2021

Unaudited condensed consolidated interim financial results for the six months ended 31 August 2021

CALGRO M3 Group

#sustainableactions

Producing breakthrough outcomes

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")

OVERVIEW OF THE PERIOD

Performance and strategic overview

- **Revenue increased by 45.6% to R576.2 million (August 2020: R395.8 million)**
  - Of which R545.7 million (August 2020: R376.5 million) was derived from the Residential Property Development business and R30.5 million (August 2020: R19.3 million) from the Memorial Parks business
- **Gross profit margin increased to 19.7% (August 2020: 7.9%)**
- **Headline earnings per share increased by 262.8% to 42.79 cents per share (August 2020: 26.29 cents loss per share)**
- **Group NAV increased to R7.23 per share**
- **771 opportunities handed over with 5 091 opportunities under development**

Cash flow, liquidity and debt

- **Cash generated from operations amounted to R133.2 million**
- **Net debt to equity improved to 0.84:1 (February 2021: 0.99:1) ahead of the February 2022 target of 0.9:1**
- **Strong balance sheet with liquidity of R615 million available as follows:**
  - Cash on hand of R215 million (February 2021: R155 million)
  - Available overdraft of R100 million
  - Development Finance Corporation ("DFC") facility of R300 million ($20 million)

ESG

- **United Nations Global Compact advanced level status**
- **ISO 14001:2015 and ISO 45001:2018 certification retained**
- **Level 1 B-BBEE**

Continued implementation of plan to return to profitability

Uncertainty remains in place → Optimal capital allocation → Completing units and increasing sales across Residential Property Development business → Growing market share and sales through product enhancement and increasing footprint of Memorial Parks business → Ensuring liquidity and reducing debt

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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

In summary, the continued successful implementation of the strategic decisions that were taken in prior periods to refocus, restructure and return the business to sustainable profitability produced the desired results in the period under review.

Sustained increased sales efforts and increased focus on brand awareness across both segments of the business, resulted in increased revenue of 45.6% to R576.2 million, with the Group's Property Development business contributing R545.7 million (94.7% of total revenue).

When comparing the current period to the previous period, the improved performance was a result of the aforementioned strategic execution in spite of the "post Covid-19" base effect.

The gross margin reached a four-year high of 19.7%, justifying the strategic decision to close and outsource the construction element of the business. Overhead costs decreased by 23%, demonstrating the Group's ability to manage costs and efficiencies in the current economic environment. Memorial Parks also played its part and increased cash receipts by 52.7%, demonstrating a further increase in market share and stable diversification in Group cash generation.

Continuous focus was placed on liquidity management resulting in strong cash generation, allowing the Group to execute on its short to medium-term strategic goal of reducing debt, which led to lower interest repayments and which further bolstered earnings. This, coupled with the cash on hand of R215 million, resulted in a reduction in the Group's net debt to equity ratio to 0.84:1, which is ahead of the February 2022 target of 0.9:1.

The Group increased its efforts to minimise disruptions on projects, through engaging the communities we service and developing good community and labour relations. This held us in good stead during the recent civil unrest in South Africa where none of our units were invaded or damaged.

Financial review

Headline earnings per share ("HEPS") increased to 42.79 cents per share (August 2020: 26.29 cents loss per share). Similarly, basic earnings per share ("EPS") increased to 39.56 cents per share (August 2020: 30.46 cents per share loss).

The balance sheet of the Group is strong with a net debt to equity ratio of 0.84:1, ending the period with a cash balance of R215 million, which is an increase of 38.9% from February 2021. This increase is in line with net cash generated from operating activities of R77.5 million. Additional liquidity in the form of a R100 million undrawn overdraft from Standard Bank as well as a US$20 million facility from DFC, which is also undrawn, will enable the Group to execute on short to medium-term goals.

Liquidity will be further enhanced with the sale of certain retail, commercial and remaining rental properties as well as certain non-strategic projects, some of which are close to finalisation.

In line with strategic objectives, debt was reduced by R20 million with proceeds from the disposal of the Tanganani project. This project has been delayed for several years.

Gross profit margin for the Group increased to 19.7% (August 2020: 7.9%, and February 2021: 12.3%). The gross profit margin is expected to continue strengthening to the historical range of 20% to 25% as even better operational efficiencies are achieved and higher margin units are delivered to customers.

Administrative expenses decreased by 22.9% to R36.8 million as a result of rigorous cost containment as well as the closure of the construction division in the previous financial year. This cost is expected to increase slightly as more units are built and private sector marketing and brand building is undertaken.

Interest expense decreased by 28.9% to R29.0 million in the current year, due to lower debt, lower interest rates and interest capitalisation which ceased in the previous year during the level 5 lockdown.

Operational review

Both businesses delivered outstanding service and product ranges to customers. Memorial Parks acts as an effective hedge against economic cycles and unforeseen events such as the pandemic. Total cash receipts generated from this business was sufficient to cover the Group's administrative expenses during the period. The benefit of this over the long term is that cash receipts from Memorial Parks increase to such a level that it supports all Group overheads and interest obligations.

The Group is committed to creating and sustaining harmonious relationships with stakeholders and addressing issues proactively. This translated into a stable environment pertaining to community and labour relations during the period under review. The most recent unrest in South Africa had no impact on the Group, with no units invaded or damaged. Management attributes this to ongoing security vigilance and community relations.

Development, training and education remains a priority on the human capital agenda with additional initiatives underway.

Residential Property Development

The Residential Property Development business is operating primarily in two provinces, namely Gauteng and Western Cape, while trading out of KwaZulu-Natal and with a total of nine projects in the ground. This business targets six distinct income groups that ensures that it is well diversified to better face economic challenges or challenging market conditions.

Revenue grew 44.9% to R545.7 million and the gross profit margin increased to 17.5%. This is the highest margin achieved since 2017 and an indication of the Group's refocus on its core business, which includes a move to outsourced construction. 5 091 opportunities are currently under construction and this, together with meticulous capital allocation and a lower overhead structure places Calgro M3 in a strong position going forward.

The Group remains well positioned to capitalise on the strong housing market and has sufficient working capital and pipeline opportunities. Non-core projects and remaining rental units in South Hills and Scottsdene will continue to be sold, while core project returns are being maximised through town planning, better designs and product enhancements catering for the more discerning clientele, while keeping sales prices affordable and at a level where banks approve mostly 100% bonds. With improved designs and layouts, Calgro M3 has increased the number of opportunities in the Fleurhof, South Hills and Witpoortjie developments by more than 3 900 opportunities. No additional capital costs other than professional fees, which were not capitalised, were incurred to achieve this. Future internal infrastructure costs were substantially reduced and this will enhance the gross profit margin over the next 18 to 36 months.

The Group has sufficient serviced and unserviced opportunities available across its projects to fuel growth for the foreseeable future, without having to take excessive risks in acquiring new projects.

The current low interest rate environment will further enhance housing sales. The Group will remain cautious of the economic impact on the customer base and the potential tighter credit criteria from banks.

Memorial Parks

The business continues to demonstrate substantial growth opportunities supported by an increase in total cash receipts during the period of 52.7% to R39.4 million (August 2020: R25.8 million).

A new entry level product was introduced at the Nasrec Memorial Park, offering a grave for immediate burial for as low as R13 000. This diversification in the product offering has attracted a new market that could previously not afford a grave at Nasrec Memorial Park, and which has resulted in an increase in the Gauteng market share during the period. This product is, however, not margin dilutive over the long term due to increased densities and better operational efficiencies.

The Group is extremely excited to have concluded a partnership with Nedbank whereby qualifying clients can secure a loan from Nedbank for the purchase of a grave. This service will be made available to clients from 1 October 2021.

The national rollout and development of further land parcels within existing parks remains a priority with investigations ongoing. The acquisition of new parks is, however, only planned for the next financial year.

Where to from here

The Group is well positioned to capitalise on market demand with cash generation and careful capital allocation remaining areas of focus. Coupled to this, the Group will continue to retain higher cash balances and available facilities for the foreseeable future. This more conservative approach will provide for a much more sustainable Group that can weather economic conditions and unforeseeable events. Debt reduction remains a priority without placing the operational business under too much pressure, and will mostly be done from the disposal of rental units or non-core projects, to continue derisking the Group. The DFC facility will be retained to provide liquidity in the event of unforeseen circumstances, as well as future growth capital as equity grows from profits made.

Growth in the short to medium-term will be from increased market share in both of the businesses as per our strategic goals set out in the Integrated Annual Report. Operational efficiency initiatives aimed at expanding volumes, reducing costs and developing the required skill levels across all employee levels, remains a key focus in all operations.

Appreciation

We would like to thank our employees, their families as well as our clients and shareholders for their continued support. Thank you to all management team members for remaining committed and loyal to the Group and working day and night to return this business to profitability.

A further thank you to the Non-executive Board members for their continued guidance, wisdom and support, for which we are grateful.

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

Wikus Lategan
(Chief Executive Officer)

Waldi Joubert
(Group Financial Director)

Johannesburg

18 October 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Notes	**Unaudited August 2021**	Unaudited August 2020	Audited February 2021
Revenue	9	**576 214**	395 829	879 147
Cost of sales	10	**(462 817)**	(364 572)	(771 124)
Gross profit		**113 397**	31 257	108 023
Other income		**10 662**	3 728	50 631
Administrative expenses		**(36 753)**	(47 683)	(87 065)
Other expenses		**(7 514)**	(5 557)	(4 085)
Impairment gains/(losses) on financial and contract assets		**1 884**	(8 937)	(99)
Operating profit/(loss)		**81 676**	(27 192)	67 405
Finance income		**11 098**	14 800	28 213
Finance costs		**(29 037)**	(40 818)	(72 897)
Share of profit of joint ventures and associates – net of tax		**3 983**	1 223	3 345
Profit/(loss) before tax		**67 720**	(51 987)	26 066
Taxation		**(19 845)**	12 878	(7 587)
Profit/(loss) after taxation		**47 875**	(39 109)	18 479
Other comprehensive income		**–**	–	–
Total comprehensive income		**47 875**	(39 109)	18 479
Profit/(loss) after taxation and other comprehensive income attributable to:				
– Owners of the parent		**48 021**	(39 036)	18 944
– Non-controlling interests		**(146)**	(73)	(465)
		47 875	(39 109)	18 479
Profit/(loss) after taxation and other comprehensive income attributable to:				
Equity holders of the Company	3	**48 021**	(39 036)	18 944
Earnings/(loss) per share (cents)	3	**39.56**	(30.46)	14.88
Fully diluted earnings/(loss) per share (cents)	3	**39.51**	(29.95)	14.64

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Notes	**Unaudited August 2021**	Unaudited August 2020	Audited February 2021
Assets				
Non-current assets				
Investment property		**19 947**	13 834	19 947
Property, plant and equipment		**22 071**	24 758	22 501
Intangible assets		**159 651**	159 651	159 651
Investments		**13 027**	12 549	13 027
Investment in joint ventures and associates		**40 946**	34 944	37 067
Deferred income tax asset		**50 348**	75 246	56 582
		305 990	320 981	308 775
Current assets				
Loans to joint ventures and associates		**269 635**	281 605	320 436
Inventories	5	**654 043**	724 864	643 574
Current tax receivable		**454**	1 228	977
Construction contracts	6	**833 070**	868 676	840 695
Trade and other receivables		**242 839**	121 564	198 786
Cash and cash equivalents		**214 733**	245 960	154 561
		2 214 774	2 243 897	2 159 029
Non-current assets held-for-sale		**–**	127 662	–
Total assets		**2 520 764**	2 692 540	2 467 804
Equity and liabilities				
Equity				
Equity attributable to owners of the parent				
Stated capital		**102 081**	116 256	102 081
Share-based payment reserve		**8 572**	5 144	6 858
Retained income		**766 902**	660 052	718 881
		877 555	781 452	827 820
Non-controlling interests		**91**	629	237
Total equity		**877 646**	782 081	828 057
Liabilities				
Non-current liabilities				
Deferred income tax liability		**200 444**	211 004	208 617
		200 444	211 004	208 617
Current liabilities				
Borrowings	8	**925 274**	1 025 479	944 162
Current income tax liabilities		**9 456**	362	93
Trade and other payables		**507 944**	673 614	486 875
		1 442 674	1 699 455	1 431 129
Total liabilities		**1 643 118**	1 910 459	1 639 747
Total equity and liabilities		**2 520 764**	2 692 540	2 467 804

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 2020	116 256	4 500	693 735	814 490	702	815 192
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)	(39 035)	(73)	(39 108)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive (expense)/income	–	–	(39 036)	(39 035)	(73)	(39 108)
Balance at 31 August 2020	116 256	5 144	660 052	781 452	629	782 081
Balance at 1 March 2021	**102 081**	**6 858**	**718 881**	**827 820**	**237**	**828 057**
Share-based payment expense	**–**	**1 714**	**–**	**1 714**	**–**	**1 714**
Comprehensive income						
Profit for the period	**–**	**–**	**48 021**	**48 021**	**(146)**	**47 875**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income/(expense)	**–**	**–**	**48 021**	**48 021**	**(146)**	**47 875**
Balance at 31 August 2021	**102 081**	**8 572**	**766 902**	**877 555**	**91**	**877 646**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	**Unaudited August 2021**	Unaudited August 2020	Audited February 2021
Cash generated from operating activities			
Cash generated from operations	**133 171**	115 662	114 768
Finance income received	**1 273**	4 512	7 577
Finance cost paid	**(45 008)**	(60 552)	(107 474)
Tax paid	**(11 898)**	(13 654)	(17 878)
Net cash generated from/(utilised in) operating activities	**77 537**	45 968	(3 008)
Cash flows invested in investing activities			
Additions of investment property	**–**	–	(343)
Purchase of property, plant and equipment	**(486)**	(256)	(471)
Proceeds from the sale of property, plant and equipment	**–**	12	12
Disposal of cash balance in disposal of investment in subsidiary	**–**	–	(205)
Acquisition of business	**–**	–	(500)
Loans advanced to joint ventures and associates	**(10 260)**	(6 425)	(50 946)
Loans repaid by joint ventures and associates	**23 905**	–	886
Net cash generated from/(invested in) investing activities	**13 159**	(6 669)	(51 567)
Cash flows repaid in financing activities			
Proceeds from borrowings	**–**	–	396 000
Repayment of borrowings	**(20 000)**	(38 000)	(403 000)
Shares bought back	**–**	–	(14 175)
Repayment of capital portion on leases	**(1 439)**	(1 322)	(2 044)
Transactions with non-controlling interest	**(9 086)**	(9 086)	(22 714)
Net cash repaid in financing activities	**(30 525)**	(48 408)	(45 933)
Net increase/(decrease) in cash and cash equivalents	**60 171**	(9 109)	(100 508)
Cash and cash equivalents at the beginning of the year	**154 561**	255 069	255 069
Cash and cash equivalents at the end of the year	**214 733**	245 960	154 561

UNAUDITED CONDENSED SEGMENT REPORT FOR THE GROUP

The Chief Operating Decision Makers (“CODM”) manages the Group activities in two distinct segments, namely:

- Residential Property Development
- Memorial Parks

In the current reporting period the CODM have reassessed the reporting segments within the Group to be in line with the Group’s current and strategic goals.

The segmental presentation has changed from the previously reported segments of: Residential Property Development, Memorial Parks and Residential Rental Investments.

As a result, the prior year information has been restated to reflect the new reporting segments.

R’000	Residential Property Development	Memorial Parks	All other segments	Total
August 2021				
Total segment revenue	545 758	30 456	–	576 214
Fleurhof	163 444	–	–	163 444
Jabulani	32 160	–	–	32 160
Witpoortjie	18 514	–	–	18 514
South Hills	141 308	–	–	141 308
Belhar	146 348	–	–	146 348
Third parties	43 985	30 456	–	74 441
Combined revenue*	680 204	30 456	–	710 660
Total segment revenue	545 758	30 456	–	576 214
Revenue of joint ventures and associates	134 446	–	–	134 446
Witpoortjie Calgro M3 Development Company (Pty) Ltd	29 267	–	–	29 267
South Hills Development Company (Pty) Ltd	105 180	–	–	105 180
Gross revenue	545 758	30 456	–	576 214
Point in time	105 152	28 994	–	134 146
Over time	440 606	1 462	–	442 068
Revenue	545 758	30 456	–	576 214
Gross revenue	545 030	30 456	–	575 487
Reversal of unrealised profit realised adjustment	728	–	–	728
Cost of sales	(450 476)	(12 341)	–	(462 817)
Gross profit	95 282	18 115	–	113 397
Other income	8 854	1 808	–	10 662
Administrative expenses	(30 027)	(4 674)	(2 052)	(36 753)
Other expenses	(7 514)	–	–	(7 514)
Net impairment losses on financial and contract assets	1 880	4	–	1 884
Operating profit/(loss)	68 475	15 253	(2 052)	81 676
Finance income	10 593	70	435	11 098
Finance costs	(23 058)	(5 979)	–	(29 037)
Share of loss of associates/joint venture – net of tax	3 983	–	–	3 983
(Loss)/profit before tax	59 993	9 344	(1 617)	67 720
Taxation	(18 529)	(2 567)	1 251	(19 845)
Profit/(loss) after taxation	41 464	6 777	(366)	47 875
Other comprehensive income	–	–	–	–
Total comprehensive income	41 464	6 777	(366)	47 875

* *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.*

UNAUDITED CONDENSED SEGMENT REPORT FOR THE GROUP (CONTINUED)

R'000	Residential Property Development	Memorial Parks	All other segments	Total
Profit/(loss) after taxation and other comprehensive income attributable to:				
– Owners of the parent	41 610	6 777	(366)	48 021
– Non-controlling interests	(146)	–	–	(146)
	41 464	6 777	(366)	47 875
Non-current assets				
Investment property	–	19 947	–	19 947
Property, plant and equipment	13 834	8 237	–	22 071
Intangible assets	158 956	695	–	159 651
Investments	–	13 027	–	13 027
Investment in joint ventures and associates	40 946	–	–	40 946
Deferred income tax asset	41 064	8 033	1 251	50 348
	254 800	49 939	1 251	305 990
Current assets				
Loans to joint ventures and associates	269 635	–	–	269 635
Inventories	472 082	181 961	–	654 043
Current tax receivable	87	367	–	454
Construction contracts	833 070	–	–	833 070
Trade and other receivables	239 763	3 076	–	242 839
Cash and cash equivalents	165 742	1 317	47 674	214 732
	1 980 379	186 722	47 673	2 214 774
Total assets	2 235 179	236 661	48 924	2 520 764
Liabilities				
Non-current liabilities				
Deferred income tax liability	200 444	–	–	200 444
	200 444	–	–	200 444
Current liabilities				
Borrowings[#]	836 310	88 964	–	925 274
Current income tax liabilities	8 805	639	12	9 456
Trade and other payables	449 712	53 016	5 216	507 944
	1 294 826	142 619	5 228	1 442 674
Total liabilities	1 495 270	142 619	5 228	1 643 118

 # 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	All other segments	Total
August 2020 – restated				
Total segment revenue	376 578	19 251	–	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	15 395	19 251	–	34 646
Combined revenue*	473 115	19 251	–	492 366
Total segment revenue	376 578	19 251	–	395 829
Revenue of joint ventures and associates	96 537	–	–	96 537
Witpoortjie	19 537	–	–	19 537
South Hills	77 000	–	–	77 000
Gross revenue	376 578	19 251	–	395 829
Point in time	152 496	18 059	–	170 555
Over time	224 082	1 192	–	225 274
Revenue	376 578	19 251	–	395 829
Gross revenue	372 187	19 251	–	391 438
Reversal of unrealised profit realised adjustment	4 391	–	–	4 391
Cost of sales	(354 878)	(9 694)	–	(364 572)
Gross profit	21 700	9 557	–	31 257
Other income	1 827	1 901	–	3 728
Administrative expenses	(43 086)	(2 780)	(1 817)	(47 683)
Other expenses	(5 557)	–	–	(5 557)
Net impairment losses on financial and contract assets	(8 954)	17	–	(8 937)
Operating (loss)/profit	(34 070)	8 695	(1 817)	(27 192)
Finance income	13 800	177	823	14 800
Finance costs	(33 839)	(6 979)	–	(40 818)
Share of profit/(loss) of associates/joint venture – net of tax	1 223	–	–	1 223
Profit/(loss) before tax	(52 886)	1 893	(994)	(51 987)
Taxation	12 611	223	44	12 878
Profit/(loss) after taxation	(40 275)	2 116	(950)	(39 109)
Other comprehensive income	–	–	–	–
Total comprehensive income	(40 275)	2 116	(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 associate and does not include any inter-group eliminations.*

UNAUDITED CONDENSED SEGMENT REPORT FOR THE GROUP (CONTINUED)

R'000	Residential Property Development	Memorial Parks	All other segments	Total
Profit after taxation and other comprehensive income attributable to:				
– Owners of the parent	(40 202)	2 116	(950)	(39 036)
– Non-controlling interests	(73)	–	–	(73)
	(40 275)	2 116	(950)	(39 109)
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	59 091	3 007	13 148	75 246
	269 246	38 588	13 148	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	200 309	2 317	43 334	245 960
	2 001 497	199 066	43 334	2 243 897
	127 662	–	–	127 662
Total assets	2 398 404	237 654	56 482	2 692 540
Liabilities				
Non-current liabilities				
Deferred income tax liability	126 009	1 698	83 297	211 004
	126 009	1 698	83 297	211 004
Current liabilities				
Borrowings#	935 891	89 588	–	1 025 479
Current income tax liabilities	362	–	–	362
Trade and other payables	576 667	95 572	1 375	673 614
	1 512 919	185 160	1 375	1 699 455
Total liabilities	1 638 929	186 858	84 672	1 910 459

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

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 Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IAS 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

The condensed consolidated interim financial statements have been prepared by S Naicker CA(SA) 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 28 February 2021, which have been prepared in accordance with IFRS as issued by the IASB. The interim financial statements have been prepared on the historical cost basis, except for specific financial assets held at fair value through profit and loss.

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 Calgro M3 were authorised for issue by the Board of Directors on 18 October 2021.

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 28 February 2021.

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 28 February 2021.

R'000	**Unaudited August 2021**	Unaudited August 2020	Audited February 2021
3. Earnings reconciliation			
Determination of headline and diluted earnings			
Attributable profit/(loss) to shareholders	**48 021**	(39 036)	18 944
Profit on disposal of property, plant and equipment and computer software	**–**	(12)	(12)
Profit on disposal of right-of-use assets	**–**	(202)	–
Fair value adjustment in investment properties	**–**	–	(5 770)
Profit on disposal of investment in subsidiary	**–**	–	(36 561)
Loss of sale of investment in joint venture	**–**	–	4 085
Impairment of loan to joint venture	**7 514**	–	–
Gain on bargain purchase	**(3 582)**	–	–
Impairment of assets held-for-sale	**–**	5 557	–
Headline and diluted headline earnings/(loss)	**51 953**	(33 692)	(19 314)
Determination of earnings and diluted earnings			
Attributable profit/(loss) to shareholders	**48 021**	(39 036)	18 944
Earnings and diluted earnings	**51 953**	(33 692)	(19 314)
Number of ordinary shares	**121 400**	128 150	121 400
Weighted average shares	**121 400**	128 150	127 336
Fully diluted weighted average shares	**121 539**	130 313	129 434
Earnings/(loss) per share (cents)	**39.56**	(30.46)	14.88
Headline earnings/(loss) per share (cents)	**42.79**	(26,29)	(15,17)
Fully diluted earnings/(loss) per share (cents)	**39.51**	(25.85)	14.64

4. Business combination

32 on Pine Property Developments Proprietary Limited ("32 on Pine")

On 25 August 2021 (acquisition date), the Group acquired the remaining 50% of the stated capital and associated 50% of the voting rights of 32 on Pine Property Developments Proprietary Limited, an unlisted South African property development company. The total deemed consideration for the acquisition was R22 550 000. As a result of the acquisition, the Group increased its stake in the 32 on Pine development situated in Craigavon located in Fourways, Johannesburg, South Africa to 100%.

The acquisition resulted in a gain on bargain purchase of R3 582 313 as a result of the identifiable assets being remeasured to fair value. The gain has been recognised in the statement of comprehensive income.

Prior to the business combination, the Group had a shareholder loan with 32 on Pine of R19 550 000. Application of the principles of IFRS 3: *Business Combinations* effectively resulted in the extinguishment of the loan due to the pre-existing relationship. The loan was not legally extinguished.

The following table summarises the consideration paid for 32 on Pine, and the assets acquired at the acquisition date:

	R'000
Consideration at 25 August 2021	
Consideration paid for 50% interest	3 000
Carrying value of loan to joint venture at 25 August 2021	19 550
Total deemed consideration for 100%	22 550
Identifiable assets acquired assumed at fair value	
Inventories	17 000
Construction contracts	6 582
Trade receivables	2 550
Total identifiable assets	26 132
Gain on bargain purchase	(3 582)
Total deemed consideration	22 550
Cash flow of the transaction	
Total purchase consideration for 50% interest	3 000
Consideration payable*	(3 000)
Total cash flow	–

* *Consideration payable by the sale of a predetermined unit in the 32 on Pine Development, is included within trade and other payables.*

The fair value of the construction contracts is based on the feasibility prepared by management for the development of this particular site.

The carrying value of construction contracts approximates fair value.

The results of 32 on Pine was equity accounted up until 25 August 2021, after which the results have been consolidated into the Group.

R'000	Unaudited August 2021	Audited February 2021
5. Inventories		
Opening balance	**643 574**	719 305
Additions (net of transfers to construction contracts)	**36 791**	(34 626)
Borrowing costs capitalised	**2 712**	4 806
Net realisable value adjustments	**–**	(10 363)
Disposals	**(29 034)**	(35 548)
Closing balance	**654 043**	643 574

R'000	Unaudited August 2021	Audited February 2021
6. Construction contracts		
Disaggregated construction contracts – pre-expected credit loss provisions		
Infrastructure – contract assets	**41 173**	12 995
Fully and partially subsidised units – contract assets	**299 600**	348 475
Non-subsidised units – contract assets	**12 650**	14 440
Serviced land – contract assets	**18 298**	21 817
Contract assets	**371 721**	397 727
Future contract asset costs		
Development cost for future contract assets	**463 889**	445 392
	835 610	843 119
Reconciliation of construction contracts		
Gross statement of financial position balance for ongoing contracts	**371 721**	397 727
Provisions for expected credit losses on contract assets	**(2 540)**	(2 424)
Development cost for future contract assets	**463 889**	445 392
Statement of financial position balance for construction contracts	**833 070**	840 695

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 flows characteristics.

Financial assets

At initial recognition, the Group measures a financial asset at its fair value, plus in the case of a financial asset not at FVPL, transaction costs 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.

7. Financial instruments (continued)

7.1 Classification and measurement of financial assets (continued)

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

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

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

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

Financial liabilities

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

All of the Group’s financial liabilities are classified as “financial liabilities at amortised cost” and are therefore subsequently measured at amortised cost.

Equity instruments

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

7.2 Impairment

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

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

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

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

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.

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 fire sale of assets.
- If Calgro would be willing to give support to the project to ensure its financial asset exposure to the relevant project can be recouped.
- If the project has government exposure and relies on subsidies provided by government to install the related infrastructure and services required.
- The impact of a cancellation of a project. The probability of this is higher for a project where ground construction has not yet commenced.
- The sovereign rating of the South African government as a downgrade could result in increased pressure on government spending and thus decrease government subsidy availability.
- The general impact of the economy on these developments/projects. Low to middle income earners are in most circumstances, significantly impacted by interest rates and employment levels; however, this risk is mitigated by the extreme housing shortage of this target market and the limited number of housing being developed in this market.
- Moody's investor services were used in combination with historical recovery rates on sovereign and municipal debts to determine a loss rate. This was then converted into forward looking expected credit loss by applying three macroeconomic forecasts for South Africa – Baseline (SO), Stronger near term recovery (S1) and Moderate Recession (S3).
- Trade receivable – rental debtors has limited historical data regarding credit loss provisions and bad debts written off (very few full financial year information) regarding credit loss provisions and bad debts for this specific business.
- The Group has taken the poor state if the South African economy and the economic growth forecast, high unemployment rates and other macroeconomic factors when determining the ECL rates.

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

1. Government institution exposure. The exposure to government is based on the type of project and units being constructed for government institutions within the geographic of South Africa.
2. Normal business risk exposure. The exposure to other corporate customers and businesses within the 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.

The 2021 financial year-end ECL rates were adjusted to include the impact of Covid-19 and remain unchanged in the current period.

7. Financial instruments (continued)

7.2 Impairment (continued)

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

	1. Government institution exposure	2. Normal business risk exposure	3. Financial institution risk exposure
August 2021			
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	28 016	–	–	28 016
Project at an early to mid-stage of completion	–	246 773	–	246 773
Project backed by a financial institution at an early to mid-stage of completion	–	–	4 450	4 450
Loans to joint ventures and associates	**28 016**	**246 773**	**4 450**	**279 239**
Construction contracts – contract assets				
Project at an early to mid-stage of completion	6 786	79 898	–	86 684
Project at an advanced stage of completion	41 110	2 834	–	43 944
Project backed by a financial institution at an early to mid-stage of completion	55 384	–	1 753	57 137
Specific exposure	–	183 956	–	183 956
Construction contracts – contract assets	**103 280**	**266 688**	**1 753**	**371 721**
Trade receivables – other				
Project at an early to mid-stage of completion	9 197	58 068	–	67 265
Project at an advanced stage of completion	–	42 223	–	42 223
Project backed by a financial institution at an early to mid-stage of completion	9 479	400	–	9 879
Specific exposure	4 984	71 155	–	76 139
Trade receivables – other	**23 660**	**171 846**	**–**	**195 506**

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 receivable – rental debtors relevant to the applicable ECL rates are as follows:

	Normal risk profile		Specific risk profile	
	Consumer risk exposure ECL rate applied	**Total gross carrying amount applied**	**Consumer risk exposure ECL rate applied**	**Total gross carrying amount applied**
Ageing				
0 to 30 days	**10%**	**–**	**100%**	**22**
31 to 60 days	**20%**	**–**	**100%**	**170**
61 to 90 days	**30%**	**–**	**100%**	**169**
91 to 120 days	**50%**	**–**	**100%**	**182**
121+ days	**100%**	**–**	**100%**	**1 965**
		–		**2 508**

The ECL provision is applied to rental debtors based on either a normal risk profile or a specific risk profile. Specific risk is defined as tenants within a specific isolated development, with a high level of non-payment of rentals, rental boycotts and resulting legal action and eviction orders taken out against tenants.

Due to the limited number of units currently being rented out, the rental debtors are concentrated towards the specific risk profile. There are no outstanding amounts from tenants within the normal risk profile.

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

	1. Government institution exposure	2. Normal business risk exposure	3. Financial institution risk exposure
February 2021			
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. Normal business risk exposure	3. Financial institution risk exposure	Total
Loans to joint ventures and associates				
New projects with significant government exposure	70 594	–	–	70 594
Project at an early to mid-stage of completion	–	259 099	–	259 099
Project backed by a financial institution at an early to mid-stage of completion	–	–	4 325	4 325
Loans to joint ventures and associates	70 594	259 099	4 325	334 018
Construction contracts – contract assets				
Project at an early to mid-stage of completion	20 730	75 107	–	95 838
Project at an advanced stage of completion	12 995	3 677	–	16 672
Project backed by a financial institution at an early to mid-stage of completion	38 428	–	730	39 158
Specific exposure	–	246 060	–	246 059
Construction contracts – contract assets	72 153	324 844	730	397 727
Trade receivables – other				
Project at an early to mid-stage of completion	7 327	28 313	–	35 640
Project at an advanced stage of completion	–	51 168	–	51 168
Project backed by a financial institution at an early to mid-stage of completion	7 342	363	2 028	9 733
Specific exposure	20 855	5 026	–	25 881
Trade receivables – other	35 524	84 870	2 028	122 422

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

	Normal risk profile		**Specific risk profile**	
R'000	Consumer risk exposure ECL rate applied	Total gross carrying amount applied	Consumer risk exposure ECL rate applied	Total gross carrying amount applied
Ageing				
0 to 30 days	10%	–	100%	19
31 to 60 days	20%	–	100%	144
61 to 90 days	30%	–	100%	144
91 to 120 days	50%	–	100%	155
121+ days	100%	–	100%	1 672
		–		2 134

7. Financial instruments (continued)

7.2 Impairment (continued)

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

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

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

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

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

R'000	Unaudited August 2021	Audited February 2021
Financial assets		
Financial assets at amortised costs		
Loans to joint ventures and associates	**279 239**	334 018
Construction contracts – contract assets	**371 721**	397 727
Trade and other receivables – other	**195 506**	122 422
Trade and other receivables – rental debtors	**2 508**	2 134
Cash and cash equivalents	**214 733**	255 069
	1 063 707	1 111 370
Financial assets through equity		
Investment in joint ventures and associates	**40 946**	37 067
	40 946	37 067
Financial assets at fair value through profit and loss		
Investments	**13 027**	13 027
	13 027	13 027

R'000	Expected credit loss model applied	Opening balance 1 March 2021	Current year movement	Closing balance 31 August 2021
Reconciliation of expected credit losses on financial assets at amortised cost – August 2021				
Loans to joint ventures and associates	General	**13 582**	**(3 979)**	**9 603**
Construction contracts – contract assets	Lifetime	**2 424**	**116**	**2 540**
Trade and other receivables – other	Lifetime	**5 327**	**1 605**	**6 932**
Trade and other receivables – rental debtors	Lifetime	**2 134**	**374**	**2 508**
Cash and cash equivalents		**–**	**–**	**–**
		23 467	**(1 884)**	**21 583**

7. Financial instruments (continued)

7.2 Impairment (continued)

Reasons for the current year movements in the ECL balance:

Loans to joint ventures and associates

- Reduction in the loans to joint ventures balance by R70 million due to the sale of SAFDEV Tanganani (Pty) Ltd and the acquisition of the remaining 50% shareholding in 32 on Pine.

Construction contracts – contract assets

- Net increase in the ECL provision by R116 036.

Trade and other receivables – other

R'000	Gross carrying amounts August 2021	ECL provision August 2021	Gross carrying amounts February 2021	ECL provision February 2021	(Increase)/ decrease in ECL
1. Government institution exposure	**23 660**	**(481)**	35 525	(722)	241
2. Normal business risk exposure	**171 846**	**(6 451)**	84 870	(4 576)	(1 875)
3. Financial institution risk exposure	**–**	**–**	2 028	(29)	29
	195 506	**(6 932)**	122 423	(5 327)	(1 605)

1. Government institution exposure

- The reduction in the ECL is as a result of monies received from the Belhar project.

2. Normal business risk exposure

- The increase in the gross carrying amount, and in turn the ECL provision, is primarily driven by the following key transactions:
  - Outstanding receivable in relation to the sale of the development right of R24 million;
  - Outstanding construction claim to the University of Western Cape of R30 million;
  - Outstanding claim from South Hills Development Company of R39 million.

3. Financial institution risk exposure

- The reduction is due to a general recovery of receivable balances.

R'000	Gross carrying amounts August 2021	ECL provision August 2021	Gross carrying amounts February 2021	ECL provision February 2021	(Increase)/ decrease in ECL
Trade and other receivables – rental debtors					
0 to 30 days	**22**	**(22)**	18	(18)	(4)
31 to 60 days	**170**	**(170)**	144	(144)	(25)
61 to 90 days	**169**	**(169)**	144	(144)	(25)
91 to 120 days	**182**	**(182)**	155	(155)	(27)
121+ days	**1 965**	**(1 965)**	1 672	(1 672)	(293)
Total	**2 508**	**(2 508)**	2 134	(2 134)	(374)

Due to the limited number of units currently being rented out, the rental debtors are concentrated primarily towards one specific development. This development has a high level of non-payment of rentals, rental boycotts and resulting legal action and eviction orders taken out against tenants. Due to the extraordinary high risks associated with these rental debtors, the Group has decided to apply an ECL rate of 100% on the total carrying amount of rental debtors.

7. Financial instruments (continued)

7.2 Impairment (continued)

R'000	Unaudited August 2021	Audited February 2021
Financial liabilities		
Financial liabilities at amortised cost		
Borrowings	**925 274**	944 162
Trade and other payables*	**444 105**	413 961
	1 369 379	1 358 123

* *Excluding non-financial liabilities.*

8. Borrowings

	Interest rate	Expiration date	Unaudited August 2021 R'000	Audited February 2021 R'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	**10 000**	10 000
Floating rate note – CGR 45	JIBAR plus 3.5%	Repaid	**–**	20 000
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
Floating rate note – CGR 48	JIBAR plus 4.25%	30 September 2023	**50 000**	50 000
Floating rate note – CGR 49	JIBAR plus 4.75%	30 September 2024	**50 000**	50 000
Floating rate note – CGR 50	JIBAR plus 4.25%	23 October 2023	**33 000**	33 000
Floating rate note – CGR 51	JIBAR plus 4.75%	23 October 2024	**48 000**	48 000
Transaction cost amortisation			**(753)**	(682)
Total bond exchange			**335 247**	355 318
NHFC loan	Prime plus 0.5%	30 August 2026	**215 000**	215 000
Proparco loan	JIBAR plus 4.9%	15 September 2023	**387 000**	387 000
Transaction cost amortisation			**(11 973)**	(13 156)
Other borrowings			**590 027**	588 844
Total borrowings			**925 274**	944 162

Total finance cost incurred for the period amounted to R45.2 million (August 2020: R59.1 million) of which R16.2 million (August 2020: R18.3 million) was capitalised to inventory and construction contracts.

R'000	**Unaudited August 2021**	Unaudited August 2020

9. Revenue

Disaggregated revenue		
Residential Property Development segment		
Infrastructure	**194 290**	140 362
Fully and partially subsidised units	**291 256**	146 318
Non-subsidised units	**51 286**	13 008
Serviced land sales	**6 131**	73 173
Rental income	**2 795**	3 717
	545 758	376 578
Memorial Parks segment		
Memorial parks burial rights	**25 096**	16 068
Memorial parks maintenance	**1 462**	1 192
Memorial parks burial services	**3 898**	1 991
	30 456	19 252
Total revenue	**576 214**	395 829

R'000	**Unaudited August 2021**	Unaudited August 2020

10. Cost of sales

Disaggregated cost of sales		
Residential Property Development segment		
Infrastructure	**152 083**	115 708
Fully and partially subsidised units	**223 628**	141 364
Non-subsidised units	**68 944**	45 336
Serviced land sales	**2 805**	49 757
Rental income	**3 017**	2 712
	450 477	354 877
Memorial Parks segment		
Memorial parks burial rights	**7 315**	4 350
Memorial parks maintenance	**3 413**	3 222
Memorial parks burial services	**1 612**	2 123
	12 340	9 695
Total cost of sales	**462 817**	364 572

R'000	**Unaudited August 2021**	Unaudited August 2020

11. Related party transactions

Compensation paid to key employees and personnel*	**11 203**	13 814
Finance income from related parties	**9 825**	10 376
Contract revenue received from joint ventures	**134 446**	74 876

* *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 equal 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

The fair value measurement for investment property has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

The valuation utilises the replacement costs based on a square metre rate, title deed information, town planning conditions and locality and improvements which are applicable to all investment properties.

The significant unobservable input is the rate per square metre. Reasonable changes in the input will not have a material impact on the fair value.

Fair value table

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

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

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

			Fair value			
	Carrying values		**Level 2**		**Level 3**	
R'000	**Unaudited August 2021**	**Audited February 2021**	**Unaudited August 2021**	**Audited February 2021**	**Unaudited August 2021**	**Audited February 2021**
Assets						
Investment property	**19 947**	**19 947**	–	–	**19 947**	**19 947**
Investments#	**13 027**	**13 027**	–	–	**13 027**	**13 027**
Loans to joint ventures and associates	**279 239**	**334 018**	–	–	**279 239**	**334 018**
Trade and other receivables	**198 014**	**124 556**	–	–	**198 014**	**124 556**
Liabilities						
Borrowings – bond exchange	**335 247**	**355 318**	**340 348***	**360 348***	–	–
Borrowings – Proparco and NHFC	**590 027**	**588 844**	–	–	**590 027**	**588 844**
Trade and other payables	**444 105**	**413 961**	–	–	**444 105**	**413 961**

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 2021, the latest Board approved budget for the 2022 financial year, as well as the available bank facilities and cash generating capability, Calgro M3 satisfies the criteria of a going concern.

15. Events after the reporting period

The directors are not aware of any matter or circumstances arising since the end of the interim financial period that warrants adjustment or disclosure in the interim financial results.

16. JSE Listings Requirements

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Listings Requirements of the JSE.

17. 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 2021 integrated report and has been, in accordance with the JSE Listings Requirements, available on the Company's website since May 2021. Please contact Ms I April, Group company secretary, for any additional information.

18. 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 2021**	Audited February 2021
Net debt		
Borrowings	**925 274**	944 162
Other interest-bearing borrowings	**23 546**	22 834
Less: Cash and cash equivalents	**(214 733)**	(154 561)
	734 087	812 435
Equity		
Stated capital	**102 081**	102 081
Retained income	**766 902**	718 881
	868 983	820 962
Net debt/equity ratio	**0.84**	0.99

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 2021**	Audited February 2021
Available cash flow		
Cash generated from operating activities	**136 621**	114 768
New financial indebtedness incurred	**–**	396 000
Cash and cash equivalent beginning of the year	**154 561**	255 069
Capex	**9 709**	(51 567)
	300 891	714 270
Debt service requirement		
Interests and fees	**(45 008)**	(107 474)
Principal repayments	**(20 000)**	(403 000)
	(65 008)	(510 474)
Debt service cover ratio ("DSCR")	**4.63**	1.40

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
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33 Ballyclare Drive
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2196
Private Bag X33, Craighall, 2024

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

Private Bag X9000
Saxonwold
2132

Sponsor
PSG Capital

Company secretary
I April

Auditors
PricewaterhouseCoopers Inc.

Date of announcement
18 October 2021

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

Building legacies. Changing lives