

# 2022

INTEGRATED ANNUAL  
REPORT

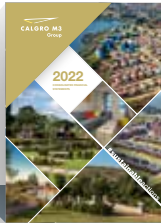
#sustainableactions



# OUR INTEGRATED ANNUAL REPORT SUITE 2022



ESG Report 2022



Annual Financial  
Statements 2022



King IV™ Application  
Register 2022

ALL THE DOCUMENTS ARE AVAILABLE ON THE WEBSITE [WWW.CALGROM3.COM](http://WWW.CALGROM3.COM)



La Vie Nouvelle

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# ABOUT THIS REPORT

The report is guided by:

- ▶ King IV Report on Corporate Governance™ for South Africa, 2016
- ▶ Global Reporting Initiative (“GRI”) G4 Sustainability Reporting Guidelines including, where possible, the Construction and Real Estate Sector Supplement\*
- ▶ Companies Act No. 71 of 2008 (as amended)
- ▶ JSE Listings Requirements

\* The Group is a GC advanced level and signatory to the UN Global Compact Principles (“UNGC”) which requires companies and their subsidiaries to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

## The 2022 report composition

Calgro M3 Holdings Limited (“Calgro M3”) is a committed responsible corporate citizen and as such produces an Integrated Annual Report reporting suite, consisting of the following components, which are available on the website for ease of reference. This also serves to reduce our carbon footprint by reducing the number of copies printed.

1. Integrated Annual Report
2. Annual Financial Statements:
  - ▶ Calgro M3 Group
  - ▶ Calgro M3 Holdings Limited
3. ESG Report (incorporating the Corporate Governance Report)
4. Notice of Annual General Meeting
5. King IV™ Application Register


The financial statements are prepared and presented in accordance with International Financial Reporting Standards (“IFRS”) and the Companies Act, No. 71 of 2008 (as amended).

## Scope and boundary

The collective of all the documents above for the year ended 28 February 2022 provide an overview of the financial, social, environmental and governance performance of Calgro M3 Holdings and its subsidiaries.

The Integrated Annual Reporting format and application of globally recognised governance and sustainability reporting frameworks aim to offer stakeholders a clear view of how Calgro M3’s strategy, governance, performance and prospects – in the context of its external environment – create value over the short, medium and long term.

Calgro M3 acts in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this report, including all information that may be defined as “forward-looking statements”.

Information presented covers all operating entities of the Group, including all subsidiaries and joint ventures, unless otherwise indicated. Please refer to  pages 26 to 30 of the Annual Financial Statements for segmental information. All information, except any changes associated with the adoption of new accounting standards, is presented on the same basis as the Group’s 2021 Integrated Annual Report, the measurement methods applied, and time frames used. The information provided covers all material matters relating to business strategy, risks and areas of critical importance to our stakeholders.

We aim to provide all stakeholders with a balanced, clear and transparent understanding of our business and how we create sustainable value. Stakeholders are invited to actively participate by sending questions, comments, concerns or queries to: [info@calgrom3.com](mailto:info@calgrom3.com).

## Materiality

Only material information is presented in this report. Materiality has been determined by taking both quantitative and qualitative aspects into account. The determination of materiality requires prudent judgement to be exercised.

- ▶ For financial information, materiality is based on whether the item is of such significance that it could affect financial

decisions made by providers of capital to the Group (current and potential). Both the amount and qualitative nature of an item is considered.

- ▶ For non-financial information and the identification of capitals and stakeholders, materiality is based on whether an item, resource or stakeholder is of such significance that it can prevent the Group from achieving its medium to long-term objectives and return hurdles.

Calgro M3’s external communication philosophy is based on achieving full alignment between internal and external financial reporting in respect of both content and format. The only exception is the exclusion of detailed information that might prejudice Calgro M3’s competitive position in the market.

## Independent assurance

PricewaterhouseCoopers Inc. (“PwC”) has been engaged to provide independent assurance on the Group consolidated financial statements. Chantal Marais Roux is the individual registered auditor who undertook the audit. PwC’s audit opinion on the annual consolidated financial statements can be found in the Annual Financial Statements section on the website.

## Forward-looking statements

Forward-looking statements may be identified by words such as “believe”, “anticipate”, “expect”, “plan”, “estimate”, “intend”, “project”, “target”, “predict” and “hope”. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors that may cause the actual results, performance or achievements of the Group or its sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements.

## ABOUT THIS REPORT (CONTINUED)

Forward-looking statements are not guaranteeing future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements. Calgro M3 does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon.

### Preparer

The financial statements were internally compiled by R van Maarleveld CA(SA) under the supervision of SU Naicker CA(SA).


### Level of assurance

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

### Board responsibility statement

The integrity of the Integrated Annual Report was overseen by the Board of Directors in conjunction with the Audit and Risk Committee. This was achieved by setting up appropriate teams, structures and processes to undertake the Integrated Annual Reporting process and then performing a thorough review of the resulting document.

The Board of Directors acknowledges its responsibility in ensuring the integrity of the 2022 Integrated Annual Report and has evaluated its preparation and presentation accordingly. In the opinion of the Board, the report provides a fair and balanced account of performance, strategy and value creation of the Group as well as addressing material matters pertaining to the long-term sustainability of the Group and the impacts thereof. This report was approved by the Board on 16 May 2022 and signed on its behalf by:



**Hatla Ntene**  
*Chairperson*



**Wikus Lategan**  
*Chief Executive Officer (CEO)*



**Waldi Joubert**  
*Outgoing Financial Director (FD)*



**Sayuri Naicker**  
*Incoming Financial Director (FD)*



**Ralph Patmore**



**Mdu Gama**



**George Hauptfleisch**



**Lynette Ntuli**



**Tyrone Moodley**



**Themba Baloyi**



**Wayne Williams**

16 May 2022

Queries regarding this Integrated Annual Report or its content should be addressed to:

**Wikus Lategan (CEO)** ([wikus@calgrom3.com](mailto:wikus@calgrom3.com))

**Sayuri Naicker (FD)** ([sayurin@calgrom3.com](mailto:sayurin@calgrom3.com))

**Waldi Joubert** ([waldi@calgrom3.com](mailto:waldi@calgrom3.com))

**Tel: 011 300 7500**

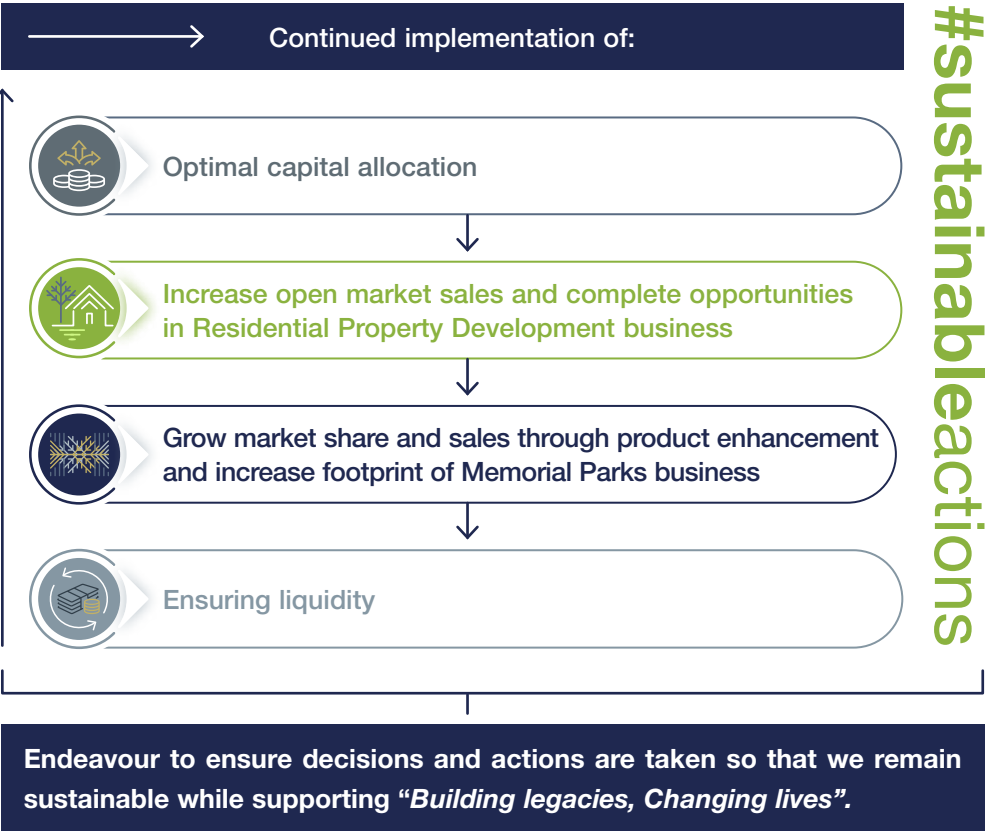


# #SUSTAINABLEACTIONS

Three years ago we included #sustainableactions as the theme for the Integrated Annual Report for the first time. However, this has become an integral part of the Group's DNA that it's no longer just a theme, but instead has become entrenched as part of Calgro M3's way of doing things. For this reason, it remains the theme for the 2022 report.

But what does #sustainableactions mean? Well, exactly that – as far as possible the Group measures all of its actions and decisions against this paradigm to ensure that it produces breakthrough outcomes. Leadership continually considers actions or decisions against whether these will support sustainability. This is done by considering how these decisions impact our growth, various stakeholders, the potential benefits in terms of environmental, governance or social/societal parameters and whether these decisions align with our values and culture.

#sustainableactions also guides the continued implementation of the Group's strategy which remains the core fundamental against which we measure ourselves, according to the diagram below:



# WHO WE ARE AND WHAT WE DO



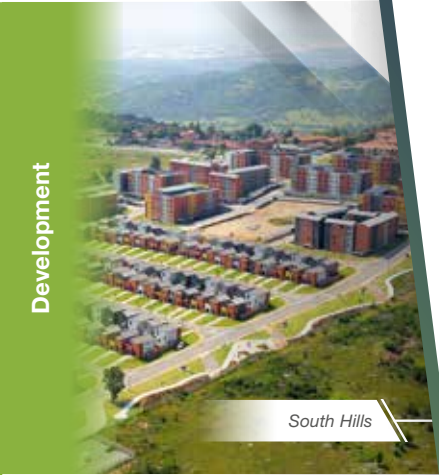
Calgro M3 is a property and property-related investment company that specialises in the development of Integrated Residential Developments and the development and management of Memorial Parks.



The strategy of our integrated residential development model is based on the principles of seamlessly bridging the gap between subsidised, social housing, GAP (“Grassroots Affordable People’s”) housing and the affordable market segment by providing housing, schooling and communal facilities to all levels of income earners within one integrated community, thereby creating a dignified home for as many as possible.

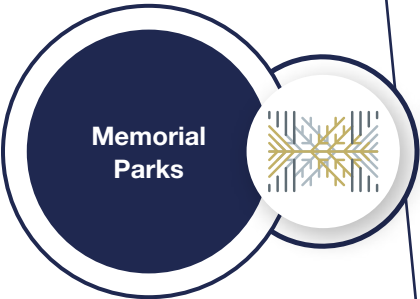
The integrated development model offers homeowners a platform to improve their lifestyle and living conditions in line with their financial capability, whilst remaining in the same community.

In addition to our integrated developments we also develop mid-to-high end retirement and cluster housing estates.

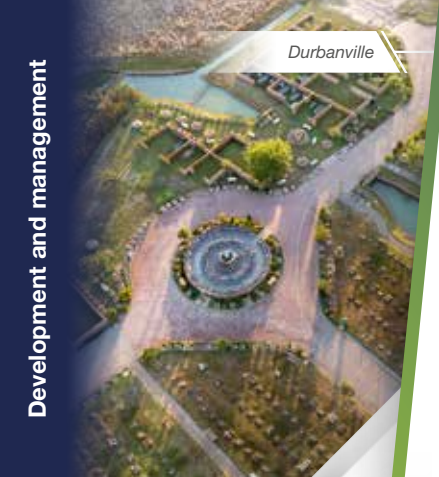


Development

Our strategy is to enable the extraction of different sources of revenue and profits from businesses and opportunities along the property development value chain, which will result in an improved operating margin blend as well as ensuring sustainability throughout all business and economic cycles.



The concept of Memorial Parks originated from the need to find alternative uses for large portions of Calgro M3-owned land that were not suitable for residential or other commercial purposes. Calgro M3 Memorial Parks is an alternative to traditional cemeteries, adds value to existing developments, introduces an alternative burial option that is dignified, secure and which delivers a service to customers that is superior to other products in the market. All Calgro M3 Memorial Parks are privately owned and professionally managed and maintained. We pride ourselves on providing safe, serene, and beautiful surroundings where family and friends can lay their loved ones to rest.



Development and management

The Group’s positioning and business model provides it with the ability to adapt to the demands and challenges of the marketplace, including ever-evolving social, economic, political, environmental and health-related issues. In the current environment we are focused primarily on the low to middle income private sector.



OUR INVESTMENT CASE IS BASED ON THE FOLLOWING:

Strong pipeline of secured projects

Responsible approach to developments, ensuring water conservation and harvesting, a concerted effort to move towards energy conserving homes, as well as greening as much of the development as possible to enhance the environment and contribute to a change in lifestyle

Strong liquidity and cash generation

Low fixed overheads

The massive demand in South Africa for quality affordable housing

With Government's objectives of providing housing to all South Africans within a secure environment which is accessible to places of work

Demand for quality, secure and tranquil Memorial Parks

Passionate about sustainability and corporate governance

Flexibility and agility to pivot between different markets

CALGRO M3 PRODUCT PROPOSITION:

Making a meaningful and sustainable difference in the lives of South Africans

Unique product offerings

27-year track record of quality outputs and diversification

Committed to sustainable business growth

Focused on meeting environmental, social, governance and financial targets to ensure a sustainable impact



# VALUES, VISION AND MISSION

## Values



Respect



Integrity



Excellence



Quality



Passion

## Vision

To be the company of choice for investing in property and property-related businesses.

## Mission

**Calgro M3 is committed to:**

- ▶ Differentiating its products and services
- ▶ Delivering products and services of the highest quality and standards across our diversified property-related investment portfolio
- ▶ Developing beneficial relationships with all stakeholders
- ▶ Mentoring and uplifting of staff
- ▶ Embracing Broad-Based Black Economic Empowerment
- ▶ Realising sustainable returns for shareholders

Ever mindful that all actions taken, and strategies implemented are:

**#sustainableactions**

***Building legacies. Changing lives***

Fleurhof



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)



We are acutely aware that the actions we take and decisions we make are closely tied to the impact we make in the lives and livelihoods of all our stakeholders.

While companies around the world are only beginning to recognise the importance of reporting on ESG matters, Calgro M3 has long recognised the value of reporting on such issues, and, as a responsible corporate citizen, has also understood the need to maximise both the economic and non-economic value generated for its stakeholders.

We held this position even before Covid-19 came into existence, although the pandemic has certainly served to highlight the great disparities that exist between the wealthy and the poor around the world. In South Africa, the situation has unfortunately been exacerbated by factors that we are all familiar with. There is none so stark a reminder of this as the shocking backlog that exists in the local affordable housing market. Calgro M3 remains better poised than ever to assist in closing this gap in keeping with our vision of “*Building legacies, Changing lives*”.

This is supported by our theme **#sustainableactions** and this forms the basis of our thinking now and into the future, in all that we do and to ensure that we produce breakthrough outcomes.

- ▶ From start to finish, across all operations, a dynamic working environment is in place which supports future success, well-being and prosperity of communities.
- ▶ We invest in the development of shared public spaces and in social, educational, sport and recreational facilities.
- ▶ We engage with stakeholders to understand their challenges and needs, incorporating their inputs into our outputs.
- ▶ We employ design principles and energy and water solutions that are affordable, eco-friendly and durable even in our most affordable product offerings.
- ▶ We create employment, encourage skills and enterprise development, and support entrepreneurship.
- ▶ We take care of the environment, rehabilitating and protecting the natural surrounds, thereby preserving them for future generations.

We do this without taking our eye off the ball in terms of creating business value and ensuring profitability. We are not seduced by opportunity and risk management is key in our business. Our day-to-day focus is firmly on achieving consistent quality outputs, ensuring excellence in the management of our operations and capital, balancing our risk exposure, and nurturing our relationships with financiers, investors and partners.

King IV™ emphasises the critical role of stakeholders in the governance processes of an organisation. However, at Calgro M3 we have for many years understood that engaging our stakeholders is an imperative to conducting our business in a way that is both sustainable and ethical, and even more importantly, is key to understanding how we better deliver value to all our stakeholders, including those communities we provide homes and memorial parks for, so that we fulfil our “*Building legacies, Changing lives*” promise.

Calgro M3’s investment in social initiatives is aligned to its philosophy of community development, upliftment and empowerment. We favour the support of projects in the areas that we operate in, identifying opportunities where we can make a tangible difference, supporting the growth and development of individuals, nurturing vulnerable or needy groups, or strengthening the community. The Group constructs crèches, clinics, parks and community centres within its developments. In all instances, Calgro M3’s investment in chosen initiatives is voluntary, not mandatory, knowing that the creation of these facilities vastly improves lives.

Calgro M3 is also committed to promoting good sustainability practices within the organisation to counter the negative environmental impacts of its activities, thereby creating opportunities to have a positive impact on the environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) (CONTINUED)

One step further

This year we are taking our sustainability journey a few steps further, firstly by incorporating the UN Sustainable Development Goals (“UNSDGs”) into the stand-alone ESG Report. Given there is currently a proliferation of guidelines on ESG reporting available, with no universally-accepted approach in place as yet, our reporting approach remains the same, but will now align with the applicable goals as shown in the graphic below.

We have thus mapped the relevant UNSDGs against sections of the ESG Report to ensure our readers are aware of how the Group contributes to the goals through its actions.

Please refer to the full ESG Report 2022 on the website: [www.calgrom3.com](http://www.calgrom3.com).

The Corporate Governance Report, which forms part of the ESG Report, provides information on how the Group approaches governance matters, along with the Remuneration Report, which provides a detailed analysis of executive and non-executive remuneration and the remuneration philosophy for the Group. The report is available on our website: [www.calgrom3.com](http://www.calgrom3.com) and on pages 47 to 59 of this Integrated Annual Report, respectively.



Durbanville



# 1

## LETTER TO STAKEHOLDERS ON #SUSTAINABLEACTIONS FROM WIKUS, SAYURI AND WALDI

### #SUSTAINABLEACTIONS

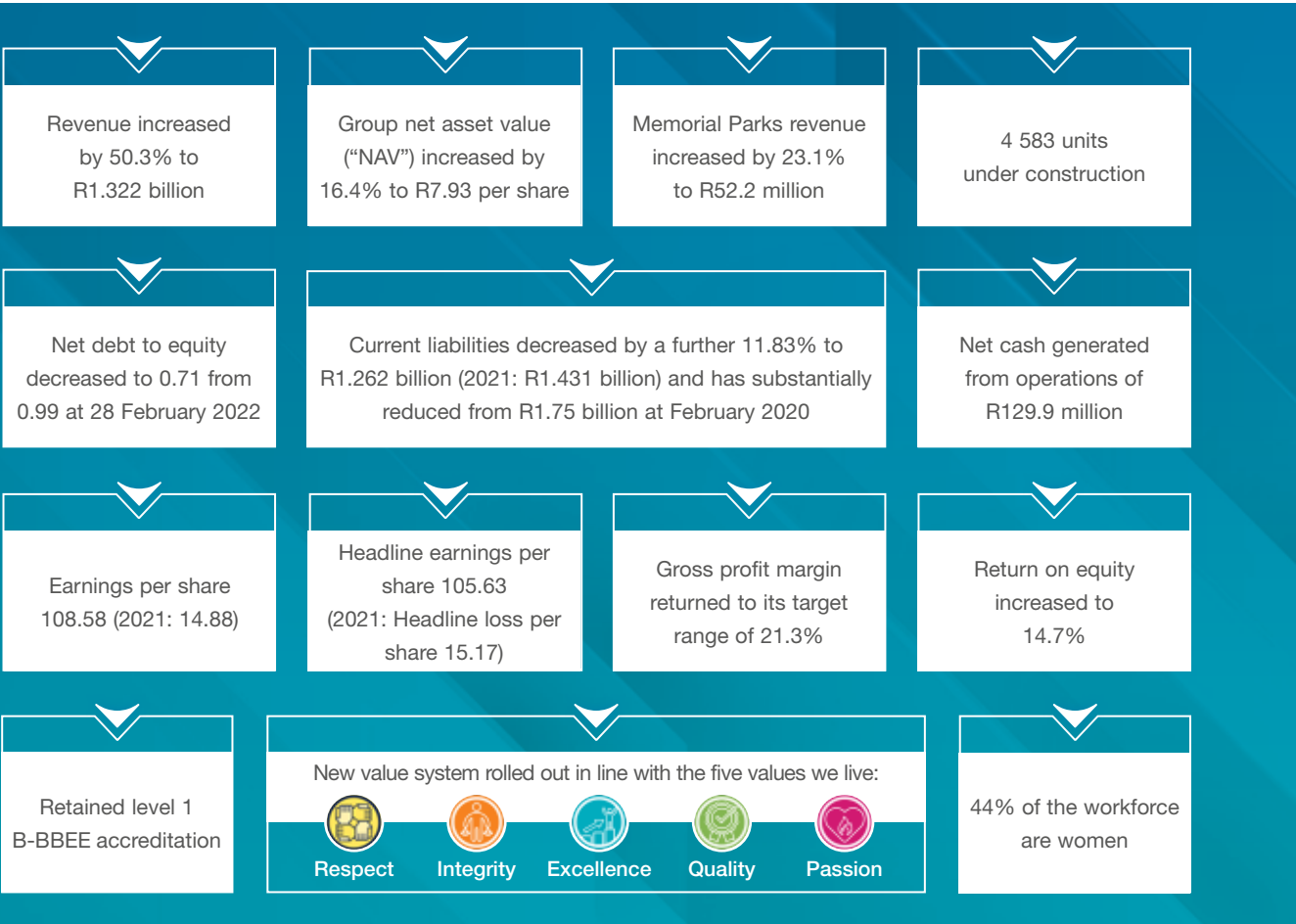
We are pleased to report that the Group has overcome the past challenges as a result of making the hard decisions to counter the key challenges experienced during the 2019 and 2020 financial years to ensure that the Group not only survived Covid-19 but used it as a time to execute its turnaround strategy, assess the future of housing and continue growing the Group to a position where, in the current financial year, it achieved its third highest revenue in its history.

Our market segments present huge opportunities for Calgro M3 and we must ensure that we reap the benefits of these glaring gaps in the market. Our theme for this ever-changing environment is **#sustainableactions**, where we ensure our decisions and actions are taken so that we remain sustainable while supporting **Building legacies, Changing lives**.

This section of the integrated annual report will provide the reader with an oversight of strategy, events and rationale for actions taken that impacted the Group and our financial performance during this financial year.



# OVERVIEW OF THE YEAR AND OUR CURRENT POSITIONING



## Challenges and opportunities

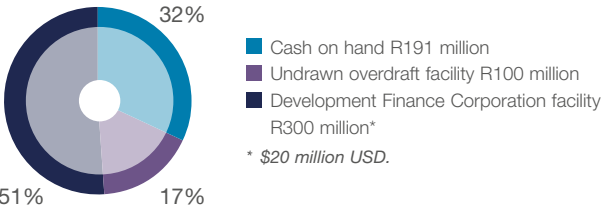
Much has been written in the press on declining economic growth, which since 2014 has resulted in real per capita income decline. This decline over the past eight years is impacting our developmental aspirations and will continue to put pressure on inequality, which in our view is one of the greatest challenges South Africa faces.

With the decline in consumer savings announced recently by almost all banks and youth unemployment rates hovering well above 70%, economic indicators are not only bad, but serious red flags are being raised. Eunomix Research recently projected that in the absence of a vigorous structural transformation of the economy, South Africa is at risk of falling back to a lower-middle-income status by 2028. In addition, the failure to adopt a labour-intensive re-industrialisation policy, South Africa is soon likely to have the highest unemployment rate in the world. This together with many other challenges is placing downward pressure on macro-economic growth. Given global uncertainties, South Africa and the world will remain in turbulent waters for the foreseeable future. We believe that we have to ensure the business remains stable so that we can build on the opportunities that present themselves without increasing risks.

If we remain focused and continue undertaking positive business, while remaining mindful of the risks and applying a risk matrix to every decision, we can build legacies by uplifting more than 5 000 families through the delivery of quality homes, all in support of our theme of [#sustainableactions](#).

The immense shortage of dignified homes and burial options that exists in South Africa will ensure that Calgro M3 has work for many years to come (please see our pipelines on [Q](#) pages 18 and 19). There will be cycles, and the operating environment will not always be easy, but what keeps us focused on the real difference Calgro M3 is able to make in the lives of people every day, and this difference counts for many South Africans.

## Liquidity – total of R591 million available



## ESG

- United Nations Global Compact advanced level status retained
- ISO 14001:2015 and ISO 45001:2018 certification retained



# STRATEGY

Our strategy is to live our values and our mantra of **“Building legacies, Changing lives”** every day, while building homes, providing dignified burial opportunities and in turn serving the people in our communities. Through this we are cash flow focused and continually assessing ways to improve cash generation which will result in an improved operating margin blend as well as the creation of annuity income through our Memorial Park business.

Our progress can be plotted as follows:

## 2008 – 2019

R377 million combined cash generated by the Group

## 2019 – 2022

R807 million combined cash generated by the Group

## 2022

Net cash from operations of R1.06 per share versus earnings of R1.08 per share

**Building legacies. Changing lives**

Three years ago, after emerging from a period of challenges, the Group embarked on a drive to ensure it remains both sustainable and fit for purpose through **#sustainableactions**. We believe our medium to long-term focus has now started to pay off. This is how our thinking has evolved:

## How we think about strategy and positioning

### The past and the realities

- ▶ From roughly 1994 to 2016 Government invested vast amounts on housing for the nation. According to a piece by Adrian Gore at the World Economic Forum, formal housing has increased by 131% from 1996 to 2016
- ▶ Despite Government continuing to spend on housing, the quantum has decreased over the years
- ▶ In the past, Government assisted with funding infrastructure required at integrated developments and in return for this investment, Calgro M3 would supply a certain amount of serviced opportunities for housing to Government to disburse through its programmes
- ▶ Across Calgro M3’s integrated housing developments it would ensure a spread of both public and private sector housing as well as amenities such as crèches, schools, day care centres, shopping centres, places of worship, filling stations, access to transportation routes, green belts, parks and recreation areas
- ▶ In order to diversify further towards the private sector and improved liquidity blend and margin, Calgro M3 diversified into property rental and Memorial Parks
- ▶ During the past four years Calgro M3 successfully fought against power shortages, land invasions, constrained liquidity, a high cost base and a shortage of back-up funds

### The future

Given a structural change in the marketplace, Calgro M3 undertook the following:

- ▶ In line with capital allocation priorities the Group will focus predominantly on the Gauteng and Western Cape provinces while trading out KwaZulu-Natal and Eastern Cape in a structured manner
- ▶ Selling of non-core assets making funds available for debt reduction and capital allocation to current operational projects
- ▶ Bought back and will continue to buy back shares if the share price remains undervalued and cash flow is strong
- ▶ Will refinance and restructure debt as it matures at the level required by the business at the time, while keeping net debt to equity below the following target levels:
  - February 2023 0.8:1
  - February 2024 and beyond 0.75:1
- ▶ Focus on the relationship between Calgro M3 and our outsourced contractors to keep enhancing long-term relationships
- ▶ Calgro M3 strives to be in a position where it can trade effectively, with focus on what can be controlled to ensure shareholder returns
- ▶ Housing backlog remains glaring in South Africa at ±5.6 million units
- ▶ Total available residential opportunity pipeline of 24 563 units, excluding the new Frankenwald project which will yield approximately 30 000 opportunities
- ▶ Increased demand for memorial parks burial space as municipal burial grounds are at capacity
- ▶ Looking forward, the business has:
  - Strong cash flow;
  - Lean overhead structure;
  - Ample serviced opportunities; and
  - Strong sales across markets.

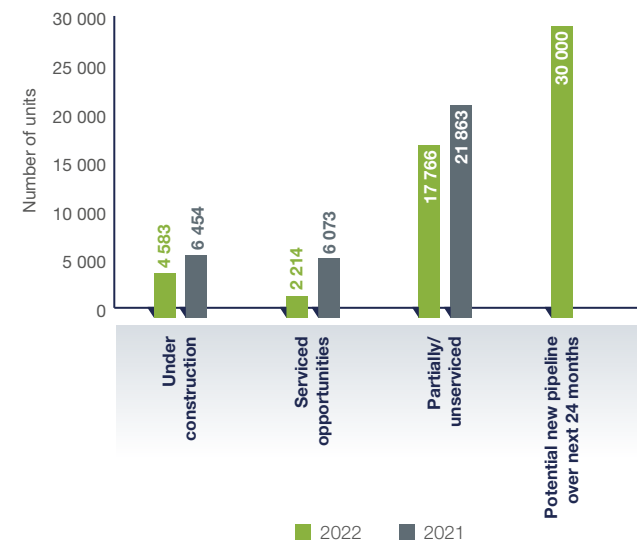


Residential Property Development

- ▶ Utilise the massive demand that exists in South Africa for quality affordable housing
- ▶ Limit reliance on public sector spend for infrastructure\*
- ▶ Funding for operations as well as new infrastructure phases:
  - Cash generated from operations
  - Long-term funding options from various DFIs
  - Bond capital market showing interest again
  - Further sale of non-core and balance of old rental stock portfolio
- ▶ Ensure strong cash generation, even though new infrastructure phases will be commenced, to maintain liquidity
- ▶ Effective and efficient capital allocation

\* Typical infrastructure: water and sanitation, electricity, access roads, lighting, security.

Completed units in current year  
2 685 (2021: 1 542)

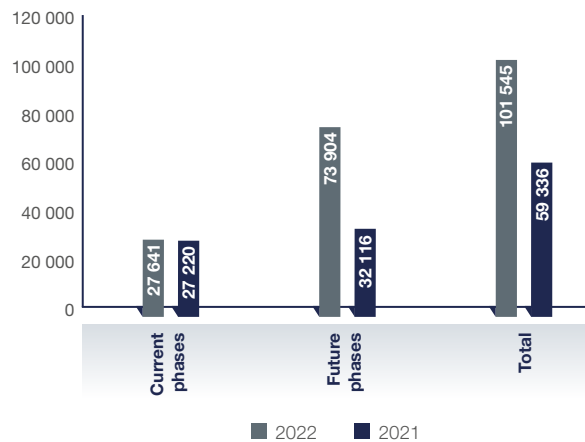




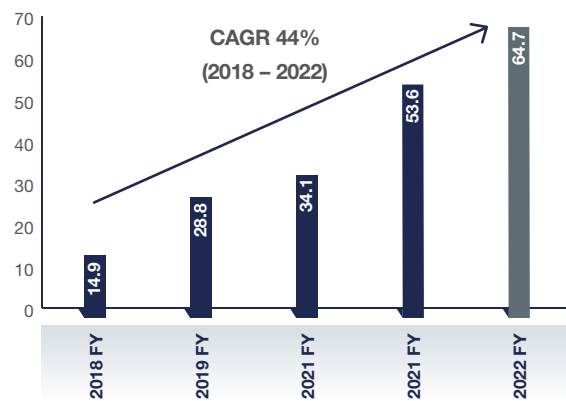


Memorial Parks

Number of units (graves)



Total cash received (including VAT) (all products excluding rental income) (R million)



Highlights, challenges and outlook

Emphasis on sales distribution channels to ensure increased sales momentum and active targeting of potential customers will be maintained. Various alternative sale opportunities are being investigated to enhance market share as well as to make our products more affordable across all product ranges which include amongst others: extended payment options offered to clients (at no interest or additional fees), with up to 12 months to pay via debit order and making burial opportunities available through funeral policies or alternative funding arrangements.

“The operations of Calgro M3” section on page 19 contains a detailed project pipeline, showing a 80% increase in the pipeline.



Enhancing the affordability of our product, through new and innovative methods, is a key area of focus.

STRATEGY (CONTINUED)



Along these lines 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 segment of the market, previously not able to afford a grave at the Nasrec Memorial Park, and which has resulted in an increase in market share in Gauteng during the year. This product is 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 the bank for the purchase of a grave.

The ignition of the market near Enokuthula Memorial Park in Springs remains a focus area and we are confident that product and pricing structures implemented will yield the desired results.

Bloemfontein Memorial Park continued to operate at minimum capacity throughout the year under review in anticipation of the approval of burial rights. The long-awaited burial rights are expected imminently and in order to adequately prepare for this, subsequent to year-end, the full operation of the park was reinstated and preparations for operating at full capacity have commenced. The adjacent property of 25.6 hectares, able to accommodate a further circa 40 000 graves, is ready to commence with its burial rights application. This memorial park is set to become one of the largest parks operated and managed by Calgro M3 and will provide for the need of a dignified burial space in Bloemfontein and the surrounding areas.

The national roll-out and development of further land parcels within existing parks remains a priority with investigations ongoing. The acquisition of new parks in strategic locations are also being investigated.

**This strategy is needed to ensure sufficient density of presence given that research shows burials take place within a 15 km radius of loved ones.**



## STRATEGY (CONTINUED)

### Short to medium-term goals


Short to medium-term goals have remained in line with the previous year. Below is an update of how we currently measure up to goals previously set. These goals have been retained for the new year and management will continue driving actions towards achieving these goals in a manner befitting **#sustainableactions**.

#### Goals over the short term

##### What we said

##### How we have performed

Cash preservation and liquidity of balance sheet

Total available liquidity amounts to R591 million (see graph on  page 10 for sources and breakdown)

Maximising cash generation and roll-out of existing project pipeline

To date no new projects have been added. During the last three to four years net cash from operations was 14% higher than after tax profit, with cash generated from operations being R807 million over the last three years

Continued focus on variable cost model

Even though revenue increased just over 50% administrative expenses were contained

Greater brand awareness and the creation of an aspirational brand

Underway with both open market residential sales and increasing burial site sales

Ensure the Calgro M3 team remains passionate about serving the people of South Africa by **Building legacies, Changing lives** while staying true to our core principles.

#### Goals over the medium term

##### What we said

##### How we have performed

Consistent, predictable cash flow from the Memorial Parks business to stabilise lumpy cash flows from the Residential Property Development business

Memorial Parks revenue increased by 23.1%, contributing R19.6 million in gross profit, and R64.7 million of free cash flow to support the funding of Group overheads and interest.

Ensure long-term sustainability

Retain strong pipeline in excess of R15 billion and working on the Frankenwald project that will bring affordable and integrated housing to the doorstep of Sandton

Strong liquidity of nearly R600 million

Secure additional pipeline projects with no or limited immediate impact on the Group's liquidity with these only to commence after the roll-out of the existing pipeline

Frankenwald remains secured by limited option fee for another two years

Exploring small projects close to the areas familiar to Calgro M3 (i.e. the Fleurhof area)

## STRATEGY (CONTINUED)

### / Debt capital restructure /

What we said	How we have performed								
<p>Decrease net debt to equity to:</p> <table> <tr> <th>Date</th><th>Target</th></tr> <tr> <td>by 28 February 2022</td><td>0.90:1</td></tr> <tr> <td>by 28 February 2023</td><td>0.80:1</td></tr> <tr> <td>by 28 February 2024</td><td>0.75:1</td></tr> </table>	Date	Target	by 28 February 2022	0.90:1	by 28 February 2023	0.80:1	by 28 February 2024	0.75:1	<p>Net debt to equity improved to 0.71:1</p> <p>This is ahead of previous targets but as new infrastructure phases will now commence, this might increase slightly again during the new financial year but will not increase in excess of the February 2024 target on a short-term basis.</p> <p>The Executive Directors' short-term incentive scheme is linked to these targets.</p>
Date	Target								
by 28 February 2022	0.90:1								
by 28 February 2023	0.80:1								
by 28 February 2024	0.75:1								
<p>Cash liquidated from the following to be utilised for decreasing debt:</p> <ul style="list-style-type: none"> <li>▶ The sale of various commercial and retail stands;</li> <li>▶ Sale of the residential rental portfolio; and</li> <li>▶ Partnering with third-party developers to fast track cash conversion on the mid-to-high cluster portfolio.</li> </ul>	<p>Sale of various commercial and retail stands are well progressed and should be concluded in the 2023 financial year. All these transactions were previously delayed due to the unrest in July 2021.</p> <p>Sale of residential rental portfolio</p> <ul style="list-style-type: none"> <li>▶ South Hills and Scottsdale rental units are being sold on a continuous basis, even though the overall pace is slower than originally anticipated. Around 25% of the total portfolio has been sold to date.</li> </ul> <p>Partnering with third-party developers to fast-track development of mid-to-high cluster portfolio.</p>								
<p>Any additional capital available, once these targets have been achieved, will be utilised for:</p> <ul style="list-style-type: none"> <li>▶ Creation of a larger cash flow buffer for unforeseen events;</li> <li>▶ Working capital;</li> <li>▶ Opportunity capital should extraordinary opportunities arise; and</li> <li>▶ Share buy backs.</li> </ul>	<p>Sustainable liquidity buffer in place.</p>								

### / Variable cost structure /

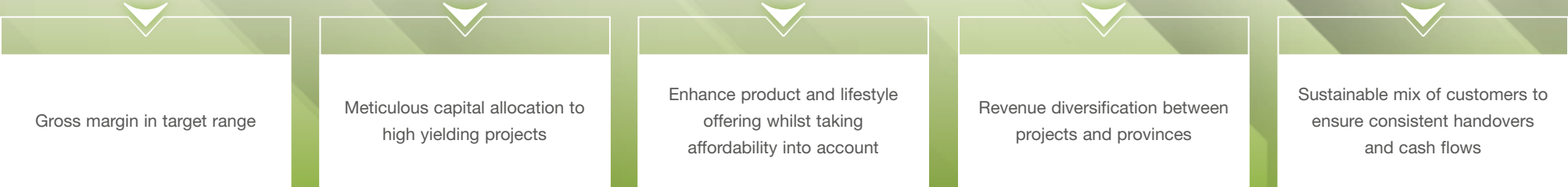
Cost containment remains a major focus area and will always be. The focus was to reduce the fixed cost base, at the same time ensuring better efficiencies. In this financial year it is evident that even though revenue grew just more than 50%, administrative costs were contained.



# OPERATIONS



## Year at a glance



The Residential Property Development business is the largest contributor to revenue operating primarily in two provinces, namely Gauteng and Western Cape, while trading out of KwaZulu-Natal. There are 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.

With 4 583 opportunities under construction (compared to 4 654 a year ago), 2 685 opportunities completed and a pipeline of 24 563 opportunities due to the subsequent disposal of Safdev Tanganani (Pty) Ltd and the densification of various projects, the Group is well positioned, sufficiently capitalised and has liquidity to address market demand. Given predicted interest rate increases the Group remains cautious of the economic impact on our customers and the potential tightening of criteria from banks.

### Interest rate impact:

It is worth noting that on a R500 000 home bond, a 1% increase in the interest rate makes a R313.81 per month difference to the client's bond repayments.

Non-core projects and the remaining rental units in South Hills and Scottsdene will continue to be sold, while core project returns are being maximised through town planning, improved designs and product enhancements catering for the discerning clientele, while keeping sales prices affordable and at a level where banks approve mostly 100% bonds.

Calgro M3 remains confident that it has made major strides in containing costs and will continue working on making building design and layouts more efficient, to contain building costs which impact margins.

With improved design layouts and densifications, Calgro M3 has increased the number of opportunities in the Fleurhof, South Hills and Witpoortjie developments by more than 5 000 opportunities. No additional capital costs other than professional fees, which were not capitalised, were incurred to achieve this. Future internal infrastructure costs were reduced, and this will enhance the gross profit margin over the next 18 to 36 months.

Limited infrastructure investment took place during the year but the Group is planning on self-funding approximately R120 million of infrastructure investment during the 2023 financial year. Although the Group is confident that the cash generated from operations will be more than sufficient to fund this, cash generation remains somewhat seasonal and net debt to equity might increase slightly for a short period of time.

The South Hills substation is complete and being commissioned by the relevant authorities on a phased basis.

## OPERATIONS (CONTINUED)

### Revenue pipeline

Projects	Units under construction	Serviced opportunities	Unserviced/ partially serviced opportunities	Total remaining opportunities	Revenue pipeline
Belhar CBD	2 286	687	984	1 671	1 288 136 703
Bridge City	356	–	–	–	137 896 111
Fleurhof	295	–	4 270	4 270	3 487 163 718
Jabulani Precinct	768	688	487	1 175	896 514 783
La Vie Nouvelle	4	84	–	84	199 804 010
Scottsdene	668	367	–	367	412 048 522
South Hills	–	332	4 601	4 933	3 043 176 978
Umhlanga Hills (if developed)	–	–	720	720	562 852 174
Vredehoek	–	–	263	263	819 038 261
Maitland	204	–	–	–	77 520 000
Mid-to-high	2	56	334	390	1 163 716 030
Witpoortjie	–	–	6 107	6 107	3 032 180 198
KwaNobuhle	–	–	–	–	175 000 000
	4 583	2 214	17 766	19 980	15 295 047 488

The potential contribution of the Frankenwald property has been excluded from the above numbers.

Frankenwald, situated next to Alexandra and the Marlboro Gautrain station, is the last remaining large-scale property in the greater Sandton area. Calgro M3 holds an option to acquire the parcel of land in partnership with a major third-party commercial property developer. Other than the annual option fee, no material financial commitments are planned for this project for the next year. Calgro M3 is planning to commence some government funded bulk and link infrastructure towards the end of next year.

“A man is not a man until he has a house of his own.”  
– Nelson Mandela



### Strategic summary for Residential Property Development

#### Calgro M3 is positioned to benefit from:

Focused on Johannesburg and Cape Town where 66.3% of the South African property market in Rand value is located according to Lightstone Property Research

#### Strong market potential:

- Availability of quality housing opportunities has not kept track with South Africa's population growth
- Calgro M3 operates primarily in the lower end of the market where there is strong demand from aspiring buyers, residential property funds renting units to non-qualifying buyers or young people that require flexibility as they are still growing their careers and do not want to be tied to a bond yet
- Beneficiaries of subsidised housing and tenants that require better living conditions

#### Supported by a low, fixed cost structure



## OPERATIONS (CONTINUED)



### Year at a glance

Revenue increased by 23.1%

Total cash received increased by 20.7% to R64.7 million (2021: R53.6 million)

Current market share remains <2% in metro areas representing strong growth opportunities

Continued focus on distribution channels and affordability enhancement

National roll-out and development of further land parcels remains a priority

#### Total cash received (including VAT) (All products excluding rental income) (R million)

	2022 FY	2021 FY	2020 FY	2019 FY
Nasrec (Gauteng)	25.8	24.5	17.3	14.7
Fourways (Gauteng)	23.5	16.3	8.2	7.9
Enokuthula (Gauteng)	1.7	1.3	0.4	0.1
Bloemfontein (Free State)	0.4	0.3	0.2	0.2
Durbanville (Western Cape)	13.3	11.2	8.1	5.9
	64.7	53.6	34.1	28.8
Growth	20.7%	57.2%	18.5%	93.3%

#### Memorial Parks pipeline

Project/Park	Region/City	Province	Grave quantity	Anticipated project turnover (Rand)
Nasrec Memorial Park	City of Joburg	Gauteng	29 500	924 560 073
Fourways Memorial Park	City of Joburg	Gauteng	7 745	306 413 134
Enokuthula Memorial Park	City of Ekurhuleni	Gauteng	11 116	119 948 191
Bloemfontein Memorial Park*	Mangaung	Free State	46 489	604 361 160
Durbanville Memorial Park	City of Cape Town	Western Cape	6 694	174 559 962
<b>Total</b>			<b>101 545</b>	<b>2 129 842 520</b>

# Anticipated grave density and turnover once burial rights application is approved.

The year under review ensured further tightening of the strategic objectives of this segment of the Calgro M3 business. To this end, Waldi Joubert, the previous Financial Director of Calgro M3, has taken the reigns as managing director of Memorial Parks, to ensure a dedicated leader and strategist is in place to roll out the Memorial Parks strategy.






With 2 324 burial opportunities sold in the year (2021: 1 769), and a remaining total pipeline of 101 545 burial opportunities as well as other products at current parks, the Group is well positioned and remains bullish

on growth opportunities in this business segment. Our ability to match the profitability of the property development business in the medium to long-term remains a focused goal. The current strategies, to achieve this goal, include establishing a national footprint and enhancing sales distribution through various channels.

The national roll-out and development of further land parcels within existing parks remains a priority with investigations ongoing. The acquisition of new parks in strategic locations are also being investigated.




**Memorial Parks is a key expansion area for the Group with the medium-term objective being to grow cash receipts from Memorial Parks to support all Group overheads and interest obligations.**

# KEY OPERATIONAL CHALLENGES

Key operational challenges	Impact	Response
 Covid-19	<ul style="list-style-type: none"> <li>▶ Time related impact on developments as positive Covid-19 cases are identified</li> <li>▶ Capacity constraints as positive cases on site reduce available resources</li> </ul>	<ul style="list-style-type: none"> <li>▶ Detailed health and safety protocols communicated and enforced at all sites, memorial parks and at head office</li> <li>▶ Documented contingency planning in place should key personnel contract Covid-19</li> <li>▶ Covid-19 policy is regularly reviewed and updated to ensure compliance with latest Governmental guidelines and best practices.</li> <li>▶ Covid-19 policy is communicated with all staff as updates and amendments are approved</li> <li>▶ Vaccination policy has been implemented by the Group, alternative Covid-19 testing options are available for unvaccinated employees at predetermined intervals</li> </ul>
 Housing shortages leading to calls for land expropriation without compensation	<ul style="list-style-type: none"> <li>▶ Illegal land and unit invasion/grabs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Currently no illegal invasions</li> <li>▶ Security in place and assisting local and provincial government to eradicate the housing shortage</li> <li>▶ Closer working relationships between Calgro M3, security and police in order to avoid illegal invasions</li> <li>▶ Enhancing communication of the Group's positive impact on communities during and after development</li> </ul>
 Artisanal skills shortage	<ul style="list-style-type: none"> <li>▶ Delivery of products and services</li> </ul>	<ul style="list-style-type: none"> <li>▶ Direct and indirect skills development and subcontractor training programme</li> <li>▶ Nurturing relationships with small contractors to grow alongside the Group as well as the mentoring and training of young individuals</li> <li>▶ Human capital management to ensure succession and availability of resources to facilitate Group growth</li> </ul>
 Energy and water shortage	<ul style="list-style-type: none"> <li>▶ Availability of these critical services impact lifestyle</li> <li>▶ Rising prices have an impact on development costs and client affordability</li> <li>▶ Construction is a heavy user of water in a country where it is scarce</li> </ul>	<ul style="list-style-type: none"> <li>▶ Saving water and energy and reducing carbon footprint, throughout the life cycle from preferential procurement through construction activities and client education at handover</li> <li>▶ Use of alternative water and energy solutions supports the future sustainability of developments, in conjunction with our focus towards environmentally friendly designs, e.g., JoJo tanks for gardening and fire services, heat pumps, dual-flush toilet systems, water saving mechanisms on all taps, and gas and solar geysers</li> <li>▶ Use of bore hole water during the construction phase to limit the effect on publicly available water facilities</li> <li>▶ Finding a balance between the cost of "green products" vs selling price of products</li> <li>▶ ISO 14001:2015 certification</li> </ul>
 Health and safety	<ul style="list-style-type: none"> <li>▶ Ensuring a safe and healthy work environment</li> </ul>	<ul style="list-style-type: none"> <li>▶ Enforce international health and safety best practices</li> <li>▶ Ensuring a safe work environment for staff</li> <li>▶ Ensuring safety of all stakeholders/communities on our projects</li> <li>▶ ISO 45001:2018 certification</li> </ul>



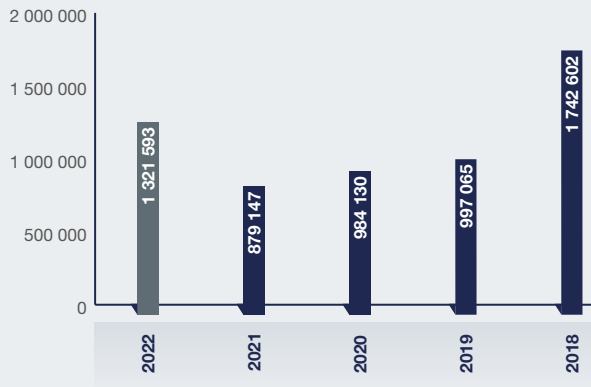
## KEY OPERATIONAL CHALLENGES (CONTINUED)

Key operational challenges		Impact	Response
	Government assistance	<ul style="list-style-type: none"> <li>▶ Acceptance of our integrated model and granting the associated regulatory approvals</li> </ul>	<ul style="list-style-type: none"> <li>▶ Through relationship building, delivering on our partnerships with the public sector and proving the effectiveness of integrated development, we build awareness and acceptance</li> </ul>
	Community relations	<ul style="list-style-type: none"> <li>▶ Stoppages to construction activities</li> <li>▶ Community unrest</li> <li>▶ Vandalism and destruction to property</li> </ul>	<ul style="list-style-type: none"> <li>▶ Enhancing communication of the Group's positive impact on communities during and after development</li> <li>▶ Upliftment of community through skills development, e.g. training and CSI initiatives</li> <li>▶ Employment and job creation within the community which we develop</li> </ul>
	Changing social structures of the past	<ul style="list-style-type: none"> <li>▶ Allowing communities from different social and economic backgrounds to live in harmony with one another in a pleasant environment</li> </ul>	<ul style="list-style-type: none"> <li>▶ Social acceptance of the Calgro M3 products ensure: <ul style="list-style-type: none"> <li>– Race and class integration</li> <li>– Building role models within society</li> </ul> </li> <li>▶ Creation of aspirational products and spaces where communities can live, socialise and relax</li> </ul>

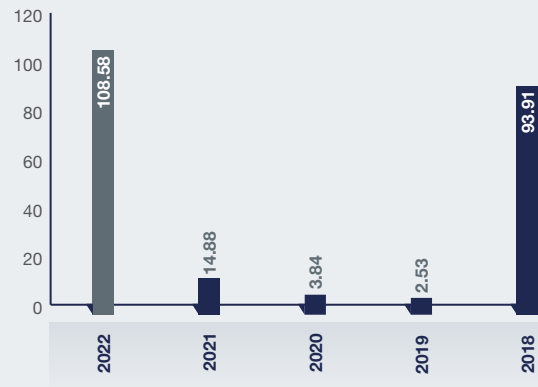


# FINANCIAL PERFORMANCE

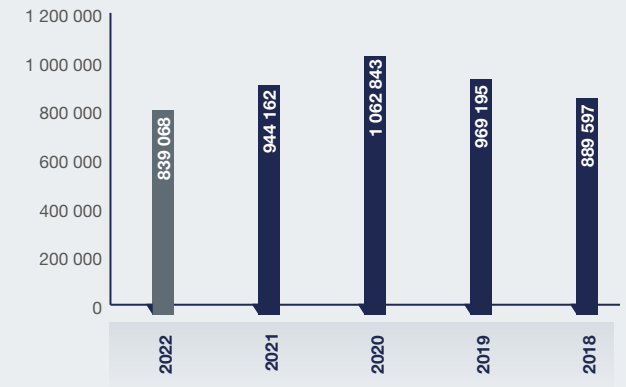
Revenue (R'000)



Earnings per share (cents)



Borrowings (R'000)



Drive to sustain sales and improve margins to previous historical levels

Continued profitability

Ensure strong cash and diligent capital allocation in order to reduce debt

## Since listing

Third highest revenue

Fourth highest HEPS

Current liabilities are the lowest in six years

Fourth highest cash balance

Net cash generated from operations in the last three years of R807 million vs R337 million generated in the last 12 years

Strong balance sheet for resilience and growth

## FINANCIAL PERFORMANCE (CONTINUED)

### Statement of comprehensive income

In the current financial year, the Group has reported its third highest revenue number in its history, with both revenue and gross profit delivering a stronger performance in the second six months of the year. Overall revenue for the year increased by 50.3% to R1 321.6 billion (2021: R879.1 million). The improved performance in the second six months is as a result of unit registrations.

The gross profit margin recovered to 21.3% (2021: 12.3%) from a level of 19.7% at August 2021. The increase in gross profit is as a result of rigorous cost containment and the outsourcing of construction activities. This coupled with enhancements made to the development process resulted in the Group strengthening its gross profit margin towards its target range of 20% to 25% in the current year.

Administrative expenses increased as a result of marketing spend that is linked to revenue growth, together with a higher staff compliment. The total increase was however contained to a minimal 3%.

The increase in share of profits from joint ventures is driven by registration of open market units within the South Hills integrated development. The reduction in other income is attributable to the sale of a subsidiary in the comparative period for R36 million.

The reduction in net finance costs in the current year is mainly attributable to the suspension of capitalisation of borrowing costs in the comparative period due to the Covid-19 pandemic.

Financial metric	February 2022	February 2021	Movement
Revenue (R million)	1 321.6	879.1	+50.3%
Gross profit (R million)	281.8	108.0	+161.0%
Gross profit %	21.3%	12.3%	+9%
Administrative expenses (R million)	(89.7)	(87.1)	+3.0%
Share of profit/(loss) of joint ventures and associates – net of tax (R million)	9.6	3.3	+190.9%

### Earnings per share

Basic earnings per share ("EPS") increased to 108.58 cents per share (2021: 14.88 cents per share). Headline earnings per share ("HEPS") improved to 105.63 cents per share (2021: 15.17 cents loss per share).

### Statement of financial position and cash flow

Current assets (excluding cash and cash equivalents) decreased by R47.8 million due to a reduction in the loans to joint ventures, inventories and trade and other receivables in the current year. The reduction in the loans to joint ventures was primarily driven by the sale of the investment in Safdev Tanganani (Pty) Ltd (R7 million impairment on loans to joint ventures is included in other expenses on the statement of comprehensive income) and the acquisition of the remaining shareholding in 32-On-Pine Property Development (Pty) Ltd (resulting in a R3.5 million gain on bargain purchase within the statement of comprehensive income). Inventory, construction contracts and trade and other receivable balances will fluctuate depending on the specific phase that a development is in at the reporting date. The net movement is a function of new units under construction compared to units completed and transferred to end-users during the year. The Group continued to generate positive cash from operations of R228.2 million (2021: R114.8 million) for the year.

R133.5 million in deferred land purchase and share liabilities were settled during the year. This contributed to the decrease in trade and other payables to R422.1 million (2021: R486.9 million).

Cash and cash equivalents at the end of the year increased to R191.1 million (2021: R154.6 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.



## FINANCIAL PERFORMANCE (CONTINUED)

### Borrowings and covenants

The balance sheet of the Group is strong with a net debt to equity ratio of 0.71:1, this is below the communicated target of 0.9:1 and well below the regulated covenant of 1.5:1.

The debt levels are expected to decrease in line with the targets as set by management, however additional funding may be raised should short-term funding be required at any given stage due to the seasonal nature of the Group's cash flow.

The Group has settled debt of R107.4 million in the current financial year, which includes the first repayment of the Proparco facility which fell due in the current financial year.

A summary of the debt and maturities is as follows:

	Rand	Maturity profile	Rand
Opening balance 1 March 2021	958 000 000	FY 2023*	194 800 000
New debt	–	FY 2024	282 800 000
Debt repaid	(107 400 000)	FY 2025	211 750 000
		FY 2026	107 500 000
Closing balance – 28 February 2022	850 600 000	FY 2027	53 750 000

\* Subsequent to the end of the financial year the Group has settled a further R77.4 million of outstanding debt which fell due.

### Financial covenants

Net debt to equity ratio



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

Debt service cover ratio ("DSCR")



The minimum allowed DSCR ratio for the Group is 1.2.



Fourways

## WHERE TO FROM HERE?

As we write this, South Africa has ended the state of disaster and we believe the country is ready for its next chapter. At Calgro M3 we will remain cautious, but we will continue implementing initiatives to grow our businesses while not forgetting our core values.

Although many statisticians and economists are making forecasts and predictions, it is very difficult to predict what the long-lasting effect of Covid-19 or a similar pandemic might be on South Africa. We believe the challenge for South Africa and Calgro M3 is not Covid-19, but rather the ability to continue trading through stormy waters, ensuring we get to the other side, and then look forward to our runway of opportunity.

**We believe that we have demonstrated that we have a business that can withstand challenges and that we have a team that can get the job done.**

We will continue focusing on cash flow driving both revenue and profit generation whilst managing the level of debt.

The optimal application of capital between risk capital, working capital, new opportunities, and share buybacks will remain important strategic considerations. Management places emphasis on cash flow generation from projects by increasing sales, the sale of non-core assets and the preservation of cash for future use. The highly anticipated Frankenwald integrated development will come on stream in less than two years from now and Calgro M3 is excited about new plans to enhance the face of affordable, value for money homes it will bring to the doorstep of Sandton. We are confident that we will be able to fund this development from cash generated from our current projects and that it will be the next phase of Calgro M3 legacy.

In addition to this, we are also exploring the expansion of some of our current projects by accessing neighbouring land and opportunities in the Western Cape, to remain well diversified between projects and provinces. The Group remains cautious in the current uncertain environment and careful consideration will be given to what the best use of cash is on each project, to ensure a sustainable long-term return and value for shareholders.

Memorial Parks is set to benefit from greater market share with our value offering now entrenched at a level above that of other cemeteries in South Africa and with Waldi Joubert appointed as the managing director on a full-time basis we are confident that his entrepreneurial flair and full-time commitment to this business will show great returns in future.

We will continue investigating the best land use allocation and product mix within our residential development projects, and consider and capitalise on any better cash and profit allocation opportunities.

## THANK YOU

Given the difficulties of previous periods, it is with great pride and gratitude that we thank all our employees, clients, shareholders and stakeholders for your ongoing support of Calgro M3.

We are grateful to our Board of Directors for their support, wise counsel, and commitment to the Group through Board and Committee meetings.

Calgro M3 will strive to support South Africa as we continue to – ***“Building legacies, Changing lives”***.



**Wikus Lategan**  
*Chief Executive Officer*



**Sayuri Naicker**  
*Incoming Financial Director*



**Waldi Joubert**  
*Outgoing Financial Director*

16 May 2022



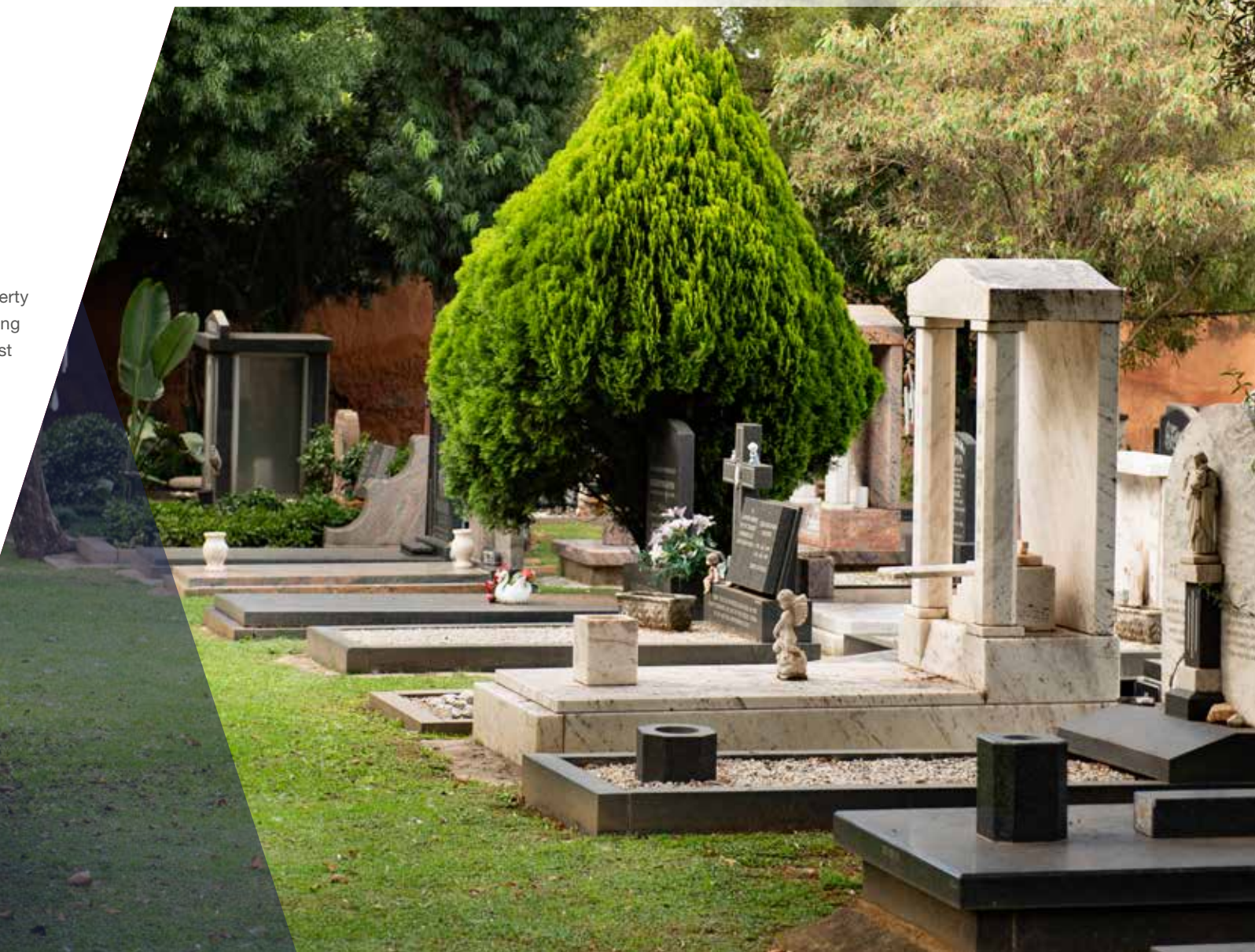
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## THE OPERATIONS OF CALGRO M3

Calgro M3 specialises in Residential Property Development and Memorial Parks, providing innovative, cost efficient solutions of the highest quality across these businesses.

These two businesses operate using the same turnkey and variable business model that allows for the extraction of value from multiple areas while mitigating risk throughout the process.

The operations and the risks associated with these businesses are discussed in this section, together with their respective pipelines.





# BUSINESS MODEL AND OUR CAPITALS

Establishing sustainable business practices begins by recognising the broader social and environmental responsibilities that we have as an organisation towards society and the communities we operate in. We strive to enhance our product offering, setting new standards for sustainable Residential Property Development and Memorial Parks that will benefit all stakeholders along the value chain. **“Building legacies, Changing lives”**.

Our turnkey and variable approach affords Calgro M3 the opportunity to manage each aspect of the Residential Property Development and Memorial Parks businesses and in this way, trap margin within the business, while ensuring high-quality end products and services at an affordable price to the customer. We provide end-to-end solutions, through specialist business units and dedicated management that focus on high growth, niche markets and ensure a deep pool of expertise.



## BUSINESS MODEL AND OUR CAPITALS (CONTINUED)

### Guiding principles that set us apart

#### Building legacies, Changing lives

Calgro M3 has operated as a residential property developer since 1995. In 2015 the Group ventured into the development of Memorial Parks. Calgro M3's market is driven by the need for housing and burial sites. For all of the above there is a dire shortage in South Africa. Across the spectrum of products there is a fundamental principle that Calgro M3 will ensure delivery of quality products in a professional and dignified manner.

##### What does this mean?

Calgro M3 is driven in its purpose to deliver quality products and services to South Africans in segments where there are fundamental shortages. By building truly integrated developments, which have access to transport, clinics, shopping centres, education, day care, rainwater harvesting and many more benefits, and making safe, secure and well-maintained burial sites available, the lives of people are improved and dignity restored.

#### Positioned for growth

We are positioned to grow the developments and memorial parks businesses in the medium term, and believe that we remain well positioned to grow in future.

##### What does this mean?

All funding on the balance sheet is unsecured and managed through a central treasury function. Our gearing has to adhere to strict covenant levels imposed by external funders as well as internal tolerance levels. All funding raised on the debt capital markets or elsewhere involves reputable financial organisations.

#### Social consciousness

In all that we do, we ensure that our social consciousness is in the right place. Our homes are quality built in areas where housing shortages exist, close to modes of transport, with access to educational facilities, with sufficient green areas, walkways and play areas for children.

Importantly, our homes also conform to various environmental standards where we install water reticulation and rainwater harvesting, gas and solar for heating geysers with a final build that is as socially conscious as possible.

##### What does this mean?

At Calgro M3 our mantra of ***Building legacies, Changing lives***, rings true and is the foundation of all that we do. The external recognition we have received for our achievements speaks volumes in this regard, and we can be rightly proud of how we operate.

#### Sustainability through a comprehensive project pipeline

Our pipeline is R17.4 billion, made up as follows: 88% Residential Property Development and 12% Memorial Parks. These properties and memorial parks are located across provinces in South Africa and provide a good risk mix.

##### What does this mean?

Our footprint is able to support our underlying principle of reducing the housing and burial shortage in South Africa.



# RESIDENTIAL PROPERTY DEVELOPMENT



32-On-Pine



2021

2022

Jabulani



2021

2022



RESIDENTIAL PROPERTY DEVELOPMENT (CONTINUED)



## RESIDENTIAL PROPERTY DEVELOPMENT (CONTINUED)

Calgro M3's Residential Property Development business operates mainly within a sector of the market where there is a dire shortage of housing. In 1994 the Government endeavoured to eradicate the housing backlog based on a housing code that was aimed at providing housing to previously disadvantaged South Africans. This is in line with the Constitution of South Africa which provides a right to shelter for all.

### The market and conditions we operate in

The residential property market is showing signs of rejuvenation after two years of Covid-19 stress, and while property transfers overall are still trending negatively, we are experiencing a positive upturn in the lower market.

More first-time buyers are entering the market, a trend that has been edging upwards over the past four years as a percentage of transfers following years of consistency in the market.

**There were marginally fewer first time buyers in 2021** (to 106 417 from 106 617 in 2020) but significantly it was first time buyers in the Affordable value band who were most affected by the pandemic and tough economic conditions as purchases dropped from 37 353 in 2020 to just 31 780 this year – which was short of the 46 995 in pre-pandemic 2019.

	2019	2020	2021
Affordable	46 995	37 353	31 780
Mid value	45 309	38 927	42 128
High value	23 611	23 883	25 315
Luxury	6 039	6 454	7 194
Grand total	121 954	105 617	106 417

However, there were more first time buyers in the mid, high and luxury value bands.

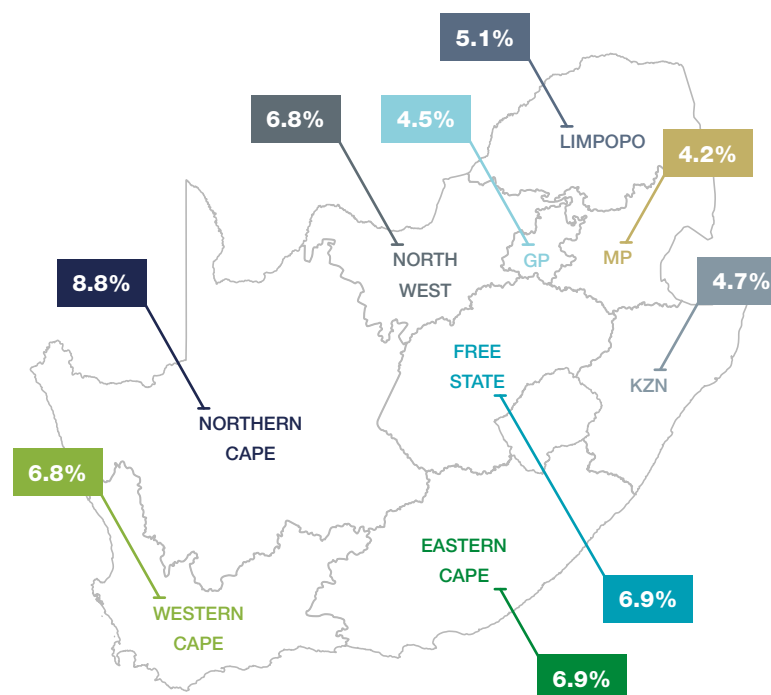
Despite the reduced number of first time buyers, the value spent was higher than previous years – R75.6 billion compared to R66 billion in 2020.

Calgro M3 will remain cautious on market strength as there is a 12 to 18-month capital exposure period from the commencement of construction on sectional title units, to the day that the units are handed over. The largest percentage of our clients are first-time home buyers who are and will continue to benefit from lower interest rates, despite an expected slight increase in rates into the future (please see calculated effected on [page 17](#)).

Calgro M3 is encouraged by the appetite from all the major banks and their continued support of the residential development industry, which is critical in not only providing much needed dignified accommodation but is also a major contributor to job creation and wellbeing.

We further believe that Government has had a renewed realisation, in the wake of the Covid-19 pandemic, that formalisation of housing must be a priority on the Governmental budget spending list. The President is making progress on fund raising for infrastructure, from which new housing initiatives will also benefit.

### Latest/current provincial property inflation status



(Source: Lightstone)



RESIDENTIAL PROPERTY DEVELOPMENT (CONTINUED)

From a construction cost perspective, Calgro M3 remains confident that it has made major strides in containing costs and will continue working on making design layouts more efficient, resulting in contained building costs which will impact our margin and assist in containing sales prices.

**We believe that this is clearly visible in the gross profit margin having improved to over 20% again.**

Land expropriation without compensation remains a concern. We strongly believe that our sites are less susceptible to this risk due to the nature of the primary market, the fact that most of our developments are under construction and because of housing delivery requirements that Calgro M3 fulfils on behalf of Government.

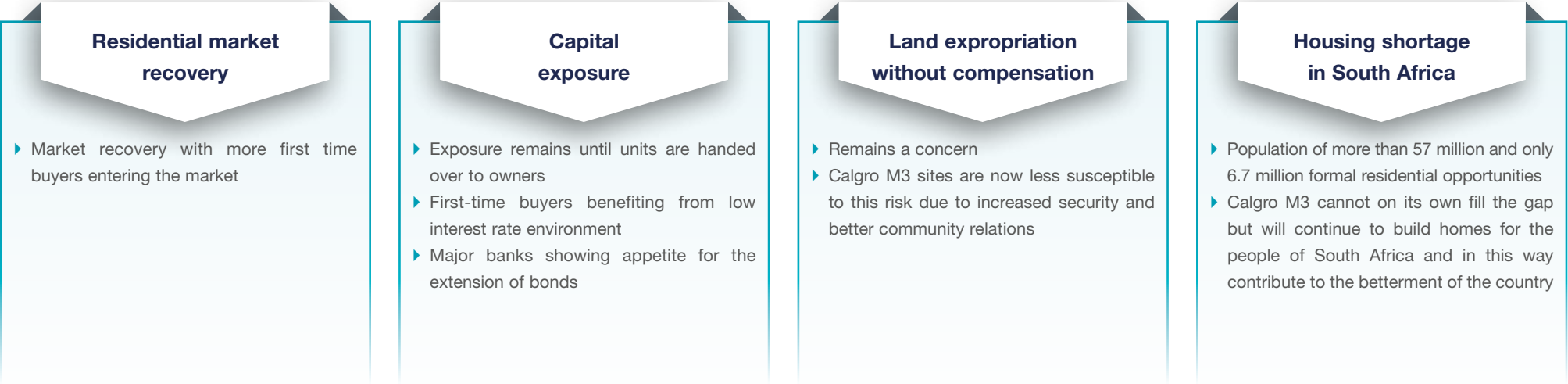
This strong belief of course excludes the pure gangsterism and criminal elements which hijack projects and buildings under this umbrella for selfish personal gain. To alleviate this risk the Group continues to have additional security in place at all sites that are susceptible to invasions. Valuable lessons have been learnt in the past three to four years and we are confident that this risk is now well managed. Numerous interactions with different levels of Government proposing various initiatives to fast-track housing delivery, have further reduced the Group's risk. There are, of course, no guarantees and continuing engagement with Government and surrounding communities on this matter continue to take place.

With a South African population of more than 57 million people and only 6.7 million formal residential opportunities we

believe the housing shortage is undisputable and while only delivering an estimated 75 000 new affordable and mid market opportunities per year, on average, developers are not making a dent in this backlog. These figures are not taking population growth into account.

Based on research and information obtained from Stats SA, the four major commercial banks in South Africa, the Centre for Affordable Housing South Africa, as well as Lightstone Property Research, Calgro M3 estimates the housing backlog to be more than 5.5 million houses. If the reader requires more information on our views and research in this regard, you are welcome to contact us, and we will gladly assist.

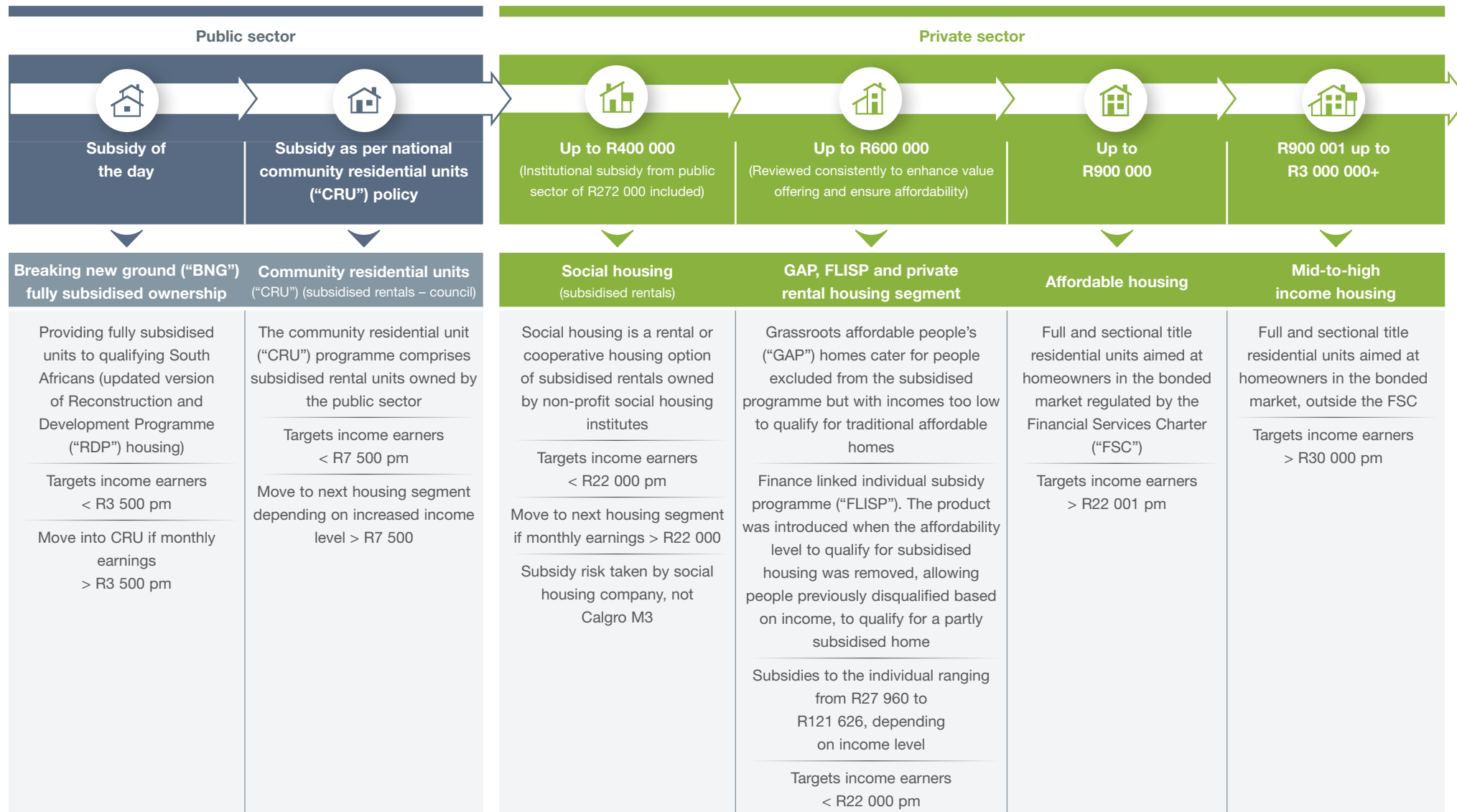
The market we operate in and how we manage it:





## RESIDENTIAL PROPERTY DEVELOPMENT (CONTINUED)

### Calgro M3 housing segments



# MEMORIAL PARKS



Durbanville



Fourways



Nasrec





## MEMORIAL PARKS (CONTINUED)



**All Calgro M3 Memorial Parks are privately owned and professionally managed and maintained. We pride ourselves on providing safe, serene, and beautiful surroundings where family and friends can lay their loved ones to rest.**

The concept of Memorial Parks originated from the need to find alternative uses for large portions of Calgro M3-owned land, that is not suitable for residential or other commercial purposes within the property development portfolio. Calgro M3 Memorial Parks provides an alternative to traditional cemeteries, adds value to existing developments, introduces an alternative burial option that is dignified, secure and which delivers a service to customers, superior to other products in the market.

Customer service is a key function of a memorial park business, going hand-in-hand with marketing, sales and brand visibility. Our community initiatives and advertising campaigns are creating an aspirational brand, associated with the preferred final resting places for clients and their families. Potential clients have a constantly growing list of options to choose from and for Calgro M3 Memorial Parks to offer the most effective and compelling

products and customer service, the wishes of potential clients and the community at large must be understood. Similarly, with the funeral industry being sensitive in nature, how Calgro M3 Memorial Parks is perceived in the public space is of utmost importance and with that, constant research and the consideration of public needs and opinions have become part of the day-to-day management of the memorial parks business. Given this, the sales and marketing function is focused on word-of-mouth, fully fledged marketing campaigns, trained call centre agents and sales consultants, bulk marketing agreements and relationships with funeral homes and funeral directors.

There is a reason why they call this industry “the funeral service industry”. It is true. Great customer service has always been and will always be one of the most important competitive advantages in any industry and at Calgro M3 we strive to set the benchmark

in the funeral service industry. Our parks are filled with symbolism, olive trees resembling life, water creating tranquillity and peace, and green technology and buildings, all environmentally friendly and bringing us closer to mother earth. The parks have fully functional administration and sales offices, 24-hour security, manicured gardens, a non-denominational chapel in certain parks, as well as tranquil dams and streams with abundant bird life to ensure a peaceful and serene atmosphere.

To date, the Group has established and acquired five memorial parks of the same or similar standard being Nasrec, Enokuthula, Fourways, Durbanville and Bloemfontein Memorial Parks. The Group is working on achieving a national footprint, investigating opportunities in KwaZulu-Natal, Tshwane and Ekurhuleni.



Durbanville



**MEMORIAL PARKS (CONTINUED)**

Selected products with the full range contained at [www.memorialparksbycalgro.com](http://www.memorialparksbycalgro.com)



Ash graves



Family estates



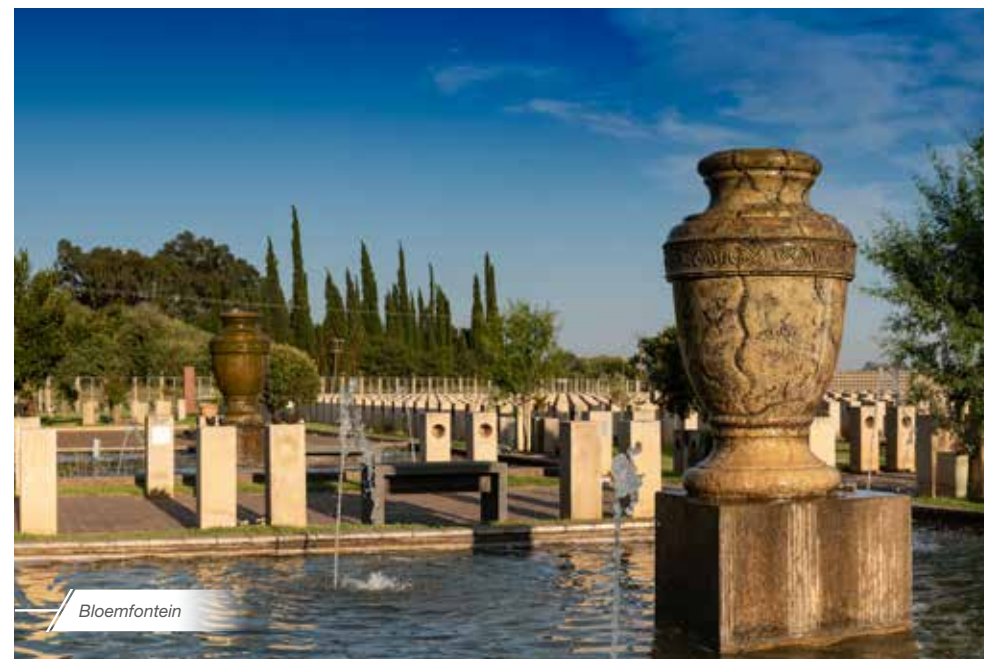
Lawn graves



## MEMORIAL PARKS (CONTINUED)



Burials in South Africa are very much a cultural tradition and a celebration of the life of the loved one, family member or friend that has passed away. It's not just about saying goodbye, but rather an occasion for family and friends to get together to celebrate what that person has meant for them as well as spending some time together. The South African Cemeteries Association ("SACA") claims municipalities and the Government are not effectively communicating on the lack of burial land. At the second Pan African Conference, it was said that the world's population was more than seven billion and accordingly if burials were the only option, then it would require as many graves within 50 to 80 years. If that same logic is applied to the South African population, which is more than 57 million and growing, then the country is faced with the same situation of having to find 57 million graves within the next 50 to 80 years, while the current shortage is estimated at 8 million graves over the next 15 to 20 years. Several alternative options do exist and have been considered over the years, but which is currently just not acceptable traditionally, and it is not expected to change soon. As for this reason people save up, take out funeral insurance (on average more than two to three policies per family) and will always pool resources to pay for any shortfall that might still occur.



With the shortage of burial space and operational cemeteries around the country, a slight increase in demand for cremation has been experienced over the last two or three years. Memorial Parks is an alternative to traditional cemeteries, adds value to existing developments, introduces an alternative burial option that is dignified, caters for ash internment in the same secure environment and delivers a service to customers superior to other products in the market.

The reality is, however, that every person will at a point in time go through the process, and as a result, death has become a global industry worth billions of dollars annually.

Besides funerals, there is a flourishing funeral insurance industry growing at an estimated 12% per year, driven by the relative affordability and the great need people have to provide a dignified burial for their loved ones and themselves. The average South African takes out between three to four funeral policies in their lifetime in terms of research undertaken by OUTsurance.

# FIVE-YEAR FINANCIAL REVIEW

	2022	2021	2020	2019	2018
<b>Group income statement</b>					
Revenue	1 321 593 256	879 146 585	984 130 486	997 064 528	1 742 602 162
Gross profit	281 846 673	108 023 284	100 609 332	128 690 047	270 089 275
Gross profit %	21.33%	12.29%	10.22%	12.91%	15.50%
Share of profit/(loss) of joint ventures and associates – net of tax	9 641 933	3 345 892	(732 541)	14 188 053	9 560 505
<b>Profit/(loss) before tax</b>	<b>179 464 816</b>	<b>26 066 297</b>	<b>13 327 604</b>	<b>(24 076 699)</b>	<b>171 755 639</b>
<b>Basic earnings per share</b>	<b>108.58</b>	14.88	3.84	2.53	93.91
<b>Headline earnings/(loss) per share</b>	<b>105.68</b>	(15.17)	1.77	(20.30)	90.12
<b>Net asset value per share</b>	<b>793.81</b>	682.09	636.12	629.41	911.18
<b>Tangible net asset value per share</b>	<b>662.30</b>	550.58	511.54	504.81	786.59
<b>Group balance sheet</b>					
Inventories	615 819 830	643 573 871	719 305 469	568 498 000	554 397 497
Construction contracts	909 322 057	840 695 306	945 948 487	1 279 072 872	1 820 973 990
Net cash position	191 114 249	154 561 255	255 069 163	122 632 997	156 722 935
Retained income	850 362 620	718 881 468	693 734 868	690 054 102	977 014 965
Borrowings	839 067 772	944 161 828	1 062 842 931	969 195 006	889 596 522
Trade and other payables	422 012 321	486 875 046	656 832 209	896 279 099	814 883 831
<b>Group cash flows</b>					
Cash generated from/(utilised in) operations	228 221 971	114 768 074	464 208 719	298 290 313	(205 838 542)
Tax (paid)/refunded	(18 022 488)	(17 878 456)	(17 817 929)	8 604 779	(1 478 278)
<b>Net cash generated from/(utilised in) operating activities</b>	<b>129 881 745</b>	<b>(3 007 782)</b>	<b>343 376 868</b>	<b>202 083 075</b>	<b>(276 377 195)</b>
<b>Net cash received from/(invested in) investing activities</b>	<b>25 535 309</b>	<b>(51 566 633)</b>	<b>(158 201 444)</b>	<b>(298 160 560)</b>	<b>(129 532 596)</b>
<b>Net cash (repaid in)/raised from financing activities</b>	<b>(118 864 060)</b>	<b>(45 933 493)</b>	<b>(52 739 258)</b>	<b>61 987 547</b>	<b>321 867 569</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>36 552 994</b>	<b>(100 507 908)</b>	<b>132 436 166</b>	<b>(34 089 938)</b>	<b>(84 042 222)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>154 561 255</b>	<b>255 069 163</b>	<b>122 632 997</b>	<b>156 722 935</b>	<b>240 765 157</b>
<b>Cash and cash equivalents</b>	<b>191 114 249</b>	<b>154 561 255</b>	<b>255 069 163</b>	<b>122 632 997</b>	<b>156 722 935</b>
<b>Financial ratios</b>					
Return on average shareholders' funds	13.72%	2.31%	0.61%	0.33%	14.56%
Return on net assets	13.72%	2.29%	0.66%	0.15%	10.35%
Return on net tangible assets	16.44%	2.83%	0.82%	0.19%	11.98%
Current ratio	1.70	1.51	1.36	1.33	1.75
Market capitalisation at year-end – ordinary shares	440 682 250	230 660 131	512 600 276	1 121 313 104	1 591 623 857



# 3

## STATUTORY REPORTS

This chapter includes feedback from our Chairperson, including his views on the business and the wider industry, followed by the Remuneration Report, which contains important information on remuneration structures and performance requirements, furthermore, taking into consideration and actioning changes requested by shareholders.

The critical area of risk management is also discussed, along with details pertaining to the probability, impact and total risk weighting assigned to major risks.



# CHAIRPERSON'S REPORT



*Across the past few years, Calgro M3 strategically decided to go back to basics and focus on ensuring that both our segments are able to weather difficult economic situations whilst at the same time maintain the high standards and qualities that the brands are known for.*



Hatla Ntene – Chairman

This was achieved and supported through our theme of **#sustainableactions** ensuring that the Group continues to take advantage of the high level of demand in both integrated housing and memorial parks, albeit in a responsible manner.

## Introduction

This is my second report as Chairperson of the group and I am pleased to commend the management team and staff on the great work done, through a difficult economic climate, in order to achieve the results presented in this integrated annual report.

Across our financial metric great strides have been made in terms of the key numbers we have spoken to shareholders and stakeholders about. Pleasingly operational performance for the year follows the strategic narrative outlined in previous periods and in many instances, we are very pleased to have exceeded these metrics.

These actions are supported through our own initiatives to ensure private sector, affordable, well-constructed homes in secure estates with amenities such as crèches, schools, parks and most importantly easy access to transportation routes. One of the main attractions for Calgro M3 is that land is sourced and built on, to ensure families have access to safe

housing close to areas of work. In our opinion this bodes well for economic development as well as increasing quality of life for these families.

Likewise our focus in the Memorial Parks business is to ensure a space where a dignified burial can take place in peaceful and beautiful surroundings. Much attention in our memorial parks is placed on quality, safety and respect of burial traditions.

What strikes me as an interesting phenomenon in South Africa is that private sector is stepping up to work alongside public sector to ensure that South Africans have access to basic human needs such as affordable housing and dignified, safe burial sites. I am extremely proud of what Calgro M3 management and staff are able to achieve.

The past two years, of which we are hopeful we have seen the peak of Covid-19, Calgro M3 has ensured that staff are cared for and supported through initiatives such as flexibility to work from home coupled with financial and mental health support, with all actions undertaken within government recommended guidelines. Currently 95% of Calgro M3 permanent staff have been vaccinated in line with the Group policy, which promotes for vaccination or the presentation of negative PCR tests at predetermined intervals.




CHAIRPERSON’S REPORT (CONTINUED)

Board changes during the year

On 24 February 2022, we announced that Waldi Joubert would assume the role of Managing Director of Memorial Parks after serving for 6.5 years as the Group’s Financial Director. This is in line with further support of **#sustainableactions** to ensure the correct structures are in place to grow the Memorial Parks business in order for it to generate sufficient annuity income to cover the costs of the Group. The Board wishes Waldi all the best in this new role and we remain confident that he has the necessary skills to make this exciting venture grow from strength to strength.

We are extremely pleased to welcome Sayuri Naicker into the Calgro M3 family as the Group’s Financial Director, which also means that she will be an Executive Director on the Board. Sayuri is well qualified for the role, and we wish her all the best.

Commitment to governance

Calgro M3 is committed to the highest levels of governance and continues to apply the 16 principles of King IV™. Our King™ Application Register can be found on the Calgro M3 website  [www.calgrom3.com](http://www.calgrom3.com).

Enhancement to Environment, Social Impact, Governance (“ESG”) reporting

On the Calgro M3 website our annual report suite contains all the necessary information for shareholders, potential shareholders and stakeholders to make informed decisions about the Company as a potential equity investment.

Proudly, this year sees an enhancement to our ESG reporting by incorporating the UN Sustainable Development Goals (“UNSDGs”) and mapping the relevant goals against the various sections of the ESG report Calgro M3 remains aware of its contribution to the greater ESG landscape. Further to this the summary tables are provided showing a variety of data points on key ESG principles that the Group subscribes to.





## CHAIRPERSON'S REPORT (CONTINUED)

I am pleased to report that our certification for ISO 45001:2018 and 14001:2015 remain in place with successful audits.

Those who read and follow Calgro M3 closely will know that for the past few years we have maintained our UN Global Compact status of GC Advanced level, which “recognises companies that strive to be top reporters and declare that they have adopted and report on a broad range of best practices in sustainability, governance and management” and 2022 is no exception.

In compliance with requirements the Notice of the Annual General Meeting will be posted to shareholders together with the necessary abridged audited financial results in June 2022. At the 2021 AGM held on 25 June 2021, both non-binding advisory votes relating to the remuneration policy and the remuneration implementation report received 99.38% approval from shareholders.

As the non-binding advisory votes were passed by the requisite majorities, no further engagement with shareholders was required.

### Appreciation and future outlook

I am encouraged by the manner in which executive management and their respective teams and staff have embraced **#sustainableactions** and proactively strategised and taken action to support the results Calgro M3 is currently producing, many of which are ahead of metrics and ranges previously supplied to the market.

Given the continued shortfall of housing and burial sites in South Africa, we remain confident that Calgro M3 will continue to take advantage of this shortfall and ensure continued sustainability.

To all our customers, contractors, suppliers and employees, together with the Board and the executive team, I wish to thank you for your continued support of Calgro M3. Thank you to my fellow Board members for your wise counsel, support, input and dedication to the attendance and guidance at Board and committee meetings alike.



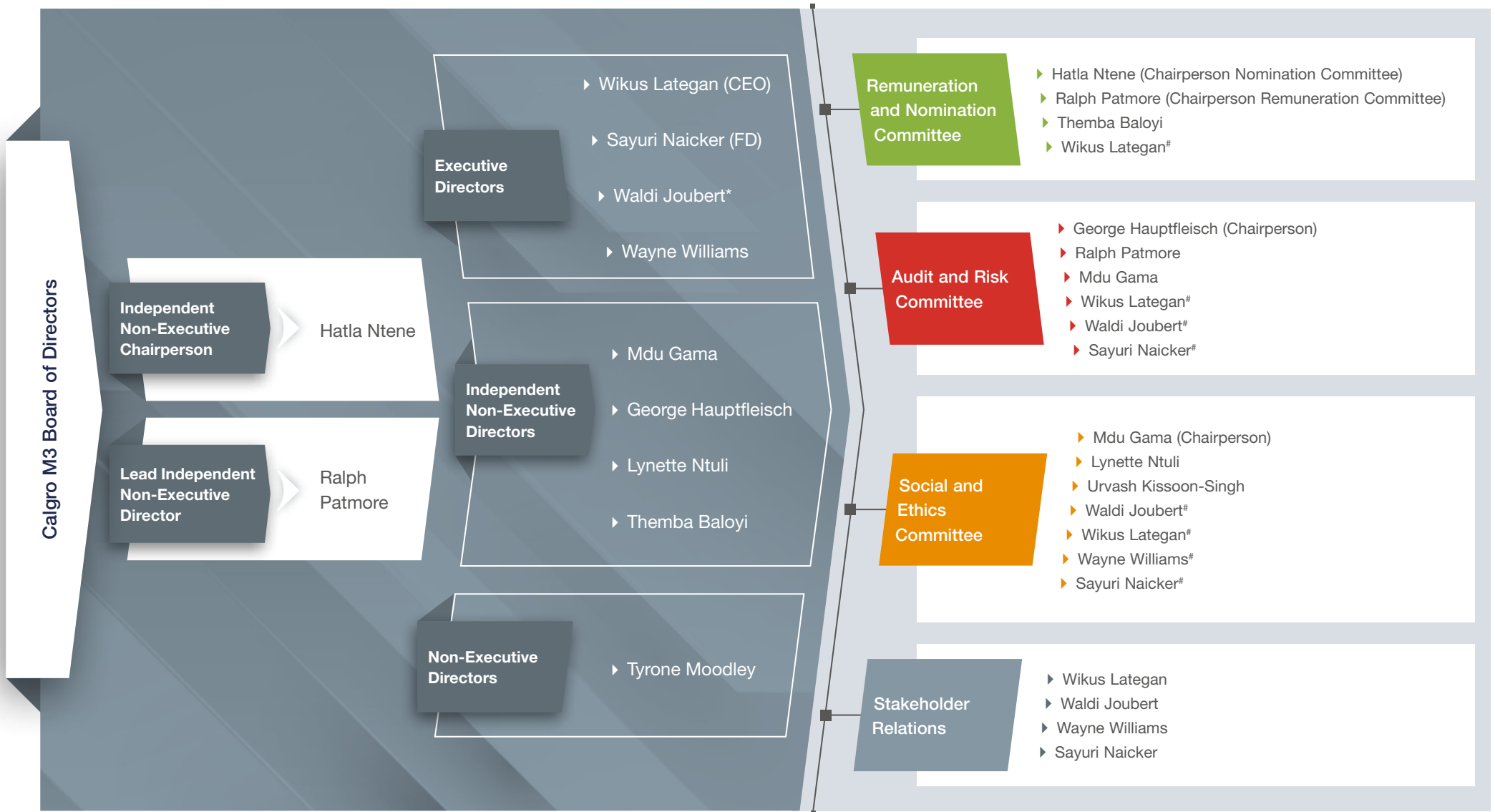
**Hatla Ntene**

16 May 2022



Scottsdale

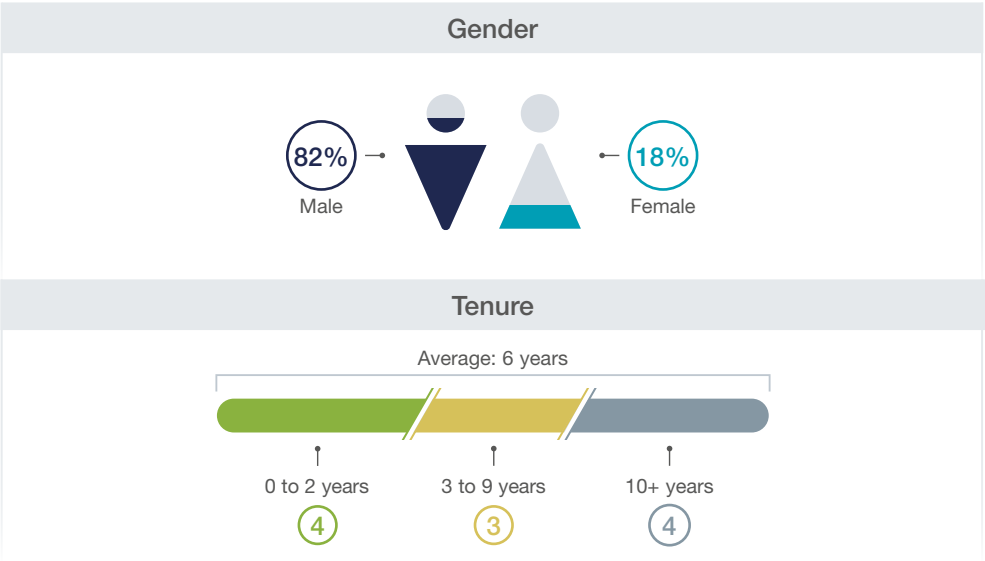
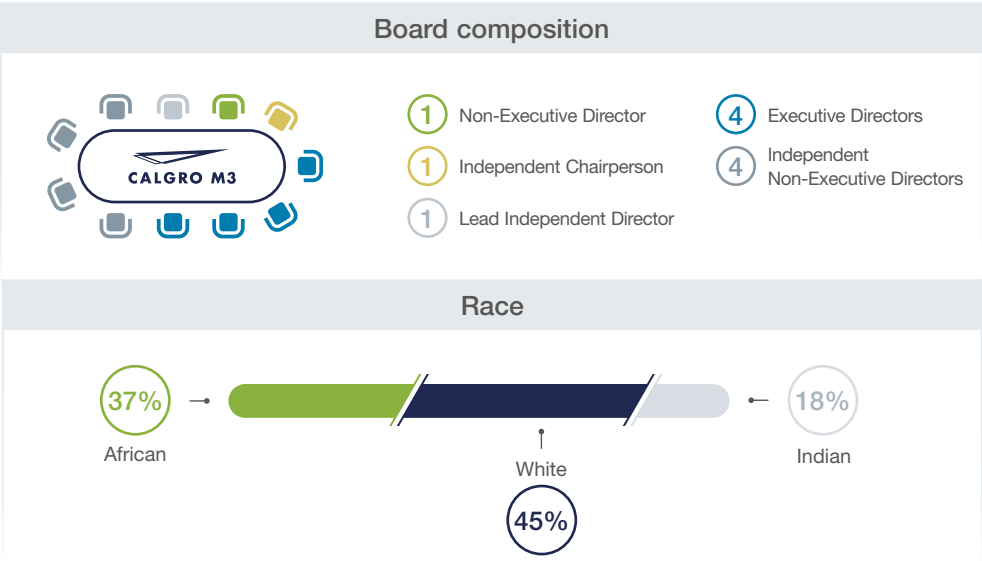
# BOARD OF DIRECTORS



<sup>#</sup> Invited to Committee meetings in FY2022.

\* Post the financial year-end, Waldi Joubert has assumed the role of managing director of the Memorial Parks business and Sayuri Naicker was appointed as financial director of the Group.

BOARD OF DIRECTORS (CONTINUED)



Chairman – Independent Non-Executive Director

Hatla Ntene (67)

BSc (QS), Dip. Con. Econ,  
Dip. Civ. Eng, PRQS,  
PMAQS, Pr.CPM

Hatla's qualifications include a Bachelor of Science (Quantity Surveying) degree from the University of Dublin, a diploma in Construction Economics from the Bolton Street College of Technology in the Republic of Ireland and a diploma in Civil Engineering, Lerotholi Polytechnic. Hatla is currently Executive Chairman of Mvua Property Partners and Pulaprop. He is a Non-Executive Director of a listed retail property fund company. Hatla was previously a partner in Farrow Laing Ntene, one of the largest quantity surveyor firms in South Africa. Hatla was also the Property Executive Manager of Propnet (Property Division of Transnet) for three years.

Skills set

Finding a person with 30 years of experience in the property industry is rare and the insight which Hatla provides to the Board is highly regarded. Potential pitfalls are pointed out early to avoid wastage of time and money.

Lead Independent Non-Executive Director

Ralph Bruce Patmore (70)

BCom, MBL (SBL)

Ralph brings a valuable 10 years' experience in building materials distribution as former CEO of Iliad, as well as a wealth of industrial manufacturing experience, as a former director of Everite Holdings Limited and Group Five Limited. Ralph currently serves as a non-executive director on the boards of ARB Holdings Limited, Mustek Limited and Trelldor Holdings Limited.

Skills set

With his vast industry experience, including, but not limited to, being a former executive director of Everite, Group Five, Iliad and subsidiaries in Unihold and Malbak, comes a valuable approach to specific industry thinking and expertise.



## BOARD OF DIRECTORS (CONTINUED)

### Independent Non-Executive Directors

#### Dr Mduduzi Edward (Mdu) Gama (53)

*PhD (Finance)*

Mdu holds a PhD (Finance) degree and various management qualifications from South African, US and UK universities. Mdu is currently CEO of Resultant Finance Proprietary Limited. He is a founder, director and a significant shareholder of various other companies.

#### **Skills set**

A doctorate in finance combined with an entrepreneurial flair blends exceptionally well with Calgro M3.

#### George Hauptfleisch (65)

*CA(SA)*

George is a Chartered Accountant and was a partner at PwC for 30 years. He brings with him a wealth of experience as a registered auditor of listed companies in sectors such as manufacturing, engineering, construction and chemicals, fast moving consumer goods and agriculture. George is a member of the Institute of Directors in South Africa.

#### **Skills set**

George joined the Board in 2018, adequately taking on the Chairmanship of the Audit and Risk Committee. His wealth of expertise attained in three decades in the audit profession is extremely valuable to Calgro M3.

#### Lynette Ntuli (38)

*BCom Acc, CSCM, ACSCL, PDP Real Estate Programme, University of Oxford, UK*

Lynette was appointed to the Board on 23 March 2020. She is the Founding Director and Chief Executive Officer of Innate Investment Solutions Proprietary Limited, a professional services firm in the built environment providing property and infrastructure development services and enterprise asset management solutions. Over a 15-year period, Ms Ntuli has gathered diverse experience and specialisation in property and infrastructure development and management; asset management planning and maintenance; strategy and operational development and implementation; real estate transactional and due diligence advisory; and the commercialisation and rationalisation of portfolio assets. Her obvious passion for the property sector, and her entrepreneurial flair will add tremendous value to Calgro M3.

#### **Skills set**

A rare find, Lynette has vast practical and academic experience and qualifications to add tremendous input into strategic proposals from executive management.

#### Themba Baloyi (45)

*MBA, ACIS, ND CMA, IoDSA*

Themba was appointed to the Board effective 23 March 2020. He is an innovative and entrepreneurial business leader who founded Discovery Insure Limited ("Discovery Insure"), a short-term insurance company launched in 2011. The Discovery Insure work propelled him to win the 2018 All Africa Business Leaders "Entrepreneur of the Year Award". Currently he serves as Chairman on the board of Constantia Insurance Group Limited and is a board member of Curro Holdings Limited, the Allan Gray Orbis Foundation and Cube Capital, amongst others.

#### **Skills set**

His knowledge of the insurance and financial sectors parallels with aspects of Calgro M3's own business model, particularly the Memorial Parks business, where Calgro M3 foresees good product diversity and growth opportunities.

### Non-Executive Directors

#### Tyrone Moodley (36)

*BCom (UJ)*

Tyrone is the co-founder of Midbrook Lane, a private investment company which was sold to Conduit Capital. He served as interim CEO of JSE listed Taste Holdings ("Taste") during the 2018/2019 financial year working closely with Domino's Pizza Inc. and Starbucks Corp. in order to redefine the long-term strategy of Taste. As of April 2019 he moved back into a non-executive director role. His early career started at Sasfin Securities as a Research Analyst before leaving to start Midbrook. Mr Moodley obtained a Bachelor of Commerce degree from the University of Johannesburg. He is a partner at Protea Asset Management LLC.

#### **Skills set**

His expertise in over 15 years in investment-related activities, business development and corporate finance is extremely valuable to Calgro M3.

## BOARD OF DIRECTORS (CONTINUED)

### Executive Directors

**Willem Jakobus (Wikus)  
Lategan (41)**

CA(SA)

Wikus joined Calgro M3 in 2008 as Financial Director and was subsequently appointed as Group Managing Director with effect from 1 June 2015, responsible for the overall operational activities of the Group. Wikus served as a member of the SAICA National Members on the Business Executive and is also Chairperson of the SAICA Northern Region and Business Council. He has vast experience in business restructuring and management and became CEO March 2017.

**Sayuri Naicker (32)**

CA(SA)

Sayuri has been appointed as Financial Director of Calgro M3 with effect from 1 March 2022, succeeding Waldi Joubert who resigned from this position on 28 February 2022 to assume responsibility for the Memorial Parks business. Sayuri joined the Group in 2021 as the Group Financial Manager. She is a qualified Chartered Accountant, having completed her articles with PricewaterhouseCoopers ("PwC") in 2014, following which she remained at PwC until 2021 fulfilling a senior managerial role. Whilst there, Sayuri gained valuable experience in finance, tax, capital allocation and financial risk with respect to JSE listed and multi-national companies in numerous industries, including construction, property development and mining. She was also involved in the management and coordination of external audits, and led various thought leaderships related to the mining sector.

**Willem Adolph (Waldi)  
Joubert (36)**

CA(SA)

Waldi assumed the role of managing director of the Calgro M3 Memorial Parks business on 1 March 2022. Being part of the executive team as well as Financial Director of Calgro M3 since 1 June 2015, makes Waldi the ideal leader to grow this segment of the business further. He continues to be an executive member of the Board. Waldi is a qualified chartered accountant, having completed his articles with PricewaterhouseCoopers, where he gained experience in a wide variety of industries, including manufacturing, construction, insurance and fast-moving consumer goods. Waldi joined the Group in January 2012 as Group Financial Manager.

**Wayne Williams (53)**

BProc

Wayne joined Calgro M3 in 2012 and was appointed as Executive Director with effect from 1 June 2015. He is a qualified attorney who was in private practice for 20 years, specialising in commercial and corporate law where he obtained extensive experience in commercial transactions and property-related negotiations and acquisitions. Wayne leads all acquisition negotiations.

### Company Secretary

**Tumi April (39)**

LLB (NWU)

Tumi was appointed as the Group Company Secretary with effect from 11 May 2016. She assists with various legal matters within the Company and is a qualified attorney with 14 years' experience in commercial and company law, and eight years' company secretarial experience.

# REMUNERATION REPORT

Committee: Ralph Patmore (Chairperson), Hatla Ntene, Themba Baloyi and Wikus Lategan (invited to attend committee meetings)

1

## Remuneration strategy

Employees remain the backbone of the business. During the 2022 financial year, employees received 34% (2021: 52.42%) of the total wealth created by the Group, the reduction was due to the closure and outsourcing of the construction business.

In ensuring our staff were able to function optimally during the Covid pandemic we ensured:

- ▶ Flexibility to work from home;
- ▶ Increased flexibility for leave to be taken;
- ▶ Introduction of new benefits to ensure employees understood that the Group had their best interests at heart.
  - Mental health plans
  - Employee assistance programmes including support for mental health, anxiety and depression
  - Financial assistance

**99%**

Approval from shareholders at 2021 AGM for Remuneration Policy and Remuneration Implementation Report respectively

2

## Remuneration Policy

### Executive remuneration

#### Annual guaranteed remuneration

Benchmarked to between the 30th and 75th percentile

#### Variable (short term)

See [Q](#) page 50 for the detail

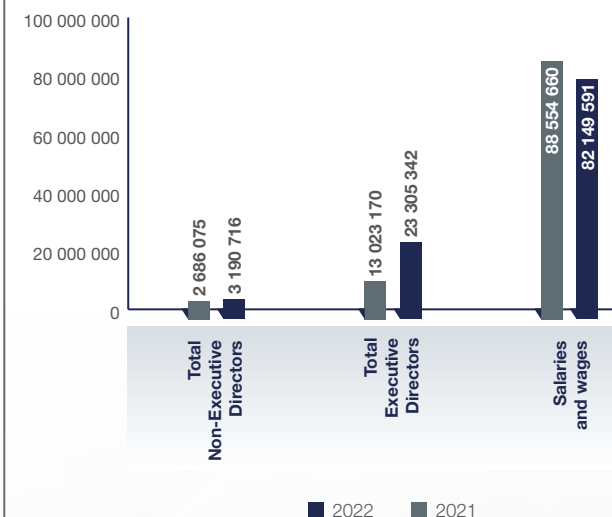
#### Variable (long term)

Calculated at 4x individual's guaranteed annual remuneration at time of allocation, with vesting occurring over a five-year period if targets are met

Participant	Maximum number of share appreciation rights that can be awarded
WJ Lategan	3 500 000
W Williams	2 541 306
WA Joubert	2 435 361
Allocated share appreciation rights at 28 February 2022	8 476 667

3

## Remuneration Implementation Report



- ▶ At the 2022 AGM, special resolutions 2 to 11 (all inclusive), in relation to Non- Executive Directors' fees, will be voted upon
- ▶ Executive Directors received bonuses in line with financial achievements ([Q](#) page 57)
- ▶ Salaries and wages reduced in line with the closure and outsourcing of the construction division

**WJ Lategan is the only Executive Director with pledged securities of 6 459 494 of which the facility expires on 29 November 2024**



## 1

### Part 1: Remuneration background, philosophy and strategy

Calgro M3's remuneration philosophy is designed to attract, develop and retain passionate, committed and talented people, with the necessary industry expertise, who are required to effectively implement the overall Calgro M3 strategy to create value for shareholders.

Over many years, the Group has refined its remuneration policy and practices to support our aim of being a thriving, growing Group which is highly dependent on the motivation of its people. During the year further refinement of the Group structure in line with the changes to the Group strategy took place which resulted in a renewed and specific focus on middle and senior management levels of remuneration.

The Group's remuneration practices are in line with the King IV™ remuneration governance principles, and these principles underpin the achievement of its business objectives, its ethical culture and an overriding philosophy of "pay for performance".

Employee compensation is no longer annually the largest item under the value-added statement distribution of wealth section, due to the Group now outsourcing construction work to large contractors. Employees remain to be the backbone of the business, as if the employees are not motivated and driving the business in the chosen direction, Calgro M3, as with any other company, will not be sustainable or successful. During the 2022 financial year, employees received 34% (2021: 52.42%) of the total wealth created by the Group. As the industry and our sites are still very focused on local labour, the shift to contractors from employees still allocates wealth in our communities.

In line with previous years, the remuneration strategy takes local and industry specific remuneration best practices into account to ensure that the Group attracts and retains the appropriate skills and talent. The Remuneration Committee considers a holistic compensation model when approaching the remuneration of all employees, members of the management teams of each business, Executive Directors, prescribed officers and fees paid to Non-Executive and Independent Non-Executive Directors.

#### Covid-19 effect on remuneration strategy

During the past two years of which the pandemic was at its peak, the Group focused attention on the benefits available to employees and assisted them with resources available to help them to cope with the new dynamics in play. Some of the factors considered were:

- ▶ Flexibility to work from home;
- ▶ Increased flexibility for leave to be taken; and
- ▶ Introduction of new benefits to ensure employees understood that the Group had their best interests at heart.

Benefits were added to our mental health plans and employee assistance programmes to ensure assistance was available for anxiety and depression. Financial assistance was introduced for employees and families that experience extreme financial strain. With an easing of the pandemic in South Africa, along with an increase in vaccination initiatives in the country and the Group, Calgro M3 staff have returned to working from the office, with options available to work from home in certain instances if required. Calgro M3 has opted to implement a vaccination policy requiring staff to either be fully vaccinated or provide negative Covid-19 test results at predetermined intervals.

#### Shareholder engagement and voting

Understanding and being responsive to the material interests of various stakeholders, including shareholders, is critical to delivering on Calgro M3's core business strategy. In line with best practice (notably King IV™) and the JSE Listings Requirements, the remuneration policy together with the implementation report (as contained in the annual Remuneration Report) will be tabled for two separate non-binding advisory votes by shareholders. In the event of 25% or more of the shareholders voting against either or both the remuneration policy and implementation report, the Company will issue an invitation to those shareholders who voted against the applicable resolutions to engage with the Company.

At the 2021 AGM the result of the non-binding advisory votes on the remuneration policy and the remuneration implementation report was:

	Remuneration policy %	Remuneration implementation report %
For	99.38	99.38
Against	0.62	0.62

As the non-binding advisory votes were passed by the requisite majorities, no further engagement with shareholders was required.

## REMUNERATION REPORT (CONTINUED)

In the event that more than 25% of the shareholders vote against the above Calgro M3 will:

- ▶ extend an invitation to dissenting shareholders to engage with Calgro M3 around their reasons for voting against the relevant resolution/s; and
- ▶ ensure that the invitation will reveal the manner and timing of the engagement.

Calgro M3 will ascertain the reasons for dissenting votes and respond with constructive feedback to shareholders' questions, queries, and concerns. Where appropriate (in the case of legitimate and reasonable concerns) Calgro M3 may consider amending elements of the remuneration policy to align it further to market practice and shareholder value creation.

The Remuneration Committee shall disclose the results of its shareholder engagement. In the event that one or more of the remuneration-related resolutions are voted against by 25% or more of the shareholders, this disclosure will also include:

- ▶ with whom Calgro M3 engaged;
- ▶ the manner and form of the engagement that took place; and
- ▶ the nature of the steps taken by Calgro M3 to address legitimate and reasonable objections and concerns raised by dissenting shareholders.

## 2

### Part 2: Remuneration policy

To give effect to the remuneration philosophy and strategy the below remuneration policy has been developed to ensure that Group Executive Management, senior management and other employees as well as the Non-Executive Directors are fairly remunerated and appropriate structures are developed to ensure fair, competitive and appropriate structured remuneration in the best interest of both the Group and its stakeholders. The following components of remuneration have been implemented to assist in achieving this:

- ▶ Annual guaranteed remuneration
- ▶ Variable remuneration, consisting of both
  - short-term cash incentives ("STI") and
  - long-term share appreciation rights ("SAR") based payment
- ▶ Benefits – consisting of retirement funding plans funded by both the Group and the employee

The Remuneration Committee's mandate ensures that the components of remuneration are linked in such a way as to achieve the Group's strategy, and drive performance objectives.

In the case of management in each of the underlying businesses, the Group has identified that each entity requires a different combination of the elements of remuneration. Group executives believe that no senior management member should be motivated by money alone, but each employee should be rewarded in a way that makes them feel proud of what they have "earned" for their family.

#### Benefits

Calgro M3 makes provision for employee retirement funding by means of a defined contribution fund managed/administrated by Grant Thornton Capital, which is compulsory for all salaried employees. The Group also provides employees with retirement, death, disability and funeral cover benefits as part of its Group risk policy taken out with Discovery Insurance.

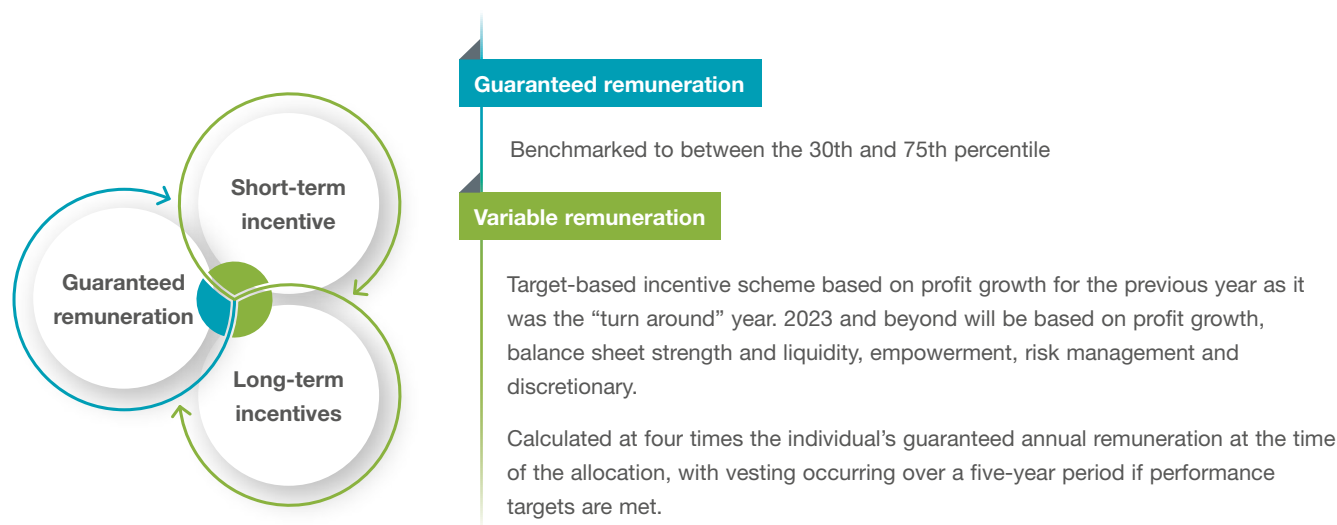
### Group Executive Management

The remuneration strategy is based on principles of retention of key and critical skills and to drive performance in alignment with shareholders' interests, through guaranteed remuneration and short and long-term incentives. A significant portion of an executive's total potential remuneration is performance-related in order to encourage the right behaviour to optimise performance. Targets are set annually in the context of prospects of the Calgro M3 Group and the prevailing economic environment in which it operates.

## REMUNERATION REPORT (CONTINUED)

### COMPONENTS OF GROUP EXECUTIVE REMUNERATION

The Remuneration Committee ensures that the components of remuneration include:



The above is developed and implemented to ensure achievement of the Group’s strategy and performance objectives. To assist the committee, on a biennial basis, benchmarking of guaranteed remuneration is performed by an external independent consultant. This was performed by Willis Towers Watson in March 2021 and is still applicable for the 2022 financial year. In line with market-place practice the CEO receives a larger proportion of the short-term incentive pool than the other group executives, due to the higher levels of responsibility associated with the position.

#### Guaranteed remuneration

Guaranteed remuneration will be adjusted at our increase cycle in May, taking into account CPI and economic conditions.

The Group utilises a total “cost to company” approach which encompasses a cash component, allowances and retirement funding contributions. The Company considers benchmarking remuneration surveys which enables reliable comparisons of remuneration for executive job descriptions and other disciplines in the sector.

The Group makes use of biennial external independent consultants, Willis Tower Watson, who performed a review in the 2021 financial year to ensure that we remain competitive in the current economic climate, this review is considered to be applicable to the 2022 financial year and will be re-assessed in 2023.

#### Variable remuneration

All Group executive management qualify for short-term incentives and long-term incentives.

##### *Short-term incentive*

The objectives of the short-term incentive (“STI”) policy are:

- ▶ To motivate executives to manage and lead the business successfully and to drive strong long-term growth in line with strategy and business objectives;
- ▶ To provide competitive and balanced, performance-related remuneration;
- ▶ To ensure that the interests of the executives are aligned with those of shareholders by linking remuneration directly to the Company’s bottom line profit and strategic and operational objectives; and
- ▶ To ensure that there is transparency and fairness in the remuneration of executives.

#### **The 2022 financial year short-term bonus pool and vesting conditions were as follows:**

- ▶ The bonus pool was designed to motivate executives to return the Group to sustainable profit levels.
- ▶ The bonus pool was calculated in increments, based on the earnings achieved (after the bonus payment is taken into account).

The STI bonus pool was calculated as follows based on the profit after tax of the Group:

1. 0 – R50 million – 7%
2. R50 – R100 million post bonus accrual – R3.5 million plus 8% on everything above R50 million
3. R100 million – R150 million post bonus accrual – 10% from R1
4. Above R150 million post bonus accrual – R15 million plus 12% on everything above R150 million



## REMUNERATION REPORT (CONTINUED)

### The 2023 financial year short-term bonus pool and vesting conditions are as follows:

- ▶ The bonus pool has been designed to motivate executives to sustain Group profit levels.
- ▶ The bonus will be calculated in increments, based on the earnings achieved.
  - Growth greater than prior year HEPS (After bonus payment) = 3% of PAT
  - Growth greater than 10% to prior year HEPS (After bonus payment) = 5% of PAT
  - Growth greater than 15% to prior year HEPS (After bonus payment) = 6% of PAT
  - Growth greater than 20% to prior year HEPS (After bonus payment) = 7% of PAT
  - Growth greater than 30% to prior year HEPS (After bonus payment) = 8% of PAT
  - Growth greater than 40% to prior year HEPS (After bonus payment) = 9% of PAT
  - Growth greater than 50% to prior year HEPS (After bonus payment) = 10% of PAT

In line with the King IV™ principles, the bonus pool has sub-parameters to ensure that executives focus on all elements and aspects of the Group's businesses and not only profit. This should benefit all stakeholders as it ensures that the businesses are managed on sustainability principles.

Once the STI bonus pool is calculated in terms of the above methodology, the following additional non-financial metrics have to be attained in order to be awarded the maximum bonus pool:

### 40% Financial targets – Statement of financial position

- ▶ Net debt to equity to reduce to 0.8:1 for February 2023
- ▶ Net debt to equity to reduce to 0.75:1 for February 2024
- ▶ Thereafter the net debt to equity to remain under 0.75:1

### 20% Risk mitigation and sustainability

Risk mitigation and sustainability – all risks equal to or above a level 12 based on probability and impact to be managed to not increase unless impacted by extraordinary events.

### 20% Empowerment targets

Remain or restore the rating as per the empowerment scorecard to at least a level 3.

### 20% Board discretion

The Board will assess the efforts and contribution of each member in achieving the various targets set in order to qualify for this portion of the bonus pool.

### General discretion

The Board retain a discretion to incentivise management through awarding an individual with a discretionary bonus of up to 20% of his/her annual Guaranteed Remuneration in recognition of exceptional performance in operating in/under a difficult environment and circumstances.

### Long-term Executive Share Incentive Scheme

The new Executive Share Incentive Scheme was approved by shareholders, on 1 March 2019 as a long-term incentive to remunerate Executive Directors over the long term if they return a higher than average market return to investors.

The implementation of this scheme should ensure that the interests of the Executive Directors are aligned with those of shareholders as the share-based remuneration to be received by the Executive Directors is determined by the growth in value of the Company's shares. If the compounded total shareholder return ("TSR") is not reached by each vesting date, then the vesting can be deferred by one year. If at that point a compounded 15% TSR is not reached, the following year the reward will lapse.

### Background to the 2019 long-term executive share scheme

The long-term executive share incentive scheme was approved by shareholders at the Group's Annual General Meeting held on 28 June 2019.

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

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

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

The number of allocated share appreciation rights is based on a year-on-year TSR of at least 15% and return for participants based on four (4) times the guaranteed annual salary of each participant as at 1 March 2019.

## REMUNERATION REPORT (CONTINUED)

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

Participant	Maximum number of share appreciation rights that can be awarded
WJ Lategan	3 500 000
W Williams	2 541 306
WA Joubert	2 435 361
<b>Allocated share appreciation rights at 28 February 2022</b>	<b>8 476 667</b>

Share appreciation rights vest if a minimum year-on-year TSR increase has been achieved in the year of vesting and will be measured against a base price of R7.95, being the 30-day VWAP of Calgro M3 shares at the close of business on 28 February 2019.

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

TSR targets		
1.	First vesting year two	▶ 100%: 15% compounded TSR
2.	Second vesting year three	▶ 50%: 15% compounded TSR ▶ 50%: 20% compounded TSR
3.	Third vesting year four	▶ 33.3%: 15% compounded TSR ▶ 33.3%: 20% compounded TSR ▶ 33.3%: 25% compounded TSR
4.	Fourth vesting year five	▶ 33.3%: 15% compounded TSR ▶ 33.3%: 20% compounded TSR ▶ 33.3%: 25% compounded TSR

In terms of the scheme, shares are allocated to employees, which are linked to employment and no rights or rewards of these rights will vest prior to any vesting date. This gives rise to an effective lock-in period.

To determine whether the allocated share appreciation rights are in the money on the vesting date, the base price (R7.95), compounded annually for the above targets to be achieved each year, shall be measured against the 30-day VWAP of Calgro M3 shares at the end of business on 28 February of the year in which a vesting is determined.

The value of vested share appreciation rights will be determined by taking the difference in value between the base price of R7.95 and the 30-day VWAP of Calgro M3 shares at the end of business on 28 February of the year in which a vesting is determined and multiplying this with the number of share appreciation rights allocated for each TSR milestone reached.

The remuneration to which a participant becomes entitled, will be paid through the issuing of ordinary Calgro M3 shares at the 30-day VWAP price as at 28 February of each year.

The Calgro M3 shares will vest on the vesting date but will only be issued on 30 June of each vesting year.

For purposes of clarity, herewith a synopsis of how the remuneration and number of shares to be issued, will be determined:

### Example:

- ▶ Total share appreciation rights allocated = 1 000 000
- ▶ Base price = R7.95
- ▶ Vesting tranche = 250 000
- ▶ Vesting date = 1 March 2021 (the first vesting date)
- ▶ The minimum TSR for vesting to take place at the first vesting date (1 March 2021) is R10.51, being R7.95 compounded by 15% over two years
- ▶ At the first vesting date (1 March 2021) the 30-day VWAP of the share price is R10.95, and therefore the minimum TSR has been achieved (it being more than the minimum TSR of R10.51)
- ▶ Increase in share price from = R3.00 (ie R10.95 current price – R7.95 base price)
- ▶ Calculation of value of share appreciation rights and number of shares to be issued:
  - 250 000 share appreciation rights x R3.00 = R750 000 ÷ R10.95 per share (being the share value at that stage) = 68 493 shares

Therefore 68 493 Calgro M3 shares will be issued to settle the vested share appreciation rights.

If the minimum TSR for a specific year is not met, then the vesting for that year will be deferred by one year. If the respected compounded TSR target is also not reached the following year (as per the following year's targets), the award for the year that has been deferred will lapse.

In terms of the scheme, Calgro M3 shares will be issued in favour of a participant, only if the participant is still in the employ of the Company on the issue date (30 June each year). This gives rise to an effective lock-in period.

## REMUNERATION REPORT (CONTINUED)

### Senior Management and other employees

The remuneration strategy for senior management is based on principles of retention of key and critical skills and to drive performance in alignment with shareholders' interests, through guaranteed remuneration and short and long-term incentives.

The Group's target is to remunerate all performing employees between the 25th and 90th percentile when short and long-term incentives are included. This is to ensure that these employees are properly benchmarked (refer to guaranteed remuneration below) within their respective disciplines. Further to this, bonuses and targets are differentiated between the different businesses and departments within the Group to ensure that staff are sufficiently financially motivated in their respective fields.

#### Guaranteed remuneration

The Group utilises a total "cost to company" approach which encompasses a cash component, and retirement funding contributions. The Company considers benchmarking remuneration surveys which enables reliable comparisons of remuneration to similar disciplines in the sector.

Increases for senior management and other employees will be adjusted at the May increase cycle, by considering CPI and the economic impact of the pandemic. The Group will continue to provide an additional increase to lower earning staff members to promote distribution of wealth to this bracket.

#### Variable remuneration

All permanent employees can qualify for short-term incentives. The compensation of all Group staff is determined by industry benchmarking done by PwC's Remchannel platform for the Group, together with oversight from the Remuneration Committee. A long service award to show appreciation for long-term serving staff members was implemented in the 2019 financial year.

#### *Short-term incentives*

##### **Permanent employees**

- ▶ A bonus pool is calculated annually based on Group profit for all general and administrative staff that do not have specific individual performance measurements;
- ▶ The total bonus pool is a percentage of the profit after tax;
- ▶ The bonus pool is divided by the total average staff payroll to determine the average number of monthly pay "cheques" per employee;
- ▶ A minimum allocation per employee is determined by Group Exco;
- ▶ Any surplus bonus amounts are allocated to highly committed, top performing employees;
- ▶ Bonuses are payable in December of that year;
- ▶ An employee **will not qualify** for a bonus if the employee:
  - is in a probation period
  - is under performance management
  - has received a final written warning during the period
- ▶ An employee will only qualify for 50% of an allocated bonus if the employee received any general written warnings during the period.

##### **Sales departments (management and agents)**

Sales agents are remunerated through a fixed remuneration component as well as variable commission structure based on a sliding scale and volume of transactions. This commission is monthly if various sales and closing milestones are reached. These structures are revisited from time to time to ensure maximum sales performance. Sales agents do not qualify for any other short-term incentives.

##### **Contract managers**

Contract managers are rewarded and receive a bonus based on the performance of their respective sites.

#### **Memorial Parks**

Memorial Parks staff are rewarded in several ways from quarterly to annual bonus depending on how accurate and over which period of time their performance can be measured.

#### *Long-term incentives*

##### **Long-term incentive scheme for senior management**

In the current year senior management was invited to participate in a long-term share incentive scheme which was effective from 1 September 2021.

The implementation of this scheme should ensure that the interests of senior management are aligned with those of shareholders as the share-based remuneration to be received by senior management is determined by the growth in value of the Company's shares. If the compounded total shareholder return ("TSR") is not reached by each vesting date, then the vesting can be deferred by one year. If at that point a compounded 20% TSR is not reached, the following year the reward will lapse.

##### **Background to the long-term senior management share scheme**

In terms of the scheme, the participants, three of whom are prescribed officers of the Group, will be remunerated over the long term when the Group shows a return higher than the average market return for investors. It is currently a share-based remuneration scheme, with share appreciation rights being allocated in favour of participants and Calgro M3 shares then being issued if certain compounded share price growth targets per share are achieved.

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



## REMUNERATION REPORT (CONTINUED)

It is a five (5)-year scheme, commencing on 1 September 2021, with the allocated share appreciation rights vesting in four (4) yearly tranches on 1 March in each of 2023, 2024, 2025 and 2026.

The number of allocated share appreciation rights is based on a year-on-year TSR of at least 20% and return for participants based on four (4) times the guaranteed annual salary of each participant as at 1 September 2021. Share appreciation rights vest if a minimum year-on-year TSR increase has been achieved in the year of vesting and will be measured against a base price of R2.72, being the 30-day VWAP of Calgro M3 shares at the close of business on 1 September 2021.

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

TSR targets	
1. First vesting year two	▶ 100%: 20% compounded TSR
2. Second vesting year three	▶ 100: 20% compounded TSR
3. Third vesting year four	▶ 100%: 20% compounded TSR
4. Fourth vesting year five	▶ 100%: 20% compounded TSR

In terms of the scheme, shares are allocated to employees, which are linked to employment and no rights or rewards of these rights will vest prior to any vesting date. This gives rise to an effective lock-in period.

To determine whether the allocated share appreciation rights are in the money on the vesting date, the base price (R2.72), compounded annually for the above targets to be achieved each year, shall be measured against the 30-day VWAP of Calgro M3 shares at the end of business on 1 September of the year in which a vesting is determined.

The value of vested share appreciation rights will be determined by taking the difference in value between the base price of R2.72 and the 30-day VWAP of Calgro M3 shares at the end of business on 1 September of the year in which a vesting is determined and multiplying this with the number of share appreciation rights allocated for each TSR milestone reached.

The remuneration to which a participant becomes entitled, will be paid through the issuing of ordinary Calgro M3 shares at the 30-day VWAP price as at 28 February of each year.

The Calgro M3 shares will be issued in favour of a participant, only if the participant is still in the employ of the Company on the issue date (30 November each year), giving rise to an effective lock-in period.

### Long-term service incentive for staff

A long-term service incentive to remunerate staff (excluding executive management) committed to the Group for a period longer than five years was implemented during the 2019 financial year (see “Long-term service incentive”).

Period of service	Leave days	Additional	Total	Monetary compensation
5 years	15	2	17	None
10 years	17	2	19	A bonus equal to two months' salary at the time of payment, at the prevalent salary
15 years	19	2	21	A bonus equal to three months' salary at the time of payment, at the prevalent salary
Five-year increment after 15 years				A bonus equal to three months' salary at the time of payment, at the prevalent salary

The following table highlights the staff complement as at 28 February 2022 per the above period of service categories. It should be noted that the category of below five years includes staff directly employed as a result of the diversification of the Group into the memorial parks segment. This segment is still within its first five years of operations and as such a significant number of the staff are yet to qualify for the long service incentives.

Period of service	Percentage of employees
Below five years	63%*
5 – 10 years	24%
10 – 15 years	9%
15 years and above	4%
	100%

\* 37% of these employees are memorial park employees.

## REMUNERATION REPORT (CONTINUED)

### Non-Executive Directors' fees 2023

Non-Executive Directors are remunerated for their membership to the Board and the various Board committees. As recommended in the Notice of the AGM, shareholders are requested to ratify the Non-Executive Directors' fees for the year at the Calgro M3 AGM.

To comply with the recommended practices of King IV™, the Board has instituted rulings that Non-Executive Directors' fees are split between an annual retainer and an attendance component. The weighting per meeting and per committee has been revised after input from shareholders. The proposed fees for the 2022 financial year have been escalated by 6% (rounded off) and are as follows:

Director	2022/2023						
	Annual retainer fee R	Board Chair R	Audit Committee Chair R	Any other committee Chair R	Audit Committee meeting attendance R	Remuneration and Nomination Committee, and Social and Ethics Committee meeting attendance R	Board meeting attendance R
H Ntene (Chairperson)	292 500	45 000	–	35 000	–	23 250	28 000
RB Patmore	235 000	–	–	35 000	25 500	23 250	28 000
ME Gama	197 500	–	–	35 000	25 500	23 250	28 000
GS Hauptfleisch	197 500	–	40 000	35 000	–	–	28 000
SL Ntuli	197 500	–	–	35 000	–	23 250	28 000
TP Baloyi	197 500	–	–	35 000	–	23 250	28 000
TC Moodley	197 500	–	–	35 000	–	–	26 500

The proposed fees have been benchmarked against the PwC non-executive report. The average fee earned by the NEDs is around the 50th percentile of the small cap industrial sector.

The fees listed above are excluding value added tax, as may be applicable.

## REMUNERATION REPORT (CONTINUED)

### 3

#### Part 3: Remuneration implementation report

Details pertaining to Non-Executive and Executive Directors' remuneration earned during the 2022 financial year are contained in the tables below and can be referenced in the Annual Financial Statements to note 36 which can be found on the Company's website.

#### Guaranteed remuneration

In the 2022 financial year increases were approved for Executive Directors' guaranteed remuneration due to sufficient mitigation of risks and the Group trading out of the difficult operational challenges of the past three years. This is evidenced by the sustained profitable results being reported by the Group for the 2022 financial year as a result of cost optimisation, sale of non-core business operations and focusing on the core business activities.

The Remuneration Committee recommended increases based on benchmarking exercising performed for executives to the Board which was approved. The Non-Executive Director fees increase of 5% was approved at the 2021 AGM.

#### Short-term incentives

##### 2022 Financial year bonus pool and vesting conditions

The bonus pool for the 2022 financial year was based on attaining a predetermined profit target.

Payments in terms of the bonus pool was calculated and reported on, based on the IFRS requirements in place at the time of setting the targets at the beginning of each financial year.

The 2022 Group executive management STI bonus pool was calculated as follows:

#### STI Bonus calculation

Profit after tax achieved	132 170 602
Bonus pool % qualified for	10%
<b>Total bonus pool</b>	<b>13 217 060</b>

Secondary target	Weighting	Achieved	Overall allocation
Financial	40%	100%	40.0%
Risk mitigation and sustainability	20%	100%	20.0%
Empowerment targets	20%	100%	20.0%
Board discretion	20%	100%	20.0%
	100%		100%
<b>Total STI bonus to executives</b>			<b>13 217 060</b>

In line with the King IV™ recommended practices, the bonus pool had sub-parameters to ensure that executives focus on all elements and aspects of the Group's businesses and not only profit. This would benefit all stakeholders as it ensures that the businesses are managed on sustainability principles.



## REMUNERATION REPORT (CONTINUED)

Once the STI bonus pool is calculated in terms of the above methodology, the allocation was made as follows:

### 40% Financial targets

Targets were based on reduction of net debt to equity to 0.9:1 for February 2022.

Consolidated Group numbers – 0.71:1 (Net debt/equity ratio)

### 20% Risk mitigation and sustainability

All risks equal to or above a level 12 scoring (based on impact and probability (1-5)) on the Group's risk register to be managed, to remain consistent or reduce. The weighting remained high to align with the Group's main driver of risk mitigation to ensure sustainability, these risks are managed by the Executive Committee on an ongoing basis.

### 20% Empowerment targets

Retain or improve the current level. If the scoring elements on the scorecard changed, a recalculation by a reputable consultant based on the previous scorecard would be performed. The BEE scorecard rating for the 2022 financial year was at a Level 1.

### 20% Board discretion

The Board would use its discretion in assessing the efforts and contribution of each member in achieving the various targets set.

### General discretion

Where no pool is available for allocation, the Board could award an individual with a discretionary bonus of up to 20% of his/her annual guaranteed remuneration in recognition of exceptional performance, while operating in a difficult environment/under difficult circumstances outside his/her control.

In consideration of the above, the Executive Directors have met their short-term incentive target along with additional non-financial metrics above. As a result, the full applicable bonus pool has been allocated amongst the Executive Directors for the 2022 financial year.

### Long-Term Executive Share Incentive Scheme

The long-term executive share incentive scheme options that could have vested on 1 March 2021, have not vested due to the necessary hurdle rates not being achieved.

The Executive Directors' remuneration noted below is for services rendered in connection with the carrying on of affairs of the business within the same group of companies, joint ventures and associates in the 2020 and 2021 financial years.

### Executive Directors' remuneration

Remuneration and other benefits	Guaranteed remuneration R	Short-term incentive R	Total R
<b>2022</b>			
WJ Lategan	3 808 577	5 076 924	8 885 501
WA Joubert	3 000 079	4 061 538	7 061 617
W Williams	3 000 822	4 061 538	7 062 360
Total Executive Directors' remuneration	9 809 479	13 200 000	23 009 479
<b>2021</b>			
WJ Lategan	2 694 033	694 196	3 388 229
WA Joubert	2 276 961	482 999	2 759 960
W Williams	2 376 433	504 011	2 880 444
MN Nkuhlu <sup>#</sup>	1 311 462	–	1 311 462
Total Executive Directors' remuneration	8 658 889	1 681 206	10 340 095

<sup>#</sup> MN Nkuhlu resigned on 31 August 2020.

## REMUNERATION REPORT (CONTINUED)

### Non-Executive Directors' remuneration

The remuneration tabled below was approved at the AGM.

Director	2021/2022						
	Annual retainer fee 2021/2022 R	Board Chair R	Audit Committee attendance Chair R	Other committee attendance Chair R	Audit Committee meeting attendance R	Remuneration, Investment and Social and Ethics Committee meeting R	Board meeting R
H Ntene	275 000	44 000	–	33 000	–	22 000	26 500
RB Patmore	220 000	–	–	33 000	24 000	22 000	26 500
ME Gama	185 000	–	–	31 500	24 000	22 000	26 500
GS Hauptfleisch	185 000	–	38 500	31 500	–	22 000	26 500
SL Ntuli	185 000	–	–	31 500	–	22 000	26 500
TP Baloyi	185 000	–	–	31 500	–	22 000	26 500

### Total remuneration

	2022 R	2021 R		2022 R	2021 R
PF Radebe (resigned 26 June 2020)	–	129 150	<b>Employee costs</b>		
H Ntene	605 483	425 950	Salary and wages	79 587 434	67 893 742
RB Patmore	538 967	434 700	Executive share scheme expense	3 788 191	7 711 586
ME Gama	538 584	494 550	Share appreciation rights (gain)/expense	–	(76 838)
GS Hauptfleisch	465 233	423 150	Directors' emoluments	26 200 196	13 026 170
SL Ntuli (appointed 23 March 2020)	352 484	303 538	Executive Directors*	23 009 479	10 340 095
TP Baloyi (appointed 23 March 2020)	376 983	282 538	Non-Executive Directors	3 190 717	2 686 075
TC Moodley (appointed 9 July 2020)	312 983	192 500			
<b>Total Non-Executive Directors</b>	<b>3 190 717</b>	<b>2 686 075</b>	<b>Salary and wages</b>	<b>109 575 821</b>	<b>88 554 660</b>
<b>Summary</b>			Less: Amounts allocated to qualifying assets (construction contracts)	(57 833 491)	(39 256 036)
Executive Directors	23 009 479	10 340 095	<b>Total employee costs</b>	<b>51 742 330</b>	<b>49 298 624</b>
Non-Executive Directors	3 190 717	2 686 075			
<b>Total Directors</b>	<b>26 200 196</b>	<b>13 026 170</b>			

\* The Executive Directors' emoluments include only the guaranteed remuneration and any short-term incentive.

## REMUNERATION REPORT (CONTINUED)

### Directors' interest in shares

At the date of this report the Directors held the following direct and indirect interests in the Company:

	Direct 2022 R	Direct 2021 R	Indirect 2022 R	Indirect 2021 R
<b>Ordinary shares</b>				
WJ Lategan	6 695 631	6 695 631	–	–
WA Joubert	16 000	16 000	313 490	313 490
W Williams	1 110 944	1 110 944	86 666	86 666

There were no changes to the Directors' interest in shares between year-end and the date that the financial statements were approved.

### Restraint of trade

All Executive Directors and senior management participating or have previously participated in a long-term incentive scheme have a restraint of trade on their appointment, to the effect that for a period of two years from termination of employment, they are not allowed to provide employment services for any competitor that specialises in mixed-use/integrated developments.

### Independent external advice

The Calgro M3 Remuneration Committee makes use of external advice on matters pertaining to remuneration and benchmarking.

### Pledged securities

As at 28 February 2022, the following Directors and Non-Executive Directors have pledged securities as collateral for loan facilities:

Director	Ordinary shares pledged	Total facility value (R)	Facility expiry date
WJ Lategan	6 459 494	677 893	29 November 2024

No other Directors or prescribed officers within Calgro M3 have pledged securities as guarantee/collateral during the reporting period or at the present date. Should securities be pledged the necessary announcement will be made to the market.



Fourways



# RISK MANAGEMENT

Effective risk management processes and procedures are vital for the Group to achieve its strategic and operational goals, particularly in the current environment of change and uncertainty. The Board recognises that risk is intrinsic to the Group's operations. There is, however, a balance to be struck between managing risk and exploiting opportunities.

An outline of seven key risks identified by the Group as well as mitigation of the risks are summarised below.

## Risk management process

The Board assesses the Group's operational and strategic business risks with a view to eliminating, minimising or mitigating such risks and their effects on the Group's strategies and operations. Group Exco is responsible for managing risk through the day-to-day roll-out of effective risk management processes that it delegates to the various management committees.

The Board defines acceptable risk tolerance levels and has tasked the Audit and Risk Committee to continually identify key risks and ensure acceptable risk tolerances through the executive risk control processes across business-specific risk areas. This sets the matrix for regular and ad hoc reporting, if required, by management to the Audit and Risk Committee and the subsequent reporting to the Board.

The Audit and Risk Committee oversees risk management in the Group and relies on the internal and external auditors as well as systems of internal control, to obtain comfort that risks are reduced to tolerable levels. Furthermore, the Audit and Risk Committee oversees cooperation between the internal and external auditors and serves as a link between the Board and these functions.

The systems of internal control are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the Annual Financial Statements, to safeguard and maintain accountability of the Group's assets and to identify and minimise fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations. There are inherent limitations to the effectiveness of any system of

internal control, including the possibility of human error and the circumvention or overriding of controls. The system is therefore designed to effectively manage rather than eliminate risk.

The Board receives feedback on the effectiveness of internal controls to mitigate risk via the following:

- ▶ Quarterly operational risk management reporting from Exco;
- ▶ Assurances provided by the various Board committees on certain or specific risks and actions taken to mitigate these risks;
- ▶ Audit and Risk Committee feedback from internal and external auditors; and
- ▶ Management feedback on the reliability and efficiency of the systems of internal control.

The Board believes the systems of internal control have continued to improve during the reporting period and are enough to minimise the risk of material loss and to provide accurate and reliable reporting. The Board is satisfied that systems of internal control have provided reasonable but not absolute assurance, and nothing has come to their attention during the year to indicate a material breakdown in the systems of internal control.

Further details on financial risk management, including the Group's exposure to interest rate risk, credit risk and liquidity risk, are contained in [note 3](#) to the Annual Financial Statements.

## Management of key risk

Calgro M3 classifies risks that could have a material impact on the Group into the categories of operations, financial, reputation and strategic. The risks listed below are scored according to probability, impact and control effectiveness resulting in the residual risk within the Group. Below is a summary of company-specific actions implemented to mitigate these risks to acceptable levels.

# RISKS AND MITIGATION STRATEGIES

Risks are part of a business and at Calgro M3 risks that could impact operations are carefully and actively monitored in the short, medium and long term. As a management team we remain cognisant of the impact of the broader operational environment and the vital role it plays in performance objectives.

Risks are monitored and updated regularly to help, not only the Board, but also the executive management team, in guiding day-to-day decision making.

In this feedback to stakeholders, we report on the top seven most poignant risks. Given the severe and immediate risk that the Covid-19 pandemic poses, this is included in the risk register.

A detailed section on “Engaging our Stakeholders” is contained in the ESG Report on pages 10 to 14.

## Calgro M3 stakeholder key



RISKS AND MITIGATION STRATEGIES (CONTINUED)

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A housing shortage with land invasion implications

Due to an ever-present shortage of housing in South Africa the risk for not only land invasions but also illegal squatting in completed units remains present. Unfortunately, this has a direct impact on operations and profitability, when sites are closed, work halted and the invasions legally dealt with, before work and legal occupations and handovers are able to resume.

In previous financial years Calgro M3 dealt with numerous attempted illegal invasions of RDP and CRU units. Fortunately, though, proactive legal steps and the ongoing contracting of security teams specialising in land invasions ensured that these invasion attempts were unsuccessful. These proactive processes in place ensured that during the June 2021 riots no units were illegally invaded across the group. Currently the Group has applications in place to evict individuals who are illegally occupying units in the Fleurhof development and continue to secure the Scottsdale units which were previously invaded.




**The Calgro M3 response**

We pride ourselves on our vision of *Building legacies, Changing lives* and one way to mitigate land invasions in our developments is to further enhance the communication and relations with the surrounding communities to share the positive impacts of our developments with these communities through job creation and a safer environment for families to flourish and grow in.

In partnership with local government and the private sector, we are actively working to eradicate the housing shortage which will decrease exposure to land invasions. Exposure to fewer areas creates the ability to better focus on the specific needs of the particular communities we operate in and reduces possible invasions while at the same time, positively impacting the communities through the developments and amenities Calgro M3 puts into place.

The safety of our people on site as well as the community is of utmost importance to us. We have retained increased security and surveillance on the respective sites.

Stakeholders impacted



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Capacity

Capacity, and the capacity constraints at key operational and managerial levels has been assessed as a significant risk to the Group.

These capacity constraints, if not managed accordingly, could result in project delays, backlogs in decision making and staff who are overworked and unproductive.

With the projected growth of the Group and the focus areas shifting, the right capacity levels in all departments is paramount to attain the Groups strategy.

**The Calgro M3 response**

Our immediate response is to increase management capacity. A new more diversified and experienced management team has been established to enhance and fast track skills transfer. Further to this strategic appointments into the departments which supports the critical stages within the developments life cycle. This includes critically evaluating and "right sizing" the operational departments based on the expected output of the Group for the upcoming years. Where internal appointments may not be found, external assistance will be sought after to assist to alleviate the capacity constraint in the short term.

We will make managerial appointments to assist in the alleviation of pressure on the management committee whilst also assisting in addressing succession planning. In increasing this management base we will also ensure that this middle management level is appropriately equipped and trained to execute their tasks..

With all of the above in place, we will continue to focus a significant amount of time on mentoring and skills transfer at both a memorial park and property development segments to ensure the succession pipeline within the Group remains healthy.

Stakeholders impacted





RISKS AND MITIGATION STRATEGIES (CONTINUED)

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Cash flow and liquidity

The Group has experienced working capital constraints due to additional security costs, standing time incurred on various sites as well as construction delays experienced in the year due to attempted land invasions, environmental delays as well as water/electricity constraints.

A further financial risk is debt providers not refinancing funding that matures. Uncertainty and sustainability concerns of the construction sector, the impact of Covid-19 on the country and civil instability in South Africa due to the recent riots are all factors causing uncertainty in the funding space and making debt providers reassess refinancing.

**The Calgro M3 response**

Calgro M3 has strict budget control, cash flow monitoring and working capital preservation measures in place. We prioritise the completion of existing projects over that of securing new projects and have implemented and continue to review prudent cash allocations between businesses and projects that have different cash flow cycles.

Furthermore a centralised cash flow control function is in place to allow for flexible allocation across the various projects.

/ Stakeholders impacted /



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Impact of macro economic environment

While Covid-19 has severely impacted the global and South African economy, it is not the only factor to consider when dealing with the macro economic environment. This, along with the continued political and policy uncertainty, increasing interest rates and the recent civil unrest place further strain on the economy, creating not only economic pressure but also consumer pressure, directly impacting Calgro M3. The main threat to our business is the effect these macro-economic factors will have on the availability of end-user finance.

**The Calgro M3 response**

While many of the risks are outside of management’s control, regular reviews and updates of economic and affordability data are closely monitored with respect to any considerations made for new business and project investments. We are very aware of the impact the macro-economic conditions have on our operations and the considerations of these conditions are always top of mind.

/ Stakeholders impacted /



RISKS AND MITIGATION STRATEGIES (CONTINUED)

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B-BBEE compliance


Calgro M3 is committed to the empowerment of previously disadvantaged groups, with the goal not only to comply with empowerment laws but to go above and beyond the minimum requirements. Our biggest challenge is the identification of suitably qualified senior empowerment management candidates.

**The Calgro M3 response**

Empowerment is a standard agenda item at every management meeting and is part of our internal culture. As positions in the Group become available and in light of succession planning, the appointment of qualified empowerment candidates on all levels is pursued. In line with this, as a management team, we are committed to the enhancement of training existing staff members and the continuous enhancement of skills and enterprise development.

From a procurement perspective all existing suppliers are expected to be properly empowered and future procurement will be undertaken within specific groups in line with this empowerment plan.

/ Stakeholders impacted /



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Public vs private sector exposure in stringent economic times

Calgro M3 has always maintained a good balance between public and private sector work, however the “too much too quickly” conversion from public to private sector work in the past, along with various delays that have been experienced, placed the Group in a position where it had to rely on Government payments to ensure continued operations.

**The Calgro M3 response**

Senior management along with Group Exco, will maintain the hands-on approach of continuously measuring the Group’s exposure to public sector work. This will be done against the Board approved tolerance levels and in accordance with the Risk Tolerance Policy.

/ Stakeholders impacted /



RISKS AND MITIGATION STRATEGIES (CONTINUED)



Retention of key personnel

With the closure of the construction department and exercises to reduce the Group’s cost base the risk of retention of key staff personnel has increased. This coupled with the capacity risk highlighted previously increases the inherent risk of retention of high performing individuals.

The Calgro M3 response

The Board acknowledges the importance of retaining key individuals and as a result has introduced various custom made short and long term schemes at all staff levels. Through these schemes key talent is identified and incentivised to remain with the Group by sharing in the growth of the Group. Succession planning is done through each department in the Group for departmental heads and key personnel. Salary benchmarking is performed regularly to ensure that staff are fairly compensated for the work performed.

Staff morale is monitored on a regular basis and bench marked annually to ensure we retain our good performing staff and management. Continuous human resource initiatives are implemented to ensure that the working environment is pleasurable and productive.

Stakeholders impacted



La Vie Nouvelle



# GENERAL INFORMATION

## Calgro M3 Holdings Limited

Incorporated in the Republic of South Africa  
Registration number: 2005/027663/06  
Share code: CGR  
ISIN: ZAE000109203

## Registered office and business address

Calgro M3 Building  
Ballywoods Office Park  
33 Ballyclare Drive  
Bryanston  
2196

## Postal address

Private Bag X33  
Craighall  
2024

## Published

16 May 2022

## Transfer secretaries

Computershare Investor Services

## Bankers

First National Bank  
Standard Bank  
Nedbank

## Auditors

PricewaterhouseCoopers Inc.

## Sponsor

PSG Capital

## Secretary

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## Directors

W Williams	Executive
WA Joubert	Executive
WJ Lategan	Executive
SU Naicker <sup>1</sup>	Executive
GS Hauptfleisch	Independent Non-Executive
H Ntene	Independent Non-Executive Chairman
SL Ntuli	Independent Non-Executive
ME Gama	Independent Non-Executive
TP Baloyi	Independent Non-Executive
RB Patmore	Lead Independent Non-Executive
TC Moodley	Non-Executive

*1. Appointed 1 March 2022.*

## Preparer

The financial statements were internally compiled by R van Maarleveld CA(SA) under the supervision of SU Naicker CA(SA).

## Level of assurance

These financial statements have been audited by our external auditors PricewaterhouseCoopers Inc. in accordance with the applicable requirements of the Companies Act No. 71 of 2008.

