

CALGRO M3
Group

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

Audited results

for the year ended
28 February 2017

Overview of results

- Revenue increased 29.12% to R1.6 billion (2016: R1.2 billion)
- Gross profit margin constant at 21.49% (2016: 20.89%)
- NAV per share up 23.78% to 798.35 cents (2016: 645.00 cents)
- Net debt to equity 41.82% (2016: 59.30%)
- Cash on hand increased by 200.69% to R240.8 million (2016: R80.1 million)
- HEPS declined 4.23% to 133.08 cps (2016: 138.96 cps)
- The Group is proud to announce that it was fatality free, despite growth in both employees and sub-contractors

Building legacies. Changing lives

Audited results

Condensed Consolidated Statement of Comprehensive Income

R'000	**Audited year ended 28 February 2017**	Audited year ended 29 February 2016
Revenue	**1 554 680**	1 204 064
Cost of sales	**(1 220 517)**	(952 517)
Gross profit	**334 163**	251 547
Other income	**16 600**	19 466
Other expenses	**(3 700)**	(5 757)
Administrative expenses	**(118 098)**	(105 089)
Operating profit	**228 965**	160 167
Share of profit of joint ventures and associates – net of tax	**6 269**	67 234
Net finance income/(cost)	**(1 925)**	11 874
Profit before tax	**233 309**	239 275
Taxation	**(63 176)**	(46 090)
Profit after taxation	**170 133**	193 185
Profit after taxation and other comprehensive income attributable to:		
– Owners of the parent	**169 156**	194 176
– Non-controlling interests	**977**	(991)
	170 133	193 185
Profit after taxation attributable to:		
Equity holders of the Company	**169 156**	194 176
Earnings per share – cents	**133.06**	152.77
Headline earnings per share – cents	**133.08**	138.96
Fully diluted earnings per share – cents	**129.00**	150.45
Fully diluted headline earnings per share – cents	**129.02**	136.85

Earnings Reconciliation

R'000	**Audited year ended 28 February 2017**	Audited year ended 29 February 2016
Determination of headline and diluted earnings		
Attributable profit	**169 156**	194 176
Loss on disposal of property	**25**	79
Gain on deemed disposal of interest in joint venture	**–**	(17 631)
Headline and diluted headline earnings	**169 181**	176 624
Determination of earnings and diluted earnings		
Attributable profit	**169 156**	194 176
Earnings and diluted earnings	**169 156**	194 176
Number of ordinary shares ('000)	**128 150**	127 100
Weighted average shares ('000)	**127 126**	127 100
Fully diluted weighted average shares ('000)	**131 127**	129 062

Condensed Consolidated Statement of Financial Position

R'000	**Audited year ended 28 February 2017**	Audited year ended 29 February 2016
Assets		
Non-current assets		
Property, plant and equipment	**5 806**	3 827
Deferred income tax asset	**14 847**	13 788
Intangible assets	**159 690**	159 039
Investment in joint ventures and associates	**12 349**	6 080
Investment property	**6 519**	–
	199 211	182 734
Current assets		
Inventories	**595 990**	453 093
Construction contracts and work in progress	**1 387 537**	923 520
Trade and other receivables	**276 198**	285 893
Other current assets	**45 054**	17 189
Cash and cash equivalents	**240 765**	80 071
	2 545 544	1 759 766
Total assets	**2 744 755**	1 942 500
Equity and liabilities		
Equity		
Stated capital	**116 256**	96 022
Share-based payment reserve	**60 847**	47 922
Retained income	**846 079**	676 923
	1 023 182	820 867
Non-controlling interests	**(101)**	(1 078)
Total equity	**1 023 081**	819 789
Non-current liabilities		
Deferred income tax liability	**302 358**	241 041
	302 358	241 041
Current liabilities		
Borrowings	**571 646**	538 463
Other current liabilities	**847 670**	343 207
	1 419 316	881 670
Total liabilities	**1 721 674**	1 112 711
Total equity and liabilities	**2 744 755**	1 942 500
Net asset value per share – cents	**798.35**	645.00
Net tangible asset value per share – cents	**673.73**	519.87

Condensed Consolidated Statement of Cash Flows

R'000	**Audited year ended 28 February 2017**	Audited year ended 29 February 2016
Cash generated from operating activities		
Cash generated from operations	**292 068**	101 799
Finance income	**16 727**	7 930
Finance cost	**(63 167)**	(57 339)
Tax paid	**(7 444)**	(16 879)
Net cash generated from operating activities	**238 184**	35 511
Cash flows invested in investing activities		
Purchase of property, plant and equipment	**(867)**	(3 310)
Proceeds from the sale of investment property	**–**	5 807
Purchase of intangible assets	**(52)**	(31)
Acquisition of business	**(4 500)**	–
Acquisition of subsidiary	**(93 000)**	(142 998)
Loans advanced to joint ventures and associates	**(18 472)**	(1)
Net cash invested in investing activities	**(116 891)**	(140 533)
Cash flows from financing activities		
Proceeds of borrowings	**239 809**	260 000
Repayment of borrowings	**(206 915)**	(213 585)
Equity received in advance*	**6 507**	8 113
Net cash from financing activities	**39 401**	54 528
Net increase/(decrease) in cash and cash equivalents	**160 694**	(50 494)
Cash and cash equivalents at the beginning of the year	**80 071**	130 565
Cash and cash equivalents at the end of the year	**240 765**	80 071

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

Condensed Consolidated Statement of Changes in Equity

R'000	Stated capital	Share-based payment reserve	Retained income	Total	Non-controlling interests	Total equity
Balance at 1 March 2015	96 022	–	482 747	578 769	(87)	578 682
Share-based payment/reserve movements	–	47 922	–	47 922	–	47 922
Total comprehensive income for the year ended 29 February 2016	–	–	194 176	194 176	(991)	193 185
Balance at 1 March 2016	**96 022**	**47 922**	**676 923**	**820 867**	**(1 078)**	**819 789**
Share-based payment/reserve movements	**20 234**	**12 925**	**–**	**33 159**	**–**	**33 159**
Total comprehensive income for the year ended 28 February 2017	**–**	**–**	**169 156**	**169 156**	**977**	**170 133**
Balance at 28 February 2017	**116 256**	**60 847**	**846 079**	**1 023 182**	**(101)**	**1 023 081**

Condensed Segment Report for the Group

R'000	Property Development	Professional Services	Memorial Parks	Total
February 2017				
Total segment revenue	**1 538 914**	**11 449**	**4 317**	**1 554 680**
Revenue from joint ventures and associates	**435 241**	**–**	**–**	**435 241**
Combined revenue	**1 974 155**	**11 449**	**4 317**	**1 989 921**
Operating profit	**222 445**	**8 107**	**1 250**	**231 802**
Finance costs	**(21 263)**	**–**	**(656)**	**(21 919)**
Adjusted profit before tax	**201 182**	**8 107**	**594**	**209 883**
February 2016				
Segment revenue	1 183 419	19 990	655	1 204 064
Revenue from joint ventures and associates	1 089 144	–	–	1 089 144
Combined revenue	2 272 563	19 990	655	2 293 208
Operating profit	151 495	15 891	(1 894)	165 492
Finance costs	(18 742)	–	(36)	(18 778)
Adjusted profit before tax	132 753	15 891	(1 930)	146 714

R'000	Property Development	Professional Services	Memorial Parks	Total
February 2017				
Assets per segment	**2 014 212**	**8 045**	**129 844**	**2 152 101**
Goodwill	**154 801**	**4 155**	**695**	**159 651**
Investment property	**–**	**–**	**6 519**	**6 519**
Property, plant and equipment	**–**	**–**	**2 404**	**2 404**
Inventories	**475 764**	**–**	**120 226**	**595 990**
Work in progress	**–**	**3 890**	**–**	**3 890**
Construction contracts	**1 383 647**	**–**	**–**	**1 383 647**
February 2016				
Assets per segment	1 433 723	16 938	84 908	1 535 569
Goodwill	154 801	4 155	–	158 956
Inventories	368 185	–	84 908	453 093
Work in progress	–	12 783	–	12 783
Construction contracts	910 737	–	–	910 737

A reconciliation of adjusted profit/(loss) before tax is provided as follows:

R'000	**Audited year ended 28 February 2017**	Audited year ended 29 February 2016
Adjusted profit before tax for reportable segments	**209 883**	146 714
Group overhead cost	**(2 837)**	(5 326)
Share of profit of joint ventures and associates	**6 269**	67 234
Profit before tax, net finance income/(cost)	**213 315**	208 622
Net finance income/(cost)	**19 994**	30 653
Profit before tax	**233 309**	239 275

Reportable segment assets are reconciled to total assets as follows:

R'000	**Audited year ended 28 February 2017**	Audited year ended 29 February 2016
Segment assets for reportable segments	**2 152 101**	1 535 570
Unallocated:		
Deferred tax	**14 847**	13 788
Investment property	**–**	–
Property, plant and equipment	**3 401**	3 827
Intangible assets excluding goodwill	**40**	83
Investment in joint ventures and associates	**12 349**	6 080
Loans to joint ventures	**26 451**	2 700
Loans and receivables	**–**	–
Current tax receivable	**18 603**	14 488
Trade and other receivables	**276 198**	285 893
Cash and cash equivalents	**240 765**	80 071
Total asset per the consolidated statement of financial position	**2 744 755**	1 942 500

Reportable segment liabilities are reconciled to total liabilities as follows:

R'000	Audited year ended 28 February 2017	Audited year ended 29 February 2016
Segment liabilities for reportable segments	**–**	–
Unallocated:		
Borrowings	**571 646**	538 463
Deferred tax	**302 358**	241 041
Current tax	**9**	420
Trade and other payables	**847 661**	342 787
Total liabilities per the consolidated statement of financial position	**1 721 674**	1 122 711

Related Party Transactions

R'000	Audited year ended 28 February 2017	Audited year ended 29 February 2016
Compensation paid to key employees and personnel	**60 894**	67 448
Finance income from related parties	**10 368**	22 388
Contract revenue received from joint ventures	**203 119**	799 930
Services fees received from joint ventures	**10 843**	21 183

Nature of business

Calgro M3 is a property developer, focused on the lower end of the residential market involved in large scale integrated developments, real estate investments (rental units) and the development and establishment of private memorial parks.

Introduction

The Group has strategically repositioned itself in anticipation of tough economic conditions by diversifying into other sectors within the Integrated Residential Development business, as well as Memorial Parks and the Real Estate Investment Trust ("REIT"). This was done to ensure that risk is optimally mitigated and managed in these uncertain times, setting a solid foundation for future growth. While navigating the current business landscape, as well as diversifying risk across sectors and businesses, the Group has remained focused on maintaining the underlying theme of property development that is synonymous with Calgro M3.

The Integrated Residential Development business experienced a challenging year, which resulted in lower than expected growth. Private sector exposure was increased to enhance flexibility. In late 2016, it joined forces with SA Corporate Real Estate to build what we believe is set to become one of the biggest, residential Real Estate Investment Trusts ("REIT") in South Africa in the coming five to six years with a planned asset base of R10 billion to R15 billion. This will yield annuity income to the Group in future which will stabilise "lumpy" cash flows generally associated with property development.

We are still firmly committed to achieving our goal of an equal profit contribution from our three businesses, being integrated residential developments (which includes professional services), real estate investments and the memorial parks, over the medium to long term. Given the political and economic landscape in South Africa, the short-term goal will be to build each of these businesses responsibly, while remaining cautious of potential pitfalls.

As reported in the interim period, the emphasis this year was on ensuring the effective roll-out of the current project pipeline, rather than growing it. While we might not have added a lot of projects to the pipeline in the current year, we have invested time in exploring new ground-breaking projects that will pave the way for future growth.

The Group remains cautious with respect to tying up too much capital in these long-term projects. Management has investigated various structures to acquire properties and projects without large upfront capital investment that is usually associated with a traditional outright purchase.

Operational and financial performance

Property Developments

The Group currently have in excess of 7 000 units under construction. To manage risk and exposure, infrastructure installation during the 2017 financial year was contained to 5 239 opportunities. This results in the total number of available, serviced opportunities being in excess of 8 000. The Group will continue to prioritise the installation of new infrastructure in the 2018 financial year to ensure sustained growth in the future.

This year the Witpoortjie project won the Gauteng Govan Mbeki award for the “Best Affordable Project”. We are encouraged that our newer projects are being positively recognised along with our flagship project, Fleurhof. With thirteen of our residential projects in the ground, ten of these projects contributed towards the Group’s revenue. While Fleurhof made the single biggest contribution, our newer projects are starting to make a meaningful contribution to our financial results.

Government remains committed to the roll-out of catalytic and mega housing projects with Calgro M3 being well-positioned to benefit in this regard. The Group has also managed to create critical scale in the construction of units to the private sector through the development of the phase 1 units for the REIT. The larger construction volumes have enabled the Group to benefit from cost savings through volume discounts and enhanced negotiating power. It is not the intention for all private sector sales to be sold to the REIT. A minimum of 50% of the Group’s private private sector sales will remain focused on the open market.

The “Captain Calgro” marketing campaign is aimed at educating the private sector on the advantages of home ownership, as well as the pitfalls and associated financial implications. This, together with other marketing efforts, has resulted in an increase of more than 30% in open market sales. The positive effect of the campaign has already been evidenced by clients becoming more aware of their credit records and how to manage it, resulting in a general increase in the quality of sales being presented to the banks. We are, however, cautious that irrespective of this increased quality, the credit rating downgrade of the banks will impact on the affordability of our clients.

Professional Services

The Professional Services segment continued to add value to the turnkey business model. The turnkey model has been the backbone of the Calgro Group and was one of the key factors in establishing the REIT. The Group uses this model to create income-generating assets at a more attractive yield, by reducing costs throughout the development phase. This segment primarily services the internal integrated residential property development business.

Memorial Parks

Memorial Parks continued to grow, generating a profit for the 2017 financial year, with grave sales steadily increasing on a weekly basis. Management is positive that this business will begin making a more substantial contribution to profits in future financial years. A call centre concentrating primarily on sales is close to being established, and is expected to be operational by June 2017.

The acquisition of Fourways Memorial Park during the year enhanced our operating knowledge of the sector, assisting with unlocking and fast-tracking growth in this segment. The Group is planning to add two to three new memorial parks in the near future.

Financial review

The shift in focus towards the private sector has resulted in a temporary delay in combined revenue and profit as the Group does not start construction on any open market units unless they are sold. Although the open market sales have increased by 31.5% year-on-year, the construction of most of these units only started, on a staggered basis, from August 2016. The full impact of the increased sales numbers does therefore not reflect in the current revenue line. However, it is expected that the majority of this revenue will be reflected over the next six to twelve months.

A portion of the 29.12% increase in revenue to R1.5 billon is due to Fleurhof Ext 2 (Pty) Ltd being accounted for as a subsidiary of the Group and no longer as a joint venture. The effect of the consolidation is an increase in revenue, cost of sales and gross profit of the Group, as well as a decrease in share of profits from joint ventures and associates. The tax rate of the Group is also impacted by this consolidation as share of profits from joint ventures and associates are accounted for net of tax.

Combined revenue (revenue from subsidiaries, joint ventures and associates) provides a better indication of the operational growth, as the Group manages all operational matters for these entities. Combined revenue decreased by 13.23% during the year, evidencing the slowdown in operations, especially infrastructure expenditure that generally represents a large portion of revenue.

Revenue during the current year was further impacted by labour, contractor and community unrest at the Fleurhof, Jabulani and South Hills projects due to negotiations for increased labour rates outside the normal cycle as well as the increased use of local SMMEs. This delayed construction for a period of up to four months at some of the sites.

The gross margin is in line with the previous year and within the targeted band of 20% to 25%. The decrease in gross margin from the interim results is due to a combination of the transactions below and not because of increased infrastructure installation as would normally be the case:

- Increase in resources within the construction team to enable the Group to roll-out the expected volume of units over the medium-term has resulted in an increase in expenses;
- Reduced margins, compared to standard group margins, relating to the Jabulani CBD project as a result of the dissolution agreement of Aquarella Investments 265 (Pty) Ltd (a joint venture). Additional details on this transaction are outlined below; and
- Summerset bulk deal was agreed at a very low margin, coupled with a tight construction timeline. The decision to develop these 246 units at a reduced margin was based on a larger strategic decision for the Group. This transaction:
  - unlocked a strategic entry into KwaZulu-Natal (Bridge City project); and
  - enabled the Group to liquidate part of its cluster land portfolio and utilise the funds to develop and fast track larger-scale integrated developments that will produce an increased yield.

Administrative expenses increased by 12.38% from the prior year to R118.1 million (2016: R105.1 million). This is mainly attributable to increased marketing and advertising expenditure. The increase in marketing costs is supported by an increased focus on open market sales and includes activities such as:

- Rebranding and marketing campaigns;
- Captain Calgro educational campaign to consumers;
- 24/7 call centre for marketing and after sales support;
- Increased Memorial Parks marketing and open days; and
- Establishment of an in-house marketing department to complement the existing sales department.

Finance income declined in the current year mainly due to the consolidation of Fleurhof into the Group. Total finance costs for the year increased by 9.62% to R65.2 million (2016: R59.4 million) in line with increases in borrowings and interest rates.

Basic earnings per share ("EPS") decreased by 12.90% to 133.06 cents per share (2016: 152.77 cps). Similarly, headline earnings per share ("HEPS") decreased by 4.23% to 133.08 cents per share (2016: 138.96 cps).

Fourways Memorial Park acquisition

During the 2017 financial year, the Group acquired 100% of Fourways Memorial Park for an undiscounted consideration of R22 million, payable over three years. Fair value of the identifiable assets acquired amounted to R19.7 million and resulted in an increase in investment property, inventory, property, plant and equipment and deferred revenue related to future maintenance activities. Goodwill amounting to R694 804 was recognised because of market expertise and relationships within the private memorial park sector which was acquired and will benefit the Group. Fourways Memorial Park has 13 103 burial sites remaining with an expected average sales price of R30 000 per grave.

Aquarella Investments 265 (Pty) Ltd ("Aquarella")

Towards the end of the financial year, the Group entered into a dissolution agreement with the joint shareholders of Aquarella for no cash consideration. Assets and liabilities within the entity were allocated to the individual shareholders in order for each shareholder to achieve a suitable return on their investment. The Group obtained Jabulani Parcel C (to be developed for the REIT), Parcel A (to be developed for International Housing Solutions) and Parcel K (the contract with Gauteng Province is in the process of being finalised as an extension of the current successful Jabulani Hostels project) as well as a corresponding liability for the purchase of the properties. The liability will be settled through the construction of units.

Inventories

During the year, the Group acquired:

- The Kwa Nobuhle property for a total undiscounted purchase price of R74 million;
- Jabulani Parcel K land as part of the Aquarella unbundling transaction for R115.8 million; and
- Fourways Memorial Park for R22 million.

Both the Kwa Nobuhle and Fourways Memorial Park acquisitions were purchased on deferred payment arrangements and have resulted in a corresponding increase in trade and other payables.

Construction contracts

The R472.9 million increase in the carrying value of construction contracts to R1.3 billion at year-end is due to several key transactions throughout the financial year which include:

- Sectional title units at Fleurhof with a total sales consideration of R68 million (excluding VAT), which were complete at year-end but due to regulatory delays the registration was delayed to April and May 2017;
- Construction of the Summerset development amounting to R141.9 million was practically complete at year-end but only to be handed over in May 2017;
- Acquisition of Jabulani Parcel A and C as part of the Aquarella dissolution agreement;
- R130 million of construction on Fleurhof infrastructure and subsidised top structures that was only received after year-end; and
- All units constructed for the REIT are undertaken on a turnkey basis.

Trade and other payables

Trade and other payables increased substantially by 147.29% to R847.7 million (2016: R342.8 million). This increase is associated to deposits received totalling R287.5 million for the construction of the Summerset project and rental units for the REIT which will realise upon completion of these units. These will not result in future cash outflows.

The purchase of land in Kwa Nobuhle and Jabulani Parcel A, C and K, as well as Fourways Memorial Park, on a deferred basis accounts for approximately R204 million of the increase from the prior year. The land purchases are repayable over the next four to five years.

Cash flow, cash and cash equivalents and borrowings

With thirteen active projects in the Group, cash flow management is vital. Hands-on cash flow management has resulted in cash and cash equivalents increasing significantly by 200.69% from the previous year. Net cash generated from operating activities increased to R238,2 million from R35,5 million in 2016. Net cash flow for the year increased to healthy levels, despite the Group making the final payment of R93 million for the purchase of Fleurhof Ext 2 (Pty) Ltd in the current year. The increased private sector construction adds pressure to the Group's working capital requirements, as in most cases the associated cash flow is only received by the Group once a completed unit is handed over to the client. With several cash positive projects, the Group was able to fund the purchase of Fleurhof Ext 2 (Pty) Ltd, as well as continue the construction of the open market units without increasing its borrowing requirements substantially.

The Group manages its finances through a central treasury function which is financed through debt instruments. The Group issued R239.8 million new instruments during the year and repaid instruments to the value of R206.9 million. The terms of the instruments currently in issue range from three months to five years. Calgro M3 has assessed many other financing alternatives and is satisfied that these debt instruments prove to be the most cost-effective solution for working capital requirements.

As property developers, we usually also disclose the "adjusted cash flow from operations" which considers certain "capital" items. The "capital" items referred to include any long-term investment in projects that will support growth in the future. Examples of these items would include land purchased as well as bulk or link infrastructure installed.

Total long-term investment in projects for the year amounted to R61.5 million which decreased substantially, decreasing from the R155 million invested in the prior year. This is primarily due to cash flow pressures from the Fleurhof acquisition, execution of the pipeline and increased private sector construction. The adjusted cash generated from operations is R353.6 million which consists of R292.1 million from the traditional calculation, plus capital investment added back of R61.5 million.

Prospects

Given that this report was written as South Africa experiences a sovereign downgrade, it has made Calgro M3 strategically reassess the way the Group can assist those in need to buy homes. We believe that banks may possibly institute the call for upfront deposits. Even at levels as low as 10%, the typical Calgro M3 customer will not be able to fund such upfront payment. The Group is investigating various options in this regard to assist our customers in securing these deposits.

Going forward, we acknowledge that there will be a tightening of spend across the economy; however, the need for housing and rental opportunities is vast; and given the strong pipeline, Calgro M3 remains confident that the business remains in a strong position to continue to sell housing, while at the same time growing the rental business.

The Memorial Parks business has shown much improved growth and coupled with the marketing drive, we are confident that it will continue to show steady results and provide the Group with strong annuity income.

Calgro M3 believes that interest rates relating to new facilities will increase before the South African Reserve Bank officially increases interest rates because of the credit downgrade on the banks. We believe we are approaching a period where interest rates will come under increased pressure resulting in more stringent criteria on consumers applying for new finance as the banks' cost of capital increases with their respective downgrades.

The same applies to finance at a Group level. It will come down to the availability of capital and to a lesser extent, the price. The Group will continue to look at local and international markets to secure additional long-term instruments, as well as renewing expiring facilities.

With construction and infrastructure currently being installed for nearly 7 000 homes, the Group is not only assisting with the eradication of the housing backlog, but also assisting with job creation. Various training and skills development programmes will be launched in the next six to twelve months that will support the upliftment of our people and will drive sustainability in the medium to long term.

What is, however, certain is that our business already looks different to six weeks ago and will continue to adapt according to risk. We believe the biggest risk mitigating strategy for our business is our team's hands-on approach and ability to quickly adapt. We believe our continued success will be determined by this, as well as our ability to make decisions under pressure and take calculated risks.

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

Sustainability

A detailed Sustainability Report can be found on the Calgro M3 website at www.calgrom3.com. We would like to specifically make mention of our investment in corporate social initiatives and human capital development where we have a large educational and skills development focus. Our philosophy with respect to skills development and education is to equip our youth with the knowledge tools to ensure success in their lives. We are passionate about our investment being longlasting and effective for future generations. During the current year, we boosted our investment in social and enterprise development.

Safety

The Group is pleased to report that from an occupational health and safety perspective, it was once again fatality-free despite growth in both activity and workforce numbers. The Group continues to strive for a safe, harm-free working environment.

Board of Directors and operational management

The Board remain confident in the ability, knowledge and competence of the newly appointed executive management team.

Manda Nkuhlu joined the Board as an Executive Director. Having been with the Company since 2014, Manda brings extensive knowledge and experience in dealing with the public sector in the residential property development sector.

Annual report and notice of annual general meeting

The Company's integrated annual report containing the audited annual financial statements for the year ended 28 February 2017 and the notice of annual general meeting are available on the Company's website hosted at www.calgrom3.com from today and will be posted to shareholders on or about 26 May 2017.

Appreciation

There is no doubt that the past year was a challenging one. The tenacity, commitment and hard work of our staff and senior management is appreciated even more in times such as this. What we are exceptionally proud of, is that we continue to build a business from the heart, doing the right thing, and assisting Government in ensuring there are houses for the people of our country. Awards received during the year are dedicated to our staff, for the hard work and commitment shown over the years.

We would like to thank the Board for their guidance, wisdom and support as well as our fellow executives for the leadership role they execute across the business. We would also like to say a special word of thanks to all our stakeholders for their continued support.

Notes

1. Basis of preparation

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

The consolidated financial statements were internally compiled by UK Kissoon Singh CA(SA) and M Esterhuizen CA(SA) under the supervision of WA Joubert CA(SA) and were approved by the Board on 12 May 2017.

2. Independent audit

The summarised consolidated financial statements are extracted from audited information, but are not itself audited. The consolidated annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited consolidated annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office. The directors take full responsibility for the preparation of the summarised consolidated financial statements and the financial information has been correctly extracted from the underlying annual financial statements.

3. Dividends

Management believes that cash should be retained to fund growth within the Group, with a specific goal of assisting Government in the eradication of the housing backlog. Cash retention is important to ensure investment into future projects as well as reduced reliance on debt finance. The Board has therefore resolved not to declare a dividend for this reporting period.

WJ Lategan
(Chief Executive Officer)

Waldi Joubert
(Financial Director)

Johannesburg
15 May 2017

Notes

Directors

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

** Non-executive # Independent*

Registered office

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Transfer secretaries

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Sponsor

Grindrod Bank Limited

Auditors

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