Unaudited condensed consolidated interim financial results for the six months ended 31 August 2020

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

CALGRO M3
Group

Overview of the period

Cash generated from operations:
R115.7 million

Cash on hand
R246.0 million

Facility for **R215 million** from the National Housing Finance Corporation ("NHFC") secured and drawn on in September 2020

Level 1 B-BBEE

Memorial Parks revenue increased by **75%** for the period

Building legacies. Changing lives

Commentary

Nature of the business

Calgro M3 is a property and property-related investment company that is a market leader in the development of Integrated Residential Developments and the development and management of Memorial Parks.

The period in perspective

When looking back over the past six months, we cannot help but think about the 1966 film – The Good, The Bad and The Ugly. Covid-19 has been referred to as "The Ugly" by many companies in South Africa, but in the case of Calgro M3, the past three years have been "The Ugly", with Covid-19 being "The Bad", hampering the progress of "The Good".

After concluding 12 to 18 months of rigorous restructuring initiatives, the internal construction division has been successfully closed. Management believes that the leaner business, together with little pressure to invest in capital intensive projects over the short term and enhanced levels of liquidity, has positioned the business extremely well to deliver much stronger results once trading conditions post Covid-19 have normalised.

The Group continued to generate positive cash from operations, despite the difficult trading conditions, resulting in the net debt to equity ratio of 1.04 : 1, which is consistent with 29 February 2020. Cash resources remained strong with R246.0 million of cash on the balance sheet at 31 August 2020.

Liquidity was further enhanced in September 2020 by securing and drawing on a new six-year, unsecured facility from the NHFC for R215 million. The Group retains the Standard Bank overdraft of R100 million available and undrawn, in addition to the above cash resources and facilities. Additional liquidity is also expected from the sale of the retail, commercial and rental properties as well as certain non-core development projects that are currently being sold.

The sale of the Ruimsig rental units became unconditional on 17 September 2020, resulting in R104 million in debt being settled as part of the transaction, in addition to the settlement of a further R129 million in Bond Exchange debt that matured in September and October 2020, thereby reducing the total outstanding Bond Exchange debt to R411 million. Of this remaining R411 million, R81 million, which was to have matured in the next 12 months, has already been refinanced into new three-year and four-year instruments, resulting in the remaining Bond Exchange maturities up to January 2023, being R185 million, which will reduce to R85 million once all restructuring is complete.

Management has increased its working capital allocation to certain projects to increase construction activity. The profit impact of such development will come to fruition in 12 to 18 months time once the units are transferred to customers. Management will, however, remain cautious over the short term and retain higher levels of cash on balance sheet to cater for unforeseen events, until the full economic effect of the last six months is better known and would rather risk lower profits in the short term than tie up valuable working capital in construction.

Covid-19

In the February 2020 results announcement, released on 19 May 2020, a comprehensive analysis was provided on the effect of Covid-19 on our market, customers, sites, people and of course, operations as a whole. Information was provided on various initiatives undertaken to support the communities in which Calgro M3 operates. These documents are available on the Calgro M3 website (www.calgrom3.com). During this time, we prepared for the worst by suspending most operational activities a week before the initial lockdown, to preserve the strong cash balances at the time. The results of the proactive measures that were taken exceeded expectations and we are thankful for that. The market has been inundated with Covid-19 information, the impacts on the economy and the construction sector in particular (which lost more than three months of production) and therefore, the remaining commentary will make little reference to Covid-19 other than its financial impact on this set of interim results.

Operational review

Memorial Parks

Acting as a risk diversifier against the traditional lumpy and cash intensive Residential Property Development business, the Memorial Parks business has illustrated its potential in the first half by increasing cash revenue by 65.7% to R25.8 million (2019: R15.5 million) and accounting revenue by 75% to R19.3 million (2019: R11.0 million). Confirmed Covid-19 burials represent R2.6 million of the total cash received in the period. From an internal assessment, the increase in sales is a combination of increased market share, as well as increased mortality over the period as a result of Covid-19. The fundamental function of being a stable and risk mitigating business is clearly being demonstrated through these uncertain times.

Nasrec, Fourways, and Durbanville parks performed extremely well, with Enokuthula still in its infancy, only becoming fully operational in March 2020. There remains a continued emphasis on sales distribution channels, relationships with funeral directors, targeted sales and new products to enhance affordability. The national rollout and development of further land parcels within existing parks is a priority. The acquisition of new parks is only planned for the next financial year when the business has a better medium to long-term outlook.

	Total cash received (including VAT) (R'mil)		
	August 2020	August 2019	February 2020
Nasrec	**11.5**	7.5	16.1
Durbanville	**5.4**	4.0	8.1
Fourways	**7.5**	3.7	8.7
Enokuthula	**1.3**	0.2	0.4
Bloemfontein	**0.1**	0.1	0.2
Total	**25.8**	15.5	33.5

Residential Property Development

The Residential Property Development business remains the largest contributor to Calgro M3's operations, notwithstanding the fact that this business experienced extremely challenging operating conditions for the past few years. Due to two months of construction stoppages because of Covid-19, this segment suffered reduced revenue and incurred standing time costs and expects these delays to have an impact on the next six to nine months as handovers and transfers of units are delayed.

Despite this, the Group is well positioned with sufficient working capital and pipeline opportunities to capitalise on the strong housing market, without the need to take excessive risks in securing additional projects or increasing operations too aggressively. Calgro M3 will increase the development and construction of new units over the coming months, once clarity on the impact of Covid-19 becomes more evident, to enable this segment to return to profitability. Meticulous capital allocation, to ensure that working capital is not unnecessarily tied to projects, resulting in liquidity pressure, is in place. The Fleurhof and South Hills substations, which have been a binding constraint on the Group are well underway with completion expected in the second half of 2021. With clientèle becoming more discerning, the focus remains on enhancing the product offering, while keeping sales prices affordable and at a level where banks approve 100% bonds. The current low interest rate environment will further enhance housing sales. The Group will remain cautions of the economic impact on the customer base and the potential tighter credit criteria from banks.

The strategy of focusing on four or less provinces remains and Calgro M3 is negotiating the exit and/or entry into joint venture relationships on projects in KwaZulu-Natal, Free State and the Eastern Cape, where the land or development rights are owned.

Commentary (continued)

Projects	Completed current year	Under construction	Serviced opportunities	Services underway	Partially/ Unserviced	**Total available stands**
Belhar CBD#	64	1 132	1 664	–	–	**2 796**
Bridge City	–	356	–	–	–	**356**
Fleurhof	452	385	1 967	594	–	**2 946**
Jabulani CBD	–	–	384	–	–	**384**
Jabulani Hostels	–	136	125	–	–	**261**
Jabulani Parcel K	–	–	696	76	638	**1 410**
La Vie Nouvelle	–	3	93	–	–	**96**
Mid to High Cluster land	–	–	–	–	334	**334**
Scottsdene	–	664	237	–	–	**901**
South Hills	10	214	1 378	566	2 155	**4 313**
Tanganani Ext 14	–	–	–	–	11 624	**11 624**
Umhlanga Hills	–	–	–	652	–	**652**
Vista Park Ext 3	–	–	–	–	5 320	**5 320**
Vredehoek	–	–	–	–	260	**260**
Witpoortjie	33	30	52	–	4 392	**4 474**
	559	2 920	6 596	1 888	24 723	**36 127**

 # Units under construction includes the construction of 2 720 student beds which equates to 680 standard units.

Financial review

Statement of comprehensive income

Revenue for the six months ended 31 August 2020 decreased by 24% to R395.8 million (2019: R520.8 million). The gross profit margin for the period was flat, continuing to be placed under pressure when compared to historical levels of 20% to 25%. This is as a result of the low levels of activity, standing-time related costs as well as the costs of closing the construction division, and the margin settled at 7.9% (2019: 7.6%).

No construction in the Residential Property Development segment took place for a period of two months due to the pandemic. This was unprecedented and resulted in once-off costs incurred to ensure future sustainability and liquidity. Covid-19 costs and the associated standing-time amounted to R35.8 million and the costs associated with the closure of the construction division amounted to R12.9 million. The latter is a strategic decision which in future will result in a slight additional contribution to margin.

Administrative expenses decreased by 9.5% to R47.7 million. The bulk of the reduction resulted from rigorous cost containment together with a decrease in salary and related costs.

Interest capitalisation was stopped during the months of April and May 2020 due to zero development activity and therefore the interest incurred during that two-month period was fully expensed.

Increased operations at the South Hills development during the period resulted in its return to profitability. R1.2 million was the Group’s share in profits from all joint ventures and associates.

Basic losses per share (“EPS”) increased to a loss of 30.46 cents per share (2019: 1.46 cents per share loss). Similarly, headline losses per share (“HEPS”) increased to a loss of 26.29 cents per share (2019: 3.24 cents per share loss).

Statement of financial position and cash flow

The movement in investment in joint venture and associates is due to the sale of the Ruimsig rental units to SA Corporate Real Estate Limited. The transaction became unconditional on 17 September 2020 upon Competitional Tribunal approval. The transaction was classified as non-current assets held for sale at 31 August 2020 at R127.7 million. With the conclusion of the transaction, R104 million in borrowings was settled in September 2020. Please refer to Category 2 SENS announcements on 29 June 2020 and 15 September 2020 for details pertaining to the transaction with a net cash inflow of R9.0 million expected on the transaction.

Positive cash generated from operations of R115.7 million originated from the transfer of completed units to end-users and resulted in the corresponding decrease in the construction contracts balance.

During the period up to 31 August 2020, the Group repaid R38 million in Bond Exchange notes that matured and did not raise any additional debt.

Where to from here

Management is confident that Calgro M3 is on the verge of leaving "The Bad" and "The Ugly" behind and returning to "The Good" once the broader impact of Covid-19 on the economy and the consumer becomes clear. The Group's return to profitability and growth will be driven by both segments where liquidity has been restored, projects are ready to start producing revenue and are being supported by a leaner, more cost-effective structure. The housing market in South Africa remains at a shortfall of a couple of million houses and funeral and funeral-related services are a multi-billion Rand industry which continues to grow.

Capital allocation will remain an area of focus, with the Group retaining higher cash balances and available facilities for the foreseeable future. This more conservative approach will result in a negative interest carry ratio and a lazier balance sheet but will provide for a much more sustainable Group that can weather the storms unforeseeable events present.

Thank you

First and foremost, the Executives would like to thank our employees, their families as well as our clients and shareholders for their continued support. We thank all management team members for remaining committed and loyal, despite the challenges and the difficult environment. Their dedication has enabled the Group to withstand these challenges and position itself favourably for the future.

To the Non-executive Board members for their continued guidance, wisdom and support, we are grateful.

Calgro M3 will thrive – ***"Building legacies. Changing lives"***.

Board of Directors

On 26 June 2020, Mr Hatla Ntene assumed the position of Independent Chairperson of the Group, after serving as a Board member since 2007.

Effective 9 July 2020, Tyrone Moodley joined the Board as a Non-Executive Director, and effective 31 August 2020, Executive Director Manda Nkuhlu resigned to pursue his own and family business matters.

Details of these changes in the Board of Directors were released on SENS and are available on the Calgro M3 website.

Wikus Lategan
Chief Executive Officer

Waldi Joubert
Group Financial Director

Johannesburg

19 October 2020

Unaudited condensed consolidated statement of comprehensive income

R'000	Notes	**Unaudited August 2020**	Unaudited August 2019	Audited February 2020
Revenue	9	**395 829**	520 781	984 130
Cost of sales	10	**(364 572)**	(481 010)	(883 521)
Gross profit		**31 257**	39 771	100 609
Other income		**3 728**	8 936	11 315
Administrative expenses		**(47 683)**	(52 667)	(89 116)
Other expenses	4	**(5 557)**	–	–
Impairment (losses)/gains on financial and contract assets	7	**(8 937)**	29 746	25 169
Operating (loss)/profit		**(27 192)**	25 786	47 977
Finance income		**14 800**	14 993	30 801
Finance costs		**(40 818)**	(44 835)	(64 717)
Share of profit/(loss) of joint ventures and associates – net of tax		**1 223**	923	(733)
(Loss)/profit before tax		**(51 987)**	(3 133)	13 328
Taxation		**12 878**	333	(7 985)
(Loss)/profit after taxation		**(39 109)**	(2 800)	5 343
Other comprehensive income		**–**	–	–
Total comprehensive income		**(39 109)**	(2 800)	5 343
(Loss)/profit after taxation and other comprehensive income attributable to:				
– Owners of the parent		**(39 036)**	(1 875)	4 919
– Non-controlling interests		**(73)**	(925)	424
		(39 109)	(2 800)	5 343
(Loss)/profit after taxation and other comprehensive income attributable to:				
Equity holders of the Company	3	**(39 036)**	(1 875)	4 919
(Loss)/earnings per share (cents)	3	**(30.46)**	(1.46)	3.84
Fully diluted (loss)/earnings per share (cents)	3	**(29.95)**	(1.43)	3.68

Unaudited condensed consolidated statement of financial position

R'000	Notes	Unaudited August 2020	Unaudited August 2019	Audited February 2020
Assets				
Non-current assets				
Investment property		**13 834**	14 037	13 834
Property, plant and equipment		**24 758**	29 550	27 490
Intangible assets		**159 651**	159 665	159 655
Investments		**12 549**	11 915	12 270
Investment in joint ventures and associates		**34 944**	154 033	152 377
Deferred income tax asset		**75 245**	57 195	57 264
		320 981	426 395	422 890
Current assets				
Loans to joint ventures and associates		**281 605**	265 107	279 904
Inventories	5	**724 864**	810 087	719 305
Current tax receivable		**1 228**	1 507	1 227
Construction contracts	6	**868 676**	893 461	945 948
Trade and other receivables		**121 564**	87 526	130 438
Cash and cash equivalents		**245 960**	205 413	255 069
		2 243 897	2 263 101	2 331 891
Assets held for sale	4	**127 662**	–	–
Total assets		**2 692 540**	2 689 496	2 754 782
Equity and liabilities				
Equity				
Equity attributable to owners of the parent				
Stated capital		**116 256**	116 256	116 256
Share-based payment reserve		**5 143**	1 310	4 499
Retained income		**660 053**	687 242	693 735
		781 452	804 808	814 490
Non-controlling interests		**629**	(648)	702
Total equity		**782 081**	804 160	815 192
Liabilities				
Non-current liabilities				
Deferred income tax liability		**211 004**	178 088	219 242
		211 004	178 088	219 242
Current liabilities				
Borrowings	8	**1 025 479**	962 822	1 062 843
Current income tax liabilities		**362**	35 723	673
Trade and other payables		**673 614**	708 703	656 832
		1 699 455	1 707 248	1 720 348
Total liabilities		**1 910 459**	1 885 336	1 939 590
Total equity and liabilities		**2 692 540**	2 689 496	2 754 782

Unaudited condensed consolidated statement of changes in equity

R'000	Stated capital	Share-based payment reserve	Retained income	Total	Non-controlling interests	Total equity
Balance at 1 March 2019	116 256	–	690 054	806 310	277	806 587
Change in accounting policy: IFRS 16 opening balance adjustment to equity	–	–	(937)	(937)	–	(937)
Restated total equity balance at 1 March 2019	116 256	–	689 117	805 373	277	805 650
Share-based payment expense	–	1 310	–	1 310	–	1 310
Comprehensive income						
Loss for the period	–	–	(1 875)	(1 875)	(925)	(2 800)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive (expense)/income	–	–	(1 875)	(1 875)	(925)	(2 800)
Balance at 31 August 2019	116 256	1 310	687 242	804 808	(648)	804 161
Balance at 1 March 2020	**116 256**	**4 499**	**693 736**	**814 491**	**702**	**815 193**
Share-based payment expense	**–**	**5 997**	**–**	**5 997**	**–**	**5 997**
Cancellation of executive share scheme participant	**–**	**(5 353)**	**5 353**	**–**	**–**	**–**
Comprehensive income						
Loss for the period	**–**	**–**	**(39 036)**	**(39 036)**	**(73)**	**(39 109)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive (expense)/income	**–**	**–**	**(39 036)**	**(39 036)**	**(73)**	**(39 109)**
Balance at 31 August 2020	**116 256**	**5 143**	**660 053**	**781 452**	**629**	**782 081**

Unaudited condensed consolidated statement of cash flows

R'000	Unaudited August 2020	Unaudited August 2019	Audited February 2020
Cash generated from operating activities			
Cash generated from operations	**115 662**	449 469	464 209
Finance income received	**4 512**	10 376	14 598
Finance cost paid	**(60 552)**	(63 703)	(117 612)
Tax paid	**(13 654)**	(20 660)	(17 818)
Net cash generated from operating activities	**45 968**	375 482	343 377
Cash flows invested in investing activities			
Additions of investment property	**–**	–	(17)
Purchase of property, plant and equipment	**(256)**	(684)	(772)
Proceeds from the sale of property, plant and equipment	**12**	–	380
Investments in joint venture and associates	**–**	–	(104)
Acquisition of business	**–**	(8 250)	(12 500)
Loans advanced to joint ventures and associates	**(6 425)**	(148 733)	(163 239)
Loans repaid by joint ventures and associates	**–**	14 865	18 050
Net cash invested in investing activities	**(6 669)**	(142 802)	(158 202)
Cash flows repaid in financing activities			
Proceeds from borrowings	**–**	–	145 000
Repayment of borrowings	**(38 000)**	(111 000)	(157 000)
Loans repaid to joint ventures and associates	**–**	(23 000)	(23 000)
Repayment of capital portion on leases	**(1 322)**	–	(1 839)
Transactions with non-controlling interest	**(9 086)**	(15 900)	(15 900)
Net cash repaid in financing activities	**(48 408)**	(149 900)	(52 739)
Net (decrease)/increase in cash and cash equivalents	**(9 109)**	82 780	132 436
Cash and cash equivalents at the beginning of the year	**255 069**	122 633	122 633
Cash and cash equivalents at the end of the period	**245 960**	205 413	255 069

Unaudited condensed segment report for the Group

R'000	Residential Property Development	Memorial Parks	Residential Rental Investments	All other segments	Total
August 2020					
Total segment revenue	372 861	19 251	3 717	–	395 829
Fleurhof	141 748	–	–	–	141 748
Jabulani	3 189	–	–	–	3 189
Witpoortjie	9 783	–	–	–	9 783
South Hills	65 093	–	–	–	65 093
Belhar	141 369	–	–	–	141 369
Third parties	11 679	19 251	3 717	–	34 647
Combined revenue*	469 398	19 251	3 717	–	492 366
Total segment revenue	372 861	19 251	3 717	–	395 829
Revenue of joint ventures and associates	96 537	–	–	–	96 537
Witpoortjie Calgro M3 Development Company (Pty) Ltd	19 537	–	–	–	19 537
South Hills Development Company (Pty) Ltd	77 000	–	–	–	77 000
Gross revenue	372 861	19 251	3 717	–	395 829
Point in time	148 779	18 059	3 717	–	170 555
Over time	224 082	1 192	–	–	225 274
Revenue	372 861	19 251	3 717	–	395 829
Gross revenue	368 470	19 251	3 717	–	391 438
Reversal of unrealised profit realised adjustment	4 391	–	–	–	4 391
Cost of sales	(352 165)	(9 695)	(2 712)	–	(364 572)
Gross profit	20 696	9 556	1 005	–	31 257
Other income	1 827	1 901	–	–	3 728
Administrative expenses	(41 297)	(2 780)	(1 789)	(1 817)	(47 683)
Other expenses	–	–	(5 557)	–	(5 557)
Net impairment losses on financial and contract assets	(10 280)	17	1 326	–	(8 937)
Operating (loss)/profit	(29 054)	8 694	(5 015)	(1 817)	(27 192)
Finance income	13 255	177	545	823	14 800
Finance costs	(30 878)	(6 979)	(2 961)	–	(40 818)
Share of loss of associates/joint venture – net of tax	2 361	–	(1 138)	–	1 223
(Loss)/profit before tax	(44 316)	1 892	(8 569)	(994)	(51 987)
Taxation	10 711	223	1 900	44	12 878
(Loss)/profit after taxation	(33 605)	2 115	(6 669)	(950)	(39 109)
Other comprehensive income	–	–	–	–	–
Total comprehensive income	(33 605)	2 115	(6 669)	(950)	(39 109)
(Loss)/profit after taxation and other comprehensive income attributable to:					
– Owners of the parent	(33 532)	2 115	(6 669)	(950)	(39 036)
– Non-controlling interests	(73)	–	–	–	(73)
	(33 605)	2 115	(6 669)	(950)	(39 109)

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

R'000	Residential Property Development	Memorial Parks	Residential Rental Investments	All other segments	Total
Non-current assets					
Investment property	–	13 834	–	–	13 834
Property, plant and equipment	16 255	8 503	–	–	24 758
Intangible assets	158 956	695	–	–	159 651
Investments	–	12 549	–	–	12 549
Investment in joint ventures and associates	34 944	–	–	–	34 944
Deferred income tax asset	54 734	3 007	4 357	13 147	75 245
	264 889	38 588	4 357	13 147	320 981
Current assets					
Loans to joint ventures and associates	281 605	–	–	–	281 605
Inventories	533 341	191 523	–	–	724 864
Current tax receivable	522	706	–	–	1 228
Construction contracts	868 676	–	–	–	868 676
Trade and other receivables	117 044	4 520	–	–	121 564
Cash and cash equivalents	200 304	2 317	5	43 334	245 960
	2 001 492	199 066	5	43 334	2 243 897
Non-current assets held for sale	–	–	127 662	–	127 662
Total assets	2 266 381	237 654	132 024	56 481	2 692 540
Liabilities					
Non-current liabilities					
Deferred income tax liability	126 008	1 698	–	83 298	211 004
	126 008	1 698	–	83 298	211 004
Current liabilities					
Borrowings#	884 408	89 588	51 483	–	1 025 479
Current income tax liabilities	362	–	–	–	362
Trade and other payables	576 503	95 572	164	1 375	673 614
	1 461 273	185 160	51 647	1 375	1 699 455
Total liabilities	1 587 281	186 858	51 647	84 673	1 910 459

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

Unaudited condensed segment report for the Group (continued)

R'000	Residential Property Development	Memorial Parks	Residential Rental Investments	All other segments	Total
August 2019					
Total segment revenue	508 037	11 000	1 744	–	520 781
Fleurhof	293 246	–	–	–	293 246
Jabulani	18 098	–	–	–	18 098
Witpoortjie	12 902	–	–	–	12 902
South Hills	37 132	–	–	–	37 132
Belhar	107 178	–	–	–	107 178
Third parties	39 481	11 000	1 744	–	52 224
Combined revenue*	566 734	11 000	1 744	–	579 478
Total segment revenue	508 037	11 000	1 744	–	520 781
Revenue of joint ventures and associates	58 697	–	–	–	58 697
Witpoortjie Calgro M3 Development Company (Pty) Ltd	16 744	–	–	–	16 744
South Hills Development Company (Pty) Ltd	41 953	–	–	–	41 953
Gross revenue	508 037	11 000	1 744	–	520 781
Point in time	143 161	10 230	1 744	–	155 135
Over time	364 876	770	–	–	365 646
Revenue	508 037	11 000	1 744	–	520 781
Gross revenue	488 531	11 000	1 744	–	501 275
Reversal of unrealised profit realised adjustment	19 506	–	–	–	19 506
Cost of sales	(475 349)	(4 734)	(927)	–	(481 010)
Gross profit	32 688	6 266	817	–	39 771
Other income	3 707	2 956	2 273	–	8 936
Administrative expenses	(47 175)	(4 061)	(372)	(1 059)	(52 667)
Net impairment losses on financial and contract assets	26 725	–	3 021	–	29 746
Operating profit/(loss)	15 945	5 161	5 739	(1 059)	25 786
Finance income	13 555	53	602	783	14 993
Finance costs	(33 712)	(7 078)	(4 045)	–	(44 835)
Share of profit/(loss) of associates/joint venture – net of tax	923	–	–	–	923
(Loss)/profit before tax	(3 289)	(1 864)	2 296	(276)	(3 133)
Taxation	(9 231)	3 344	5 919	301	333
(Loss)/profit after taxation	(12 520)	1 480	8 215	25	(2 800)
Other comprehensive income	–	–	–	–	–
Total comprehensive income	(12 520)	1 480	8 215	25	(2 800)
(Loss)/profit after taxation and other comprehensive income attributable to:					
– Owners of the parent	(10 855)	740	8 215	25	(1 875)
– Non-controlling interests	(1 665)	740	–	–	(925)
	(12 520)	1 480	8 215	25	(2 800)

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

R'000	Residential Property Development	Memorial Parks	Residential Rental Investments	All other segments	Total
Non-current assets					
Investment property	–	14 037	–	–	14 037
Property, plant and equipment	20 749	8 801	–	–	29 550
Intangible assets	158 970	695	–	–	159 665
Investments	–	11 915	–	–	11 915
Investment in joint ventures and associates	34 239	–	119 794	–	154 033
Deferred income tax asset	31 758	3 642	6 729	15 066	57 195
	245 716	39 090	126 523	15 066	426 395
Current assets					
Loans to joint ventures and associates	252 680	–	12 427	–	265 107
Inventories	610 582	199 505	–	–	810 087
Current tax receivable	643	–	671	193	1 507
Construction contracts	893 461	–	–	–	893 461
Trade and other receivables	82 103	5 131	292	–	87 526
Cash and cash equivalents	160 395	2 989	498	41 531	205 413
	1 999 864	207 625	13 888	41 724	2 263 101
Total assets	2 245 580	246 715	140 411	56 790	2 689 496
Liabilities					
Non-current liabilities					
Deferred income tax liability	137 670	3 298	–	37 120	178 088
	137 670	3 298	–	37 120	178 088
Current liabilities					
Borrowings	758 359	72 896	131 567	–	962 822
Current income tax liabilities	35 380	343	–	–	35 723
Trade and other payables	613 979	94 318	406	–	708 703
	1 407 718	167 557	131 973	–	1 707 248
Total liabilities	1 545 388	170 855	131 973	37 120	1 885 336

Notes to the unaudited condensed consolidated interim financial statements

1. Basis of preparation

1.1 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS"), IAS 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Listings Requirements of the JSE.

The condensed consolidated interim financial statements have been prepared by P Perumalswami CA(SA) and TW Graaff under the supervision of WA Joubert CA(SA).

The condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 29 February 2020, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The interim financial statements have been prepared on the historical cost basis, excluding specific financial assets held at fair value through profit and loss, investment properties and assets held for sale.

No event that is material to the financial affairs of the Group has occurred between the reporting date and the date of approval of the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements were not reviewed or audited by the Group's external auditors.

The condensed consolidated interim financial statements of the Calgro M3 Group were authorised for issue by the Board of Directors on 19 October 2020.

1.2 Judgements and estimates

Management made judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were similar to those applied to the Group annual financial statements as at and for the year ended 29 February 2020.

2. Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group annual financial statements as at and for the year ended 29 February 2020.

R'000	**Unaudited August 2020**	Unaudited August 2019	Audited February 2020
3. Earnings reconciliation			
Determination of headline and diluted earnings			
Attributable (loss)/profit to shareholders	**(39 036)**	(1 875)	4 919
Gain on deemed disposal of interest in joint venture	**–**	(2 274)	(2 274)
Profit on disposal of property, plant and equipment and computer software	**(12)**	–	(380)
Profit on disposal of right-of-use assets (IFRS 16)	**(202)**	–	–
Impairment of assets held for sale (note 4)	**5 557**	–	–
Headline and diluted headline (loss)/earnings	**(33 692)**	(4 149)	2 265
Determination of earnings and diluted earnings			
Attributable (loss)/profit	**(39 036)**	(1 875)	4 919
Earnings and diluted earnings	**(33 692)**	(4 149)	2 265
Number of ordinary shares	**128 150**	128 150	128 150
Weighted average shares	**128 150**	128 150	128 150
Fully diluted weighted average shares	**130 313**	130 969	133 620
Headline (loss)/earnings per share (cents)	**(26.29)**	(3.24)	1.77
Fully diluted (loss)/headline earnings per share (cents)	**(25.85)**	(3.17)	1.7

R'000	**Unaudited August 2020**	Audited February 2020
4. Assets held for sale		
Investment in joint venture	**118 656**	–
Loans to joint venture	**14 563**	–
Write down of assets held for sale	**(5 557)**	–
	127 662	–

Investment in joint venture held for sale

In June 2020 the directors of Calgro M3 Real Estate Proprietary Limited decided to sell the investment held in Calgro M3 JCO Holdings (Pty) Ltd ("Joint venture") which was originally established to rent residential properties. The company entered into an agreement with Afhco Holdings (Pty) Ltd, a company which is part of the SA Corporate Real Estate Group, to sell its investment held in the joint venture and is expected to be completed by September 2020 once the conditions precedent have been satisfied. The most significant condition precedent being the approval obtained from the Competition Tribunal.

The investment in the joint venture

The investment in the joint venture held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of reclassification, resulting in a writedown of R5.6 million as other expenses in the statement of comprehensive income. The fair value was determined based on the contractual amount to be received as settlement taking into account any additional liabilities undertaken as part of the settlement agreement. This is a level 3 fair value in terms of the fair value hierarchy.

R'000	Unaudited August 2020
Carrying value of investment	
Investment held as at 31 August 2020	118 656
Loans granted as at 31 August 2020	14 563
Carrying value of investment	133 219
Fair value of investment	
Total consideration to be received*	150 435
Plus:	
Cash available in the joint venture	4 621
Less:	
Additional loans to be made to joint venture to settle liabilities of the joint venture	(6 796)
Additional liabilities undertaken	(19 598)
Estimated costs to effect the transaction	(1 000)
Fair value of investment	127 662
Impairment of assets held for sale recognised through the statement of comprehensive income	5 557

* *Total consideration includes a R9.0 million deferred payment to be received within 12 months.*

Notes to the unaudited condensed consolidated interim financial statements (continued)

R'000	Unaudited August 2020	Audited February 2020
5 . Inventories		
Opening balance	**719 305**	568 498
Additions (net of transfers to construction contracts)	**11 293**	269 440
Borrowing costs capitalised	**3 960**	12 211
Net realisable value adjustments	**–**	(682)
Disposals	**(9 694)**	(130 162)
Closing balance	**724 864**	719 305
6. Construction contracts		
Disaggregated construction contracts – pre expected credit loss provisions		
Infrastructure – contract assets	**34 691**	29 181
Fully and partially subsidised units – contract assets	**246 321**	288 299
Non-subsidised units – contract assets	**16 574**	28 369
Serviced land – contract assets	**36 620**	54 081
Contract assets	**334 206**	399 930
Future contract asset costs		
Development cost for future contract assets	**537 809**	550 421
	872 015	950 351
Reconciliation of construction contracts		
Gross statement of financial position balance for ongoing contracts	**334 206**	399 930
Provisions for expected credit losses on contract assets	**(3 339)**	(4 403)
Development cost for future contract assets	**537 809**	550 421
Statement of financial position balance for construction contracts	**868 676**	945 948

7. Financial instruments

7.1 Classification and measurement of financial assets

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

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

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

Financial assets

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

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

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

7. Financial instruments (continued)

7.1 Classification and measurement of financial assets (continued)

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

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

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

Financial liabilities

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

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

Equity instruments

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

7.2 Impairment

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

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

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

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

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

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

Notes to the unaudited condensed consolidated interim financial statements (continued)

7. Financial instruments (continued)

7.2 Impairment (continued)

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

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

The Group has taken the poor state of the South African economy and the economic growth forecast, high unemployment rates and other macroeconomic factors when determining the ECL rates.

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

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

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

7. Financial instruments (continued)

7.2 Impairment (continued)

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

	August 2020		
	1. Government institution exposure	2. Normal business risk exposure	3. Financial institution risk exposure
Rates to be utilised for the ECLs			
New projects/projects undertaken with higher exposure to government	8.51%		
Project at an early to mid-stage of completion	2.9%+(0.62% – 0.93%)	2.90%	
Project at an advanced stage of completion	1.3%+(0.62% – 0.93%)	2.90%	
Project backed by a financial institution at an early to mid-stage of completion	1.41%+(0.62% – 0.93%)		1. 41%
Specific exposure	12.21% – 100%	0% – 100%	

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

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

R'000	1. Government institution exposure	2. Normal business risk exposure	3. Financial institution risk exposure	Total
Loans to joint ventures and associates				
New projects with significant government exposure	60 377	–	–	60 377
Project at an early to mid stage of completion	–	228 894	–	228 894
Project backed by a financial institution at an early to mid stage of completion	–	–	4 169	4 169
Loans to joint ventures and associates	60 377	228 894	4 169	293 440
Construction contracts – contract assets				
Project at an early to mid-stage of completion	12 039	23 675	–	35 714
Project at an advanced stage of completion	11 011	3 982	–	14 993
Project backed by a financial institution at an early to mid-stage of completion	11 349	–	12 695	24 044
Specific exposure	1 905	257 550	–	259 455
Construction contracts – contract assets	36 304	285 207	12 695	334 206
Trade receivables – other				
Project at an early to mid-stage of completion	–	19 027	–	19 027
Project at an advanced stage of completion	–	2 380	–	2 380
Project backed by a financial institution at an early to mid-stage of completion	23 852	–	1 869	25 721
Specific exposure	49 223	27 131	–	76 354
Trade receivables – other	73 075	48 538	1 869	123 482

Notes to the unaudited condensed consolidated interim financial statements (continued)

7. Financial instruments (continued)

7.2 Impairment (continued)

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

	Consumer risk exposure ECL rate applied	Total gross carrying amount applied R'000
Ageing		
0 to 30 days	**10%**	**142**
31 to 60 days	**20%**	**92**
61 to 90 days	**30%**	**157**
91 to 120 days	**50%**	**119**
121+ days	**100%**	**920**
		1 430

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

	February 2020		
	1. Government institution exposure	2. Normal business risk exposure	3. Financial institution risk exposure
Rates to be utilised for the ECLs			
New projects/projects undertaken with higher exposure to government	8.51%		
Project at an early to mid- stage of completion	2.9%+(0.62% – 0.93%)	2.90%	
Project at an advanced stage of completion	1.3%+(0.62% – 0.93%)	2.90%	
Project backed by a financial institution at an early to mid-stage of completion	1.41%+(0.62% – 0.93%)		1.41%
Specific exposure	12.21% – 100%	0% – 100%	

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

7. Financial instruments (continued)

7.2 Impairment (continued)

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

R'000	1. Government institution exposure	2. Norma l business risk exposure	3. Financial institution risk exposure	Total
Loans to joint ventures and associates				
New projects with significant government exposure	56 813	–	–	56 813
Project at an early to mid-stage of completion	–	217 816	–	217 816
Project backed by a financial institution at an early to mid-stage of completion	–	–	16 661	16 661
Loans to joint ventures and associates	56 813	217 816	16 661	291 290
Construction contracts – contract assets				
Project at an early to mid-stage of completion	47 265	12 488	–	59 753
Project at an advanced stage of completion	–	5 733	–	5 733
Project backed by a financial institution at an early to mid-stage of completion	–	–	67 301	67 301
Specific exposure	1 928	265 216	–	267 144
Construction contracts – contract assets	49 193	283 437	67 301	399 931
Trade receivables – other				
Project at an early to mid-stage of completion	54 552	36 039	–	90 591
Project backed by a financial institution at an early to mid-stage of completion	–	–	7 573	7 573
Specific exposure	10 739	1 795	–	12 533
Trade receivables – other	65 291	37 833	7 573	110 698

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

	Consumer risk exposure ECL rate applied	Total gross carrying amount applied
Ageing		
0 to 30 days	10%	294
31 to 60 days	20%	170
61 to 90 days	30%	198
91 to 120 days	50%	186
121+ days	100%	1 551
		2 399

Notes to the unaudited condensed consolidated interim financial statements (continued)

7. Financial instruments (continued)

7.2 Impairment (continued)

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

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

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

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

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

R'000	**Unaudited August 2020**	Audited February 2020
Financial assets at amortised costs		
Loans to joint ventures and associates	**293 440**	291 290
Construction contracts – contract assets	**334 206**	399 930
Trade and other receivables – other	**123 482**	110 698
Trade and other receivables – rental debtors	**1 430**	2 399
Cash and cash equivalents	**245 960**	255 069
	998 518	1 059 386
Financial assets through equity		
Investment in joint ventures and associates	**34 944**	152 377
	34 944	152 377
Financial assets at fair value through profit and loss		
Investments	**12 549**	12 270
Assets held for sale	**127 662**	–
	140 211	12 270

R'000	Expected credit loss model applied	**Opening balance 1 March 2020**	**Current year movement**	**Closing balance 31 August 2020**
Reconciliation of expected credit losses on financial assets at amortised cost August 2020				
Loans to joint ventures and associates	General	11 386	448	11 834
Construction contracts – contract assets	Lifetime	4 403	(1 064)	3 339
Trade and other receivables – other	Lifetime	5 179	10 521	15 700
Trade and other receivables – rental debtors	Lifetime	2 399	(969)	1 430
Cash and cash equivalents		–	–	–
		23 367	8 936	32 303

7. Financial instruments (continued)

7.2 Impairment (continued)

Reasons for the current year movements in the ECL balance:

Loans to joint ventures and associates

- The overall balance increased mainly due to the loan with joint venture company, Witpoortjie Calgro M3 Development Company (Pty) Ltd increasing by R11 million, which was internally funded by the Group through operations.

Construction contracts – contract assets

- The overall provision decreased due to the exposure to overall contract assets decreased due to land sale registration on the transaction with the University of the Western Cape as well as the registration of various open market units across projects.

Trade and other receivables – other

- The increase in the provision is due to specific balances being assessed to have a higher risk profile due to non/late payment which arose from circumstances brought about by the COVID-19 pandemic.

Trade and other receivables – rental debtors

- The provision decreased as an amount was written off as it was deemed as a bad debt.

R'000	Unaudited August 2020	Audited February 2020
Financial liabilities		
Financial liabilities at amortised cost		
Borrowings	**1 025 479**	1 062 843
Trade and other payables	**616 887**	596 230
	1 642 366	1 659 073

R'000	Interest rate	Expiration date	Unaudited August 2020	Audited February 2020
8. Borrowings				
Bond exchange				
Floating rate note – CGR 21	JIBAR plus 4.5%	12 October 2020	**70 000**	70 000
Floating rate note – CGR 24	JIBAR plus 5%	8 February 2021	**20 000**	20 000
Floating rate note – CGR 29	JIBAR plus 4.35%	8 February 2021	**52 000**	52 000
Floating rate note – CGR 32	JIBAR plus 3.9%	21 July 2020	**–**	38 000
Floating rate note – CGR 33	JIBAR plus 3.9%	22 September 2020	**59 000**	59 000
Floating rate note – CGR 38	JIBAR plus 4%	13 February 2021	**30 000**	30 000
Floating rate note – CGR 39	JIBAR plus 3.95%	4 May 2021	**30 000**	30 000
Floating rate note – CGR 40	JIBAR plus 3.95%	4 June 2021	**51 000**	51 000
Floating rate note – CGR 41	JIBAR plus 3.95%	25 June 2021	**20 000**	20 000
Floating rate note – CGR 42	JIBAR plus 4.5%	3 August 2023	**45 000**	45 000
Floating rate note – CGR 43	JIBAR plus 3.95%	8 February 2022	**18 000**	18 000
Floating rate note – CGR 44	JIBAR plus 3.95%	5 April 2022	**104 000**	104 000
Floating rate note – CGR 45	JIBAR plus 3.5%	30 October 2021	**45 000**	45 000
Floating rate note – CGR 46	JIBAR plus 3.95%	28 February 2023	**40 000**	40 000
Floating rate note – CGR 47	JIBAR plus 4.5%	28 February 2025	**60 000**	60 000
Proparco loan	JIBAR plus 4.9%	15 September 2023	**387 000**	387 000
Transaction cost amortisation			**(5 521)**	(6 157)
Total borrowings			**1 025 479**	1 062 843

Total finance cost incurred for the period amounted to R59.1 million (August 2019: R75.7 million) of which R18.3 million (August 2019: R30.9 million) was capitalised to inventory and construction contracts. During the period CGR 32 (R38 million) was settled and no additional debt was raised. Interest capitalisation was ceased for two months due to no development activity as a result of the national lockdown.

Notes to the unaudited condensed consolidated interim financial statements (continued)

R'000	Unaudited August 2020	Unaudited August 2019
9. Revenue		
Disaggregated revenue		
Residential Property Development Segment		
Infrastructure	**140 362**	84 749
Fully and partially subsidised units	**146 318**	361 023
Non-subsidised units	**13 008**	43 763
Serviced land sales	**73 173**	18 502
	372 861	508 037
Memorial Parks Segment		
Memorial parks burial rights	**16 068**	9 277
Memorial parks maintenance	**1 192**	771
Memorial parks burial services	**1 991**	952
	19 251	11 000
Residential Property Rental Segment		
Rental income – Residential	**3 717**	1 744
	3 717	1 744
Total revenue	**395 829**	520 781
10. Cost of sales		
Disaggregated cost of sales		
Residential Property Development Segment		
Infrastructure	**115 708**	70 930
Fully and partially subsidised units	**141 364**	339 414
Non-subsidised units	**45 336**	50 246
Serviced land sales	**49 757**	14 759
	352 165	475 349
Memorial Parks Segment		
Memorial parks burial rights	**4 350**	3 288
Memorial parks maintenance	**3 222**	718
Memorial parks burial services	**2 123**	728
	9 695	4 734
Residential Property Rental Segment		
Rental – Residential cost of sales	**2 712**	927
	2 712	927
Total cost of sales	**364 572**	481 010
11. Related-party transactions		
Compensation paid to key employees and personnel*	**13 814**	10 071
Finance income from related parties	**10 376**	11 349
Contract revenue received from joint ventures	**74 876**	50 034

* *Amounts include executive share scheme expense incurred by the Group not yet vested to the executive employees.*

The Group entered into various sale and purchase transactions with associates and joint ventures during the ordinary course of business. These transactions were subject to terms that are no less, nor more favourable than those arranged with independent third parties.

12. Fair values

Financial instruments

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

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

These Investments are accounted for at fair value through profit or loss.

Non-financial instruments

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

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

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

Assets held for sale

Assets held for sale are measured at the lower of their carrying value or the fair value less cost to sell.

The fair value of assets held for sale is determined based on the particular circumstances regarding the sale for the asset being classified as held for sale.

The Groups beneficial interest in the Joint Venture Calgro M3 JCO Holdings Proprietary Limited is an unlisted investment held for sale, for which the fair value less cost to sell has been determined based on the signed contracts entered into to determine the consideration to be received for the relevant assets . Refer to note 4 for the detail as to how the fair value has been determined.

Fair value table

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

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

Notes to the unaudited condensed consolidated interim financial statements (continued)

12. Fair values (continued)

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

	Carrying values		Fair value – Level 2		Fair value – Level 3	
	August 2020 Unaudited	February 2020 Audited	**August 2020 Unaudited**	February 2020 Audited	**August 2020 Unaudited**	February 2020 Audited
Assets						
Investments#	**12 549**	12 270	**–**	–	**12 549**	12 270
Investment property	**13 834**	13 834	**–**	–	**13 833**	13 833
Loans to joint ventures and associates	**293 440**	291 290	**–**	–	**293 440**	291 290
Trade and other receivables	**124 912**	113 097	**–**	–	**124 912**	113 097
Assets held for sale	**127 662**	–	**–**	–	**127 662**	–
Liabilities						
Borrowings	**644 146**	681 386	**651 785***	689 785*	**–**	–
Trade and other payables	**616 887**	596 230	**–**	–	**616 887**	596 230

Based on prices for Units Trusts held by reputable financial institutions.
* *Based on quoted prices on the Bond Exchange.*

The carrying values for loans to and from joint ventures and associates, trade and other receivables and trade and other payables are a reasonable approximation of their fair value. The balances exclude any non-financial instruments. Refer to note 7 for details on financial instruments.

13. Dividends

Management believes that cash should be retained to fund growth across the Group. Cash retention is important to ensure investment in future projects, as well as reduced reliance on debt finance.

The Board has therefore resolved not to declare a dividend for the reporting period.

14. Going Concern

Based on the latest results for the six-month period ended 31 August 2020, the impact of COVID-19, the latest Board approved budget for 2020, as well as the available bank facilities and cash-generating capability, Calgro M3 satisfies the criteria of a going concern.

15. Corporate governance

Corporate governance forms one of the foundational layers of the Calgro M3 strategy as we understand that transparency, integrity and accountability need to permeate everything that we do.

The Board of Directors endorse the principles contained in King IV™. Calgro M3's application of these principles are set out in the 2020 integrated annual report and has been, in accordance with the JSE Listings Requirements, available on the Company's website since May 2020. Please contact Ms I April, Group company secretary, for any additional information.

16. Ratio calculations

Net debt/equity ratio

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

R'000	**Unaudited August 2020**	Audited February 2020
Net debt		
Borrowings	**1 025 479**	1 062 843
Other interest-bearing borrowings	**30 368**	30 920
Less: Cash and cash equivalents	**(245 960)**	(255 069)
	809 887	838 694
Equity		
Stated capital	**116 256**	116 256
Retained income	**660 053**	693 735
	776 309	809 991
Net debt/equity ratio	**1.04**	1.04

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

Debt service cover ratio ("DSCR")

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

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

R'000	**Unaudited August 2020**	Audited February 2020
Available cash flow		
Cash generated from operating activities	**115 662**	464 209
New financial indebtedness incurred	**–**	145 000
Cash and cash equivalents beginning of the year	**255 069**	122 633
Capex	**(6 670)**	(158 201)
	364 061	573 641
Debt service requirement		
Interest and fees	**(60 552)**	(117 612)
Principal repayments	**(38 000)**	(180 000)
	(98 552)	(297 612)
Debt service cover ratio	**3.69**	1.93

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

Proparco requirements

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

General information

Directors
WA Joubert (Group Financial Director)
WJ Lategan (Chief Executive Officer)
W Williams
GS Hauptfleisch*#
H Ntene (Chairperson)*#
LS Ntuli*#
ME Gama*#
RB Patmore*#
TC Moodley*
TP Baloyi*#
* *Non-executive*
\# *Independent*

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

Private Bag X33, Craighall, 2024

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

PO Box 61051, Marshalltown, 2107

Sponsor
PSG Capital

Company secretary
I April

Auditors
PricewaterhouseCoopers Inc.

Date of announcement
19 October 2020

Website
www.calgrom3.com

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

CALGRO M3

www.calgrom3.com