividends payable | **241 117** | 487 696 |
| Provision for loss making contracts[3] | **3 432 443** | 4 847 353 |
| Excess billings over work done | **69 115 355** | 198 231 245 |
| | **656 832 209** | 896 279 099 |

1. *Land purchase liability is carried at amortised cost. Repayments have been aligned with the sale of completed units.*
2. *This amount relates to the capitalisation of long-term leases. Refer to note 2.6.*
3. *A provision for a loss making contract is made when the Group can reliably determine that the cost to complete the relevant performance obligations will be more than the expected revenue and the Group has no alternative than to incur the cost. Refer to note 13.*

Refer to note 3 for the maturity analysis of financial instruments. For the remaining non-financial instruments, R32 130 171 (2019: R63 083 441) will be settled within the next 12 months and R29 502 853 (2019: R24 380 156) will be settled after more than 12 months.

## 19. Lease liability

**Accounting policy**

Refer to note 2.6 Changes in accounting policy for the new adopted accounting policy and the implications thereof for IFRS 16: *Leases.*

| | 2020 | 2019 |
|---|---|---|
| **Lease liability** | | |
| Lease agreements for office buildings | **20 800 304** | – |
| | **20 800 304** | – |
| *Less:* Current portion | **2 395 619** | – |
| Long-term portion | **18 404 685** | – |
| | **20 800 304** | – |
| The carrying value of interest-bearing liabilities approximates their fair value. | | |
| The interest rate used is 11.46% which was the Group's average cost of debt when IFRS 16 was adopted by the Group. | | |
| **Lease payments are due as follows:** | | |
| Within one year from 1 March 2019. | **4 660 395** | – |
| Two to five years | **20 917 460** | – |
| Greater than five years | **2 898 604** | – |
| | **28 476 459** | – |

## 19. Lease liability *(continued)*

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

| | 2020 | 2019 |
|---|---|---|
| **Amounts related to lease liabilities included in the statement of comprehensive income** | | |
| *Administrative expenses* | | |
| Depreciation on right-of-use assets [IFRS 16] | **3 147 750** | – |
| Lease rentals on operating leases | **–** | 5 916 325 |
| *Finance costs* | | |
| Lease liability | **2 503 518** | – |

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

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

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

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

## 20. Revenue

**Accounting policy**

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 are 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 passes to the customer and the business has the right to payment.

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

The Group recognises retention debtors based on certified work completed for specific contracts. It should be noted that the retention payments is not considered to be variable consideration as the full amount is payable upon satisfying performance obligations. The retention payments have no impact on the contract price and are short-term in nature, usually three to six months.

Revenue recognised on contracts that have retention debtors are done in terms of the Group's revenue recognition policy (over time or point in time), depending on how control of the goods are transferred to the customer. Payment of any retention debtors are measured for recoverability and are generally received within three to six months.

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 20. Revenue *(continued)*

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

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

**Significant judgement and source of estimation uncertainty**

*Property Development segment*

The Group uses the 'percentage of completion' method (also known as an input method) in accounting for its 'Over time' construction contracts where control is transferred to a customer over a period of time. Use of the 'percentage of completion' method requires the Group 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"). Inputs can be reliably measured and results in the performance obligation being satisfied to the customer. The Group therefore, has determined that his method faithfully depicts the Groups 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 is 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 contracts 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 customers and are accounted for as a contract modification where the original prices are modified to include the approved variation to the original contract. A cumulative catch up of revenue is performed when the variation is included for a contract where the revenue is accounted for over a period of time. 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 and their revenue recognition within the group for the Residential Development segment is set out below:

| Terms of the contract | Revenue recognition |
|---|---|
| **Fully subsidised (Reconstruction and Development Programme ("RDP")/breaking new ground ("BNG") and Community Residential Units ("CRU")** | |
| ▸ Overall agreement between parties to construct a specified number of RDP and CRU units.<br>▸ Purchase order received from Government based on approved budget within the relevant department, based on gazetted prices for RDP and CRU units at the time of contracting.<br>▸ Payment for work completed determined on a monthly basis ("progress draws").<br>▸ Specification is based on current government gazetted specifications for the units. | **Individual contract treatment with revenue recognised over time**<br>Estimated revenue is determined on the gazetted price per unit and the number of units ordered by Government.<br><br>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. |

## 20. Revenue *(continued)*

| Terms of the contract | Revenue recognition |
|---|---|
| **Social housing and bulk purchaser** | |
| ▸ Overall agreement between third party social housing company to construct a specified number of social housing units/bulk purchaser units.<br>▸ Units specification is agreed upon between the parties within the contract.<br>▸ Payment for work completed is determined on a monthly basis or upon transfer of the units. | **Individual contract treatment with revenue recognised either at a point in time or over time**<br>Estimated revenue determined on the contract price per unit.<br><br>Revenue is recognised either over time on a percentage of completion method basis if control is transferred during the development and handover of units;<br><br>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.<br><br>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 People's homes ("GAP")/Finance Linked Individual Subsidy Programme ("FLISP").** | |
| ▸ Agreement between parties to purchase a single unit within a sectional title development.<br>▸ Payment to take place upon transfer of the unit to the customer.<br>▸ Specifications of the units is standard across the development. | **Individual contract per customer with revenue recognised on transfer of completed unit – revenue recognised at a point in time**<br>Sales price determined based on the agreement between parties.<br><br>Revenue recognised at a point in time upon transfer of the unit to the customer.<br><br>Cost incurred is capitalised to inventory and expensed to cost of sales upon transfer of the unit. |
| **Affordable housing and high-end units** | |
| ▸ Agreement entered into with parties for the purchase of property and the construction of a freestanding dwelling.<br>▸ Specification of dwelling agreed upon between parties.<br>▸ Payment upon transfer of the property.<br>▸ Payment for construction of freestanding unit based on terms of bond obtained by customer from the relevant financial institution. | **Individual contract per customer with two performance obligations. Revenue recognised on transfer of the land to the customer at a point in time. Revenue on construction of the unit to be recognised over time.**<br><br>**Sale of land – first performance obligation**<br>Sales price of property/land determined based on the agreement between parties.<br><br>Revenue is recognised at a point in time upon transfer of the property/land to the customer.<br><br>Cost incurred is capitalised to inventory and expensed to cost of sales upon transfer of the property/land.<br><br>**Construction of unit – second performance obligation**<br>Estimated revenue for the construction of the dwelling based on the agreement between the parties.<br><br>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; |

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 20. Revenue *(continued)*

| Terms of the contract | Revenue recognition |
|---|---|
| **Affordable housing and high-end units (continued)** | |
| | **Single performance obligation**<br>Or revenue is recognised at a point in time if control is determined to transfer upon completion of the unit/ dwelling when the property/land and dwelling is transferred as a completed unit.<br><br>This is applicable if the customer can only accept transfer due to their funding arrangement with a financial institution or requirements of the contract.<br><br>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. |
| **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.<br>▸ Bulk and link services subsidised based on the integration of subsidised and non-subsidised units and mix of unit typologies.<br>▸ Mixture of unit typologies to be constructed as per the agreement.<br>▸ Payment for services rendered determined on a monthly basis. | **Every contract with a customer to be recognised and accounted for individually**<br>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.<br><br>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.<br><br>Subsidised infrastructure revenue is based on the estimated revenue for the work to be completed on the project.<br><br>Cost incurred on subsidised infrastructure is expensed to cost of sales when incurred. |

*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.

Revenue for maintenance is recognised over a period of 18 years, from the sale of the associated burial right.

## 20. Revenue *(continued)*

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

The interest expense portion is calculated based on the Group's weighted average cost of debt.

**The type of products and their revenue recognition within the group for the Memorial Parks segment is set out below:**

| Terms of the contract | Revenue recognition |
|---|---|
| **Memorial Parks burial rights** | |
| ▸ Agreement with a customer to reserve the right to utilise a grave site.<br>▸ A customer can utilise the grave site as soon as the right has been issued to the customer.<br>▸ Payment is received before burial right is issued to customer. | Individual contract treatment with revenue recognised at a point in time when control of burial right has transferred to the customer. |
| **Memorial Parks burial services** | |
| ▸ Agreement with the customer to provide internment services with the purchase of a burial right upon utilisation of the burial right.<br>▸ The service is rendered to the customer once the burial right is enforced by the customer for the first internment on the burial site.<br>▸ Payment is received with the payment of the burial right.<br>▸ Payment for subsequent internment services is received before interment service is rendered to a customer. | Individual contract treatment with revenue recognised at a point in time when the burial service has rendered to the customer. |
| **Memorial Parks maintenance services** | |
| ▸ Agreement with customer to render maintenance services on reserved grave sites.<br>▸ Services is rendered to the customer over the period the maintenance is performed for the reserved site.<br>▸ Payment is received with the payment of the burial right. | Individual contract treatment with revenue recognised over time as the maintenance services are being rendered for the customer. |

*Residential Rental segment*

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

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 20. Revenue *(continued)*

| | 2020 | 2019 |
|---|---|---|
| **Disaggregated revenue** | | |
| **Residential Property Development segment** | | |
| Infrastructure | **173 464 550** | 440 224 268 |
| Fully and partially subsidised units | **509 191 317** | 452 065 209 |
| Non-subsidised units | **222 325 693** | 33 621 990 |
| Serviced land sales | **45 360 911** | 50 233 318 |
| | **950 342 471** | 976 144 785 |
| **Memorial Parks segment** | | |
| Memorial parks burial rights | **19 965 357** | 16 325 193 |
| Memorial parks maintenance | **2 186 949** | 2 044 624 |
| Memorial parks burial services | **3 540 177** | 2 549 926 |
| | **25 692 483** | 20 919 743 |
| **Residential Property Rental segment** | | |
| Rental income residential | **8 095 532** | – |
| | **8 095 532** | – |
| **Total revenue** | **984 130 486** | 997 064 528 |

## 21. Cost of sales

| | | |
|---|---|---|
| **Disaggregated cost of sales** | | |
| **Residential Property Development segment** | | |
| Infrastructure | **118 819 186** | 288 917 076 |
| Fully and partially subsidised units | **494 875 110** | 429 750 752 |
| Non-subsidised units | **246 478 784** | 89 090 979 |
| Serviced land sales | **22 972 718** | 53 637 686 |
| | **883 145 798** | 861 396 493 |
| **Memorial Parks segment** | | |
| Memorial parks burial rights | **7 118 443** | 4 980 954 |
| Memorial parks maintenance | **3 912 161** | 548 134 |
| Memorial parks burial services | **809 534** | 1 448 900 |
| | **11 840 138** | 6 977 988 |
| **Residential Property Rental segment** | | |
| Rental residential cost of sales | **4 761 443** | – |
| | **4 761 443** | – |
| **Insurance claims recovered*** | **(16 226 225)** | – |
| **Total cost of sales** | **883 521 154** | 868 374 481 |

## 22. Other income

| | | |
|---|---|---|
| Bond commissions | **1 732 725** | 1 289 302 |
| Gain on bargain purchase | **–** | 27 600 377 |
| Profit on sale of investment in joint venture | **2 273 697** | – |
| Rental income from commercial investment properties | **4 022 489** | 3 892 305 |
| Other rental income | **1 264 065** | 1 001 825 |
| Profit on disposal of property, plant and equipment | **379 635** | – |
| Fair value adjustments on assets held at fair value through profit or loss | **1 180 374** | 482 930 |
| Fair value adjustments on investment properties | **–** | 1 655 587 |
| SETA refunds and other income | **461 469** | 616 154 |
| | **11 314 454** | 36 538 480 |

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

## 23. Expense by nature

| | 2020 | 2019 |
|---|---|---|
| Advertising | **8 752 787** | 11 567 239 |
| Auditor's remuneration | **5 512 801** | 4 462 100 |
| Bank charges | **1 952 553** | 2 045 052 |
| Completed unit costs | **118 321 878** | 5 145 185 |
| Computer expenses | **4 481 905** | 4 542 368 |
| Construction costs | **764 823 920** | 856 251 308 |
| Depreciation on owned property, plant and equipment and amortisation on computer software | **1 569 029** | 1 350 363 |
| Depreciation on right-of-use assets (IFRS 16) | **3 147 750** | – |
| Rental residential cost of sales | **4 761 443** | – |
| Donations | **1 937 494** | 1 699 277 |
| Insurance | **1 505 461** | 1 618 975 |
| Memorial park costs | **11 840 138** | 6 977 988 |
| Motor vehicle expenses | **531 176** | 1 006 463 |
| Lease rentals on operating leases | **–** | 5 916 325 |
| Legal fees | **1 218 612** | 1 051 422 |
| Printing and stationery | **364 182** | 711 346 |
| Professional fees | **3 346 619** | 3 045 959 |
| Insurance claims recovered | **(16 226 225)** | – |
| Short-term leases | **200 775** | – |
| Social corporate responsibilities | **91 575** | 3 662 642 |
| **Total employee and related fee costs** | **46 890 975** | 132 050 562 |
| Directors' fees – Non-Executive* | **2 580 885** | 2 950 750 |
| Executive share scheme expense* | **4 499 565** | 43 992 366 |
| Employee costs* | **39 733 687** | 85 749 104 |
| Share Appreciation Rights expense/(income)* | **76 838** | (641 658) |
| Telephone and fax | **744 091** | 1 343 885 |
| Impairment of deferred tax asset | **–** | 929 221 |
| Other | **6 868 483** | 9 939 881 |
| **Total cost of sales, administration expenses and other expenses** | **972 637 422** | 1 055 317 561 |

** Refer to notes 32, 33, 34 and 35 for further explanation of the relevant expenses.*

## 24. Impairment (gains)/losses on financial and contract assets

| | | |
|---|---|---|
| Trade receivables | **786 822** | 3 237 489 |
| Contract assets | **(31 029 926)** | 962 078 |
| Loans to joint ventures | **5 073 794** | 2 989 945 |
| | **(25 169 310)** | 7 189 512 |

Refer to note 2.11 for the reconciliation of the impairment losses on financial and contract assets balances.

## 25. Finance income

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

| | 2020 | 2019 |
|---|---|---|
| Bank | **6 368 583** | 7 439 812 |
| Trade receivables | **988 069** | 846 234 |
| SARS | **138 551** | 637 283 |
| Related parties (SAR Vendor Finance) | **–** | 424 968 |
| Related parties (interest from joint ventures and associates) | **23 305 167** | 40 656 735 |
| | **30 800 370** | 50 005 032 |

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 26. Finance cost

**Accounting policy**

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

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

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

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

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

| | **2020** | 2019 |
|---|---|---|
| Bank | **4 014 298** | 4 086 235 |
| Other | **6 070 401** | 6 170 258 |
| Lease liability | **2 503 518** | – |
| Interest-bearing borrowings | **121 724 194** | 125 566 511 |
| **Finance cost** | **134 312 411** | 135 823 004 |
| *Less:* Amounts capitalised on qualifying assets (inventory) | **(12 210 596)** | (22 165 556) |
| *Less:* Amounts capitalised on qualifying assets (construction contracts) | **(57 384 762)** | (54 291 729) |
| **Total finance cost recognised in statement of comprehensive income** | **64 717 053** | 59 365 719 |

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

## 27. Taxation

**Accounting policy**

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

| | **2020** | 2019 |
|---|---|---|
| **Major components of the income tax expense** | | |
| **Current** | | |
| Local income tax – current year | **21 534 666** | 7 346 325 |
| Local income tax – recognised in current tax for prior years | **(3 645 736)** | – |
| | **17 888 930** | 7 346 325 |
| **Deferred** | | |
| Current year | **(13 453 384)** | (34 874 094) |
| Under/(over) provision for prior year | **3 549 264** | 2 223 358 |
| | **(9 904 120)** | (32 650 736) |
| | **7 984 810** | (25 304 411) |

## 27. Taxation *(continued)*

| | 2020 % | 2019 % |
|---|---|---|
| **Reconciliation of the income tax expense** | | |
| Applicable tax rate | **28.00** | (28.00) |
| Disallowable charges | **13.22** | 16.88 |
| Empowerment expenses | **7.23** | 13.28 |
| Fines and penalties – SARS | **0.09** | 0.06 |
| Professional fees | **5.90** | 3.54 |
| IFRS rate adjustments | **19.16** | (107.45) |
| Calgro M3 Executive Share Scheme – old scheme | **0.00** | (57.29) |
| Calgro M3 Executive Share Scheme – new scheme | **9.46** | 0.00 |
| IFRS 9: *Net impairment losses on financial assets* – loans | **10.65** | 3.48 |
| Bargain purchase | **0.00** | (35.03) |
| Fair value adjustments on assets held at fair value | **(2.48)** | (2.11) |
| Share of profit of joint ventures and associates – net of tax | **1.53** | (16.50) |
| Underprovision for current tax prior year | **27.35** | 0.00 |
| Under/(over) provision for deferred tax prior year | **(26.63)** | 9.23 |
| Losses for which no deferred tax was accounted | **(0.23)** | 4.24 |
| Capital gains tax | **(0.96)** | 0.00 |
| **Effective tax rate** | **59.91** | (105.10) |

The estimated tax losses available for set off against future taxable income within the Group is R272 860 864 (2019: R304 204 654).

## 28. Cash generated from operations

| | 2020 | 2019 |
|---|---|---|
| Profit/(loss) before taxation | **13 327 604** | (24 076 699) |
| **Adjustments for:** | | |
| Depreciation and amortisation | **4 716 779** | 1 350 363 |
| Profit on disposal/write off of property, plant and equipment and computer software | **(379 635)** | – |
| Executive share scheme expense | **4 499 565** | 43 992 366 |
| Share Appreciation Rights expense | **76 838** | – |
| Finance income | **(30 800 370)** | (50 005 032) |
| Finance cost | **64 717 053** | 59 365 719 |
| Fair value adjustments on assets held at fair value through profit or loss | **(1 180 374)** | (482 930) |
| Fair value adjustments on investment properties | **–** | (1 655 587) |
| Net realisable value adjustment on inventories | **–** | 54 452 744 |
| Profit on sale of investment in joint venture | **(2 273 697)** | – |
| Gain on bargain purchase | **–** | (27 600 377) |
| Impairment (gains)/losses on financial and contract assets – trade receivables | **786 822** | – |
| Impairment (gains)/losses on financial and contract assets – contract assets | **(31 029 926)** | – |
| Impairment (gains)/losses on financial and contract assets – loans to joint ventures | **5 073 794** | – |
| Share of (loss)/profit of joint ventures and associates – net of tax | **732 541** | (14 188 054) |
| Other | **(49 199)** | – |
| **Changes in working capital:** | | |
| Inventories | **173 829 777** | (9 021 461) |
| Trade and other receivables | **106 542 427** | 71 616 076 |
| Construction contracts | **417 236 676** | 147 365 664 |
| Trade and other payables | **(261 617 955)** | 47 177 520 |
| | **464 208 720** | 298 290 312 |

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

| | 2020 | 2019 |
|---|---|---|
| **29. Tax (paid)/refunded** | | |
| Balance at the beginning of the year | **625 750** | 16 576 854 |
| Current tax for the year | **(17 888 930)** | (7 346 325) |
| Balance at the end of the year | **(554 749)** | (625 750) |
| | **(17 817 929)** | 8 604 779 |

## 30. Business combinations

**Accounting policy**

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

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

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

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

### 2020 financial year

There were no business combinations for the current period. The amounts paid for the current year of R12 500 000 relate to deferred payments on previous acquisitions for Bloemfontein Memorial Park – R2 000 000, Durbanville Memorial Park – R4 500 000 and Enokuthula Memorial Park – R6 000 000.

### 2019 financial year

*Durbanville Memorial Park business*

On 1 March 2018 (acquisition date), the Group acquired 100% of the Durbanville Private Memorial Park business through the purchase of all assets and liabilities from Durbanville Private Memorial Park (Pty) Ltd, an unlisted South African private memorial parks property company. The total deemed consideration for the acquisition was R18 000 000. The consideration amount is paid in instalments as determined by the contract, with the final instalment payable on 1 February 2020. The transaction was entered into to benefit from synergies between the Durbanville Private Memorial Park project as well as current and future private memorial park developments across South Africa and the party emigrated from South Africa a couple of years ago. This business was one of their last remaining assets that were held in South Africa. They no longer had the capacity to run this business remotely and decided to sell the business. The business combination comprises the indivisible acquisition of the integrated set of business activities of Durbanville Memorial Parks (Pty) Ltd and the adjoining commercial property situated on Erf 1691 Fisantekraal and Erf 1965 Fisantekraal. The transaction resulted in a bargain purchase being recognised. None of the bargain purchase is expected to be taxable for tax purposes.

The gain on bargain purchase was R22 141 642.

## 30. Business combination *(continued)*

### 2019 financial year *(continued)*

*Durbanville Memorial Park Business (continued)*

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

| | Consideration at 1 March 2018 |
|---|---|
| Fair value of the purchase price liability for the business | 18 000 000 |
| Purchase price consideration for property, plant and equipment relating to the business | – |
| **Total deemed consideration for 100%** | **18 000 000** |
| **Identifiable assets acquired and liabilities assumed at fair value** | |
| Investment property | 4 322 880 |
| Investment in NPC | 10 606 678 |
| Property, plant and equipment | 2 541 250 |
| Fair value of inventory and vacant land | 27 759 910 |
| Deferred revenue | (5 089 076) |
| **Total identifiable net assets** | **40 141 642** |
| Gain on bargain purchase | (22 141 642) |
| **Total deemed consideration** | **18 000 000** |
| Total purchase consideration | 18 000 000 |
| *Less:* Balance of purchase price for the acquisition of Durbanville Memorial Parks business | (13 500 000) |
| **Net cash outflow on acquisition date** | **4 500 000** |

*Revenue and profits/(loss) to the Group from the acquisition date*

| | |
|---|---|
| **Since acquisition [IFRS 3.B64(q)(i)] 1 March 2018 to 28 February 2019 (full financial year)** | |
| Revenue | 3 069 969 |
| Profit/(loss) for the period | Impracticable to calculate* |

* *The Company owns numerous Memorial Parks within South Africa who share related costs, infrastructure and staff. It is therefore not practicable to calculate the profit for this memorial park individually.*

*Bloemfontein Memorial Park business*

On 1 June 2018 (acquisition date), the Group acquired 100% of the Bloemfontein Private Memorial Park business through the purchase of all assets and liabilities from Reunion (Pty) Ltd CC, an unlisted South African private memorial parks property close corporation. The total deemed consideration for the acquisition was R5 250 193. The consideration amount is paid in instalments as determined by the contract, with the final instalment payable on 1 June 2020. The transaction was entered into to benefit from synergies between the Bloemfontein Private Memorial Park project as well as current and future private memorial park developments across South Africa and was purchased from an individual who was looking to pursue other business interests and therefore did not specifically pursue additional burial rights on the park nor wanted to spend a significant amount of time and money running the business. The business combination comprises the indivisible acquisition of the integrated set of business activities of Reunion (Pty) Ltd situated on Section 1 and 2 of Portion 21 of 8 of the farm Mooivlakte 1047. None of the bargain purchase is expected to be taxable for tax purposes.

The gain on bargain purchase was R5 458 735.

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 30. Business combination *(continued)*

### 2019 financial year *(continued)*

*Bloemfontein Memorial Park Business (continued)*

| | Consideration at 1 June 2018 |
|---|---|
| Fair value of the purchase price liability for the business | 5 250 193 |
| Purchase price consideration for property, plant and equipment relating to the business | – |
| **Total deemed consideration for 100%** | **5 250 193** |
| **Identifiable assets acquired and liabilities assumed at fair value** | |
| Investment property | 191 520 |
| Property, plant and equipment | 911 088 |
| Fair value of inventory and vacant land | 9 606 320 |
| Deferred revenue | – |
| **Total identifiable net assets** | **10 708 928** |
| Gain on bargain purchase | (5 458 735) |
| **Total deemed consideration** | **5 250 193** |
| Total purchase consideration | 5 250 193 |
| *Less:* Balance of purchase price for the acquisition of Bloemfontein Memorial Park business | (4 250 193) |
| **Net cash outflow on acquisition date** | **1 000 000** |

Refer to note 18 for the remaining balance on the purchase price payable at year-end.

*Revenue and profits/(loss) to the Group from the acquisition date*

| | |
|---|---|
| **Since acquisition [IFRS 3.B64(q)(i)] 1 June 2018 to 28 February 2019** | |
| Revenue | 148 360 |
| Loss for the period | 573 779 |
| **Since beginning of current financial period [IFRS 3.B64(q)(i)] 1 March 2018 to 28 February 2019** | |
| Revenue** (R148 360*12/9) | 197 813 |
| Profit/(loss) for the period** (R573 779*12/9) | 765 039 |

** *Please note that this information is extrapolated based on information for the nine months ended 28 February 2019. The business was acquired from an individual that did not have accurate record keeping of the park's performance and as such it is considered to be impracticable to determine the pre-acquisition information. This is furthermore considered to be immaterial to the users of the financial statements.*

*Fourways Memorial Park*

The Group paid R9 million in the prior year related to the business acquisition of the Fourways Memorial Park which was acquired in November 2016. A remaining amount of R6 million was paid during the 2020 financial year.

## 31. Non-controlling interest

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

| | NCI % | 2020 | 2019 |
|---|---|---|---|
| Procurement companies (Calgro M3 Procurement Services (Pty) Ltd and Calgro M3 Contractors (Pty) Ltd) | 26.01 | 365 986 | 301 401 |
| Belhar Calgro M3 Development Company (Pty) Ltd | 51.00 | 51 | 51 |
| Holm Jordaan GWA (Pty) Ltd | 49.16 | 335 490 | (23 814) |
| | | 701 527 | 277 638 |

## 31. Non-controlling interest *(continued)*

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

| | Calgro M3 Memorial Parks Nasrec (Pty) Ltd | | Holm Jordaan GWA (Pty) Ltd | | Procurement companies | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| Total assets | **–** | 120 024 682 | **1 336 955** | 3 473 592 | **29 639 746** | 27 272 817 |
| Total liabilities | **–** | 127 266 853 | **654 551** | 3 522 029 | **28 232 652** | 26 114 027 |
| Total equity | **–** | (5 303 149) | **682 404** | (48 438) | **1 407 094** | 1 158 790 |
| **Non-controlling interest relating to equity** | **–** | – | **335 490** | (23 814) | **365 986** | 301 401 |
| **Current year charge** | | | | | | |
| Dividend distributed | **–** | – | **–** | – | **(1 158 780)** | (2 343 791) |
| IFRS 9 adjustments to equity | **–** | – | **–** | (7 365) | **–** | (407 143) |
| Comprehensive income | **–** | (2 026 906) | **730 842** | (1 955 294) | **1 407 087** | 1 565 933 |
| Net distributable equity | **–** | – | **730 842** | (1 962 659) | **248 307** | (1 185 001) |
| **Non-controlling interest relating to equity** | **–** | (739 902) | **359 304** | (964 902) | **64 585** | (308 219) |

### Acquisition of remaining 36.5% shareholding Calgro M3 Memorial Parks Nasrec (Pty) Ltd

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

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

## 32. Share-based payments

**Accounting policy**

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

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

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

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

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 32. Share-based payments *(continued)*

**Significant judgement and source of estimation uncertainty**
Management used generally accepted valuation methods to determine the value of the share-based payment schemes.

### Calgro M3 Executive Share Scheme – new scheme

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

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

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

It is a five (5)-year scheme, commencing on 1 March 2019, with the allocated share appreciation rights vesting in four (4) yearly tranches on 1 March in each of 2021, 2022, 2023 and 2024.

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

| | Maximum number of share appre-ciation rights to be issued | Number of shares granted | Final vesting date | Intrinsic value of scheme at 28 June 2019 | Vesting value tranche 1 1 March 2021 | Vesting value tranche 2 1 March 2022 | Vesting value tranche 3 1 March 2023 | Vesting value tranche 4 1 March 2024 |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| WJ Lategan | 3 500 000 | 2 423 599 | 1 Mar 2024 | 7 078 912 | 1 769 728 | 1 769 728 | 1 769 728 | 1 769 728 |
| W Williams | 2 541 306 | 1 759 745 | 1 Mar 2024 | 5 139 910 | 1 284 977 | 1 284 977 | 1 284 977 | 1 284 977 |
| WA Joubert | 2 435 361 | 1 686 383 | 1 Mar 2024 | 4 925 632 | 1 231 408 | 1 231 408 | 1 231 408 | 1 231 408 |
| MN Nkuhlu | 2 646 844 | 1 832 826 | 1 Mar 2024 | 5 353 367 | 1 338 342 | 1 338 342 | 1 338 342 | 1 338 342 |
| | 11 123 511 | 7 702 553 | | 22 497 821 | 5 624 455 | 5 624 455 | 5 624 455 | 5 624 455 |

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

Valuation of this instrument is achieved by performing a Monte Carlo simulation involving the CGR share, volatility, risk-free rates, and certain dividend assumptions.

The process assumed is risk-neutral geometric Brownian motion.

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

$N = TSR \times (S - K)/S$

where

S = is the 30-day VWAP of CGR on 28 February in the vesting date year; and
K = is the base price R7.95; being the 30-day VWAP of CGR on 28 February 2019; and
N = the number of share appreciation rights granted; and
TSR = the percentage vesting according to vesting schedule below.

## 32. Share-based payments *(continued)*

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

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

The remuneration to which a participant becomes entitled, will be paid through the issuing of ordinary Calgro M3 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.

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

In terms of the scheme, Calgro M3 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.

| | 2020 | 2019 |
|---|---|---|
| **Reconciliation of new share-based payment reserve** | | |
| Opening balance of new share-based payment reserve | – | – |
| Share-based payment expense recognised in equity (note 23) | **4 499 565** | – |
| **Closing balance of new share-based payment reserve** | **4 499 565** | – |

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

| | Vesting date | Number of share appreciation rights available for vesting | Required compounded TSR for vesting to occur measured from 1 March 2019 |
|---|---|---|---|
| **Directors** | | | |
| WJ Lategan | 1 March 2021 | 605 900 | TSR of 15% |
| | 1 March 2022 | 302 950 | TSR of 15% |
| | 1 March 2022 | 302 950 | TSR of 20% |
| | 1 March 2023 | 201 967 | TSR of 15% |
| | 1 March 2023 | 201 967 | TSR of 20% |
| | 1 March 2023 | 201 967 | TSR of 25% |
| | 1 March 2024 | 201 967 | TSR of 15% |
| | 1 March 2024 | 201 967 | TSR of 20% |
| | 1 March 2024 | 201 967 | TSR of 25% |
| W Williams | 1 March 2021 | 439 936 | TSR of 15% |
| | 1 March 2022 | 219 968 | TSR of 15% |
| | 1 March 2022 | 219 968 | TSR of 20% |
| | 1 March 2023 | 146 645 | TSR of 15% |
| | 1 March 2023 | 146 645 | TSR of 20% |
| | 1 March 2023 | 146 645 | TSR of 25% |
| | 1 March 2024 | 146 645 | TSR of 15% |
| | 1 March 2024 | 146 645 | TSR of 20% |
| | 1 March 2024 | 146 645 | TSR of 25% |
| | | 4 183 344 | |

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 32. Share-based payments *(continued)*

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

| | Vesting date | Number of share appreciation rights available for vesting | Required compounded TSR for vesting to occur measured from 1 March 2019 |
|---|---|---|---|
| **Directors** | | | |
| WA Joubert | 1 March 2021 | 421 596 | TSR of 15% |
| | 1 March 2022 | 210 798 | TSR of 15% |
| | 1 March 2022 | 210 798 | TSR of 20% |
| | 1 March 2023 | 140 532 | TSR of 15% |
| | 1 March 2023 | 140 532 | TSR of 20% |
| | 1 March 2023 | 140 532 | TSR of 25% |
| | 1 March 2024 | 140 532 | TSR of 15% |
| | 1 March 2024 | 140 532 | TSR of 20% |
| | 1 March 2024 | 140 532 | TSR of 25% |
| MN Nkuhlu | 1 March 2021 | 458 206 | TSR of 15% |
| | 1 March 2022 | 229 103 | TSR of 15% |
| | 1 March 2022 | 229 103 | TSR of 20% |
| | 1 March 2023 | 152 735 | TSR of 15% |
| | 1 March 2023 | 152 735 | TSR of 20% |
| | 1 March 2023 | 152 735 | TSR of 25% |
| | 1 March 2024 | 152 735 | TSR of 15% |
| | 1 March 2024 | 152 735 | TSR of 20% |
| | 1 March 2024 | 152 735 | TSR of 25% |
| | | 3 519 209 | |
| **Total shares vested** | | 7 702 553 | |

### Calgro M3 Executive Share Scheme – old scheme

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

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

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

During the prior year, the following amendments were approved with respect to the Category 1 shares:
(1) Trading restriction 1 – 20 February 2017 (previously 1 March 2017);
(2) Trading restriction 2 – 20 February 2017 (previously 1 March 2018);
(3) Service year – two years (previously – three years).

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

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

## 32. Share-based payments *(continued)*

### Calgro M3 Executive Share Scheme – old scheme *(continued)*

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

This also led to the acceleration of the share-based payment expense as per the requirements of IFRS 2.

Subsequently the share-based payment reserve was allocated to retained earnings.

| | 2020 | 2019 |
|---|---|---|
| **Reconciliation of subscription price for shares issued:** | | |
| Opening balance receivable from participants | – | 7 706 659 |
| Interest paid | – | (72 000) |
| Interest written off | – | (1 463 308) |
| Cancellation of executive share scheme vendor finance | – | (6 596 320) |
| Finance income on receivable | – | 424 969 |
| **Balance receivable by Group included under trade and other receivables** | – | – |
| **Opening balance of share-based payment reserve** | – | 74 056 311 |
| Share-based payment expense recognised in equity[1] | – | 43 992 366 |
| Share-based payment reserve released to retained income due to scheme cancellation | – | (118 048 677) |
| **Closing balance of share-based payment reserve** | – | – |

*1. The expense was accelerated in the prior year due to the cancellation of the scheme.*

### Share Appreciation Rights – new scheme

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

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

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

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

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

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

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 32. Share-based payments *(continued)*

### Share Appreciation Rights – new scheme *(continued)*

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

| Condition | Vesting date | Percentage |
|---|---|---|
| TSR | 1 March 2021 | 1/3 x 50% |
| | 1 March 2022 | 1/3 x 50% |
| | 1 March 2023 | 1/3 x 50% |
| PAT | 1 March 2021 | 1/3 x 50% |
| | 1 March 2022 | 1/3 x 50% |
| | 1 March 2023 | 1/3 x 50% |

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

The table below sets out scheme structure.

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

### Share Appreciation Rights (SAR) reconciliation

*SARs not vested*

No SARs were exercised or vested during the year.

### Share appreciation rights (SAR) exercised reconciliation

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

| | 2020 | 2019 |
|---|---|---|
| **Expense** | | |
| Share appreciation rights (credit)/expense | **76 838** | (641 658) |
| **Liability** | | |
| Share appreciation rights liabilities | **76 838** | – |
| **Cash-settled share-based payment liability** | | |
| *Reconciliation of SAR liability* | | |
| Opening balance | **–** | – |
| Share based payment charge for the year recognised in statement of comprehensive income | **76 838** | – |
| **Closing balance at end of year** | **76 838** | – |

## 33. Employee costs

**Accounting policy**

*(a) Defined contribution plans*

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

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

*(b) Short-term benefits*

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

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

*(c) Bonus plans*

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

| | **2020** | 2019 |
|---|---|---|
| Salary and wages | **82 965 183** | 98 270 452 |
| Executive share scheme expense | **4 499 565** | 43 992 366 |
| Directors' share-based payment expense | **4 499 565** | 38 801 335 |
| Employees' share-based payment expense | **–** | 5 191 031 |
| Share Appreciation Rights expense | **76 838** | (641 658) |
| Directors' emoluments | **13 696 103** | 41 665 522 |
| Executive Directors* | **11 115 218** | 38 714 772 |
| Non-Executive Directors | **2 580 885** | 2 950 750 |
| **Salary and wages** | **101 237 689** | 183 286 682 |
| *Less:* Amounts allocated to qualifying assets (construction contracts) | **(54 346 714)** | (51 236 120) |
| **Total employee costs and share appreciation rights settlement** | **46 890 975** | 132 050 562 |

** The executive directors emoluments includes only the guaranteed remuneration, cash-settled long-term incentive and the short-term incentive.*

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 34. Related-parties

All joint ventures and associates are considered related parties to the Group. Refer to note 9 for a detailed list of all joint ventures and associates.

### (a) Related-party balances

*(i) Loans to joint ventures and associates*

During the year, loans have been issued to joint ventures and associates, refer to note 11 for details.

*(ii) Receivables from joint ventures and associates*

During the year, the Group issued receivables to joint ventures and associates, refer to note 14.

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

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

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

*(iv) Trade and other payables to related parties*

| | **2020** | 2019 |
|---|---|---|
| Trade payable – Aquarella Investments 265 (Pty) Ltd | **9 965 355** | 9 965 355 |
| Deposits received – Afhco Calgro M3 Consortium (Pty) Ltd | **–** | 155 135 133 |
| Other payables – HB Malherbe | **9 561 827** | 9 842 916 |
| | **19 527 182** | 174 943 404 |

### (b) Related-party transactions

*(i) Key management personnel compensation*

| | **2020** | 2019 |
|---|---|---|
| Employee expenses – Directors and Prescribed Officers (including cash and non-cash) | **21 723 913** | 47 258 857 |
| | **21 723 913** | 47 258 857 |

*(ii) Other transactions with joint ventures and associates*

| | Finance income received | | Contract revenue received | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Table View (Pty) Ltd | **7 760** | 4 104 | **–** | – |
| Calgro M3 Educational Trust | **–** | 70 772 | **–** | – |
| Calgro M3 JCO Holdings (Pty) Ltd | **1 212 114** | 504 528 | **–** | – |
| Witpoortjie Calgro M3 Development Company (Pty) Ltd | **16 925 257** | 14 011 582 | **41 229 720** | 30 813 037 |
| South Hills Development Company (Pty) Ltd | **728 158** | 2 908 243 | **88 632 014** | 311 934 682 |
| Safdev Tanganani (Pty) Ltd | **4 431 878** | 4 004 370 | **–** | – |
| Afhco Calgro M3 Consortium (Pty) Ltd | **–** | 19 153 136 | **–** | – |
| | **23 305 167** | 40 656 735 | **129 861 734** | 342 747 719 |

## 34. Related parties *(continued)*

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

*(iii) Shares issued and expense recognised for Directors and prescribed officers with respect to the old Calgro M3 Executive Share scheme – not considered cash remuneration*

| | **Share-based payment expense for 2020** | Share-based payment expense for 2019* | Number of shares granted | Service commence-ment date | 50% trading restriction – release date 1 | 50% trading restriction – release date 2 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| WJ Lategan | – | 13 295 749 | 2 294 214 | 1 March 2015 | 1 March 2020 | 1 March 2021 |
| W Williams | – | 6 533 060 | 1 084 815 | 1 March 2015 | 1 March 2020 | 1 March 2021 |
| WA Joubert | – | 5 341 492 | 952 562 | 1 March 2015 | 1 March 2020 | 1 March 2021 |
| MN Nkuhlu | – | 13 631 034 | 2 046 421 | 1 March 2015 | 1 March 2020 | 1 March 2021 |
| | – | 38 801 335 | 6 378 012 | | | |

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

Refer to note 32 for further details of share based compensation benefits.

*(iv) Shares issued and expense recognised for Directors and prescribed officers with respect to the new Calgro M3 Executive Share scheme – not considered cash remuneration*

| | **Share-based payment expense for 2020** | Share-based payment expense for 2019* | Number of shares granted |
|---|---|---|---|
| **Directors** | | | |
| WJ Lategan | **1 415 783** | – | 2 423 599 |
| W Williams | **1 027 982** | – | 1 759 745 |
| WA Joubert | **985 127** | – | 1 686 383 |
| MN Nkuhlu | **1 070 674** | – | 1 832 826 |
| | **4 499 565** | – | 7 702 553 |

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

Refer to note 32 for further details of share-based compensation benefits.

*(v) Share appreciation right expense recognised for prescribed officers*

| | **Share appreciation right expense for 2020*** | Share appreciation right expense for 2019* | Maximum value of award |
|---|---|---|---|
| **Prescribed officers** | | | |
| UK Kissoon Singh | **17 993** | – | 3 200 000 |
| AJ Langson | **14 057** | – | 2 500 000 |
| | **32 051** | – | 5 700 000 |

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 35. Directors' emoluments

### Executive Directors

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

| | Remuneration and other benefits | | |
|---|---|---|---|
| | **Guaranteed remuneration** | **Once-off payment*** | **Total** |
| **2020** | | | |
| WJ Lategan | **3 376 365** | **–** | **3 376 365** |
| FJ Steyn (resigned 30 June 2019) | **293 951** | **–** | **293 951** |
| WA Joubert | **2 388 318** | **–** | **2 388 318** |
| W Williams | **2 493 477** | **–** | **2 493 477** |
| MN Nkuhlu | **2 563 107** | **–** | **2 563 107** |
| **Total Executive Directors** | **11 115 218** | **–** | **11 115 218** |
| **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 | 2 434 120 | 4 180 000 | 6 614 120 |
| MN Nkuhlu | 2 505 155 | 7 920 000 | 10 425 155 |
| **Total Executive Directors** | 13 370 772 | 25 344 000 | 38 714 772 |

** This amount was paid out to the executives as a once-off payment. Refer to note 18 for the liability raised.*

### Independent Non-Executive Directors

The remuneration noted below is for services rendered as a Director of the Group.

| | **2020** | 2019 |
|---|---|---|
| PF Radebe | **558 300** | 530 333 |
| BP Malherbe (resigned 27 June 2019) | **109 667** | 367 333 |
| H Ntene | **421 367** | 419 833 |
| RB Patmore | **515 767** | 493 000 |
| ME Gama | **513 167** | 485 833 |
| HC Cameron | **–** | 13 127 |
| VJ Klein | **–** | 295 833 |
| GS Hauptfleisch | **462 617** | 345 458 |
| **Total Non-Executive Directors** | **2 580 885** | 2 950 750 |
| **Summary** | | |
| Executive Directors | **11 115 218** | 38 714 772 |
| Non-Executive Directors | **2 580 885** | 2 950 750 |
| **Total Directors** | **13 696 103** | 41 665 522 |

## 35. Directors' emoluments *(continued)*

### Prescribed officers

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

| | Date appointed as prescribed officer | Date resigned as prescribed officer | Contract expiry |
|---|---|---|---|
| DN Steyn | 1 June 2016 | 30 June 2019 | 3 month notice |
| UK Kissoon Singh | 8 August 2017 | | 3 month notice |
| AJ Langson | 1 March 2018 | | 3 month notice |

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

| | Remuneration and other benefits | | |
|---|---|---|---|
| | **Guaranteed remuneration** | **Short-term incentive** | **Total** |
| **2020** | | | |
| DN Steyn | **294 263** | **–** | **294 263** |
| UK Kissoon Singh | **1 630 901** | **145 455** | **1 776 356** |
| AJ Langson | **1 322 033** | **135 593** | **1 457 626** |
| | **3 247 197** | **281 048** | **3 528 245** |
| **2019** | | | |
| DN Steyn | 2 637 081 | – | 2 637 081 |
| UK Kissoon Singh | 1 562 653 | 277 500 | 1 840 153 |
| AJ Langson | 1 116 101 | – | 1 116 101 |
| | 5 315 835 | 277 500 | 5 593 335 |

## 36. Earnings per share (and other performance indicators)

**Accounting policy**

*Basic earnings per share*

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the net profit attributable to ordinary shareholders.

*Diluted earnings per share*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect.

For the share options and share rights, a calculation is done to determine the number of the Group's shares that would be required at fair value to settle the monetary value of the rights, after deducting the unamortised share-based payment value. For the purposes of this calculation, the average annual market share price of the Group is used.

*Headline earnings per share*

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 1/2019 issued by the South African Institute of Chartered Accountants (SAICA).

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 36. Earnings per share (and other performance indicators)

| | 2020 | 2019 |
|---|---|---|
| **(a) Basic** | | |
| Profit attributable to shareholders | **4 918 905** | 3 240 735 |
| Weighted average number of ordinary shares in issue | **128 150 069** | 128 150 069 |
| Basic earnings per share (cents per share) | **3.84** | 2.53 |
| **(b) Diluted** | | |
| Profit attributable to shareholders | **4 918 905** | 3 240 735 |
| Weighted average number of ordinary shares in issue | **128 150 069** | 128 150 069 |
| Calgro M3 Executive Scheme | **5 469 452** | 2 277 657 |
| Fully diluted weighted average number of ordinary shares in issue | **133 619 521** | 130 427 726 |
| Fully diluted earnings per share (cents per share) | **3.68** | 2.48 |

| | 2020 | Restated 2019 |
|---|---|---|
| **Headline earnings is calculated as follows:** | | |
| Profit attributable to shareholders | **4 918 905** | 3 240 735 |
| Profit on disposal of property, plant and equipment and computer software | **(379 635)** | – |
| Profit on sale of investment in joint venture | **(2 273 697)** | – |
| Fair value adjustment in investment properties | **–** | (1 655 587)* |
| Gain on bargain purchase | **–** | (27 600 377) |
| **Profit/(loss) used to determine headline earnings per share** | **2 265 573** | (26 015 230) |
| Weighted average number of ordinary shares in issue | **128 150 069** | 128 150 069 |
| **Headline profit/(loss) per share (cents per share)** | **1.77** | (20.30) |
| **(d) Diluted headline** | | |
| Diluted headline earnings is calculated as follows: | | |
| Profit/(loss) used to determine headline earnings per share | **2 265 573** | (26 015 230) |
| Fully diluted weighted average number of ordinary shares in issue | **133 619 521** | 128 150 069 |
| Fully diluted headline earning per share (cents per share) | **1.70** | (20.30) |
| **(e) Net asset value per share** | | |
| Net asset value per share is calculated by dividing the net asset value, calculated by reducing the total assets by total liabilities, by the number of share in issue. | | |
| Total assets | **2 754 781 613** | 2 911 274 487 |
| *Less:* Total liabilities | **(1 939 589 682)** | (2 104 686 776) |
| **Net assets** | **815 191 931** | 806 587 711 |
| Number of ordinary shares in issue | **128 150 069** | 128 150 069 |
| **Net asset value per share (cents per share)** | **636.12** | 629.41 |

** In 2019 the Group did not exclude the fair value adjustment in the calculation of headline earnings per share. The restated number is shown above.*

## 37. Going concern

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

Please refer to note 38 in the consolidated financial statements, for the assessment of the impact of Covid-19 after the reporting period. Based on managements' assessment, even taking the expected impact that Covid-19 will have on Calgro's operations and cash-flows into account, the Group is still expected to continue as a going concern for the foreseeable future.

## 38. Events after the reporting year

### Covid-19

In terms of IAS 10: *Events after the reporting period*, non-adjusting post balance sheet events are events after the reporting period that are indicative of a condition that arose after the reporting period ended 29 February 2020. It was concluded that the declaration of Covid-19 as a pandemic is such an event. Refer below for management's judgements in arriving at this conclusion.

The impact of Covid-19 on accounting standards that require the use of forward-looking information (expected credit losses and goodwill impairment) was assessed based on information available as at 29 February 2020.

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

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

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

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

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

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

*Residential Property Development clients*

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

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

# Notes to the consolidated financial statements (continued)

for the year ended 29 February 2020

## 38. Events after the reporting year *(continued)*

### Covid-19 *(continued)*

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

*Memorial Parks clients*

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

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

*(2) Debt maturities*

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

*(3) ECL rate adjustments*

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

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

*(4) Debt Covenants*

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

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

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

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

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

# Company financial statements

for the year ended 29 February 2020

## Statement of financial position

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment in subsidiaries | 40 | **291 008 869** | 291 008 869 |
| Deferred income tax asset | 41 | **378 272** | 524 515 |
| | | **291 387 141** | 291 533 384 |
| **Current assets** | | | |
| Loans to Group companies | 42 | **17 875** | – |
| Current tax receivable | | **–** | 276 311 |
| Trade and other receivables | 43 | **–** | 24 405 |
| Cash and cash equivalents | 44 | **62 191** | 571 844 |
| | | **80 066** | 872 560 |
| **Total assets** | | **291 467 207** | 292 405 944 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity attributable to owners of the parent | | | |
| Stated capital | 45 | **279 441 769** | 279 441 769 |
| Retained income | | **7 638 083** | 7 714 067 |
| **Total equity** | | **287 079 852** | 287 155 836 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Loans from Group companies | 42 | **1 240 717** | 3 861 241 |
| Trade and other payables | 46 | **3 146 638** | 1 388 867 |
| | | **4 387 355** | 5 250 108 |
| **Total liabilities** | | **4 387 355** | 5 250 108 |
| **Total equity and liabilities** | | **291 467 207** | 292 405 944 |

The notes on pages 103 to 110 are an integral part of these financial statements.

# Company financial statements (continued)

for the year ended 29 February 2020

## Statement of comprehensive income

| | Notes | 2020 | 2019 |
|---|---|---|---|
| Revenue | 47 | **5 040 000** | 3 175 000 |
| Administrative expenses | 48 | **(3 778 510)** | (4 498 941) |
| Impairment gain on financial and contract assets | 49 | **–** | 3 436 514 |
| **Operating profit** | | **1 261 490** | 2 112 573 |
| Finance income | 50 | **1 589 324** | 2 483 087 |
| Finance costs | 51 | **(2 780 555)** | (3 932 537) |
| **Profit before tax** | | **70 259** | 663 123 |
| Taxation | 52 | **(146 243)** | 524 515 |
| **(Loss)/profit after taxation** | | **(75 984)** | 1 187 638 |
| Other comprehensive income | | **–** | – |
| **Total comprehensive (loss)/income** | | **(75 984)** | 1 187 638 |

The notes on pages 103 to 110 are an integral part of these financial statements.

## Statement of changes in equity

| | Stated capital | Retained income | Total equity |
|---|---|---|---|
| **Balance at 1 March 2018** | 279 441 769 | 9 962 943 | 289 404 712 |
| IFRS 9 opening balance adjustment to equity | – | (3 436 514) | (3 436 514) |
| **Comprehensive income** | | | |
| Profit for the year | – | 1 187 638 | 1 187 638 |
| Other comprehensive income | – | – | – |
| **Total comprehensive income** | – | 1 187 638 | 1 187 638 |
| **Balance at 28 February 2019** | 279 441 769 | 7 714 067 | 287 155 836 |
| **Balance at 1 March 2019** | **279 441 769** | **7 714 067** | **287 155 836** |
| **Comprehensive (loss)/income** | | | |
| Loss for the year | **–** | **(75 984)** | **(75 984)** |
| Other comprehensive income | **–** | **–** | **–** |
| **Total comprehensive (loss)/income** | **–** | **(75 984)** | **(75 984)** |
| **Balance at 29 February 2020** | **279 441 769** | **7 638 083** | **287 079 852** |
| Note | 45 | | |

The notes on pages 103 to 110 are an integral part of these financial statements.

# Company financial statements (continued)

for the year ended 29 February 2020

## Statement of cash flows

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Cash generated from/(utilised in) operations** | | | |
| Cash generated from/(utilised in) operations | 53 | **3 040 791** | (1 673 971) |
| Finance income received | 50 | **1 589 324** | 2 483 087 |
| Finance cost paid | 51 | **(2 620 525)** | (3 932 537) |
| Tax received/(paid) | 54 | **276 311** | (193 100) |
| **Net cash generated from/(utilised in) operations** | | **2 285 901** | (3 316 521) |
| **Cash (invested in)/generated from investing activities** | | | |
| Loans to Group companies repaid | | **–** | 809 913 701 |
| Loans to Group companies advanced | | **(15 000)** | – |
| **Net cash (invested in)/generated from investing activities** | | **(15 000)** | 809 913 701 |
| **Cash utilised in financing activities** | | | |
| Loans from Group companies advanced | | **177 315 490** | – |
| Loans from Group companies repaid | | **(180 096 044)** | (807 025 541) |
| **Net cash utilised in financing activities** | | **(2 780 554)** | (807 025 541) |
| Net decrease in cash and cash equivalents | | **(509 653)** | (428 361) |
| Cash and cash equivalents at the beginning of the year | | **571 844** | 1 000 205 |
| **Cash and cash equivalents at the end of the year** | 44 | **62 191** | 571 844 |

The notes on pages 103 to 110 are an integral part of these financial statements.

# Notes to the Company financial statements (continued)

Included in the notes to the Company financial statements are those accounting policies only applicable to the Company.

Where the same accounting policy applies to both the consolidated and Company financial statements refer to the applicable notes in the consolidated financial statements.

## 39. Significant judgements and sources of estimation uncertainty

In preparing the Company financial statements, management applied estimates and assumptions in determining which investments to classify as subsidiaries.

Refer to the investments in subsidiaries (note 40).

## 40. Investment in subsidiaries

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

**Significant judgement and sources of estimation uncertainty**
Although the Group has a minority shareholding in Belhar Calgro M3 Development Company (Pty) Ltd, it does have control, as the board comprises equal number of representatives from both the minority and the Group. The Group appoints the chairman which has the casting vote. The investment is therefore accounted for as a subsidiary as the Group has control over the relevant activities of the entity.

| Name of company | **% voting power 2020** | % voting power 2019 | **% holding 2020** | % holding 2019 | **Carrying amount 2020** | Carrying amount 2019 |
|---|---|---|---|---|---|---|
| **Direct subsidiaries** | | | | | | |
| Calgro M3 Developments Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **291 008 869** | 291 008 869 |
| Calgro M3 Real Estate (Pty) Ltd[1] | **100.00** | 100.00 | **100.00** | 100.00 | **–** | – |
| Calgro M3 Memorial Parks Holding (Pty) Ltd[1] | **100.00** | 100.00 | **100.00** | 100.00 | **–** | – |
| | | | | | **291 008 869** | 291 008 869 |
| **Indirect subsidiaries** | | | | | | |
| **Subsidiaries of Calgro M3 Developments Ltd** | | | | | | |
| Calgro M3 Land (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **188 146 234** | 188 146 234 |
| Calgro M3 Project Management (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **4 500 100** | 4 500 100 |
| MS5 Pennyville (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **100** | 100 |
| PZR Pennyville Zamamphilo Relocation (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **–** | – |
| MS5 Projects (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **100** | 100 |
| Calgro M3 Rectification Company (Pty) Ltd[1] | **100.00** | 100.00 | **100.00** | 100.00 | **–** | – |
| Calgro M3 Procurement Management(Pty) Ltd[1, 2] | **100.00** | 100.00 | **49.00** | 49.00 | **–** | – |
| Calgro M3 Procurement Services (Pty) Ltd[1] | **100.00** | 100.00 | **49.00** | 49.00 | **–** | – |
| Calgro M3 Contractors (Pty) Ltd[1] | **100.00** | 100.00 | **49.00** | 49.00 | **–** | – |

*1. These companies have been incorporated under the new Companies Act 71 of 2008. The value of the shares are stated at no par value.*
*2. Calgro M3 Developments has all the voting rights in the Company with 51% of the profits in the Company being allocated to the other shareholder.*

# Notes to the Company financial statements (continued)

for the year ended 29 February 2020

## 40. Investment in subsidiaries *(continued)*

| Name of company | % voting power 2020 | % voting power 2019 | % holding 2020 | % holding 2019 | Carrying amount 2020 | Carrying amount 2019 |
|---|---|---|---|---|---|---|
| **Subsidiaries of Calgro M3 Land (Pty) Ltd** | | | | | | |
| Fleurhof Ext 2 (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **243 000 000** | 243 000 000 |
| Clidet No 1014 (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **1 964 829** | 1 964 829 |
| Belhar Calgro M3 Development Company (Pty) Ltd | **51.00** | 51.00 | **49.00** | 49.00 | **49** | 49 |
| CM3 Witkoppen Ext 131 (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **100** | 100 |
| Tres Jolie Ext 24 (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **100** | 100 |
| Ridgewood Estate (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **100** | 100 |
| Business Venture Investment No 1244 (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **100** | 100 |
| Business Venture Investment No 1221 (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **100** | 100 |
| Calgro M3 Jabulani (Pty) Ltd[1] | **100.00** | 100.00 | **100.00** | 100.00 | **–** | – |
| Calgro M3 Memorial Parks Nasrec (Pty) Ltd | **100.00** | 100.00 | **81.70** | 72.60 | **54 755 699** | 54 755 699 |
| Sabre Homes Projects (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **1 002** | 1 002 |
| **Subsidiaries of Calgro M3 Project Management (Pty) Ltd** | | | | | | |
| CTE Consulting (Pty) Ltd | **100.00** | 100.00 | **100.00** | 100.00 | **4 500 100** | 4 500 100 |
| Holm Jordaan GWA (Pty) Ltd | **66.67** | 66.67 | **50.837** | 50.837 | **–** | – |
| **Subsidiaries of Calgro M3 Procurement Management (Pty) Ltd** | | | | | | |
| Calgro M3 Procurement Services (Pty) Ltd[1] | **100.00** | 100.00 | **51.00** | 51.00 | **–** | – |
| Calgro M3 Contractors (Pty) Ltd[1] | **100.00** | 100.00 | **51.00** | 51.00 | **–** | – |
| **Subsidiaries of Calgro M3 Memorial Park Holding (Pty) Ltd** | | | | | | |
| Calgro M3 Memorial Park Bloemfontein (Pty) Ltd[1] | **100.00** | 100.00 | **100.00** | 100.00 | **–** | – |
| Calgro M3 Municipal Memorial Parks (Pty) Ltd[1] | **100.00** | 100.00 | **100.00** | 100.00 | **–** | – |
| | | | | | **496 868 713** | 496 868 713 |

*1. These companies have been incorporated under the new Companies Act 71 of 2008. The value of the shares are stated at no par value.*

On 12 February 2016, the Company founded the Calgro M3 Empowerment Trust and the Calgro M3 Employment Benefit Trust. In accordance with the principles of IFRS, both the trusts are controlled by the Company and are considered to be agents of the company. There is no financial impact on transactions between the Company and the trusts. Both trusts are registered in South Africa and their year ends are consistent with the Group.

All subsidiaries are incorporated in South Africa. The year-ends of all the direct and indirect subsidiaries are consistent with those of the Group.

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

## 41. Deferred income tax assets

**Accounting policy**
Refer to note 10 of the consolidated financial statements for the applicable accounting policy.

| | 2020 | 2019 |
|---|---|---|
| **Reconciliation of deferred tax asset movement in the statement of comprehensive income** | | |
| Opening balance | **524 515** | – |
| Statement of comprehensive income charge | **(146 243)** | 524 515 |
| **Closing balance** | **378 272** | 524 515 |
| **The analyses of deferred tax assets are as follows:** | | |
| **Deferred tax assets** | | |
| Tax losses available for set off against future taxable income | **378 272** | 524 515 |
| **Deferred tax assets** | **378 272** | 524 515 |
| **Deferred tax assets** | | |
| Deferred tax asset to be recovered within 12 months | **378 272** | 524 515 |
| Deferred tax asset to be recovered after more than 12 months | **–** | – |
| | **378 272** | 524 515 |

## 42. Loans to/(from) Group companies

**Accounting policy**
These loans are classified as financial assets measured at amortised cost or financial liabilities measured at amortised cost.

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

| Loans to Group companies | Interest rate | Repayment terms | Security | 2020 | 2019 |
|---|---|---|---|---|---|
| The Calgro M3 Employee Benefit Trust | Prime (2019: prime) | On demand | Unsecured | **15 000** | – |
| The Calgro M3 Educational Benefit Trust | Prime (2019: prime) | On demand | Unsecured | **2 875** | – |
| **Loans to Group companies** | | | | **17 875** | – |
| **Loans from Group companies** | | | | | |
| Calgro M3 Developments Ltd | Prime (2019: prime) | On demand | Unsecured | **(1 240 717)** | (3 861 241) |
| **Loans from Group companies** | | | | **(1 240 717)** | (3 861 241) |

# Notes to the Company financial statements (continued)

for the year ended 29 February 2020

## 43. Trade and other receivables

**Accounting policy**
Refer to note 14 of the consolidated financial statements for the applicable accounting policy.

| | 2020 | 2019 |
|---|---|---|
| Other receivables | – | 24 405 |
| | – | 24 405 |

## 44. Cash and cash equivalents

**Accounting policy**
Refer to note 15 of the consolidated financial statements for the applicable accounting policy.

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

| | 2020 | 2019 |
|---|---|---|
| Cash on hand | **330** | 330 |
| Bank balances | **61 861** | 571 514 |
| | **62 191** | 571 844 |

## 45. Stated capital

**Accounting policy and note**
Refer to note 16 of the consolidated financial statements for the applicable accounting policy.

| | Number of shares | | Rand amount | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Authorised** | | | | |
| Ordinary no par value shares | **500 000 000** | 500 000 000 | | |
| **Issued** | | | | |
| Balance at the beginning of the year | **128 150 069** | 128 150 069 | **96 021 721** | 96 021 721 |
| Shares issued to Calgro M3 Employee Benefit Trust | **5 212 909** | 5 212 909 | **104 239 627** | 104 239 627 |
| Shares issued to Calgro M3 Empowerment Trust | **5 212 909** | 5 212 909 | **104 239 627** | 104 239 627 |
| Shares issued to Calgro M3 Developments Limited | **8 468 631** | 8 468 631 | **183 420 048** | 183 420 048 |
| Equity Share Scheme – trading restrictions released (note 30) | **–** | – | **–** | – |
| Treasury shares in issue* | **(10 425 818)** | (10 425 818) | **(208 479 254)** | (208 479 254) |
| **Balance at the end of the year** | **136 618 700** | 136 618 700 | **279 441 769** | 279 441 769 |

* *These shares relate to the shares issued to the Calgro M3 Empowerment Trust and the Calgro M3 Employee Benefit Trust. In accordance with the principles of IFRS, the trusts are controlled by the Company and are considered agents of the Company. These shares are therefore considered to be treasury shares.*

All issued shares are fully paid.

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

## 46. Trade and other payables

**Accounting policy**
Refer to note 18 of the consolidated financial statements for the applicable accounting policy.

| | 2020 | 2019 |
|---|---|---|
| Trade payables | **991 995** | 472 223 |
| Accrued expenses | **1 709 659** | 905 669 |
| Value added tax | **444 984** | 10 975 |
| | **3 146 638** | 1 388 867 |

## 47. Revenue

**Accounting policy**
Revenue only consists of management fees. Management fees are charged by the Company to its subsidiary, Calgro M3 Developments Ltd, for providing the relevant infrastructure and support to operate the subsidiary and are recognised on the date the services are performed. Refer to the related-party note 55.

| | 2020 | 2019 |
|---|---|---|
| Management fees | **5 040 000** | 3 175 000 |
| | **5 040 000** | 3 175 000 |

| | 2020 | 2019 |
|---|---|---|
| **48. Expense by nature** | | |
| Auditor's remuneration | **347 437** | 113 026 |
| Bank charges | **77 208** | 78 290 |
| Donations | **–** | 1 100 |
| Directors' fees – Non-Executive | **2 591 383** | 2 950 750 |
| Professional fees | **266 796** | 494 028 |
| Sundry expenses | **95 095** | 151 468 |
| Transaction costs – trusts | **400 591** | 710 279 |
| **Total cost of sales, administration expenses and other expenses** | **3 778 510** | 4 498 941 |

| | 2020 | 2019 |
|---|---|---|
| **49. Impairment gain on financial and contract assets** | | |
| Loans to joint ventures | **–** | 3 436 514 |
| | **–** | 3 436 514 |

## 50. Finance income

**Accounting policy**
Refer to note 25 of the consolidated financial statements for the applicable accounting policy.

| | 2020 | 2019 |
|---|---|---|
| Bank | **1 586 033** | 1 442 413 |
| SARS | **3 291** | – |
| Interest on Group loans | **–** | 1 040 674 |
| **Finance income** | **1 589 324** | 2 483 087 |

# Notes to the Company financial statements (continued)

for the year ended 29 February 2020

## 51. Finance cost

**Accounting policy**
Refer to note 26 of the consolidated financial statements for the applicable accounting policy.

| | 2020 | 2019 |
|---|---|---|
| Interest on Group loans | **2 780 555** | 3 932 537 |
| **Finance cost** | **2 780 555** | 3 932 537 |

## 52. Taxation

**Accounting policy**
Refer to note 27 of the consolidated financial statements for the applicable accounting policy.

| | 2020 | 2019 |
|---|---|---|
| **Major components of the income tax expense** | | |
| **Deferred** | | |
| Current year | **146 243** | (524 515) |
| | **146 243** | (524 515) |

| | 2020 % | 2019 % |
|---|---|---|
| **Reconciliation of the income tax expense** | | |
| Applicable tax rate | **28.00** | 28.00 |
| Disallowable charges | **180.15** | 38.01 |
| IFRS 9: *Net impairment losses on financial assets* – loans | **(0.00)** | (145.11) |
| **Effective tax rate** | **208.15** | (79.10) |

The estimated tax loss available for set off against future taxable income is R1 350 972 (2019: R1 873 268).

| | 2020 | 2019 |
|---|---|---|
| **53. Cash generated from/(utilised in) operations** | | |
| Profit before taxation | **70 259** | 663 123 |
| **Adjustments for:** | | |
| Finance income | **(1 589 324)** | (2 483 087) |
| Finance cost | **2 780 555** | 3 932 537 |
| Impairment gain on financial and contract assets | **–** | (3 436 514) |
| Trade and other receivables | **24 405** | (912) |
| Trade and other payables | **1 754 896** | (349 118) |
| | **3 040 791** | (1 673 971) |
| **54. Taxation paid** | | |
| Balance at the beginning of the year | **276 311** | 83 211 |
| Current tax for the year | **–** | – |
| Balance at the end of the year | **–** | (276 311) |
| | **276 311** | (193 100) |

## 55. Related parties

### Subsidiaries

Refer to note 40 for a detailed list of all subsidiaries of the Company.

### Related-party balances

Refer to note 42 for loans (from)/to Group companies.

### Related-party transactions

| | Administration fees received | | Finance income received | | Finance costs paid | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| Calgro M3 Developments Ltd | **5 040 000** | 3 175 000 | **–** | – | **2 780 555** | 3 740 717 |
| Calgro M3 Land (Pty) Ltd | **–** | – | **–** | 1 040 674 | **–** | 191 820 |
| | **5 040 000** | 3 175 000 | **–** | 1 040 674 | **2 780 555** | 3 932 537 |

## 56. Financial assets and liabilities by category

| | Financial assets at amortised cost | | Financial liabilities at amortised cost | | Fair values | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| Cash and cash equivalents | **62 191** | 571 844 | **–** | – | **62 191** | 571 844 |
| Loans from Group companies | **–** | – | **(1 240 717)** | (3 861 241) | **(1 240 717)** | (3 861 241) |
| Trade and other payables | **–** | – | **(2 701 654)** | (1 377 892) | **(2 701 654)** | (1 377 892) |
| | **62 191** | 571 844 | **(3 942 371)** | (5 239 133) | **(3 880 180)** | (4 667 289) |

## 57. Risk management

### Financial risk management

Due to the fact that the Company is a pure holding company, the most significant risks the Company is exposed to are market risk (via cash flow interest rate) and liquidity risk.

*(i) Market risk (cash flow interest rate risk)*

The Company has interest-bearing loans to and from Group companies. The loans issued at variable rates expose the Company to cash flow interest rate risk. The Group Executive Committee monitors the interest of the Company on a cash basis. Refer to the finance income (note 50) and finance cost (note 51) notes for the interest received/paid.

*(ii) Credit risk*

Credit risk consists mainly of loans to Group companies, cash deposits and cash equivalents.

The Company only deposits cash with major banks with a minimum rating of “BB” and limits the exposure to any one counter party. No credit risk is associated to other receivables as this consists of prepayments.

The Company considers its credit risk relating to the loans owing by Group companies on a case by case basis. Any credit risk related to loans to Group companies is mitigated by the fact that management has insight into the financial position of the Group companies as a result of the relationship.

For loans to Group companies and cash and cash equivalents, the maximum exposure to credit risk is limited to what is disclosed in the statement of financial position.

# Notes to the Company financial statements (continued)

for the year ended 29 February 2020

## 57. Risk management *(continued)*

### Financial risk management *(continued)*

*(iii) Liquidity risk*

The Company's liquidity risk arises from its financial liabilities, which includes loans from Group companies and trade payables. The Company manages liquidity risk by monitoring forecasted cash flows to ensure there will be funds available to cover future commitments.

Both the loans from Group companies (refer to note 42) and trade payables (refer to note 46) are repayable within one year.

The Company had no overdraft facilities with major banks in the current or prior year.

## 58. Directors' and prescribed officers' emoluments

Please refer to note 35 of the consolidated financials for the emoluments paid to Executive Directors, Non-Executive Directors and Prescribed Officers.

## 59. Going concern

The company standalone financial statements have been prepared on the going concern basis.

For the current financial year, the company made a loss of R75 984 (2019: profit of R1 187 638).

The company's current liabilities exceed current assets by R4 307 289 (2019: R4 377 548), however total assets exceed total liabilities by R287 079 852 (2019: R287 155 836).

The company has received commitment from Calgro M3 Developments Limited, its main trading subsidiary who will provide additional liquidity to the entity, which will enable Calgro M3 Holdings Limited to pay its liabilities as they fall due.

Please refer to note 38 of the consolidated annual financial statements, for the assessment of the impact of Covid-19 after the reporting period. Based on managements' assessment, even taking the expected impact that Covid-19 will have on Calgro's operations and cash-flows into account, the Company is still expected to continue as a going concern for the foreseeable future.

# General information

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

**Registered and Business Address**
Calgro M3 Building
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196

**Postal Address**
Private Bag X33
Craighall
2024

**Published**
18 May 2020

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

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

**Transfer Secretaries**
Computershare Investor Services

**Bankers**
Standard Bank
First National Bank
Nedbank

**Auditors**
PricewaterhouseCoopers Inc.

**Sponsors**
PSG Capital

**Secretary**
I April

**Directors**

| | |
|---|---|
| MN Nkuhlu | Executive |
| W Williams | Executive |
| WA Joubert | Executive |
| WJ Lategan | Executive |
| GS Hauptfleisch | Independent Non-Executive |
| H Ntene | Independent Non-Executive |
| LS Ntuli | Independent Non-Executive |
| ME Gama | Independent Non-Executive |
| PF Radebe | Independent Non-Executive |
| RB Patmore | Independent Non-Executive |
| TP Baloyi | Independent Non-Executive |

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