



CALGRO M3
Developments

2018

Consolidated and
Separate Financial
Statements

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Consolidated and Separate Financial Statements

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**All amounts stated in Rand unless otherwise stated
(Registration number 1996/017246/06)**

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Directors' Responsibilities and Approval

The Directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the Group and Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.


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 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 to 28 February 2019 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 10 to 14.

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

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

The consolidated and separate financial statements set out on  pages 15 to 65, which have been prepared on the going concern basis, were approved by the Board of Directors on 11 May 2018 and were signed on its behalf by:



WJ Lategan



WA Joubert

Certification of the Company Secretary

I, Itumeleng April, hereby confirm, in my capacity as Company Secretary of Calgro M3 Developments Limited that for the year ended 28 February 2018, 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

11 May 2018

Report of the Audit and Risk Committee

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

The Calgro M3 Holdings Limited Group Audit Committee ("the Committee") presents its report in terms of section 94(7)(f) of the Companies Act, No 71 of 2008, as amended ("Companies Act"), and as recommended by King IV, for the financial year ended 28 February 2018 on behalf of Calgro M3 Developments Limited and its subsidiaries.

The Committee is an independent statutory committee appointed by the shareholders.

Further duties are delegated to the Committee by the Board of Directors of the Group. The main purpose of the Committee is to assist the Calgro M3 Holdings Limited Board ("the Board") in monitoring the integrity of financial statements and overseeing the preparation of the Integrated Report. It is also responsible for the monitoring of the effectiveness of the Group's internal financial controls and oversees the internal and external audit functions.

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.

In addition, the Committee reviewed the annual work plan. The intent was to ensure completeness in respect of executing the Committee's responsibilities within a given period of time. However, the process of review does not exclude pertinent issues that are being tabled by the Committee and/or management during the course of a particular reporting period nor those matters that are being addressed by the business on an ongoing basis.

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 has the requisite experience in accounting and financial management (a qualified Chartered Accountant). HC Cameron performed the role as Chairperson during the financial year, but passed away on 6 April 2018 after a short illness. The Nomination Committee is in the process of identifying and nominating a suitable replacement for Mr Cameron that will be announced within 40 business days from passing (6 June 2018) as required by legislation.

The Committee currently comprises RB Patmore (Lead Independent Non-Executive and acting Chairperson of the Audit and Risk Committee) and ME Gama who are both Independent Non-Executive Directors and have the requisite experience in accounting and financial management.

Functions of the Audit and Risk Committee

Audit functions

The Committee's role and responsibilities include its statutory duties as per the Companies Act, No 71 of 2008, as amended ("Companies Act") and the responsibilities assigned to it by the Board.

The Committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

From an audit oversight perspective, the Committee is primarily responsible for:

- ▶ considering and monitoring the independence of the external auditors and the appropriate rotation of the lead audit partner and to make recommendations to the Board and shareholders on the appointment and dismissal of the external auditor;
- ▶ overseeing the effectiveness of the Group's internal control systems, ensuring that they are designed in response to identified key business and control risks, and have been effective throughout the year;
- ▶ reviewing the scope and effectiveness of the external audit functions;
- ▶ ensuring that adequate books and records have been maintained;
- ▶ monitoring proposed changes in accounting policies;
- ▶ considering the accounting and taxation implications of major transactions;
- ▶ reviewing and reporting on compliance with IFRS, King IV and the JSE Listings Requirements;
- ▶ reviewing of management's evaluation of the Group's going concern assertion remains appropriate;
- ▶ reviewing the interim and annual financial statements to ensure that they give fair presentation, consistent with information known to the Committee, before submission to the Board;
- ▶ considering the appropriateness of the expertise and experience of the Financial Director on an annual basis;
- ▶ determine the fees to be paid to the auditor and the auditor's terms of engagement;

Report of the Audit and Risk Committee *(continued)*

- ▶ ensure that the appointment of the auditor complies with the provisions of the Companies Act, No 71 of 2008, as amended (“Companies Act”) and any other legislation relating to the appointment of auditors;
- ▶ determine the nature and extent of any non-audit services which the auditor may provide to the Group or Company;
- ▶ pre-approve any proposed agreement with the auditor for the provision of non-audit services to the Group or Company;
- ▶ prepare a report to be included in the annual financial statements for the year;
- ▶ receive and deal appropriately with any concerns or complaints relating to the accounting practices and internal audit of the Company, the content or auditing of the financial statements or any other related matter;
- ▶ make submissions to the Board on any matter concerning the Group or Company’s accounting policies, financial controls, records and reporting; and
- ▶ to perform other functions as determined by the Board, including development and implementation of policy and a plan for a systematic and disciplined approach to evaluate and improve effectiveness of risk management control and governance.

The Committee has resolved to undertake a self-assessment every second year.

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.

From a risk perspective, the Committee is primarily responsible for:

- ▶ ensuring that appropriate systems are in place to identify and monitor risks affecting the Group;
- ▶ evaluating the adequacy of the effectiveness of the risk management process;
- ▶ ensures an updated risk register is kept;
- ▶ reviewing and assessing issues such as compliance with legislation and corporate governance matters, the impact that significant litigation could have on the Group, the adequacy of the insurance cover as well as the effectiveness of controls over areas of risks; and
- ▶ providing Board level oversight of the management of processes to ensure that operations remain viable and sustainable.

Members of the Audit and Risk Committee and attendance at meetings

The Committee consists of the Independent Non-Executive Directors of Calgro M3 Holdings Limited listed below and meets at least four times per annum. All members are independent as prescribed in section 94 of the Companies Act, No 71 of 2008, as amended (“Companies Act”). During the year under review, four meetings were held.

The Chief Executive Officer and Financial Director of Calgro M3 Holdings Limited are permanent invitees. The Company Secretary is the statutory secretary of the Committee.

The Calgro M3 Group’s internal and external auditors, in their capacity as assurance providers also attended 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	Period served on Committee
HC Cameron (passed away on 6 April 2018)	CA(SA)	3 years
RB Patmore (acting Chairperson)	BCom, MBL (SBL)	7 years
ME Gama	PhD (Finance)	6 years

Report of the Audit and Risk Committee *(continued)*

Internal audit

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.

SizweNtsalubaGobodo continued as internal auditors during the year.

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. SizweNtsalubaGobodo 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.

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 reporting

In fulfilling its oversight responsibilities, the Committee has reviewed the sustainability information that forms part of the Calgro M3 Group's Integrated Report and has assessed its consistency with operational and other information known to the Committee members, as well as its consistency with the Group's annual financial statements.

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

Going concern

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

The Board's statement regarding the going concern status of the Group, as supported by the Committee, is included in the Directors' Report on [pages 8 to 9](#).

Attendance

The external and internal auditors, in their capacity as auditors to the Group, attended and reported at all 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	5 May 2017	17 July 2017	6 October 2017	9 February 2018
RB Patmore (acting Chairperson)	✓	✓	✓	✓
ME Gama	✓	✓	✓	✓
HC Cameron (passed away on 6 April 2018)	✓	✓	✓	✓
WJ Lategan	#	#	#	#
BP Malherbe	#	n/a	n/a	n/a
WA Joubert	#	#	#	#
PwC	#	#	#	#
SizweNtsalubaGobodo	#	#	#	#
I April	#	#	#	#
Sponsors (Grinrod)	#	#	#	#

✓ Indicates attendance

Indicates attendance by invitation

× Indicates non-attendance.

Report of the Audit and Risk Committee *(continued)*

Independence of the external auditor

The Committee has satisfied itself that the external auditor, PricewaterhouseCoopers Inc (“PwC”), conducted its duties independently and that no limitations were imposed by management on PwC whilst performing their duties during the year. The Committee, in consultation with the Calgro M3 Group’s executive management, agreed to the terms of the PwC engagement letter, audit plan and budgeted audit fees in respect of the 2018 financial year.

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 nominates PwC for re-election at the annual general meeting (“AGM”) of Calgro M3 Holdings and its subsidiaries, and Mrs Chantal Marais Roux as the designated partner to perform the functions of external auditor until the 2019 AGM. The Committee has satisfied itself that both PwC and Mrs Marais Roux are accredited with the JSE Limited as required.

Expertise and experience of Financial Director and the finance function

As required by the JSE Listings Requirement 3.84(h), as well as recommended practice outlined in King IV, the Committee has satisfied itself that the Financial Director has appropriate expertise and experience.

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 2018 audit, being: Construction contract revenue recognition;

The key audit matter related to material financial statement line items and require 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 matter. 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.

Financial statements

The Committee reviewed the financial statements and the accounting policies and practices of the Group and is satisfied that they comply with International Financial Reporting Standards. The Committee recommended the financial statements to the Board for approval. The Board concurred with this assessment.



RB Patmore

Acting Chairperson: Audit and Risk Committee

11 May 2018

King IV application register

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

Directors' Report

The Directors submit their report for the year ended 28 February 2018.

1. Nature of business

Main business and operations

The Group is engaged in residential property development specialising in the lower end of the residential market (especially integrated developments). The Group engages (amongst other things) in construction of properties and land development.

The operating cycle for inventory and construction contracts is considered to be longer than 12 months. Accordingly the associated assets and liabilities are classified as current as they are expected to be settled within the same operating cycle as inventory and construction contracts.

Registered Office

Calgro M3 Building
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196

Postal address

Private Bag X33
Craighall
2024

2. Financial position

The consolidated and separate financial statements on pages 15 to 65 set out fully the financial position, results of operations and cash flows of the Group and Company for the year ended 28 February 2018 and do not in our opinion require any further comment.

For segmental reporting, please refer to note 36 of the consolidated financial statements.

3. Events after reporting period

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

Predecessor accounting will be applied for the restructuring of the Group.

4. Type of company

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

5. Subsidiary companies

All direct and indirect subsidiaries are South African-based.

6. Executive share scheme

One of the participants of the executive share scheme resigned during the year. The resignation and revaluation of the liability at year-end led to a reduction of the expense recognised in prior years.

Refer to note 31 for details on the share-based payments.

7. Accounting policies

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

8. Authorised and issued share capital

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

9. Capital expenditure

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

10. Dividends

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

11. Going concern

The Directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

Directors' Report *(continued)*

The Board is not aware of any new material changes that may adversely impact the Group. The Board is not aware of any material non-compliance with statutory or regulatory requirements. The Board is not aware of any pending changes in litigation that may materially affect the Group.

12. Directors

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

Name	Nationality	Contract expiry	Appointed	Resigned
DN Steyn	South African	3 month notice		
W Williams	South African	3 month notice		8 August 2017
MN Nkuhlu	South African	3 month notice	1 March 2017	
UK Kissoon Singh	South African	3 month notice	8 August 2017	
BG Blieden	South African	3 month notice		1 March 2017
AJ Langson	South African	3 month notice	1 March 2018	
FJ Steyn [#]	South African			
WJ Lategan	South African	3 month notice		
WA Joubert	South African	3 month notice		

[#] FJ Steyn resigned as an Executive Director and was appointed as an alternate to DN Steyn on 8 August 2017.

13. Company Secretary

I, April will continue in office in accordance with section 86 of the Companies Act, subject to the approval of the shareholder at the next general meeting.

Business address

Calgro M3 Building
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196

Postal address

Private Bag X33
Craighall
2024

14. Auditors

PricewaterhouseCoopers Inc will continue in office in accordance with section 90 of the Companies Act No 71 of 2008 of South Africa, subject to the approval of the shareholders at the next general meeting. Chantal Marais Roux will be the individual registered auditor who will undertake the audit for the 2019 financial year.

15. Preparer

The financial statements were internally compiled by UK Kissoon Singh CA(SA) and M Esterhuizen CA(SA) under the supervision of WA Joubert CA(SA).

16. Liquidity and solvency

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

17. Level of assurance

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

18. Special resolution

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

19. Regulatory requirements relating to public companies

Calgro M3 Developments Ltd and its subsidiaries are wholly owned subsidiaries of Calgro M3 Holdings Ltd. These financial statements should be read in conjunction with the 2018 integrated annual report for Calgro M3 Holdings Ltd as published on 11 May 2018. Also refer to the Calgro M3 website www.calgrom3.com for the King IV application register.

Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Calgro M3 Developments Limited ("the Company") and its subsidiaries (together "the Group") as at 28 February 2018, 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 Developments Limited consolidated and separate financial statements set out on pages 15 to 65 comprise:

- ▶ the consolidated and separate statements of financial position as at 28 February 2018;
- ▶ the consolidated and separate statements of comprehensive income for the year then ended;
- ▶ the consolidated and separate statements of changes in equity for the year then ended;
- ▶ the consolidated and separate statements of cash flows for the year then ended; and
- ▶ the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

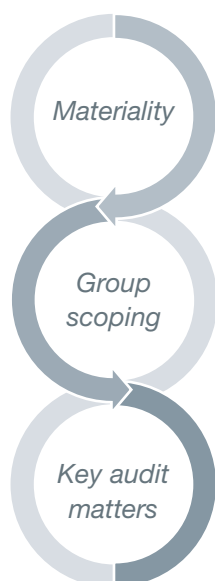
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality

Overall group materiality: R13 060 000, which represents 1% of the Group's consolidated total assets, limited to the Group materiality of Calgro M3 Holdings Limited.

Group audit scope

The Group consists of nine subsidiaries and associates (referred to as "components"). We performed full scope audits on four components as a result of financial significance and the remaining five components are considered to be insignificant to the Group.

Key audit matters (applicable to both the consolidated and separate financial statements)

Construction contract revenue recognition (Group and Company).

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	R13 060 000
How we determined it	1% of the Group's consolidated total assets limited to the Group materiality of Calgro M3 Holdings Limited.
Rationale for the materiality benchmark applied	<p>We chose consolidated total assets as the benchmark for Calgro M3 Developments Limited considering the Company has significant listed debt on the JSE Bond Exchange and that the users of the financial statements focus is placed on debt covenants driven by statement of financial position performance rather than statement of comprehensive income performance.</p> <p>We chose 1% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using total assets to compute materiality, and taking into account the level of debt within the Group.</p> <p>The calculated materiality has been limited to the materiality of Calgro M3 Holdings Limited, the ultimate holding parent of Calgro M3 Developments Limited, in order to address any aggregation risk for the audit of the Calgro M3 Holdings consolidated financial statements.</p>

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 nine subsidiaries and associates (referred to as "components"). We performed full scope audits on four components as a result of financial significance and the remaining five components are considered to be insignificant to the Group. These significant components are all located in South Africa, representing the Group's principal place of businesses.

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.

Independent Auditor's Report *(continued)*

Key audit matter	How our audit addressed the key audit matter
Construction contract revenue recognition (Group and Company)	
<p>The Group has significant long-term construction contracts within the “Residential Property Development” operating segment. Revenue of R1.67 billion has been generated from construction contracts during the year ended 28 February 2018 (refer to Q notes 13 and 21 to the consolidated and separate financial statements).</p>	<p>Our audit procedures comprised a combination of internal control assessments and substantive audit procedures.</p>
<p>The majority of revenue and related profits/losses on construction contracts are in accordance with the stage of completion principles outlined in IAS 11: <i>Construction Contracts</i>.</p>	<p>We assessed certain internal financial controls over contract-related procurement expenditure.</p>
<p>The stage of completion of construction contracts is assessed by reference to actual contract costs incurred to date as a percentage of total estimated contract costs.</p>	<p>Our internal financial control tests consisted mainly of three way match and payment pack testing:</p>
<p>Construction contract revenue recognition is considered to be an area of most significance to our audit due to the significant judgement involved in preparing estimates of forecast costs and related revenue on long-term contracts.</p>	<ul style="list-style-type: none"> ▶ 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. No matters of concern were noted from the above procedures. ▶ 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.
	<p>We selected a sample of contracts on which detailed substantive testing procedures were performed. Our sample was selected based on a combination of risk and monetary thresholds. This included high-value contracts and assessing whether there were any significant loss making contracts or contracts with significant claims.</p>
	<p>Audit procedures performed in assessing the appropriateness of estimates and judgements applied by management included:</p>
	<ul style="list-style-type: none"> ▶ Discussions regarding the status of contracts with relevant management quantity surveyors; ▶ Verified actual costs incurred during the period through a combination of internal financial control assessments and substantive audit procedures through the inspection of transaction documentation on a sample basis; ▶ Evaluated and tested management’s cost and revenue estimation process as described in Q note 21, by gaining an understanding of the significant assumptions and budgeting process, having detailed discussions with knowledgeable individuals within the management team, corroborating the assumptions to underlying contracts, quotations, internal assessments by experts (such as town planners and quantity surveyors), comparing past assumptions to historical data and considering whether the estimates were approved by management and third parties; ▶ Recalculated the stage of completion based on the actual costs incurred to date as a percentage of the total estimated contract costs, with no exceptions noted; ▶ Recalculated the construction contract revenue recognised based on the recalculated stage of completion of the contract; and ▶ Made use of our internal quantity surveying expertise to assess the assumptions related to the total contract costs and revenue through performance of site visits and inspection of contract documentation.

Notes to the Consolidated and Separate Financial Statements *(continued)*

Other information

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

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

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

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

Responsibilities of the Directors for the consolidated and separate financial statements

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

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

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

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

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

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

Independent Auditor's Report *(continued)*

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Calgro M3 Developments Limited for 11 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: C Marais Roux

Registered Auditor

Johannesburg

11 May 2018

Consolidated and Separate Statement of Financial Position

as at 28 February 2018

	Notes	Group		Company	
		2018	2017	2018	2017
Assets					
Non-current assets					
Property, plant and equipment	5	3 608 014	3 400 932	3 608 014	3 400 932
Intangible assets	6	28 528 139	28 555 077	13 342	40 280
Investment in Group companies	7	105 180 385	148 200 492	105 180 385	148 200 492
Investment in subsidiaries	8	–	–	200	300
Investment in associates	9	–	458 875	–	35
Deferred income tax asset	10	–	104 893	–	–
		137 316 538	180 720 269	108 801 941	151 642 040
Current assets					
Loans to Group companies	11	869 491 900	673 502 248	874 727 430	679 652 221
Inventories	12	17 872 216	2 657 939	2 000 000	2 657 939
Current tax receivable		12 150 645	12 070 010	11 971 185	11 847 503
Construction contracts	13	560 967 685	330 858 886	559 513 255	329 372 605
Trade and other receivables	14	196 022 487	170 917 718	193 991 687	172 589 100
Cash and cash equivalents	15	152 824 964	29 148 325	149 705 628	25 212 642
		1 809 329 897	1 219 155 126	1 791 909 185	1 221 332 010
Total assets		1 946 646 435	1 399 875 395	1 900 711 126	1 372 974 050
Equity and liabilities					
Equity					
Equity attributable to owners of the parent					
Stated capital	16	88 561 467	88 561 467	88 561 467	88 561 467
Reserves	17	(58 004 829)	(14 984 722)	(58 004 829)	(14 984 722)
Retained income		422 188 894	262 122 059	393 037 401	234 269 401
		452 745 532	335 698 804	423 594 039	307 846 146
Non-controlling interests	18	609 620	–	–	–
Total equity		453 355 152	335 698 804	423 594 039	307 846 146
Liabilities					
Non-current liabilities					
Deferred income tax liability	10	104 090 256	41 915 867	103 556 834	41 689 095
		104 090 256	41 915 867	103 556 834	41 689 095
Current liabilities					
Loans from Group companies	11	23 720 312	23 403 912	26 495 017	23 404 012
Current income tax liabilities		152	1 943	–	–
Borrowings	19	889 596 522	571 645 578	889 596 522	571 645 578
Trade and other payables	20	475 884 041	427 209 291	457 468 714	428 389 219
		1 389 201 027	1 022 260 724	1 373 560 253	1 023 438 809
Total liabilities		1 493 291 283	1 064 176 591	1 477 117 087	1 065 127 904
Total equity and liabilities		1 946 646 435	1 399 875 395	1 900 711 126	1 372 974 050

The notes on pages 19 to 65 form part of an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statement of Comprehensive Income

for the year ended 28 February 2018

	Notes	Group		Company	
		2018	2017	2018	2017
Revenue	21	1 668 642 800	1 088 117 740	1 668 642 800	1 088 117 740
Cost of sales	22/24	(1 393 024 431)	(967 373 289)	(1 402 445 264)	(968 318 368)
Gross profit		275 618 369	120 744 451	266 197 536	119 799 372
Other income	23	17 446 097	26 560 760	22 363 120	53 976 421
Administrative expenses	24	(78 682 607)	(103 160 852)	(78 260 846)	(102 878 121)
Operating profit		214 381 859	44 144 359	210 299 810	70 897 672
Finance income	25	96 005 331	36 864 210	96 368 716	36 879 347
Finance costs	26	(86 064 526)	(65 702 892)	(86 064 526)	(66 317 096)
Share of profit of associates – net of tax	9	(458 840)	474 548	–	–
Profit before tax		223 863 824	15 780 225	220 604 000	41 459 923
Taxation	27	(63 187 369)	(9 447 305)	(61 836 000)	(9 392 485)
Profit after taxation		160 676 455	6 332 920	158 768 000	32 067 438
Other comprehensive income					
Changes in the fair value of available-for-sale financial assets	17	(43 020 107)	(4 805 006)	(43 020 107)	(4 805 006)
Total other comprehensive income		(43 020 107)	(4 805 006)	(43 020 107)	(4 805 006)
Total comprehensive income		117 656 348	1 527 914	115 747 893	27 262 432
Profit after taxation and other comprehensive income attributable to:					
– Owners of the parent		117 046 728	1 527 914	115 747 893	27 262 432
– Non-controlling interests		609 620	–	–	–
		117 656 348	1 527 914	115 747 893	27 262 432

The notes on  pages 19 to 65 form part of an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statement of Changes in Equity

as at 28 February 2018

	Stated capital	Mark-to-market reserve	Retained income	Non-controlling interests	Total equity
Group					
Balance at 1 March 2016	88 561 467	(10 179 716)	255 789 139	–	334 170 890
Comprehensive income					
Profit for the year	–	–	6 332 920	–	6 332 920
Other comprehensive income	–	(4 805 006)	–	–	(4 805 006)
Total comprehensive income	–	(4 805 006)	6 332 920	–	1 527 914
Balance at 28 February 2017	88 561 467	(14 984 722)	262 122 059	–	335 698 804
Comprehensive income					
Profit for the year	–	–	160 066 835	609 620	160 676 455
Other comprehensive income	–	(43 020 107)	–	–	(43 020 107)
Total comprehensive income	–	(43 020 107)	160 066 835	609 620	117 656 348
Balance at 28 February 2018	88 561 467	(58 004 829)	422 188 894	609 620	453 355 152
Note	16	17			
Company					
Balance at 1 March 2016	88 561 467	(10 179 716)	202 201 963	–	280 583 714
Comprehensive income					
Profit for the year	–	–	32 067 438	–	32 067 438
Other comprehensive income	–	(4 805 006)	–	–	(4 805 006)
Total comprehensive income	–	(4 805 006)	32 067 438	–	27 262 432
Balance at 28 February 2017	88 561 467	(14 984 722)	234 269 401	–	307 846 146
Comprehensive income					
Profit for the year	–	–	158 768 000	–	158 768 000
Other comprehensive income	–	(43 020 107)	–	–	(43 020 107)
Total comprehensive income	–	(43 020 107)	158 768 000	–	115 747 893
Balance at 28 February 2018	88 561 467	(58 004 829)	393 037 401	–	423 594 039
Note	16	17			

The notes on pages 19 to 65 form part of an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statement of Cash Flows

for the year ended 28 February 2018

	Notes	Group		Company	
		2018	2017	2018	2017
Cash utilised in operating activities					
Cash utilised in operations	28	(27 877 331)	(275 757 480)	(34 566 014)	(274 861 499)
Interest received		14 823 211	11 493 862	14 955 528	11 491 377
Interest paid		(75 746 769)	(64 042 203)	(75 746 769)	(64 786 313)
Dividends received		–	–	–	19 263 765
Tax paid	29	(990 514)	(9 915 449)	(91 943)	(9 697 828)
Net cash utilised in operating activities		(89 791 403)	(338 221 270)	(95 449 198)	(318 590 498)
Cash flows from investing activities					
Purchase of property, plant and equipment		(1 222 974)	(647 930)	(1 222 974)	(647 930)
Proceeds from the disposal of property, plant and equipment		242 748	–	242 748	–
Purchase of intangible assets		(6 941)	(52 385)	(6 941)	(52 385)
Advances to Group companies		(953 804 989)	(570 544 648)	(1 019 060 169)	(576 694 621)
Repayments of loans to Group companies		844 965 283	829 103 246	913 919 900	829 103 246
Net cash from investing activities		(109 826 873)	257 858 283	(106 127 436)	251 708 310
Cash flows from financing activities					
Proceeds from borrowings		516 000 000	239 809 419	516 000 000	239 809 419
Repayment of borrowings		(192 000 000)	(206 914 744)	(192 000 000)	(206 914 744)
Advances from Group companies		–	12 598 548	2 774 705	17 610 237
Repayment of loans from Group companies		(705 085)	(8 792 592)	(705 085)	(31 219 211)
Net cash from financing activities		323 294 915	36 700 631	326 069 620	19 285 701
Net increase/(decrease) in cash and cash equivalents					
		123 676 639	(43 662 356)	124 492 986	(47 596 487)
Cash and cash equivalents at the beginning of the year		29 148 325	72 810 681	25 212 642	72 809 129
Cash and cash equivalents at the end of the year	15	152 824 964	29 148 325	149 705 628	25 212 642

The notes on  pages 19 to 65 form part of an integral part of these consolidated and separate financial statements.

Notes to the Consolidated and Separate Financial Statements

for the year ended 28 February 2018

1. General information

Calgro M3 Developments Limited (the “Company”) and its subsidiaries and associate (together “the Group”) is a residential property development company that engages in construction (amongst other things), with trading subsidiaries and an associate engaged in investment holding, residential land development and construction.

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

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides, and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

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

2.2 Working capital cycle

The operating cycle for inventory and construction contracts is considered to be longer than 12 months. Accordingly the associated assets and liabilities are classified as current as they are expected to be settled within the same operating cycle as inventory and construction contracts.

2.3 Significant estimates and judgements

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

▶ Fair value estimation	🔍 Note 4
▶ Impairment of goodwill	🔍 Note 6
▶ Assessment of joint control	🔍 Note 9
▶ Impairment of trade receivables	🔍 Note 14
▶ Percentage of completion for construction revenue	🔍 Note 13 and 21
▶ Scope of construction agreements	🔍 Note 13 and 21
▶ Share-based payments	🔍 Note 31

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

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

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

2.4 New standards and interpretations

There were a number of new standards and interpretations effective and adopted in the current year, none of which have a significant impact on the Company, except for the standards and amendments listed below:

Topic	Key requirements	Effective date
Amendment to IAS 7: <i>Cash flow statements</i>	<p>In January 2016, the International Accounting Standards Board (“IASB”) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. Refer to note 19.</p> <p>The amendment responds to requests from investors for information that helps them better understand changes in an entity’s debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.</p>	1 January 2017
Amendment to IAS 12: <i>Income taxes</i>	<p>The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. They also clarify certain other aspects of accounting for deferred tax assets.</p> <p>The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.</p>	1 January 2017
Annual improvements for IFRS 2014 to 2016 cycle	<p>Each of the amendments are summarised below:</p> <ul style="list-style-type: none"> ▶ IFRS 12: <i>Disclosure of interests in other entities</i> regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 beginning on or after 1 January 2017. 	1 January 2017

2.5 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 2018 year end.

Management is in the process of assessing the impact on the Group.

Notes to the Consolidated Financial Statements *(continued)*

for the year ended 28 February 2018

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

2.5 Standards and interpretations issued not yet effective *(continued)*

Topic	Key requirements	Effective date
Amendments to IFRS 10: <i>Consolidated financial statements</i> and IAS 28: <i>Investments in associates and joint ventures</i> on sale or contribution of assets	<p>The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10: <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>. 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.</p> <p>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.</p>	Effective date postponed (was initially 1 January 2016)
IFRS 15: <i>Revenue from contracts with customers</i>	<p>The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.</p> <p>Management has been assessing the impact of the new standard and based on the initial assessment the impact is considered to be material. The final quantum of the impact is currently being determined.</p>	1 January 2018
Amendment to IFRS 15: <i>Revenue from contracts with customers</i>	<p>The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.</p>	1 January 2018 published April 2016

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

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

2.5 Standards and interpretations issued not yet effective *(continued)*

Topic	Key requirements	Effective date
<p>IFRS 9: <i>Financial Instruments (2009 and 2010)</i></p> <ul style="list-style-type: none"> ▶ Financial liabilities ▶ Derecognition of financial instrument ▶ Financial assets ▶ General hedge accounting 	<p>This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.</p> <p>The IASB has updated IFRS 9: <i>Financial instruments</i> to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39: <i>Financial instruments: Recognition and measurement</i>, without change, except for financial liabilities that are designated at fair value through profit or loss.</p> <p>No changes in the classification and measurement of the companies and group financial instruments are expected based on the requirements of the new standard.</p>	1 January 2018
Amendments to IFRS 2: <i>Share-based payments</i>	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.	1 January 2018
Annual improvements for IFRS 2014 to 2016 cycle	<p>Each of the amendments are summarised below:</p> <ul style="list-style-type: none"> ▶ IFRS 1: <i>First-time adoption of IFRS</i>, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7: IAS 19, and IFRS 10 effective 1 January 2018. ▶ IAS 28: <i>Investments in associates and joint ventures</i> regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss ("FVTPL"). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018. 	1 January 2018

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

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

2.5 Standards and interpretations issued not yet effective *(continued)*

Topic	Key requirements	Effective date
IFRS 16: <i>Leases</i>	<p>This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>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.</p> <p>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.</p> <p>IFRS 16 supersedes IAS 17: <i>Leases</i>, IFRIC 4: <i>Determining whether an Arrangement contains a Lease</i>, SIC 15: <i>Operating Leases – Incentives</i> and SIC 27: <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>.</p> <p>Based on the requirements of the new standard the Group will be required to capitalise the lease of its main building and raise the corresponding liability. Refer to Q note 30.</p>	1 January 2019

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

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

2.6 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and all its subsidiaries. In the case of associates and joint ventures, those entities are presented as single line items in the statement of comprehensive income and statement of financial position (refer to [Q](#) note 9). Intercompany transactions and balances are eliminated upon 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.

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

2.8 Impairment of non-financial assets

The Group assesses at each end of the reporting period whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the Group 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. Please refer to [Q](#) note 34.

Contingent assets and contingent liabilities are not recognised.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

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

2.10 Foreign currency translation

(a) Functional and presentation currency

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

(b) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

2.11 Financial instruments

2.11.1 Classification

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

Notes	Group		Company		
	2018	2017	2018	2017	
Financial assets – Available for sale					
Investment in Group companies	7	105 180 385	148 200 492	105 180 385	148 200 492
		105 180 385	148 200 492	105 180 385	148 200 492
Financial assets – Loans and receivables					
Loans to Group companies	11	869 491 900	673 502 248	874 727 430	679 652 221
Trade and other receivables	14	194 005 577	170 853 600	193 978 217	172 524 982
Cash and cash equivalents	15	152 824 964	29 148 325	149 705 628	25 212 642
		1 216 322 441	873 504 173	1 218 411 275	877 389 845
Financial liabilities – Financial liabilities at amortised cost					
Borrowings	19	889 596 522	571 645 578	889 596 522	571 645 578
Loans from Group companies	11	23 720 312	23 403 912	26 495 017	23 404 012
Trade and other payables	20	414 468 100	335 598 915	397 014 290	336 858 898
		1 327 784 934	930 648 405	1 313 105 829	931 908 488

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

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

2.11 Financial instruments *(continued)*

2.11.2 Initial recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group does not have any financial assets classified at fair value through profit or loss.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

2.11.3 Subsequent measurement

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in other comprehensive income and accumulated in a separate reserve within equity.

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

2.11.4 Impairment of financial assets

Assets carried at amortised costs

Financial assets carried at amortised cost are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Impairment is normally determined based on a realistic assessment of future cash flows discounted using the original effective interest rate compared with contractual amounts. For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. Impairment losses are recognised in profit or loss.

The Group's trade receivables are impaired through use of an allowance account. The amount of the loss is recognised in profit or loss within administrative expenses.

When the trade receivable is written off, it is written off against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against administrative expenses.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

3. Risk management

3.1 Financial risk management

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

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

3. Risk management *(continued)*

3.1 Financial risk management *(continued)*

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

The Group and Company's interest rate risk arises mainly from borrowings and loans from Group companies. (refer to [Q](#) note 11 and 19).

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

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

	Group		Company	
	2018	2017	2018	2017
2% increase/(decrease) on finance charges of interest-bearing borrowings	13 293 588	8 760 128	13 333 544	8 760 130
2% increase/(decrease) on interest-bearing assets	12 631 659	10 054 378	12 707 051	10 142 938

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

(b) Credit risk

Credit risk consists mainly of loans to Group companies and associates of the holding company, cash deposits and cash equivalents and trade and other receivables (including retention debtors). The Group and Company only deposits cash with major banks with a minimum rating of "BB" and limits the exposure to any one counterparty. Trade and other receivables comprise a widespread customer base. Customers include government institutions, private sector entities and individuals.

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

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

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities.

Due to the dynamic nature of the underlying businesses, the Executive Committee maintains flexibility in funding by maintaining availability under committed credit lines.

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

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

3. Risk management *(continued)*

3.1 Financial risk management *(continued)*

(c) Liquidity risk (continued)

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

A specific liquidity risk associated with the Group and Company is the raising of loans at specified dates of repayment, against construction projects.

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

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

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

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

Group	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
2018						
Borrowings (including future interest)	291 605 721	241 258 059	278 443 168	278 443 168	89 122 157	1 178 872 273
Loans from Group companies	26 269 181	-	-	-	-	26 269 181
Trade and other payables	417 207 356	-	-	-	-	417 207 356
	735 082 258	241 258 059	278 443 168	278 443 168	89 122 157	1 622 348 810
2017						
Borrowings (including future interest)	235 915 865	140 358 580	180 827 005	156 785 210	-	713 886 660
Loans from Group companies	25 983 103	-	-	-	-	25 983 103
Trade and other payables	335 598 915	-	-	-	-	335 598 915
	597 497 883	140 358 580	180 827 005	156 785 210	-	1 075 468 678

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

3. Risk management *(continued)*

3.1 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Company	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
2018						
Borrowings (including future interest)	291 605 721	241 258 059	278 443 168	278 443 168	89 122 157	1 178 872 273
Loans from Group companies	29 342 046	-	-	-	-	29 342 046
Trade and other payables	397 914 677	-	-	-	-	397 914 677
	718 862 444	241 258 059	278 443 168	278 443 168	89 122 157	1 606 128 997
2017						
Borrowings (including future interest)	235 915 865	140 358 580	180 827 005	156 785 210	-	713 886 660
Loans from Group companies	25 983 103	-	-	-	-	25 983 103
Trade and other payables	336 858 898	-	-	-	-	336 858 898
	598 757 866	140 358 580	180 827 005	156 785 210	-	1 076 728 661

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

The Group and Company has overdraft facilities with major banks to the value of R100 000 000 (2017: R60 000 000).

3.2 Capital risk management

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

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

Net debt/equity ratio

This ratio is calculated as net debt divided by equity. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents. Equity is calculated as the total equity per the statement of financial position. The ratio at a Calgro M3 Holding Ltd Group is as follows 0.75 (2017: 0.42).

Debt service coverage ratio

The Group monitors capital on the basis of its debt service cover ratio, liquidity ratio and its net debt/equity ratio. The minimum allowed debt service cover ratio and liquidity for the Group is 1.2.

Liquidity ratio

This ratio means in relation to the consolidated financial statements the ratio of current assets to current liabilities. The current ratio is 1.3.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

3. Risk management *(continued)*

3.2 Capital risk management *(continued)*

Debt service cover ratio ("DSCR")

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

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

	Group	Company
	2018	2018
Available cash flow		
Net cash generated from operating activities	(27 877 331)	(34 566 014)
New financial indebtedness incurred	516 000 000	518 774 705
Cash and cash equivalent BoY	29 148 325	25 212 642
CAPEX	(109 826 873)	(106 127 436)
	407 444 121	403 293 897
Debt service requirement		
Net interests and fees*	(60 923 558)	(60 791 241)
Principal repayments	(192 705 085)	(192 705 085)
	(253 628 643)	(253 496 326)
Debt service cover ratio ("DSCR")	1.61	1.59

* Net interest cost incurred and interest received.

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 net debt/equity ratio of 1.5:1.

4. Fair values

Financial instruments

All of the Group's financial instruments are measured at amortised cost. 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, except for the investment held for sale which is accounted as fair value.

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

Non-financial instruments

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

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

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.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

4. Fair values *(continued)*

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:

Group	Carrying values		Fair value			
			Level 2		Level 3	
	2018	2017	2018	2017	2018	2017
Assets						
Loans to Group companies	869 491 900	673 502 248			869 491 900	673 502 248
Trade and other receivables	196 022 487	170 917 718			196 022 487	170 917 718
Liabilities						
Borrowings	889 596 522	571 645 578	628 985 923*	581 941 516*	271 426 075	
Loans from Group companies	23 720 312	23 403 912			23 720 312	23 403 912
Trade and other payables	414 468 100	335 598 915			414 468 100	335 598 915

* Based on quoted prices on the Bond Exchange.

Investment in Group companies with a carrying value of R105 180 285 (2017: R148 200 492) approximates their fair value and are classified as level 1.

Company	Carrying values		Fair value			
			Level 2		Level 3	
	2018	2017	2018	2017	2018	2017
Assets						
Loans to Group companies	874 727 430	679 652 221			874 727 430	679 652 221
Trade and other receivables	193 991 687	172 589 100			193 991 687	172 589 100
Liabilities						
Borrowings	889 596 522	571 645 578	628 985 923*	581 941 516*	271 426 075	
Loans from Group companies	26 495 017	23 404 012			26 495 017	23 404 012
Trade and other payables	397 014 290	336 858 898			397 014 290	336 858 898

* Based on quoted prices on the Bond Exchange.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

5. 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.

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

Item	Average useful life
▶ Plant and machinery, motor vehicles	5 years
▶ Leasehold improvements	10 years
▶ Furniture and fixtures and office equipment	6 years
▶ IT equipment	3 years

Group and Company	Cost 2018	Accumulated depreciation 2018	Carrying amount 2018	Cost 2017	Accumulated depreciation 2017	Carrying amount 2017
Plant and machinery	1 197 757	(950 595)	247 162	3 144 128	(2 925 543)	218 585
Furniture and fixtures	910 975	(375 571)	535 404	848 937	(312 479)	536 458
Motor vehicles	200 000	(3 333)	196 667	–	–	–
Office equipment	933 589	(480 628)	452 961	852 412	(337 661)	514 751
IT equipment	1 172 294	(396 857)	775 437	1 363 060	(816 721)	546 339
Leasehold Improvements	1 923 613	(523 230)	1 400 383	1 895 843	(311 044)	1 584 799
Total	6 338 228	(2 730 214)	3 608 014	8 104 380	(4 703 448)	3 400 932

Group and Company

Depreciation expense of R943 194 (2017: R891 404) has been charged in "administrative expenses" in the statement of comprehensive income.

Property, plant and equipment with a carrying amount of R72 698 (Cost: R2 989 126, Accumulated depreciation: R2 916 428) (2017: R1 (Cost: R190 263, Accumulated depreciation: R190 262)) has been written off in the current year.

Profit on disposals of property, plant and equipment amounted to R170 024 (2017: RNil). Refer to [note 24](#).

Additions of R1 222 974 (2017: R647 930) have been made in the current year.

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.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

6. Intangible assets

Accounting policy

(a) Goodwill

Goodwill for the Group arose as a result of the acquisition of a subsidiary, MS5 Pennyville (Pty) Ltd.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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

(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 value-in-use calculation for the annual goodwill impairment test. Refer below for further detail.

	Cost 2018	Accumulated amortisation/ impairment 2018	Closing carrying amount 2018	Cost 2017	Accumulated amortisation/ impairment 2017	Closing carrying amount 2017
Group						
Goodwill	43 228 775	(14 713 978)	28 514 797	43 228 775	(14 713 978)	28 514 797
Computer software	59 330	(45 988)	13 342	258 155	(217 875)	40 280
	43 288 105	(14 759 966)	28 528 139	43 486 930	(14 931 853)	28 555 077
Company						
Computer software	59 330	(45 988)	13 342	258 155	(217 875)	40 280
	59 330	(45 988)	13 342	258 155	(217 875)	40 280

Group and Company

Amortisation expenses of R33 863 (2017: R70 054) has been included in "administration expenses" in the statement of comprehensive income.

Additions of R6 941 (2017: R52 385) have been made in the current year to computer software.

Computer software with a carrying amount of R16 (Cost: R205 766, Accumulated depreciation: R205 750) (2017: RNil (Cost: RNil, Accumulated depreciation: RNil)) has been disposed of in the current year.

Group

Impairment tests for goodwill

Goodwill is monitored at the operating segment level.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

6. Intangible assets *(continued)*

	Group	
	2018	2017
The following is a summary of goodwill allocation for each operating segment:		
Residential property development	28 514 797	28 514 797
	28 514 797	28 514 797

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

These calculations use real pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

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

	Property development	
	2018	2017
Gross margin	16.52%	11.10%
Pre-tax discount rate (real)	10.70%	9.50%

Real cash flows were discounted at a real discount rate. No cash flows beyond the initial forecast periods of five years were included in the value-in-use calculations.

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

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

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

Impairment tests for goodwill are performed annually.

7. Investment in Group companies

Accounting policy

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long term. Financial assets that are not classified into any of the other categories (at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

	Group		Company	
	2018	2017	2018	2017
Listed securities – Calgro M3 Holdings – Issued price	183 420 048	183 420 048	183 420 048	183 420 048
Mark-to-market revaluation – OCI	(58 004 829)	(14 984 722)	(58 004 829)	(14 984 722)
Shares disposed in terms of the Calgro M3 Executive Share Scheme	(20 234 834)	(20 234 834)	(20 234 834)	(20 234 834)
Listed securities – Calgro M3 Holdings – Balance	105 180 385	148 200 492	105 180 385	148 200 492

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

7. Investment in Group companies *(continued)*

	Group		Company	
	2018	2017	2018	2017
Reconciliation of investment in Group Companies balance				
Opening balance	148 200 492	173 240 332	148 200 492	173 240 332
Mark-to-market revaluation in OCI	(43 020 107)	(4 805 006)	(43 020 107)	(4 805 006)
Shares disposed in terms of the Calgro M3 Executive Share Scheme	–	(20 234 834)	–	(20 234 834)
Closing balance	105 180 385	148 200 492	105 180 385	148 200 492

Previously 9 518 700 shares in Calgro M3 Holdings Limited were issued to Directors and selected employees in terms of the Calgro M3 Executive Share Scheme.

The scheme rules attach service conditions and trading restrictions to the shares that have been issued. Until the service conditions have been complied with, and the related trading restrictions have been lifted the shares are deemed to be held by the Group. In the prior year, the service period for all Category 1 shares were completed resulting in the shares being disposed in terms of the Calgro M3 Executive Share Scheme. Refer to [note 31](#).

All available-for-sale financial assets are denominated in South African Rand.

8. Investment in subsidiaries

Accounting policy

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

	% voting power 2018	% voting power 2017	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Company – Direct						
MS5 Pennyville (Pty) Ltd	100%	100%	100%	100%	100	100
MS5 Projects (Pty) Ltd	100%	100%	100%	100%	100	100
CM3 Randpark Ridge Ext 120 (Pty) Ltd [#]	0%	100%	0%	100%	–	100
Calgro M3 Rectification Company (Pty) Ltd*	100%	100%	100%	100%	–	–
Calgro M3 Procurement Management (Pty) Ltd*	100%	100%	49%	100%	–	–
					200	300
Company – Indirect						
PZR Pennyville Zamamphilo Relocation (Pty) Ltd	100%	100%	100%	100%		
Calgro M3 Procurement Services (Pty) Ltd*	100%	100%	49%	100%		
Calgro M3 Contractors (Pty) Ltd*	100%	100%	49%	100%		

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

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

[#] The company is under voluntary liquidation as the company ceased trading and is no longer required in the Group.

The carrying amounts of subsidiaries are shown net of impairment losses.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

9. Investment in 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.

The Group equity accounts these investments resulting in the Group's statement of comprehensive income reflecting its share of the entity's profit or loss after tax and the statement of financial position records the Group's share of the net assets.

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

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

Significant judgement and source of estimation uncertainty

The Group holds either more or less 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 2018	% voting power 2017	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Group						
Calgro Kuumba Planning and Design (Pty) Ltd	0.00%	35.00%	0.00%	35.00%	–	458 875
					–	458 875

The Group had minority shareholding in Calgro Kuumba Planning and Design (Pty) Ltd. It did not have control as the Board comprises an equal number of representatives from both the Group as well as the minority shareholders. All parties had equal voting rights, irrespective of the percentage shareholding or representation on the Board of Directors. Calgro M3 Developments did not have sole or joint control over the relevant activities of Calgro Kuumba Planning and Design (Pty) Ltd. The investment was therefore classified as an associate.

The functional currency of Calgro Kuumba Planning and Design (Pty) Ltd is Namibian Dollars. The place of business for Calgro Kuumba Planning and Design (Pty) Ltd is in Namibia. The year-end of the associate is consistent with those of the Group. The associate is accounted for by applying the equity method.

The associate was strategic and operational to the Group and is engaged in residential land development.

The associate was a private company and there is no quoted market price available for its shares. The carrying amount of the associate is shown net of impairment losses.

The Group's shareholding of 35% was sold to the remaining shareholders in the Company on 28 February 2018. The shareholding was sold for R6 000 000 with a carrying amount of R35, resulting in a profit from sale of investment in associate of R5 999 965. (Refer to [note 23](#).)

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

9. Investment in associates *(continued)*

The detailed financial information of its associate, which is unlisted, is as follows:

	2018	2017
Calgro Kuumba Planning and Design (Pty) Ltd		
Detailed statement of financial position		
Assets		
Current assets		
Trade and other receivables	–	536 000
Construction contracts	–	3 229 640
Current income tax asset	–	4 218
Cash and cash equivalents	–	964 371
	–	4 734 229
Total assets	–	4 734 229
Equity and liabilities		
Equity		
Share capital	–	100
Retained income/(accumulated loss)	–	1 313 657
	–	1 313 757
Liabilities		
Non-current liabilities		
Deferred income tax liability	–	606 158
	–	606 158
Current liabilities		
Trade and other payables	–	2 814 314
	–	2 814 314
Total liabilities	–	3 420 472
Total equity and liabilities	–	4 734 229
Detailed statement of comprehensive income		
Revenue	2 118 111	87 850 132
Cost of sales	(1 906 300)	(83 507 914)
Gross profit	211 811	4 342 218
Administrative expenses	(5 834 939)	(2 348 655)
Operating profit	(5 623 128)	1 993 563
Finance income	1 533	1 824
Profit before tax	(5 621 595)	1 995 387
Taxation	1 798 911	(639 535)
Profit after taxation	(3 822 684)	1 355 852
Other comprehensive income	–	–
Total comprehensive income	(3 822 684)	1 355 852

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

9. Investment in associates *(continued)*

	2018	2017
Reconciliation of detailed financial information		
Reconciliation of the detailed information presented to the carrying amount of its interest in the associate.		
Summarised financial information		
Opening net assets at 1 March 2016	1 313 757	(42 095)
Profit/(loss) after tax	(3 822 684)	1 355 852
Closing net assets	(2 508 927)	1 313 757
Interest in associate at 35%	(878 124)	458 875
Profits/(losses) no longer recognised through equity accounting due to disposal of investment in joint venture	878 124	–
Carrying value	–	458 875
Reconciliation of investment in associate		
At 1 March	458 875	–
Share of profit/(loss) in associate (limited due to sale of interest in associate)	(458 840)	458 875
Investment disposed of at carrying value	(35)	–
Net carrying value	–	458 875
The impact of the cash flows on the Group from Calgro Kuumba Planning and Design (Pty) Ltd consists of the following:		
Cash inflow from construction activities (net of movement in trade debtors)	(3 697 153)	(191 580)
Net cash flows on the Group from Calgro Kuumba Planning and Design (Pty) Ltd	(3 697 153)	(191 580)

Other than trade and other receivables (note 14) and related-party transactions (note 33) which arose in the ordinary course of business, the Calgro M3 Developments Group has no further financial risks associated with this associate. The effect of the associate on the financial performance, financial position and cash flows of Calgro M3 Developments is detailed in the notes above and should provide additional clarity on the impact that the associate has on the Calgro M3 Developments Group.

10. Deferred income tax (liability)/asset

Accounting policy

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

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

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

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

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

	Group		Company	
	2018	2017	2018	2017
Reconciliation of deferred tax (liability)/asset				
At the beginning of the year	(41 810 974)	(32 424 359)	(41 689 095)	(32 296 609)
Tax losses available for set off against future taxable income	3 220 212	5 777 720	3 134 469	5 771 850
Construction contracts	(53 943 409)	1 539 267	(53 577 868)	1 539 266
Provisions	103 216	(23 005)	103 216	(23 005)
Operating leases	250 822	321 399	250 823	321 399
Share appreciation right settlement	(159 572)	(2 778 262)	(159 573)	(2 778 262)
Share appreciation right settlement prepayment	489 142	(581 196)	489 142	(581 196)
Executive share scheme	(10 636 272)	(8 461 753)	(10 636 272)	(8 461 753)
Bonus accrual	–	(4 772 896)	–	(4 772 896)
Capital losses available for future use	(1 403 579)	–	(1 267 335)	–
Trade receivables	(204 341)	(41 307)	(204 341)	(41 307)
Inventories	4 499	–	–	–
Share appreciation scheme	–	(366 581)	–	(366 581)
	(104 090 256)	(41 810 974)	(103 556 834)	(41 689 095)
Reconciliation of deferred tax (liability)/asset movement in the statement of comprehensive income				
Opening balance	(41 810 974)	(32 424 359)	(41 689 095)	(32 296 609)
Statement of comprehensive income charge	(62 279 281)	(9 385 827)	(61 867 739)	(9 392 486)
Closing balance	(104 090 256)	(41 810 974)	(103 556 834)	(41 689 095)
Deferred tax liability				
Tax losses available for set off against future taxable income	8 906 319	5 581 214	8 906 319	5 771 850
Construction contracts	(106 832 823)	(52 889 413)	(106 294 902)	(52 717 033)
Accelerated capital allowances for tax purposes	(92 994)	(92 994)	(92 994)	(92 994)
Provisions	260 736	157 520	260 736	157 520
Operating leases	753 034	502 212	753 034	502 212
Share appreciation right settlement liability	393 779	553 351	393 779	553 351
Share appreciation right settlement prepayment	(407 794)	(896 936)	(407 794)	(896 936)
Executive share scheme	(7 097 173)	3 539 099	(7 097 173)	3 539 099
Capital losses available for future use	22 161	1 425 740	22 161	1 289 496
Trade receivables	–	204 341	–	204 341
Inventories	4 499	–	–	–
Deferred tax liabilities*	(104 090 256)	(41 915 867)	(103 556 834)	(41 689 095)
Deferred tax asset				
Tax losses available for set off against future taxable income	–	104 893	–	–
Deferred tax assets#	–	104 893	–	–
	(104 090 256)	(41 810 974)	(103 556 834)	(41 689 095)

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

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

	Group		Company	
	2018	2017	2018	2017
Deferred tax liability				
Deferred tax liability to be recovered within 12 months	(97 665 768)	(46 946 338)	(97 127 846)	(46 583 372)
Deferred tax liability to be recovered after more than 12 months	(6 424 488)	5 030 471	(6 428 988)	4 894 277
	(104 090 256)	(41 915 867)	(103 556 834)	(41 689 095)
Deferred tax asset				
Deferred tax asset to be recovered within 12 months	–	104 893	–	–
Deferred tax asset to be recovered after more than 12 months	–	–	–	–
	–	104 893	–	–

* 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.

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

11. Loans to/(from) Group companies

Accounting policy

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

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

	Group		Company	
	2018	2017	2018	2017
Holding company				
Calgro M3 Holdings Limited	561 747 912	506 052 641	561 747 912	506 052 641
The loan bears interest at prime (2017 – prime charged from 1 November 2016).				
Fellow subsidiary				
CTE Consulting (Pty) Ltd	(23 400 838)	(21 816 911)	(23 400 838)	(21 816 911)
The loan bears interest at prime (2017 – prime charged from 1 November 2016).				
Calgro M3 Land (Pty) Ltd	84 336 377	105 588 699	84 336 377	105 588 699
The loan bears interest at prime (2017 – prime charged from 1 November 2016).				
Calgro M3 Jabulani (Pty) Ltd	23 074 593	32 132 661	23 074 593	32 132 661
The loan bears interest at prime (2016: 0%).				
Holm Jordaan GWA (Pty) Ltd	(319 474)	(881 917)	(319 474)	(881 917)
The loan bears interest at prime (2017 – prime charged from 1 November 2016).				
Clidet No 1014 (Pty) Ltd	10 864 771	(705 084)	10 864 771	(705 084)

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

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

	Group		Company	
	2018	2017	2018	2017
The loan bears interest at prime (2017 – prime charged from 1 November 2016).				
Fleurhof Extension 2 (Pty) Ltd The loan bears interest at prime (2017 – prime charged from 1 November 2016).	30 463 059	21 812 464	30 463 059	21 812 464
Calgro M3 Memorial Parks Fourways (Pty) Ltd The loan bears interest at prime (2017 – prime charged from 1 November 2016).	18 084 361	7 665 179	18 084 361	7 665 179
Belhar Calgro M3 Development Company (Pty) Ltd The loan bears interest at prime (2017 – prime charged from 1 November 2016).	26 860 117	250 604	26 860 117	250 604
Calgro M3 Real Estate (Pty) Ltd The loan bears interest at prime.	105 160 576	–	105 160 576	–
Sabre Homes Projects (Pty) Ltd The loan bears interest at prime.	3 268 001	–	3 268 001	–
CM3 Witkoppen Ext 131 (Pty) Ltd The loan bears interest at prime.	5 632 133	–	5 632 133	–
Subsidiaries				
Calgro M3 Rectification (Pty) Ltd The loan bears interest at prime.	–	–	390 560	–
CM3 Randpark Ridge Ext 120 (Pty) Ltd The loan bears interest at prime (2017 – prime charged from 1 November 2016).	–	–	–	(100)
PZR Pennyville Zamimphilo Relocation (Pty) Ltd The loan bears interest at prime (2017 – prime charged from 1 November 2016).	–	–	1 962 092	2 031 573
Indirect subsidiaries				
Calgro M3 Procurement Services (Pty) Ltd The loan bears interest at prime (2017: prime).	–	–	(2 774 705)	3 110 000
Calgro M3 Contractors (Pty) Ltd The loan bears interest at prime (2017: prime).	–	–	2 882 878	1 008 400
Loans to Group companies	869 491 900	673 502 248	874 727 430	679 652 221
Loans from Group companies	(23 720 312)	(23 403 912)	(26 495 017)	(23 404 012)
	845 771 588	650 098 336	848 232 413	656 248 209

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

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

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

12. Inventories

Accounting policy

Land owned by the Group and Company 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 recognised as an expense in the period 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 period in which the reversal occurs.

Significant estimates and judgements

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

	Group		Company	
	2018	2017	2018	2017
Opening balance	2 657 939	2 642 327	2 657 939	2 658 000
Net additions	14 642 469	15 612	–	(61)
Borrowing costs capitalised	1 229 747	–	–	–
Disposals/NRV adjustment	(657 939)	–	(657 939)	–
	17 872 216	2 657 939	2 000 000	2 657 939
Inventories to be sold within 12 months	–	2 657 939	–	2 657 939
Inventories to be sold after more than 12 months	17 872 216	–	2 000 000	–
	17 872 216	2 657 939	2 000 000	2 657 939

Group and Company

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

Inventories to the value of R2 000 000 (2017: R2 657 939) are stated at net realisable value.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

13. Construction contracts

Accounting policy

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The Group and Company uses the “percentage-of-completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Estimates are made by management to calculate the forecasted cost and the forecasted revenue of a project. 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. Management performs monthly reviews of the work in progress schedule to update the forecasts costs and profits.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or construction contracts, depending on their nature.

The Group and Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “trade and other receivables” (refer to [note 14](#)).

The Group and Company 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).

	Group		Company	
	2018	2017	2018	2017
The aggregate costs incurred and recognised profits to date	5 226 440 125	3 585 033 543	5 600 335 696	3 958 897 263
Less: Progress billings	(4 669 911 750)	(3 268 171 081)	(5 045 261 751)	(3 643 521 082)
Net statement of financial position balance for ongoing contracts	556 528 375	316 862 462	555 073 945	315 376 181
Excess billings over work done classified under trade and other payables	4 439 310	13 996 424	4 439 310	13 996 424
Statement of financial position balance for ongoing contracts	560 967 685	330 858 886	559 513 255	329 372 605
Construction contracts to be realised within 12 months	453 647 741	267 745 671	452 193 311	266 259 390
Construction contracts to be realised after 12 months	107 319 944	63 113 215	107 319 944	63 113 215
	560 967 685	330 858 886	559 513 255	329 372 605

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

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 trade receivables and trade receivables with related parties are generally 30 days from statement date.

	Group		Company	
	2018	2017	2018	2017
Trade receivable and retention debtors	169 748 797	152 918 262	169 721 437	154 589 644
Trade receivables – Third parties	4 193 671	884 457	4 166 311	743 281
Retention debtors – Third parties	5 266 808	5 266 808	5 266 808	5 266 808
Trade receivables – Related parties	150 700 767	119 525 514	150 700 767	121 338 072
Retention debtors – Related parties	9 587 551	9 524 300	9 587 551	9 524 300
Trade receivables – Land sales	–	17 717 183	–	17 717 183
Other receivables*	16 212 635	8 783 743	16 212 635	8 783 743
Share appreciation rights settlement prepayment**	–	1 746 934	–	1 746 934
Securing deposits	337 486	403 373	337 486	403 373
Amounts due from executive share scheme – Related parties [#]	7 706 659	7 001 288	7 706 659	7 001 288
Value added tax	2 016 910	64 118	13 470	64 118
	196 022 487	170 917 718	193 991 687	172 589 100
Financial instruments	194 005 577	170 853 600	193 978 217	172 524 982
Non-financial instruments	2 016 910	64 118	13 470	64 118
	196 022 487	170 917 718	193 991 687	172 589 100

Group and Company

* R6 million of the other receivables balance relates to an amount receivable from the sale of the Calgro Kuumba investment, refer to [note 9](#).

** Refer to [note 31](#) for further details.

[#] This relates to the payable by participants of the Executive Share Scheme with respect to the subscription price for the shares issued under the scheme.

Refer to [note 31](#) and [note 33](#) for further details.

Group – Trade receivables and retention debtors fully performing

At 28 February 2018, trade receivables and retention debtors of R169 748 797 (2017: R152 207 675) were fully performing.

Company – Trade receivables and retention debtors fully performing

At 28 February 2018, trade receivables and retention debtors of R169 721 437 (2017: R153 879 057) were fully performing.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

14. Trade and other receivables *(continued)*

	Group		Company	
	2018	2017	2018	2017
Trade receivables and retention debtors from related parties				
Fleurhof Ext 2 (Pty) Ltd	4 885 068	7 620 887	4 885 068	7 620 887
South Hills Development Company (Pty) Ltd	35 261 301	52 001 615	35 261 301	52 001 615
Calgro Kuumba Planning and Design (Pty) Ltd	4 000 000	302 847	4 000 000	302 847
Witpoortjie Calgro M3 Development Company (Pty) Ltd	116 129 612	69 124 465	116 129 612	69 124 465
Calgro M3 Memorial Parks (Pty) Ltd	12 337	–	12 337	–
Calgro M3 Procurement Services (Pty) Ltd	–	–	–	1 671 383
Calgro M3 Contractors (Pty) Ltd	–	–	–	141 175
Total	160 288 318	129 049 814	160 288 318	130 862 372

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 and Company's operating cycle of greater than 12 months. The due dates for amounts are determined specifically for each related party. Management of the Group and Company has insight into the financial position of all joint ventures and associates as at 28 February 2018 and do not believe that there are indicators that these amounts are impaired at year-end. These receivables bear interest at market-related rates.

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

At 28 February 2018, trade receivables and retention debtors of RNil (2017: R710 587) were past due but not impaired.

Ageing of trade receivables and retention debtors – third parties

	Group		Company	
	2018	2017	2018	2017
Less than 30 days	9 460 479	5 440 678	9 433 119	5 299 502
30 days and older	–	710 587	–	710 587
Total	9 460 479	6 151 265	9 433 119	6 010 089

Group and Company – Trade receivables impairment

At 28 February 2018, trade receivables of RNil (2017: RNil) were written off as bad debt.

No allowance for doubtful debts was raised at 28 February 2018 and none of the trade receivables that are past due are considered to be impaired.

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

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

15. Cash and cash equivalents

Accounting policy

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

	Group		Company	
	2018	2017	2018	2017
Cash and cash equivalents include the following for the purposes of the statement of cash flows.				
Cash on hand	1 562	3 948	1 461	3 847
Bank balances	152 823 402	29 144 377	149 704 167	25 208 795
	152 824 964	29 148 325	149 705 628	25 212 642

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.

	Group		Company	
	2018	2017	2018	2017
Authorised				
1 000 ordinary no par value shares				
Issued				
101 ordinary no par value shares	88 561 467	88 561 467	88 561 467	88 561 467
	88 561 467	88 561 467	88 561 467	88 561 467

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. Mark-to-market reserve

	Group		Company	
	2018	2017	2018	2017
Available-for-sale financial assets				
Opening balance	(14 984 722)	(10 179 716)	(14 984 722)	(10 179 716)
Total – Other comprehensive income	(43 020 107)	(4 805 006)	(43 020 107)	(4 805 006)
Revaluation at year end	(43 020 107)	(6 243 601)	(43 020 107)	(6 243 601)
Loss on sale of investment*	–	1 438 595	–	1 438 595
Closing balance	(58 004 829)	(14 984 722)	(58 004 829)	(14 984 722)

* The loss relates to the shares disposed of in the Calgro M3 Executive Share Scheme in the prior year. Refer to note 31.

Refer to note 7 for details of available-for-sale financial assets.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

18. Non-controlling interests

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

	Group		Company	
	2018	2017	2018	2017
Calgro M3 Procurement Services (Pty) Ltd	570 750	–	–	–
Calgro M3 Contractors (Pty) Ltd	38 870	–	–	–
	609 620	–	–	–

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

Group	Calgro M3 Procurement Services (Pty) Ltd		Calgro M3 Contractors (Pty) Ltd		Total	
	2018	2017	2018	2017	2018	2017
Total assets	94 026 680	12 792 364	3 054 315	1 215 136	97 080 995	14 007 500
Total liabilities	91 832 329	13 062 089	2 904 875	1 188 540	94 737 204	14 250 629
Total equity	2 194 351	(269 725)	149 440	26 596	2 343 791	(243 129)
Non-controlling interest relating to equity	570 750	–	38 870	–	609 620	–
Current year charge						
Comprehensive income	2 464 076	–	122 844	–	2 586 920	–
Non-controlling interest relating to equity	570 750	–	38 870	–	609 620	–

19. 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 and Company (refer to [note 2.2](#)).

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

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

19. Borrowings *(continued)*

Bond exchange	Interest rate	Expiration date	Group		Company	
			2018	2017	2018	2017
Floating rate note – CGR 14	JIBAR plus 4.75%	13 February 2018	–	30 000 000	–	30 000 000
Floating rate note – CGR 15	JIBAR plus 4%	21 July 2017	–	24 000 000	–	24 000 000
Floating rate note – CGR 16	JIBAR plus 3.4%	22 September 2017	–	49 000 000	–	49 000 000
Floating rate note – CGR 17	JIBAR plus 3.7%	24 October 2017	–	40 000 000	–	40 000 000
Floating rate note – CGR 18	JIBAR plus 3.2%	4 May 2018	30 000 000	30 000 000	30 000 000	30 000 000
Floating rate note – CGR 19	JIBAR plus 3.2%	4 June 2018	30 000 000	30 000 000	30 000 000	30 000 000
Floating rate note – CGR 20	JIBAR plus 3.2%	4 July 2018	15 000 000	15 000 000	15 000 000	15 000 000
Floating rate note – CGR 21	JIBAR plus 4.5%	12 October 2020	70 000 000	70 000 000	70 000 000	70 000 000
Floating rate note – CGR 23	JIBAR plus 4%	8 February 2019	25 000 000	25 000 000	25 000 000	25 000 000
Floating rate note – CGR 24	JIBAR plus 5%	8 February 2021	20 000 000	20 000 000	20 000 000	20 000 000
Floating rate note – CGR 25	JIBAR plus 4%	27 June 2019	111 000 000	111 000 000	111 000 000	111 000 000
Floating rate note – CGR 26	JIBAR plus 1.7%	27 June 2017	–	8 000 000	–	8 000 000
Floating rate note – CGR 27	JIBAR plus 4%	25 November 2019	46 000 000	43 000 000	46 000 000	43 000 000
Floating rate note – CGR 28	JIBAR plus 1.7%	8 February 2018	–	15 000 000	–	15 000 000
Floating rate note – CGR 29	JIBAR plus 4.35%	8 February 2021	52 000 000	52 000 000	52 000 000	52 000 000
Yield rate note – CGR 30	Implied yield 8.15%	8 May 2017	–	10 785 661	–	10 785 661
Floating rate note – CGR 31	JIBAR plus 1.7%	27 June 2018	16 000 000	–	16 000 000	–
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 34	Fixed rate 8.388%	21 September 2018	42 000 000	–	42 000 000	–
Floating rate note – CGR 36	JIBAR plus 1.7%	2 October 2018	20 000 000	–	20 000 000	–
Floating rate note – CGR 37	JIBAR plus 1.7%	8 February 2019	15 000 000	–	15 000 000	–
Floating rate note – CGR 38	JIBAR plus 4%	13 February 2021	30 000 000	–	30 000 000	–
Proparco loan*	JIBAR plus 4.9%	15 September 2021	278 000 000	–	278 000 000	–
Transaction cost amortisation#			(7 403 478)	(1 140 083)	(7 403 478)	(1 140 083)
Bond exchange			889 596 522	571 645 578	889 596 522	571 645 578

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

19. Borrowings *(continued)*

All borrowings are unsecured.

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

** In the current financial year, the Group obtained funding to the value of R278 000 000. The loan is repayable over a two-year period from 15 September 2021 payments being made every six months in equal tranches. The following financial covenants are applicable to the loan:

- ▶ Debt service coverage ratio ("DSCR") of higher than 1.2 at a Group level; and
- ▶ Net debt to equity ratio of 1.5:1

The total facility value is R387 000 000.

Refer to [Q](#) note 3.2 for the DSCR and net debt to equity calculation.

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 [Q](#) note 3.

	Group		Company	
	2018	2017	2018	2017
Borrowings to be settled within 12 months	193 000 000	176 785 661	193 000 000	176 785 661
Borrowings to be settled after more than 12 months	696 596 522	394 859 917	696 596 522	394 859 917
	889 596 522	571 645 578	889 596 522	571 645 578
Borrowings cash flow reconciliation				
Opening balance	571 645 578	538 463 465	571 645 578	538 463 465
Repayments of CGR notes	(192 000 000)	(206 914 744)	(192 000 000)	(206 914 744)
Amortised expense through the statement of comprehensive income	524 869	906 725	524 869	906 725
Transaction costs paid	(6 573 925)	(619 288)	(6 573 925)	(619 288)
Proceeds from new CGR notes issued	238 000 000	239 809 420	238 000 000	239 809 420
Proceeds from Proparco loan	278 000 000	–	278 000 000	–
Closing balance	889 596 522	571 645 578	889 596 522	571 645 578
Interest paid on borrowings	72 785 261	59 569 018	72 785 261	59 569 018
Total interest paid on borrowings	72 785 261	59 569 018	72 785 261	59 569 018

General

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

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

20. Trade and other payables

Accounting policy

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

	Group		Company	
	2018	2017	2018	2017
Trade payables	247 156 728	212 696 842	247 377 475	213 965 923
Retention creditors	28 528 058	20 545 777	28 312 511	20 545 777
Accrued expenses	25 934 288	18 375 841	26 018 804	18 366 743
Value added tax	9 956 834	10 042 139	8 995 417	9 962 184
Accrual for leave pay	831 299	462 670	831 199	462 570
Share appreciation rights liabilities	1 406 351	1 976 253	1 406 351	1 976 253
Calgro M3 Executive Share Scheme subscription price liability	31 708 770	34 552 012	31 708 770	34 552 012
Calgro M3 Executive Share Scheme liability	46 989 307	69 268 469	46 989 307	69 268 469
Other payables	9 849 030	13 292 864	9 849 030	13 292 864
Deposits received – Afhco				
Consortium – Related parties*	51 540 540	32 000 000	51 540 540	32 000 000
Land purchase liability – balance of purchase price for acquisition of Bridge City	17 543 526	–	–	–
Excess billings over work done	4 439 310	13 996 424	4 439 310	13 996 424
	475 884 041	427 209 291	457 468 714	428 389 219
Financial instruments	414 468 100	335 598 915	397 014 290	336 858 898
Non-financial instruments	61 415 941	91 610 376	60 454 424	91 530 321
	475 884 041	427 209 291	457 468 714	428 389 219

* Deposits received relate to units that will be completed and transferred within the next 12 months.

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

All trade and other payables are denominated in South African Rands.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

21. Revenue

Accounting policy

The Group and Company earns revenue from the sale of land, through the rendering of services and construction contracts.

(a) Construction contracts

Revenue is recognised over the period of the contract on the “percentage-of-completion” basis by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. In applying the recognition criteria in IAS 18: “Revenue”, judgement is required in determining whether:

- ▶ a single transaction includes separately identifiable components; or
- ▶ two or more transactions together, when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, should be grouped.

Significant judgement and source of estimation uncertainty

The Group and Company uses the “percentage-of-completion” method in accounting for its construction contracts. Use of the “percentage-of-completion” method requires the Group and Company to estimate the construction services and activities performed to date as a proportion of the total services and activities to be performed. In addition, judgements are required when recognising and measuring any variations or claims on each contract.

Estimates are made by management to calculate the forecasted cost of a project. 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. Management performs monthly reviews of the work in progress schedule to update the forecast’s costs and profits.

The Group and Company applies judgement in determining whether contracts for the sale of land and the construction of residential housing include separately identifiable components or whether they should be grouped together.

The Group considers the customers ability to specify the major structural elements of the design with respect to a construction agreement, before both the commencement of construction and during construction, when determining whether a construction agreement should be accounted for within the scope of IAS 11: “Construction Contracts” or IAS 18: “Revenue”.

	Group		Company	
	2018	2017	2018	2017
Construction contracts	1 668 642 800	1 088 117 740	1 668 642 800	1 088 117 740
	1 668 642 800	1 088 117 740	1 668 642 800	1 088 117 740
22. Cost of sales				
Construction costs	1 393 024 431	967 373 289	1 402 445 264	968 318 368
	1 393 024 431	967 373 289	1 402 445 264	968 318 368

23. Other income

Accounting policy

(a) Dividend income

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

(b) Rental income

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

(c) Management fees

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

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

23. Other income *(continued)*

	Group		Company	
	2018	2017	2018	2017
Bond commissions	833 772	1 274 512	833 772	1 035 201
Dividends received	–	–	–	26 306 033
Insurance refunds	27 200	87 431	27 200	87 431
Cancellation of trade payables – related parties	–	13 064 997	–	13 064 997
Profit on sale of investment in joint venture*	5 999 965	–	5 999 965	–
Management fees	10 348 295	11 863 916	15 265 318	13 212 855
SETA refunds and other income	236 865	269 904	236 865	269 904
	17 446 097	26 560 760	22 363 120	53 976 421

* Refer to [note 9](#).

	Group		Company	
	2018	2017	2018	2017
24. Expense by nature				
Administration and management fees	4 696 992	3 400 000	4 696 992	3 405 327
Advertising	10 445 360	7 761 707	10 445 360	7 761 707
Auditor's remuneration	2 228 127	1 968 769	2 186 788	1 968 769
Bank charges	947 822	678 206	941 510	673 449
Computer expenses	3 215 191	1 890 173	3 215 191	1 890 173
Net construction costs	1 393 024 431	967 373 289	1 402 445 264	968 318 368
Profit on disposal of property, plant and equipment	(170 024)	–	(170 024)	–
Depreciation on property, plant and equipment and amortisation on computer software	977 057	961 459	977 057	961 459
Donations	535 250	3 415 801	535 250	3 415 801
Insurance	764 553	825 477	764 553	825 477
Lease rentals on operating leases	6 056 465	6 010 452	6 056 465	5 856 597
Legal fees	245 523	1 968 178	245 523	1 964 041
Loss on sale of investments	–	1 438 595	–	1 438 595
Motor vehicle expenses	1 036 666	1 172 430	1 036 666	1 172 430
Printing and stationery	692 808	577 527	692 808	577 527
Professional fees	5 691 469	1 806 943	5 691 469	1 806 943
Total employee costs	28 487 494	61 728 514	28 487 494	61 728 514
Executive share scheme expense*	(22 279 162)	14 607 550	(22 279 162)	14 607 550
Employee costs	49 589 623	41 693 261	49 589 623	41 693 261
Share appreciation rights expense/(credit)	(569 902)	667 036	(569 902)	667 036
Share appreciation rights Settlement expense	1 746 935	4 760 667	1 746 935	4 760 667
Sundry expenses	5 975 318	6 501 592	5 964 208	6 415 165
Social corporate responsibilities	5 675 068	33 737	5 312 068	33 737
Telephone and fax	1 181 468	1 021 291	1 181 468	982 410
Total cost of sales, administration expenses and other expenses	1 471 707 038	1 070 534 141	1 480 706 110	1 071 196 489

* Refer to [note 31](#).

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

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.

	Group		Company	
	2018	2017	2018	2017
Bank	5 619 129	1 542 307	5 619 135	1 542 307
Trade receivables	2 007 724	2 076 598	2 007 724	2 076 598
SARS	65 906	2 485	65 906	-
Related parties (SARs Vendor Finance)	731 240	762 592	731 240	762 592
Related parties	87 581 332	32 480 228	87 944 711	32 497 850
	96 005 331	36 864 210	96 368 716	36 879 347

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 period in which they are incurred.

	Group		Company	
	2018	2017	2018	2017
Bank	2 970 030	1 721 741	2 970 030	1 721 741
Related parties	3 854 078	1 197 385	3 854 078	1 811 589
Other payables	3 812 162	1 793 213	2 582 416	1 793 213
Interest-bearing borrowings	76 658 002	60 990 553	76 658 002	60 990 553
Finance cost	87 294 273	65 702 892	86 064 526	66 317 096
Less: Amounts capitalised on qualifying assets (inventory)	(1 229 747)	-	-	-
Total finance cost recognised in statement of comprehensive income	86 064 526	65 702 892	86 064 526	66 317 096

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

27. Taxation

Accounting policy

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

	Group		Company	
	2018	2017	2018	2017
Major components of the income tax expense				
Current tax				
Local income tax – current period	939 827	61 478	–	–
Local income tax – recognised in current tax for prior periods	(31 739)	–	(31 739)	–
	908 088	61 478	(31 739)	–
Deferred				
Current year	61 911 423	9 385 827	61 810 024	9 392 485
Prior year overprovision	367 858	–	57 715	–
	62 279 281	9 385 827	61 867 739	9 392 485
	63 187 369	9 447 305	61 836 000	9 392 485
Reconciliation of income tax expense				
Applicable tax rate	28.00%	28.00%	28.00%	28.00%
Disallowable charges	1.06%	13.88%	1.09%	5.24%
Empowerment expenses	0.71%	6.01%	0.72%	2.29%
Fines and penalties – SARS	0.00%	0.00%	0.00%	0.00%
Gain/(loss) on disposal of investment in holdings	0.00%	2.55%	0.00%	0.97%
Professional fees	0.35%	5.30%	0.37%	1.98%
Non-taxable income	0.00%	0.00%	0.00%	(17.77%)
Dividends received from subsidiary	0.00%	0.00%	0.00%	(17.77%)
IFRS rate adjustments	(0.80%)	18.00%	(0.87%)	7.18%
Executive share scheme	(0.86%)	18.84%	(0.87%)	7.18%
Share of profit/(loss) of associates – Nett of tax	0.06%	(0.84%)	0.00%	0.00%
Underprovision for deferred tax prior years	0.16%	0.00%	0.03%	0.00%
Overprovision for current tax prior years	(0.01%)	0.00%	(0.01%)	0.00%
Capital gains tax	(0.18%)	0.00%	(0.20%)	0.00%
Effective tax rate	28.23%	59.87%	28.03%	22.65%

The estimated tax loss for the Group available for set off against future taxable income is R31 811 885 (2017: R20 995 561).

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

28. Cash generated from operations

	Group		Company	
	2018	2017	2018	2017
Profit before taxation	223 863 824	15 780 225	220 604 000	41 459 923
Adjustments for:				
Depreciation	943 194	891 404	943 194	891 404
(Profit)/loss on disposal of property, plant and equipment	(170 024)	–	(170 024)	–
Finance income	(96 005 331)	(36 864 210)	(96 368 716)	(36 879 347)
Finance cost	86 064 526	65 702 892	86 064 526	66 317 096
Executive share scheme expense*	(22 279 162)	14 607 550	(22 279 162)	14 607 550
Share appreciation rights settlement expense	1 746 935	4 760 667	1 746 935	4 760 667
Impairment of land costs	–	–	–	–
Amortisation of intangible assets	33 863	70 054	33 863	70 054
Profit on sale of investment in joint venture*	(5 999 965)	–	(5 999 965)	–
Share of profit of associate – Net of tax	458 840	(474 548)	–	–
Other	25	16 455	25	–
Changes in working capital:				
Inventories	(15 214 277)	(15 612)	657 939	61
Trade and other receivables	(26 834 808)	(338 723 212)	(25 686 552)	(340 452 951)
Construction contracts	(230 108 799)	(122 164 306)	(230 140 650)	(122 132 456)
Trade and other payables	55 623 828	120 655 161	36 028 573	96 496 500
	(27 877 331)	(275 757 480)	(34 566 014)	(274 861 499)
29. Tax paid				
Balance at the beginning of the year	12 068 067	2 214 096	11 847 503	2 149 675
Current tax for the year	(908 088)	(61 478)	31 739	–
Balance at the end of the year	(12 150 493)	(12 068 067)	(11 971 185)	(11 847 503)
	(990 514)	(9 915 449)	(91 943)	(9 697 828)

30. Commitments

Operating lease

The Group has bound itself to a rental agreement for the head office in Bryanston, Gauteng until August 2025. The amount payable in the following 12 months is R3 647 459, with an amount of R17 538 410 payable within two to five years. The lease agreement has an escalation clause of 7.5% effective in the month of September.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

31. Share-based payments

Accounting policy

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

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

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

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

Significant judgement and source of estimation uncertainty

Management used the Binomial Tree Valuation method to determine the value of the share appreciation rights at issue date.

Group and Company

Share appreciation rights

The share appreciation rights ("SARs") which are granted to Directors and selected employees are in two main categories with various SARs issues within each category. The rights will vest if the share price at each vesting date exceeds the hurdle price. The hurdle price is the strike (allocation) price grown by CPI plus 2% per year over the vesting period. In the situation that the hurdle price is not achieved at the vesting date, 25% of the possible vested SARs will roll over to the next vesting date.

Previously, all Directors and selected employees who were previously granted SARs were given the option to either continue on the SARs scheme, agree a settlement value for their unvested SARs with the Group or modify their unvested SARs to the Calgro M3 Executive Share Scheme.

Previously, 1 616 667 Category 1 SARs and 1 050 000 Category 2 SARs were exercised prior to participants making an election as outlined above.

The cash-settled share appreciation rights scheme was amended following the respective elections of the participants which has been outlined below:

- (1) One individual cancelled 50% of his unvested SARs and agreed new settlement terms. The remaining 50% of his unvested SARs is still on the scheme (Category 2: Issue 4).
- (2) Eight individuals converted 100% of the unvested SARs from the SARs scheme to the Executive Share Scheme.
- (3) Four individuals cancelled 100% of their unvested SARs and agreed new settlement terms.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

31. Share-based payments *(continued)*

The details of the arrangement is described below:

	Category 2 Issue 4
Date of grant	30 September 2014
Number of instruments granted	600 000
Number of options settled	(300 000)
Strike price at grant date	7.78
Contractual life (option life)	53 months
Vesting conditions	If the price at each vesting date exceeds the hurdle price
Settlement	Cash
Share appreciation rights ("SARs") reconciliation	
SARs not vested at 28 February 2017	300 000
SARs not vested at 28 February 2018	300 000

SARs outstanding at the end of the period have the following vesting dates and amortised values thereof:

Category 2	Issue 4	50% of the SARs will vest annually from 1 March 2018 until 1 March 2019.

The spot price on 28 February 2018 was R12.42 (28 February 2017: R17.50). The strike price or allocation price is the price at which the SARs scheme is granted to the employee and is used to calculate the benefit payable to the employee. A 30-day average spot price, measured 30 days prior to the vesting date was applied to calculate the strike price.

The volatility used in the valuation was 76.45% (2017: 29.81%). The ZAR zero coupon swap curve as at the valuation date was used as the risk free rate.

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

	Group and Company	
	2018	2017
Expense		
Share appreciation rights expense/(credit)	(569 902)	667 036
Liability		
Share appreciation rights liabilities	1 406 351	1 976 253
Cash-settled share-based payment liability		
Reconciliation of SARs liability		
Opening balance	1 976 253	1 309 217
Participant remaining on SARs scheme		
Share-based payment charge for the year recognised in statement of comprehensive income	(569 902)	667 036
Closing balance at end of year	1 406 351	1 976 253

Share appreciation rights settlement liability

Previously, five individuals elected to exit the cash-settled share appreciation rights scheme. On exit of the scheme, a settlement amount was negotiated with each of these individuals. The terms of the settlement payment were specific to each individual and included an associated service period for certain individuals.

The settlement agreement is no longer considered to be a share based payment as the settlement amount is not based on the equity of the Group, and is therefore accounted for in terms of IAS 19: *Employee Benefits*.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

31. Share-based payments *(continued)*

At 1 March 2015, the associated share appreciation rights liability of R12 551 002 was derecognised and an expense based on the settlement agreement was recognised during the 2016 to 2018 financial years.

During the prior year, one of the participants resigned resulting in a portion of their prepayment being transferred to a receivable (refer to [note 15](#)).

	Group and Company	
	2018	2017
Expense		
Share appreciation rights settlement expense	1 746 935	4 760 667
Asset		
Share appreciation rights settlement prepayment	–	1 746 934
Liability		
Share appreciation rights settlement payable	–	–
Reconciliation of SARs settlement asset/(liability)		
Opening balance – net payable	1 746 933	(10 770 976)
Expense for the year	(1 746 933)	(4 760 667)
Cash payment made to employees and Directors	–	18 734 985
Transfer prepayment to receivable	–	(1 456 409)
Prepayment at end of year*	–	(1 746 933)
Payable at end of year*	–	–

* The prepayment has been disclosed in [note 14](#) and the payable has been disclosed in [note 19](#).

Calgro M3 Executive Share Scheme

The Executive Share Scheme was approved by the shareholders of Calgro M3 Holdings Limited (holding company) in July 2015 whereby 10 215 572 shares in Calgro M3 Holdings 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 during the year and 696 872 shares were not taken up. The Calgro M3 Executive Share Scheme is considered to be a modification of the SARs scheme. Under the Executive Share Scheme, participants are allocated shares inline with the scheme rules and are required to subscribe for these shares at R4.08 per share. There are no performance conditions related to this scheme, other than the service period as outlined below.

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

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

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 period: 2 years (previously – 3 years).

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

31. Share-based payments *(continued)*

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

	Group and Company	
	2018	2017
Reconciliation of subscription price for shares issued		
Opening balance receivable from participants	7 001 288	13 288 688
Cash received	–	(6 506 861)
Additional vendor finance provided	1 000 000	–
Interest paid	(319 321)	(543 128)
Finance income on receivable	772 438	762 588
Subscription cancelled	(747 746)	–
Balance receivable by Group included under trade and other receivables	7 706 659	7 001 288

	Number of shares granted	Service commencement date	50% trading restriction – release date 1	50% trading restriction – release date 2	Service period	Final release date	Value
Category 1	1 050 069	1 March 2015	20 February 2017	20 February 2017	2 years	20 February 2017	–
Category 2	2 787 490	1 March 2015	1 March 2019	1 March 2020	5 years	1 March 2020	18 777 642
Category 3	5 681 140	1 March 2015	1 March 2020	1 March 2021	6 years	1 March 2021	50 490 827
Total	9 518 700						69 268 469

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

	Group and Company	
	2018	2017
Expense		
Executive share scheme expense	22 279 162	(14 607 550)
Liability		
Executive share scheme liability	(46 989 307)	(69 268 469)
Reconciliation of executive share scheme liability		
Opening balance	(69 268 469)	(69 172 876)
Share based payment expense		
Share based payment charge for the year recognised in statement of comprehensive income	22 279 162	(14 607 550)
Release of shares		
Shares released to employee during the current year	–	14 511 957
Closing balance	(46 989 307)	(69 268 469)

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

32. Employee costs

Accounting policy

(a) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and Company pays fixed contributions into a separate entity. The Group and Company 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 periods.

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

(b) Short-term benefits

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

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

(c) Bonus plans

The Group and Company 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 and Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. The Group and Company expects these liabilities to be settled within 12 months.

	Group		Company	
	2018	2017	2018	2017
Salary and wages	80 130 434	69 505 401	80 130 434	69 505 401
Executive share scheme expense	(22 279 162)	14 607 550	(22 279 162)	14 607 550
Directors' share-based payment expense	(12 837 164)	22 388 081	(12 837 164)	22 388 081
Employees' share-based payment expense	(9 441 998)	(7 780 531)	(9 441 998)	(7 780 531)
Share appreciation rights expense	(569 902)	667 036	(569 902)	667 036
Share appreciation rights settlement expense	1 746 935	4 760 667	1 746 935	4 760 667
Directors' emoluments*	16 000 595	15 700 966	16 000 595	15 700 966
Salary and wages	75 028 900	105 241 620	75 028 900	105 241 620
Less: amounts allocated to qualifying assets (construction contracts)	(46 541 406)	(43 513 106)	(46 541 406)	(43 513 106)
Total employee costs and share appreciation rights settlement	28 487 494	61 728 514	28 487 494	61 728 514

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

33. Related parties

All subsidiaries are considered related parties to the Group and Company. Refer to [note 8](#) for a detailed list of all subsidiaries.

All associates are considered related parties to the Group and Company. Refer to [note 9](#) for a detailed list of all associates.

(a) Related-party balances

(i) Loans to/(from) Group companies

During the period loans have been issued to/(received from) Group companies, refer to [note 11](#) for details.

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

During the period, the Group and Company obtained receivables from Group companies and joint ventures and associates of the holding company, refer to [note 14](#).

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

33. Related parties *(continued)*

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

(iii) Receivables from Directors relating to the Executive Share Scheme

	Group		Company	
	2018	2017	2018	2017
MN Nkuhlu – vendor finance loan*	5 063 386	4 634 165	5 063 386	4 634 165
	5 063 386	4 634 165	5 063 386	4 634 165

* These loans are unsecured, repayable in terms of a vendor finance agreements and bears interest at prime.

(iv) Trade and other payables to related parties

	Group		Company	
	2018	2017	2018	2017
Deposits received – Afhco Calgro M3 Consortium (Pty) Ltd	51 540 540	32 000 000	51 540 540	32 000 000
	51 540 540	32 000 000	51 540 540	32 000 000

(b) Related-party transactions

(i) Key management personnel compensation

	Group		Company	
	2018	2017	2018	2017
Employee benefits – Directors	16 000 595	34 497 201	16 000 595	34 497 201
	16 000 595	34 497 201	16 000 595	34 497 201

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

	Group		Company	
	2018	2017	2018	2017
<i>Finance income earned</i>				
Calgro M3 Land (Pty) Ltd	(6 663 348)	(3 815 179)	(6 663 348)	(3 815 179)
Calgro M3 Holdings Limited	(55 047 996)	(17 343 872)	(55 047 996)	(17 343 872)
Calgro M3 Memorial Parks				
Fourways (Pty) Ltd	(1 312 301)	(225 272)	(1 312 301)	(225 272)
Belhar Calgro M3 Development Company (Pty) Ltd	(2 877 905)	(239 991)	(2 877 905)	(239 991)
Clidet No 1014 (Pty) Ltd	(1 986 511)	(183 002)	(1 986 511)	(183 002)
PZR Pennyville Zamamphilo Relocation (Pty) Ltd	–	–	(238 251)	(17 622)
Calgro M3 Procurement Services (Pty) Ltd	–	–	(72 724)	–
Calgro M3 Contractors (Pty) Ltd	–	–	(36 342)	–
Calgro M3 Rectification (Pty) Ltd	–	–	(16 062)	–
Fleurhof Ext 2 (Pty) Ltd	(2 722 210)	(1 293 284)	(2 722 210)	(1 293 284)
Aquarella Investments 265 (Pty) Ltd	–	(349 171)	–	(349 171)
Witpoortjie Calgro M3 Development Company (Pty) Ltd	(10 298 636)	(9 030 458)	(10 298 636)	(9 030 458)
Calgro M3 Jabulani (Pty) Ltd	(2 155 494)	–	(2 155 494)	–
Calgro M3 Real Estate (Pty) Ltd	(2 379 768)	–	(2 379 768)	–
Sabre Homes Projects (Pty) Ltd	(132 001)	–	(132 001)	–
CM3 Witkoppen Ext 131 (Pty) Ltd	(141 892)	–	(141 892)	–
South Hills Development Company (Pty) Ltd	(1 863 270)	–	(1 863 270)	–
	(87 581 332)	(32 480 228)	(87 944 711)	(32 497 850)

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

33. Related parties *(continued)*

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

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

	Group		Company	
	2018	2017	2018	2017
<i>Finance costs incurred</i>				
Fleurhof Ext 2 (Pty) Ltd	1 762 178	(128 193)	1 762 178	(128 193)
CTE Consulting (Pty) Ltd	2 001 050	875 988	2 001 050	875 988
MS5 Pennyville (Pty) Ltd	–	–	–	78 803
PZR Pennyville Zamimphilo				
Relocation (Pty) Ltd	–	–	–	37 222
MS5 Projects (Pty) Ltd	–	–	–	498 179
Belhar Calgro M3 Development				
Company (Pty) Ltd	–	396 061	–	396 061
Holm Jordaan GWA (Pty) Ltd	90 850	53 529	90 850	53 529
	3 854 078	1 197 385	3 854 078	1 811 589
<i>Construction fees earned</i>				
Calgro M3 Land (Pty) Ltd	(45 642 943)	(61 486 294)	(45 642 943)	(61 486 294)
Fleurhof Ext 2 (Pty) Ltd	(491 920 074)	(413 421 831)	(491 920 074)	(413 421 831)
Aquarella Investments (Pty) Ltd	–	(123 224)	–	(123 224)
Clidet No 1014 (Pty) Ltd	(105 179 637)	(17 163 572)	(105 179 637)	(17 163 572)
Witpoortjie Calgro M3 Development				
Company (Pty) Ltd	(47 569 021)	(30 977 608)	(47 569 021)	(30 977 608)
Calgro Kuumba Planning and				
Design (Pty) Ltd	(4 263 295)	(14 527 907)	(4 263 295)	(14 527 907)
Calgro M3 Memorial Parks (Pty) Ltd	(7 311 290)	(11 471 967)	(7 311 290)	(11 471 967)
Belhar Calgro M3 Development				
Company (Pty) Ltd	(206 513 022)	(150 384 883)	(206 513 022)	(150 384 883)
Calgro M3 Jabulani (Pty) Ltd	(4 560 508)	–	(4 560 508)	–
South Hills Development				
Company (Pty) Ltd	(337 904 245)	(160 936 400)	(337 904 245)	(160 936 400)
	(1 250 864 035)	(860 493 686)	(1 250 864 035)	(860 493 686)
<i>Management/cost recovered from fellow subsidiaries</i>				
CTE Consulting (Pty) Ltd	(2 909 136)	(8 080 376)	(2 909 136)	(8 080 376)
Holm Jordaan GWA (Pty) Ltd	(3 272 032)	(2 567 864)	(3 272 032)	(2 567 864)
Calgro M3 Procurement Services (Pty) Ltd	(5 076 751)	(1 634 768)	(5 076 751)	(1 634 768)
Calgro M3 Contractors (Pty) Ltd	(445 313)	(123 838)	(445 313)	(123 838)
	(11 703 231)	(12 406 846)	(11 703 231)	(12 406 846)
<i>Dividends earned</i>				
MS5 Pennyville (Pty) Ltd	–	–	–	(7 042 269)
MS5 Projects Proprietary Limited	–	–	–	(19 263 765)
	–	–	–	(26 306 034)
<i>Goods, services and professional fees procured by</i>				
Calgro M3 Procurement Services (Pty) Ltd	427 480 077	44 754 302	427 480 077	44 754 302
Calgro M3 Contractors (Pty) Ltd	674 628	160 776	674 628	160 776
Holm Jordaan GWA (Pty) Ltd	5 087 560	6 016 350	5 087 560	6 016 350
	433 242 265	50 931 428	433 242 265	50 931 428

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

33. Related parties *(continued)*

(b) Related party transactions *(continued)*

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

	Group		Company	
	2018	2017	2018	2017
Management fees incurred				
Calgro M3 Holdings Limited	4 696 992	3 400 000	4 696 992	3 400 000
MS5 Projects (Pty) Ltd	–	–	–	6 212
	4 696 992	3 400 000	4 696 992	3 406 212

(iii) Trade payable recoupment

	Group		Company	
	2018	2017	2018	2017
Aquarella Investments 265 (Pty) Ltd	–	13 064 997	–	13 064 997
	–	13 064 997	–	13 064 997

(iv) Shares issued to Directors with respect to the Calgro M3 Executive Share scheme – Group and Company

Directors	Share-based payment expense for 2018 FY*	Share-based payment expense for 2017 FY*	Number of shares granted	Grant date	50% trading restriction – release date 1	50% trading restriction – release date 2
BP Malherbe	–	6 580 129	1 050 069	1 March 2015	20 February 2017	20 February 2017
WJ Lategan	(4 617 615)	5 416 787	2 294 214	1 March 2015	1 March 2020	1 March 2021
W Williams	(2 183 429)	2 661 617	1 084 815	1 March 2015	1 March 2020	1 March 2021
WA Joubert	(1 917 233)	2 176 164	952 562	1 March 2015	1 March 2020	1 March 2021
MN Nkuhlu	(4 118 886)	5 553 384	2 046 421	1 March 2015	1 March 2020	1 March 2021
	(12 837 164)	22 388 081	7 428 082			

* 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 31](#) for further details of share-based compensation benefits.

Refer to [note 31](#) for further details on the Calgro M3 Executive Share Scheme.

34. Contingent assets and liabilities

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

35. Directors' emoluments

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

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

	Remuneration and other benefits			Total
	Guaranteed remuneration	Equity-settled long-term incentive*	Short-term incentive	
35. Directors' emoluments <i>(continued)</i>				
Group and Company – 2018				
WJ Lategan	3 024 523	–	–	3 024 523
FJ Steyn	2 658 248	–	–	2 658 248
DN Steyn	2 493 483	–	–	2 493 483
WA Joubert	2 063 279	–	–	2 063 279
W Williams	2 150 722	–	–	2 150 722
MN Nkuhlu	2 060 425	–	–	2 060 425
UV Kissoon Singh	1 249 915	–	300 000	1 549 915
	15 700 595	–	300 000	16 000 595
Group and Company – 2017				
BP Malherbe	3 176 699	18 796 235	–	21 972 934
WJ Lategan	2 664 968	–	–	2 664 968
FJ Steyn	2 482 573	–	–	2 482 573
DN Steyn	2 335 115	–	–	2 335 115
BG Blieden	1 571 068	–	–	1 571 068
WA Joubert	1 665 649	–	–	1 665 649
W Williams	1 804 894	–	–	1 804 894
	15 700 966	18 796 235	–	34 497 201

* Equity-settled long-term incentives relate to the release of the trading restrictions on the shares granted to the Director. This amount was expensed in the current and the prior years in terms of the service period associated to the grant. Refer to [note 31](#).

Summary	Group and Company	
	2018	2017
Executive Directors	16 000 595	34 497 201
	16 000 595	34 497 201

36. Segment reporting

The appointed Chief Operating Decision Maker (“CODM”) within the Calgro M3 Developments 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.

Calgro M3 Holdings Group CODM manages the Group activities in three distinct segments namely:

- ▶ Residential Property Development – which consists of the following activities: infrastructure development; marketing and sales; construction; and handover to client
- ▶ Memorial Parks
- ▶ Residential Rental Investment

The Calgro M3 Developments Group is only managed at the Residential Property Development level.

Notes to the Consolidated and Separate Financial Statements *(continued)*

for the year ended 28 February 2018

36. Segment reporting *(continued)*

At each Exco meeting, there are discussions held with other managers who are tasked with managing each designated operating segment. Information that is provided to Exco does not analyse project detail, but rather focuses on the overall results of the business activities, as a project may use activities from one or more of the operating segments. The feedback provided by these individuals is per activity stream but may include project-related matters where relevant to gain an understanding of performance during the period under review.

Exco then makes strategic and operational decisions based on the information provided by managers of the various operating segments as well as data and information provided by internal and external parties.

The operation of the Residential Property Development segment encompasses the following product range: mid to high income housing, as well as integrated developments.

Integrated developments comprise affordable housing, grassroots affordable people's homes ("GAP"), finance linked individual subsidy program ("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.

At 28 February 2018, the Group is organised on a national basis into one main operating segment:

Please refer to [note 9](#) for detailed analysis of the associate relationships as well as [note 33](#) for related-party transactions and balances that have an impact on the financial performance, financial position and cash flows for the Calgro M3 Development Group.

As the Group consists of only one segment namely Residential Property Development, the information in the statement of comprehensive income and statement of financial position as listed below are provided to the CODM:

Statement of comprehensive income	Statement of financial position
Revenue	Goodwill
Operating profit/(loss)	Inventories
Finance cost	Construction contracts
	Borrowings

37. Going concern

The Directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The Directors are not aware of any new material changes that may adversely impact the Group. The Directors are not aware of any material non-compliance with statutory or regulatory requirements. The Board is not aware of any pending changes in litigation that may affect the Group.

38. Events after the reporting period

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.

General information

Calgro M3 Developments Limited

Incorporated in the Republic of South Africa
Registration number: 1996/017246/06

Registered office

Calgro M3 Building
Ballyclare Office Park
33 Ballyclare Drive
Bryanston
2196

Business address

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Craighall
2024

Published

11 May 2018

Bankers

First National Bank
Standard Bank
Nedbank

Auditors

PricewaterhouseCoopers Inc.

Secretary

I April

Directors

FJ Steyn	Executive
DN Steyn	Executive
MN Nkuhlu	Executive
UK Kissoon Singh	Executive
WJ Lategan	Executive
WA Joubert	Executive

Preparer

The financial statements were internally compiled by UK Kissoon Singh CA(SA) and M Esterhuizen 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.

Regulatory requirements relating to public companies

Calgro M3 Developments Ltd and its subsidiaries are wholly owned subsidiaries of Calgro M3 Holdings Ltd. These financial statements should be read in conjunction with the 2018 integrated annual report for Calgro M3 Holdings Ltd as published on 11 May 2018. Also refer to the Calgro M3 website [Ⓞ \(http://www.calgrom3.com\)](http://www.calgrom3.com) for a detailed analysis of the King IV requirements.

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



CALGRO M3

www.calgrom3.com