Building legacies. Changing lives

2023 Integrated Annual Report

CALGRO M3 Group

The 2023 annual report composition

Forward looking statements

Certain statements in this report may contain forward-looking statements which are inherently predictive, speculative and involve risk and uncertainty as they relate to events or 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 of the Group or its sector to be materially different from any results expressed or implied by such forward-looking statements.

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 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.

Calgro M3 is a committed, responsible corporate citizen and produces an Integrated Annual Report reporting suite, consisting of the following components, which are available on the corporate website.

Consolidated and Separate Audited Annual Financial Statements

ESG Report

Notice of Annual General Meeting

King IV™ Application Register

Navigation toolkit Website reference | Notes reference | Page reference | Document reference

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About this report

Calgro M3 Holdings Limited ("Calgro M3", "Calgro", "the Group", "Group") is the developer of choice in selected markets through the consistent delivery of homes and memorial parks of the highest quality.

Our Integrated Annual Report and our application of globally recognised governance and sustainability reporting frameworks provides our stakeholders a clear view of how Calgro M3's strategy, business model, performance and prospects – in the context of its external environment – create, preserve and enhance value over the short, medium and long term.

Materiality

This report applies the principle of materiality by focusing on those issues, opportunities and challenges that may have a material impact on the Group's capitals. 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.

Scope and boundary

The collective of all the documents within the annual report suite, as described on the inner front page, for the year ended 28 February 2023 provides an overview of the financial, social, environmental and governance performance of Calgro M3 and its subsidiaries.

Information presented covers all operating entities of the Group, including all subsidiaries and joint ventures, unless otherwise indicated. All information, except any changes associated with adopting new accounting standards, is presented on the same basis as the Group's 2022 Integrated Annual Report, the measurement methods applied, and the time frames used. The information provided covers all material matters relating to business strategy, risks and areas of critical importance to our stakeholders.

Reporting frameworks applied

The above reports are guided by:

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

* *The Group is a Global Compact ("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.*

Independent assurance

Mazars has been engaged to provide independent assurance on the Group consolidated financial statements. Gerhard de Beer is the individual registered auditor who undertook the audit. The Mazars audit opinion on the annual consolidated financial statements can be found in the Annual Financial Statements section on the website.

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, led by the Group Executive team, structures and processes to compile the Integrated Annual Reporting suite of documents and then performing a thorough review of the resulting document. The Board of Directors acknowledges its responsibility in ensuring the integrity of the 2023 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 15 May 2023.

Hatla Ntene
Chairperson

Wikus Lategan
Chief Executive Officer (CEO)

Sayuri Naicker
Financial Director

Waldi Joubert

Ralph Patmore

Mdu Gama

George Hauptfleisch

Tyrone Moodley

Themba Baloyi

Wayne Williams

15 May 2023

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:

Wikus Lategan (CEO) (wikus@calgrom3.com) **Sayuri Naicker** (FD) (sayurin@calgrom3.com) Tel: 011 300 7500

Our business

CALGRO M3

Calgro M3 is constituted of the following two operating segments, focusing operations in Gauteng, Western Cape and the Free State whilst trading out of KwaZulu-Natal:

The business aims to bridge the gap between subsidised, social, GAP ("Grassroots Affordable People's") or FLISP ("Financed Linked Subsidy Programme") housing and the affordable housing market segment by providing housing, schooling and communal facilities to all levels of income earners within one integrated community.

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 and residing close to job opportunities.

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

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 by the Group. We pride ourselves on providing safe, serene, and beautiful surroundings where family and friends can lay their loved ones to rest.

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.

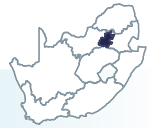
The Group's positioning and business model provides it with the ability to adapt to the demands and challenges of the marketplace, including ever-evolving social, economic, political, and environmental considerations. Our agility in navigating between areas enables us to realise our strategy of extracting different sources of revenue and profits from businesses and opportunities, which will result in an improved liquidity blend and margin over time. In the current environment we are focused primarily on the low to middle income private sector.

Our business (continued)

The housing segments we operate in

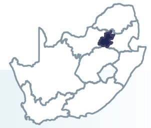
Public sector		Private sector			
Breaking new ground ("BNG") fully subsidised ownership	Community residential units ("CRU") (council subsidised rentals)	Social housing (subsidised rentals)	GAP, FLISP and private rental housing segment	Affordable housing	Mid-to-high income housing
Style and average sales bracket					
Subsidy of the day	Subsidy as per national community residential units ("CRU") policy	Up to R400 000 (institutional subsidy from public sector of R272 000)	Up to R600 000 (reviewed consistently to enhance value offering and ensure affordability)	Up to R900 000	R900 001 up to R3 000 000 +
Description of housing					
Providing fully subsidised units to qualifying South Africans (updated version of Reconstruction and Development Programme ("RDP") housing)	The community residential unit ("CRU") programme comprises subsidised rental units owned by the public sector	Social housing is a rental or cooperative housing option of subsidised rentals owned by non-profit social housing institutes	Grassroots affordable people's ("GAP") homes cater for people excluded from the subsidised programme but with incomes too low to qualify for traditional affordable homes Finance linked individual subsidy programme ("FLISP"). The product was introduced when the affordability level to qualify for subsidised housing was removed, allowing people previously disqualified based on income, to qualify for a partly subsidised home	Full and sectional title residential units aimed at homeowners in the bonded market regulated by the Financial Services Charter ("FSC")	Full and sectional title residential units aimed at homeowners in the bonded market, outside the FSC
Target income earners					
<R3 500 pm	<R7 500 pm	<R22 000 pm	<R22 000 pm	>R22 001 pm	>R30 000 pm
Move into CRU if monthly earnings >R3 500 pm	Move to next housing segment depending on increased income level >R7 500	Move to next housing segment if monthly earnings >R22 000 Subsidy risk taken by social housing company, not Calgro M3	Subsidies to the individual ranging from R27 960 to R121 626, depending on income level		

Our Memorial Parks footprint



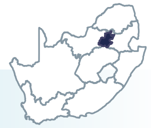
NASREC MEMORIAL PARK by CALGRO

Grave quantities
28 691
Gauteng



FOURWAYS MEMORIAL PARK by CALGRO

Grave quantities
7 184
Gauteng

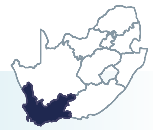


ENOKUTHULA MEMORIAL PARK by CALGRO

Grave quantities
11 019
Gauteng

BLOEMFONTEIN MEMORIAL PARK by CALGRO

Grave quantities
46 524
Free State



DURBANVILLE MEMORIAL PARK by CALGRO

Grave quantities
6 379
Western Cape

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.

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

#sustainableactions

Mission

- 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

01

Message to stakeholders from the CEO and FD

Proof 9 / 05-12-2023

Calgro M3 by numbers

The Group is proud to have achieved its strongest financial performance and its healthiest financial position:

Profit after tax increased by 40.8% to R186.2 million
(2022: R132.2 million)

Earnings per share ("EPS") of 153.37 cents
(2022: 108.58 cents)

Headline earnings per share ("HEPS") of 153.18 cents
(2022:105.63 cents)

Key metrics

Revenue increased by **15.4%**

3 186 units completed in the current year

2 719 units under construction with more planned to start on a staggered basis during the 2024 year

Gross profit margin maintained within target range at **23.5%**

Trade and other payables decreased by **14.6%** to **R360.5 million** (2022: R422 million)

Positive cash from operations

Net debt to equity decreased to **0.62** from **0.71**

Return on equity increased to **19.3%** from **15.9%**

Net asset value ("NAV") per share increased by **19.8%** to **R9.51** (2022: R7.94)

Share buyback of **9.27%** at an average price of **R2.34** (subsequent to year-end)

Retained **level 1** B-BBEE accreditation

44.8% of the workforce are female (target: 50%)

Liquidity

Total of R632 million available

- Cash on hand R172 million
- Available overdraft facility R100 million
- Development Finance Corporation facility R360 million*

**$20 million USD*

Overview and achievements of the year

It is with immense pride that we present not only a satisfying set of results but one that showcases the Group's highest-ever profit after tax, earnings and headline earnings per share. These results are based on our sustainable, well-diversified project portfolio rollout, a robust balance sheet featuring the lowest liabilities in seven years and a net debt-to-equity ratio at an impressive 10-year low of 0.62.

These results align with our deep rooted **#sustainable**actions theme, through which Calgro M3 is dedicated to ensuring long-term sustainability supported by a robust pipeline.

The Group continues to execute its strategic focus of driving efficiencies, containing costs, and delivering high-quality, affordable homes and memorial parks. The Group's performance was driven by the development business' persistent investment in innovative building designs, rethinking the efficiency of design layouts, and the continuous pursuit of margin improvement. This coupled with the restructure and refocus of the Memorial Parks business completing the year on a positive upward trend, resulted in focused, controlled revenue and HEPS growth. Along with meticulous capital and resource allocation between the business segments and in-depth industry knowledge tailoring to the market's needs, the Group has maintained its margin within the target range of 20% to 25%.

Cash resources have decreased slightly to R172.6 million due to investments made in infrastructure and top structure construction, with units to be transferred to customers on a staggered basis throughout the year. Further supporting the strong liquidity position is the undrawn overdraft of R100 million and the Development Finance Corporation facility of R360 million, bringing the immediate available funds to R632 million.

The Group maintains its commitment to creating and sustaining harmonious relationships with all stakeholders whilst providing exceptional value and seeking new avenues for growth. Issues are addressed proactively by prioritising engagement initiatives to minimise disruptions. We are pleased to report limited to no site interruptions for the current reporting period.

Skills development, training, and education remain top priorities on the human capital agenda, with additional initiatives underway. The Group has maintained its previously reported female representation of 44.8% of the total workforce and continues to target 50% representation at all reporting levels. The approved empowerment plan's continued focus is evident through the increase of historically disadvantaged employment from 71% (2022) to 73% in the current period.

Calgro M3's future prospects are reinforced by the focused rollout of existing and future integrated projects, including Frankenwald, as well as a solid foundation set for our Memorial Parks business. The Memorial Parks business has seen cash receipts surpass COVID-19 levels in the last three months of operations. The residential pipeline comprises more than 22 000 opportunities (approximate revenue of R15.9 billion) across nine projects. Furthermore, the Memorial Parks business offers in excess of 99 000 burial opportunities (approximate revenue of R2.1 billion).

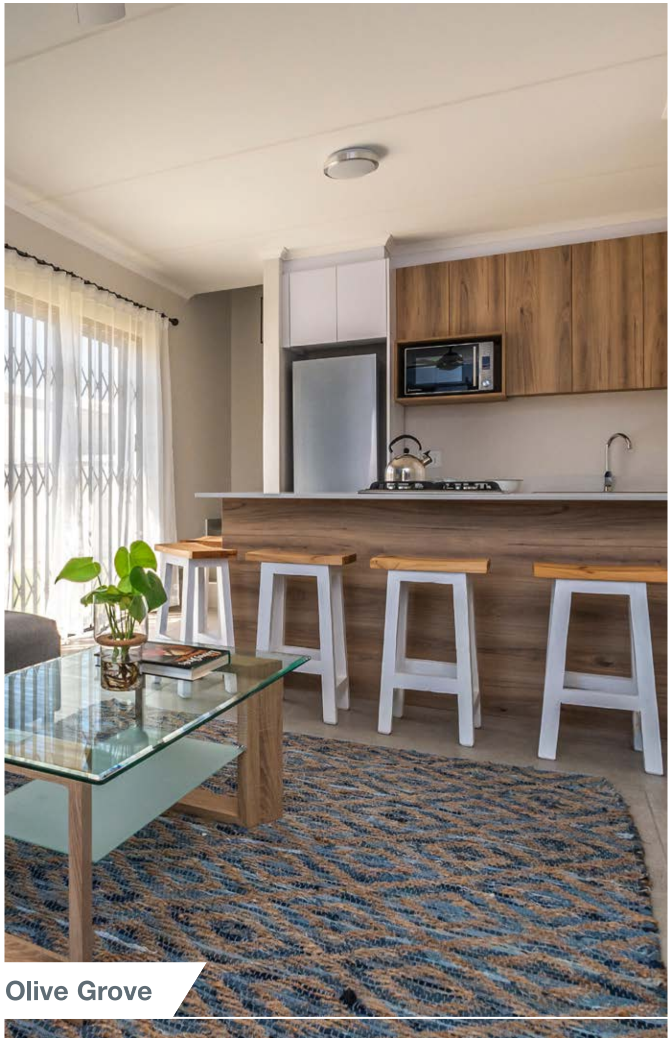
Fleurhof

Overview and achievements of the year (continued)

Residential Property Development

308 on Kern

UWC



Olive Grove

Overview and achievements of the year (continued)

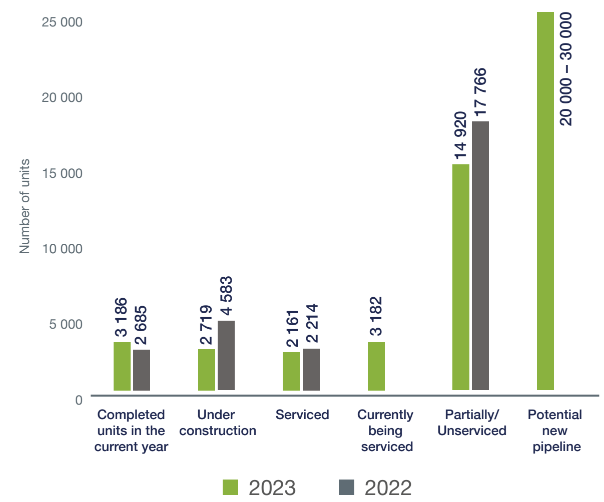
Residential Property Development

The largest contributor to revenue and profit remains the Residential Property Development business, operating primarily in Gauteng and the Western Cape with nine active projects. Its reach has expanded by targeting fully subsidised homes to homes in excess of R3 million, ensuring diversity amid current economic conditions and market challenges. The focus lies in offering value-for-money in lifestyle estates at the best possible price, benefiting consumers and catering to the "unhoused" market segment. In line with this, we continually explore and test lower price points without compromising on lifestyle and value-for-money principles whilst maintaining our mantra of ***Building legacies. Changing lives***.

Calgro M3's Residential Property Development business builds homes in a market sector with a dire housing shortage. Calgro M3 has a total housing pipeline of R15.9 billion.

	2023 (Rand)	2022 (Rand)	Change (%)
Total segment revenue	**1 489 772 516**	1 269 325 468	17%
Fleurhof	**587 819 293**	402 933 636	46%
Jabulani	**161 884 587**	67 020 084	142%
Bridge City	**139 816 576**	–	100%
South Hills	**201 939 105**	219 561 716	(8%)
Belhar	**202 434 778**	464 442 896	(56%)
Scottsdene	**73 298 718**	19 855 652	269%
Other projects	**122 579 459**	88 639 160	78%
Gross profit	**344 843 698**	262 235 604	42%
Total comprehensive income	**190 184 679**	129 833 239	46%

Residential Developments pipeline
Housing opportunities



Year at a glance

- Gross margin in target range
- Meticulous capital allocation to high yielding projects
- Enhance product and lifestyle offering whilst taking affordability into account
- Revenue diversification between projects and provinces
- Sustainable mix of customers to ensure consistent handovers and cash flows

Overview and achievements of the year (continued)

The Group handed over 3 186 completed opportunities in the current year, with 2 719 opportunities under construction and over 3 100 opportunities being serviced in the 2024 financial year. Revenue diversification between projects and provinces, along with a sustainable mix of customers, will ensure consistent handovers, and in turn, cash flow.

With Allistiar Langson now fully at the helm of this business, our core project returns are maximised through town planning, improved designs, and product enhancements catering to discerning clientele, while keeping sales prices affordable and at a level where banks still approve 100% bonds. In fact, Calgro M3 is encouraged by the appetite from all major banks and their continued support of the residential development industry, which is crucial not only for providing much needed housing but also for significantly contributing to job creation and wellbeing, albeit in difficult market conditions.

The revenue pipeline for the Residential Property Development business is R15.9 billion (more than 22 000 opportunities) excluding the addition of Frankenwald that will add to this pipeline during the years to come.

Calgro M3 has made major strides in containing costs and will continue working on efficient building designs and layouts that contain costs and improve margins. These efficient design layouts added more than 1 600 units to the pipeline at no additional capital cost. Diligent cost management is evident from consistently maintaining the gross profit margin above 20%.

To maintain diversification between projects and focus on provinces that support our strategic objectives, we continue to explore the expansion of current projects by accessing neighbouring land and opportunities in the Western Cape and Gauteng.

Calgro M3 funded R249 million of bulk and link infrastructure on the Jabulani, Fleurhof, South Hills and Belhar with plans to spend an additional R150 million in the next financial year, all funded from cash generated through operations. We remain mindful of the economic impact on interest rates and the resulting effect on customers, as well as the banks' potential tightening of lending criteria. However, we remain confident that the lower living standard measures ("LSM") levels that Calgro M3 services, will continue to deem housing a necessity rather than a luxury.

Frankenwald, located 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.

Revenue pipeline

	Breakdown of opportunities					
Projects	**Units under construction**	**Serviced opportunities**	**Number of opportunities currently being serviced**	**Number of additional opportunities partially serviced**	**Total remaining opportunities**	**Revenue pipeline (R)**
Belhar	299	703	984	–	**1 687**	1 175 097 026
Bridge City	–	–	–	–	**–**	27 982 515
Fleurhof	274	–	1 288	3 920	**5 208**	4 345 681 432
Jabulani	815	748	–	–	**748**	819 777 960
La Vie Novelle	1	81	–	–	**81**	199 804 010
Scottsdene	635	293	–	–	**293**	368 362 918
South Hills	474	300	120	4 370	**4 790**	3 326 264 193
Umhlanga Hills (if developed)	–	–	–	720	**720**	562 852 174
Vredehoek	–	–	–	263	**263**	819 038 261
Maitland	204	–	–	–	**–**	3 855 047
Mid-to-high	17	36	–	334	**370**	1 131 478 306
Witpoortjie	–	–	790	5 313	**6 103**	3 036 072 191
KwaNobuhle	–	–	–		**–**	165 000 000
	2 719	2 161	3 182	14 920	**20 263**	15 981 266 033

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

Overview and achievements of the year (continued)

Market and challenges

Demand/housing shortage and price trends

The demand for affordable and entry-level housing in South Africa remains high due to a large population of first-time homebuyers, young families, and low- to middle-income earners seeking affordable housing options. However, affordability continues to be a challenge for many potential buyers due to factors such as unemployment, lack of access to credit, and high levels of household debt, compounded by a strong increase in interest rates over the past 18 months. Despite this, Calgro M3 has not experienced a drop-off in demand with continuous support from banks demonstrated through the granting of 100% mortgage bonds to clients. This is illustrative of the value-for-money and wide product offering Calgro M3 has in place.

More first-time buyers are entering the market, a trend that has been edging upwards over the past five years as a percentage of transfers. Prices of affordable and entry-level housing in South Africa have generally been rising, although at varying rates depending on the location and specific market conditions. Factors such as supply and demand dynamics, location, infrastructure development, and overall economic conditions impact price trends. However, affordability remains a key consideration for buyers in this market segment. It is worth noting that on a R500 000 home bond, a 1% increase in the interest rate adds a R313.81 per month to the client's bond repayments. With the interest rate having increased from 7% during November 2021 to 11.25% at the end of March 2023, this adds R1 399.69 to the monthly bond repayments. The good news is that lenders are more accommodating and interested in consumers at the lower end of the market, specifically properties to the value of R700 000 and below.

Interestingly, market activity now has a bias towards a higher purchase price. Residential building plans passed, a lead indicator of building activity to come, declined by 6.4% year-on-year in the third quarter of 2022, after a bout of solid positive growth in prior quarters. It appears that building planning has already begun to slow in response to interest rate hikes, pointing to a slower 2023 on the new residential building front. At the time of writing this report we are yet to see a decline in demand, and remain positive that sales of our diversified product offering will remain strong.

With a South African population greater than 57 million people and only 6.7 million formal residential opportunities, we believe the housing shortage is indisputable. 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 do not take 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, and Lightstone Property Research, Calgro M3 estimates the housing backlog to be more than 5.5 million houses.

Product offering

Calgro M3 anticipates a shift in demand towards sectional title units, evidenced in the composition of new housing stock. There are a number of reasons for the popularity of these homes:

- affordability;
- cost and convenience;
- amenities;
- security, being our primary focus; and
- location.

The popularity of mixed-use developments continues, as well as key nodes or hubs with all amenities/entertainment/work close at hand for those who work from home or share workspaces. People want to spend less time in traffic and more time with their families.

Government initiatives

The South African government has implemented various initiatives to address the need for affordable housing, including subsidies, grants, and affordable housing finance programmes. These initiatives aim to promote homeownership and increase the supply of affordable housing, but their impact on the market has varied in effectiveness. We do believe that the government has had a renewed realisation, in the wake of the Covid-19 pandemic, that the formalisation of housing must be a priority on the governmental budget spending list. The President is making progress on fundraising for infrastructure, from which new housing initiatives will also benefit.

Construction cost

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 positively impact margin and assist in containing sales prices.

Energy and water shortage

Load shedding and failing municipal services will see more developers and homeowners responding to the need for investment in alternative power and water resources to enable self-sufficiency We envisage greater demand for estates that cater to these needs or to areas that are better run and offer a measure of protection against load shedding. We ensure the installation of alternative measures for hot water and cooking, and are also investigating ways to assist in times of load shedding. Load shedding has cost the Group approximately R6 million during the year.

Land invasions

Land invasions remain 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, we have increased security and community relations, and because of housing delivery requirements that Calgro M3 fulfils on behalf of the government. This strong belief, of course, excludes the pure gangsterism and criminal elements which hijack projects and buildings under this umbrella for selfish or 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 learned 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 the government and surrounding communities on this matter continues to take place.

Overview and achievements of the year (continued)

The market we operate in and how we manage it:

Residential market recovery

- Strong market recovery with more first-time buyers entering the market

Capital exposure

- Exposure remains until units are handed over to owners
- Major banks showing appetite for the extension of bonds

Land invasions

- Remain a concern
- Calgro M3 sites are now less susceptible to this risk due to increased security and better community relations

Housing shortage in South Africa

- Population of more than 57 million and only 6.7 million formal residential opportunities
- Calgro M3 cannot on its own fill the gap but will continue to build homes for the people of South Africa and in this way contribute to the betterment of the country

Outlook

We are optimistic about the year ahead, with a large pre-sale book and several properties in various stages of development (some already nearing completion). We anticipate consistent transfers throughout the year, thereby creating consistent cash flow. The outlook for the affordable and entry-level housing market in South Africa is influenced by a range of factors, including economic conditions, government policies, and market dynamics. While there is persistent demand for affordable housing, we will carefully monitor challenges, such as affordability, financing, and supply constraints that may continue to impact the market.

Higher interest rates remain a concern, as they could potentially "cool" homebuyer demand, with a typical lag of 6 to 18 months. However, as reported above, Calgro M3 is not experiencing a significant drop off, and we will continue to work on more affordable products while keeping a watchful eye on units under construction.

Late in 2023, if forecasts for the start of mild interest rate cuts prove accurate, we should see renewed strengthening in demand. We are confident that our delivery can hold up in the current environment, and any increase towards the end of the year will add to the bottom line.

Strategic summary for Residential Property Development

Calgro M3 is positioned to benefit from:

Focus 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:

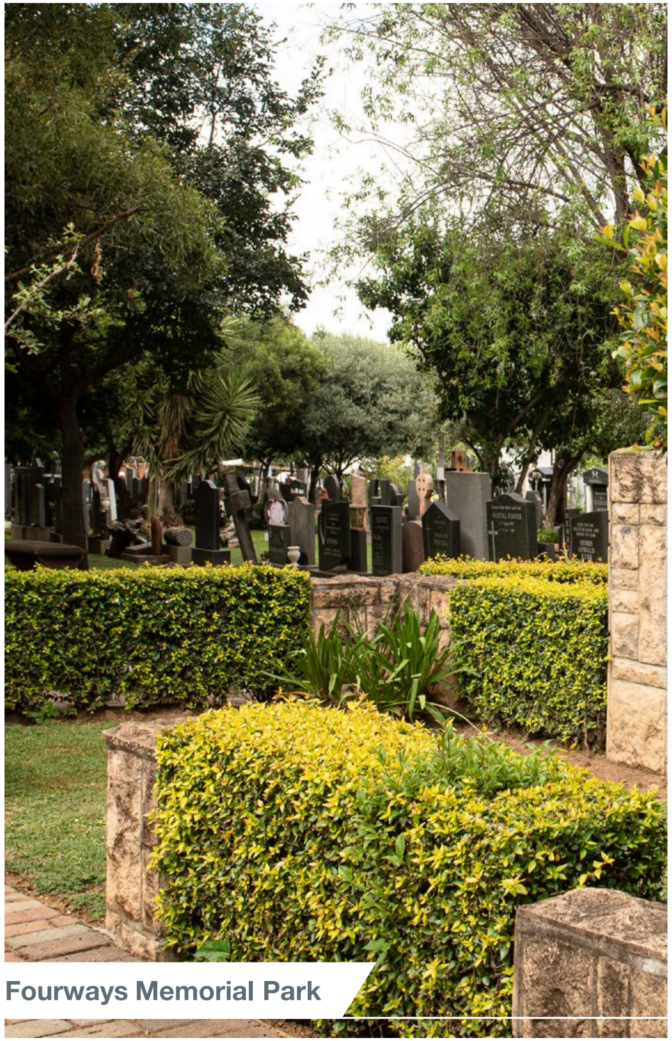
- Availability of quality housing opportunities has not kept track with South Africa's population growth
- Calgro M3 operates primarily in the lower end of the market where there is strong demand from aspiring buyers, residential property funds renting units to non-qualifying buyers or young people that 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

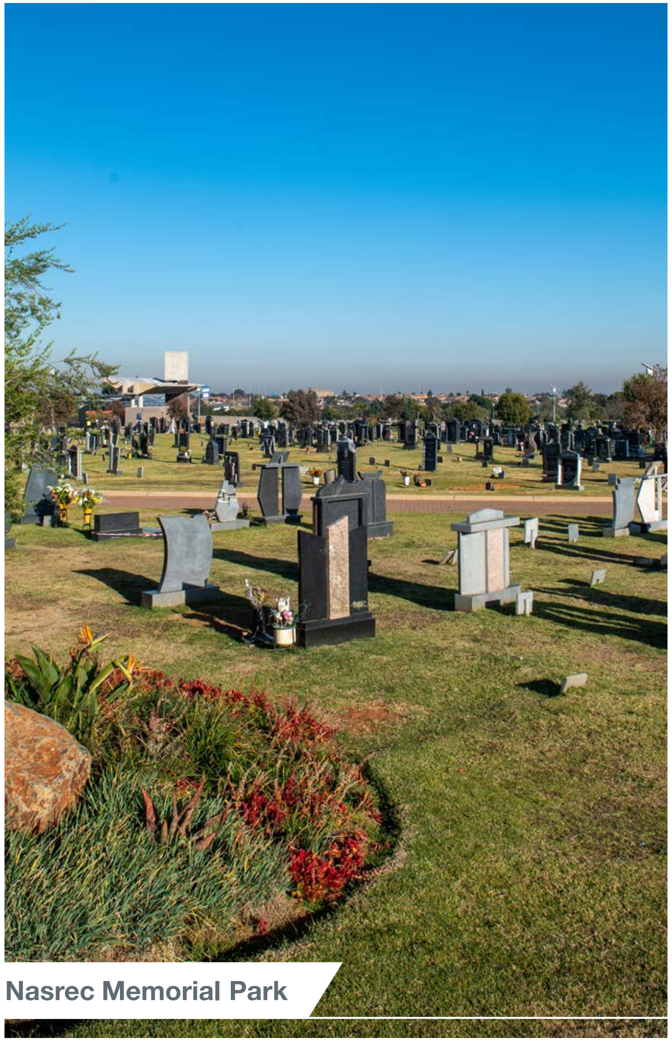
Overview and achievements of the year (continued)

Memorial Parks

Durbanville Memorial Park



Fourways Memorial Park



Nasrec Memorial Park

Overview and achievements of the year (continued)

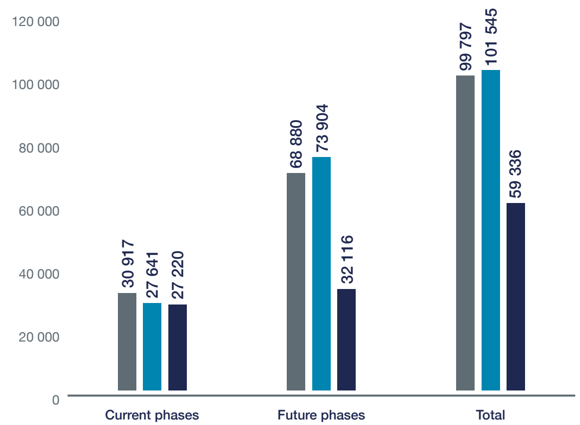
Memorial Parks

The Memorial Parks business, as one of the Group's key focus areas, experienced a significant shift in performance during the financial year. The decrease in total cash collected, a primary measure for the Company, is attributed to lower burial volumes post the subsiding Covid-19 pandemic, a marketing division restructuring, and challenges with consumer affordability. While the segment has introduced new payment mechanisms and a data-driven marketing strategy to combat these challenges, the impacts on the business over the past year remained substantial. The compounded annual growth rate ("CAGR") of this business remains in excess of 26% over the past five years, illustrating the resilience and opportunity of this business at its fullest.

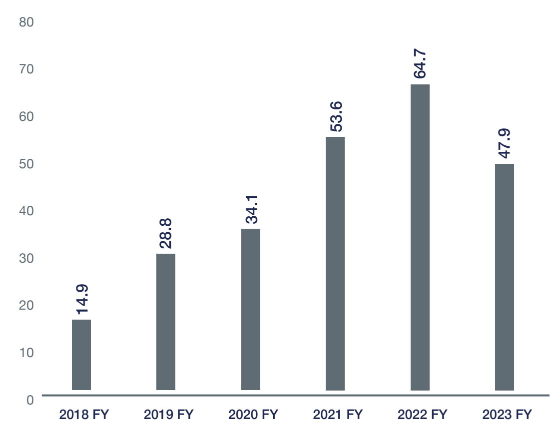
All Calgro M3 Memorial Parks are privately owned and professionally managed and maintained. We pride ourselves on providing safe, serene, and beautiful surroundings where family and friends can lay their loved ones to rest.

	2023 (Rand)	2022 (Rand)	Change (%)
Total segment revenue	**35 544 034**	52 269 788	(32%)
Gross profit	**12 850 099**	19 611 069	(34%)
Total comprehensive income	**976 320**	5 852 014	(83%)

Memorial Parks pipeline
Number of opportunities (graves)



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



CAGR 26.3% (2018 – 2023)

Year at a glance

- Total cash received decreased by 26.0% to R47.9 million (2022: R64.7 million)
- Current market share remains <2% in metro areas representing strong growth opportunities
- Burial rights awarded at Bloemfontein Memorial Park subsequent to year-end
- Continued focus on distribution channels and affordability enhancement
- National roll-out and development of further land parcels remain a priority

Overview and achievements of the year (continued)

Cash collection, burial volumes, and marketing restructuring

Total cash collected for the financial year decreased by 26.0% to R47.9 million, a marked drop compared to the previous year. This decline was driven by a 35% reduction in burial volumes, as the global health crisis gradually subsided. Another contributing factor was the restructuring of the marketing division in March 2022, which resulted in virtually no marketing activities taking place from March to June 2022.

In response to these challenges, a new marketing strategy was implemented in July 2022, which focused heavily on using internal and external data to determine the most effective marketing channels, spend, reach, and other key metrics. This data-driven approach resulted in a substantial reduction in marketing costs as a percentage of sales, making the marketing efforts more scientific and targeted to ensure the greatest impact per Rand spent.

Affordability and lay-by offering

In an effort to address consumer affordability challenges, the Memorial Parks business introduced a lay-by payment mechanism in July 2022. This payment option allows customers up to 24 months to pay for the reservation of a grave, with 0% interest charged on the instalment plan. The lay-by offering has resulted in an additional R12.4 million in sales, which is not yet reflected in the revenue for the period. Of this amount, R8.9 million will be received in the next 12 months. Revenue is only recognised on these sales once the full purchase price has been received in cash.

This offering is showing immense potential while addressing the financial pressure the consumer is under, but also aligning to the strategic purpose of generating sustainable cash flows on a monthly basis to the Group.

The past year has been a time of significant progress for the Memorial Parks business, and we are pleased to share some of the highlights and achievements that have shaped our trajectory. One of the most notable developments was the acquisition of burial rights at the Bloemfontein Memorial Park post-year-end. This park has long been recognised as a desirable location for families seeking to lay their loved ones to rest. By securing burial rights at this park, the Group can enhance growth prospects, further demonstrating the ability to identify and capitalise on strategic opportunities. As we continue to seek out new avenues for growth, we remain committed to providing exceptional value to our customers and investors alike.

Memorial Parks pipeline

Project/Park	Region/City	Province	Grave quantity	Anticipated project turnover (Rand)
Nasrec Memorial Park	City of Joburg	Gauteng	**28 691**	**875 275 461**
Fourways Memorial Park	City of Joburg	Gauteng	**7 184**	**305 023 530**
Enokuthula Memorial Park	City of Ekurhuleni	Gauteng	**11 019**	**128 808 355**
Bloemfontein Memorial Park	Mangaung	Free State	**46 524**	**638 920 607**
Durbanville Memorial Park	City of Cape Town	Western Cape	**6 379**	**153 726 594**
Total			**99 797**	**2 101 754 547**

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

	2023 FY	2022 FY	2021 FY	2020 FY	2019 FY
Nasrec (Gauteng)	**20.2**	25.8	24.5	17.3	14.7
Fourways (Gauteng)	**14.5**	23.5	16.3	8.2	7.9
Enokuthula (Gauteng)	**1.2**	1.7	1.3	0.4	0.1
Bloemfontein (Free State)	**0.3**	0.4	0.3	0.2	0.2
Durbanville (Western Cape)	**11.7**	13.3	11.2	8.1	5.9
	47.9	64.7	53.6	34.1	28.8
Movement	**-26.0%**	20.7%	57.2%	18.5%	93.3%

Overview and achievements of the year (continued)

Market and challenges

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

NASREC **MEMORIAL PARK** by CALGRO

FOURWAYS **MEMORIAL PARK** by CALGRO

ENOKUTHULA **MEMORIAL PARK** by CALGRO

DURBANVILLE **MEMORIAL PARK** by CALGRO

BLOEMFONTEIN **MEMORIAL PARK** by CALGRO

Customer arrives at a memorial park because they have suffered a death of a loved one or family member, with funds which has been paid out from a funeral or life insurance policy and chooses a burial product according to the amount they have

Customer arrives at a memorial park to attend a burial and is impressed with the park and enquires and reserves a product. This customer is usually from a higher LSM group

Growth strategy implemented – ENHANCING PRODUCT AFFORDABILITY

Target the lower LSM segments

Product development to ensure a wide range of product options at affordable prices for all LSM groupings that can be bought and paid off over reasonable periods of time

Continued and consistent brand awareness through marketing and advertising

This will support overall growth as well as great activity for parks such as Enokuthula that are established but which currently have very little burial activity.

Market and conditions we operate in

The South African funeral industry has experienced significant growth and diversification in recent years, driven by a combination of demographic, socio-economic, and cultural factors. The industry in South Africa is a vital component of the broader funeral market. A growing population and increased urbanisation have led to a higher demand for burial spaces, particularly in densely populated metropolitan areas. In response, Memorial Parks have stepped in to offer well-maintained and aesthetically pleasing alternatives to the often overcrowded and poorly maintained municipal cemeteries.

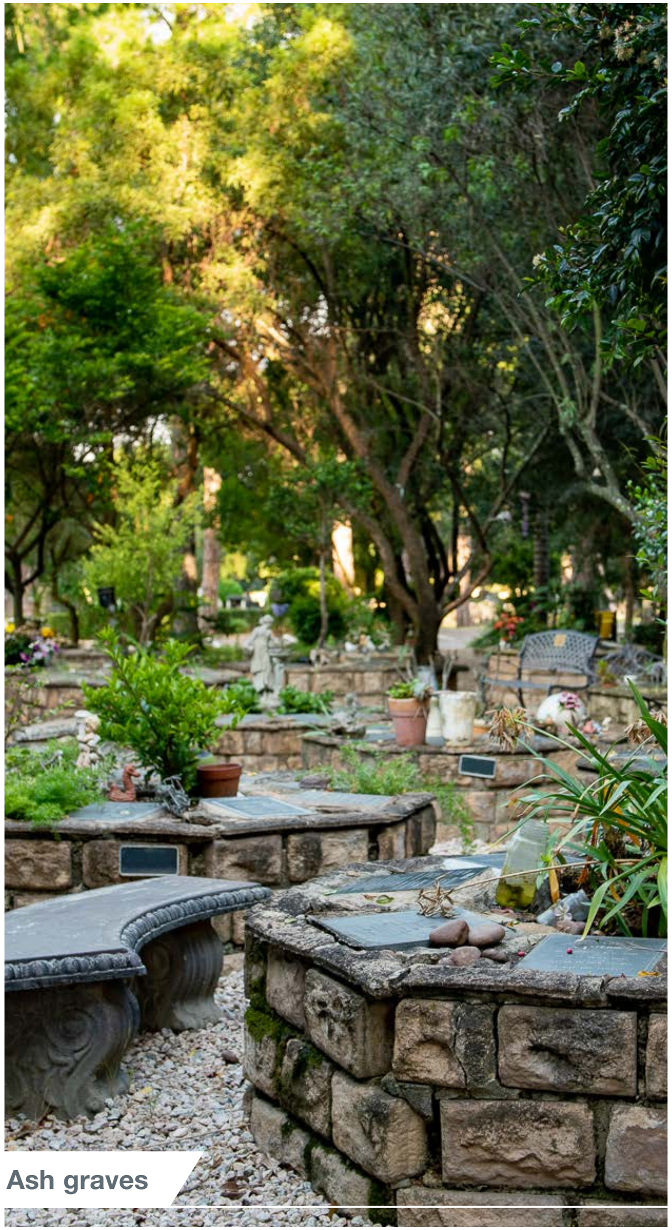
Families are increasingly seeking personalised and customised burial options that reflect the unique personality and life story of the deceased. Calgro M3 Memorial Parks aim to accommodate this demand by offering a wide range of customisable memorial and burial options, such as personalised headstones, memorial gardens, and family estates. In addition to traditional burial plots, the South African memorial parks market is witnessing a growing interest in alternative memorial options, such as columbaria (structures for the respectful storage of urns containing cremated remains) and memorial walls. These alternatives cater to individuals seeking space-saving and cost-effective memorial solutions. All of the Calgro M3 Memorial Parks cater for these markets to ensure an affordable product available to meet all needs.

As the industry continues to evolve, there is ample opportunity to cater to changing consumer preferences and capitalise on emerging trends. By embracing sustainability, personalisation, and technological advancements, Memorial Parks can ensure continued growth and success in an increasingly competitive market.

To date, the Group has established or acquired five memorial parks, being Nasrec, Enokuthula, Fourways, Durbanville and Bloemfontein Memorial Parks. The Group is working towards a national footprint, investigating opportunities in Tshwane and Ekurhuleni.

Overview and achievements of the year (continued)

Selected products with the full range contained at www.memorialparksbycalgro.com



Ash graves

Family estates

Lawn graves

Overview and achievements of the year (continued)

Outlook

As we look ahead to the next financial year, we are highly optimistic about the Memorial Parks business. Our strategy is centred around four main objectives: growing annuity income to cover group overheads and interest in the medium term; focusing on marketing distribution and channels; successfully launching the Bloemfontein Memorial Park; and becoming a technology hub for the group. We believe that by achieving these objectives, we will be well-positioned to generate a stable stream of income, provide exceptional value to our customers and investors, and ensure the future growth and success of our business.

Growing annuity income

Our primary objective is to grow annuity income from the Memorial Parks business to cover group overheads and interest obligations in the medium term. To achieve this, we will continue to develop and launch innovative new products and services that cater to the evolving needs of our customers. One such product that has already shown success is our lay-by offering, which allows customers to pay for products over a 24-month period with no interest charged. We are confident that this and other innovative offerings will contribute to our financial stability and support our ongoing growth.

Focusing on marketing distributions

We recognise the importance of effectively reaching a target audience, and we will be intensifying our efforts to strengthen marketing distribution and channels. By leveraging both traditional and digital platforms, we aim to raise awareness of services, increase customer engagement, and ultimately drive growth.

Successfully launching Bloemfontein Memorial Park

The successful launch of the Bloemfontein Memorial Park is a crucial objective. We will devote the necessary resources and focus to ensure the seamless integration of this park into our existing operations. With its strategic location, we are confident that the Bloemfontein Memorial Park will become a significant contributor to overall growth and success.

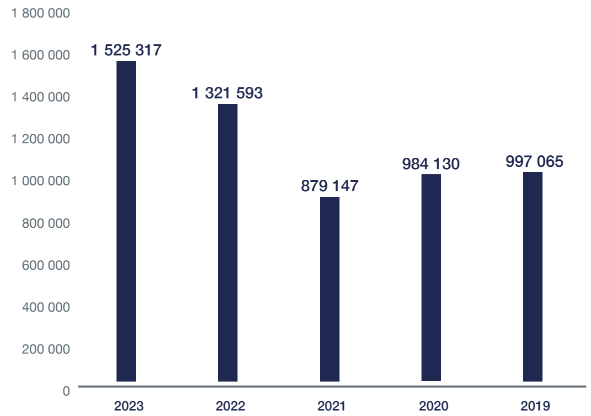
Becoming a technology hub for the Group

Our fourth objective is to transform the Memorial Parks business into a technology hub for the Group, where new technologies are battle-tested in the Memorial Parks environment before being rolled out to the Residential Development business. This approach will enable us to continuously enhance our efficiency and profitability across the Group, ensuring that we remain at the forefront of industry innovation.

We are confident that our strategic focus on these four key objectives will enable our memorial parks business to thrive in the coming year. We look forward to building on our successes and continuing to deliver exceptional value to our customers, investors, and employees.

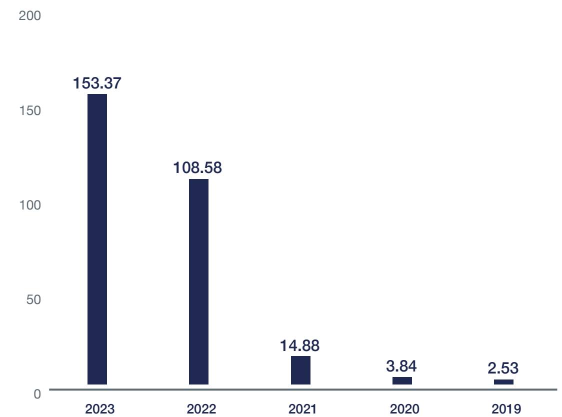
Financial performance

Revenue (R'000)



Drive to sustain sales and maintain margins within the target range

Earnings per share (cents)



Highest profitability in Group's history

Statement of comprehensive income

In the current financial year, the Group has reported profit after tax of R186 million (2022: R132 million), with both revenue and gross profit showing growth. Overall revenue increased by 15% to R1 525.3 million (2022: R1 321.6 million) driven by increased unit registrations and additional investment in bulk and link infrastructure, funded by government throughout the year.

The gross profit margin increased to 23.5% (2022: 21.3%). The increase in gross profit is as a result of rigorous cost containment through the stringent project management of development activities, primarily driven by efficient designs in town planning and architectural layouts. This is the main driver in the strengthening of the gross profit margin which sits solidly within the target range of 20% to 25%.

Administrative expenses increased by 14.1% to R102.4 million (2022: R89.7 million), as a result of increased marketing cost directly linked to revenue growth along with a general inflationary increase in administrative costs. Employee costs have increased by 6%.

The decrease in share of profits from joint ventures is driven by reduced activity within the South Hills integrated development. New operations commenced in the latter half of the 2022 calendar year, in line with the Group's strategy to handover units throughout the year.

The reduction in net finance costs in the current year is driven by a combination of increased finance income on receivable balances and an increase in borrowing costs capitalised to qualifying assets resulting from large infrastructure investment.

Financial metrics

R million	February 2023	February 2022	Movement
Revenue	**1 525.3**	1 321.6	203.7
Gross profit	**357.7**	281.8	75.9
Gross profit %	**23.5%**	21.3%	2.2%
Administrative expenses	**(102.4)**	(89.7)	12.7
Share of profit/(loss) of joint ventures – net of tax	**5.4**	9.6	(4.2)

Financial performance (continued)

Earnings per share

EPS increased to 153.37 cents per share (2022: 108.58 cents per share) with HEPS improving to 153.18 cents per share (2022: 105.63 cents per share). Subsequent to the end of the financial year the Group executed on its registered share re-purchase programme, repurchasing 13 million shares, equating to 9.27% of the company's issued share capital as at the date on which the General Authority was granted. Should this have occurred in the 2023 financial year the effect would have improved EPS to 171.77 cents per share, HEPS to 171.55 cents per share and NAV to R10.65 per share.

Statement of financial position and cash flow

Current assets (excluding cash and cash equivalents) increased by R240 million primarily due to the increased investment in construction contracts in the current year to R1 162.4 million (2022: R909.3 million). The net movement is a function of new units under construction compared to units completed and transferred to end-users during the year, as well as increased investment in infrastructure to ensure serviced opportunities are available for the next financial year. The increased investment in bulk and link infrastructure as well as top structure construction, the value of which has yet to be extracted has contributed to the reduction in cash generated from operations to R89.6 million (2022: R228.2 million) for the year.

The Group has reduced trade and other payables to R360.5 million (2022: R422.1 million), of which R40.8 million related to deferred payment arrangements that have been settled in the year, resulting in the Group achieving its lowest liabilities balance in the past seven years.

Cash and cash equivalents at the end of the year decreased to R172.6 million (2021: R191.1 million). Additional liquidity in the form of a R100 million undrawn overdraft from Standard Bank as well as a R360 million facility from DFC, which is also undrawn, will enable the Group to execute on short to medium-term goals.

In light of the strong financial performance Calgro M3 is exploring the adoption of a dividend policy within the next year, as we continue to prioritise delivering value to our shareholders.

Borrowings and covenants

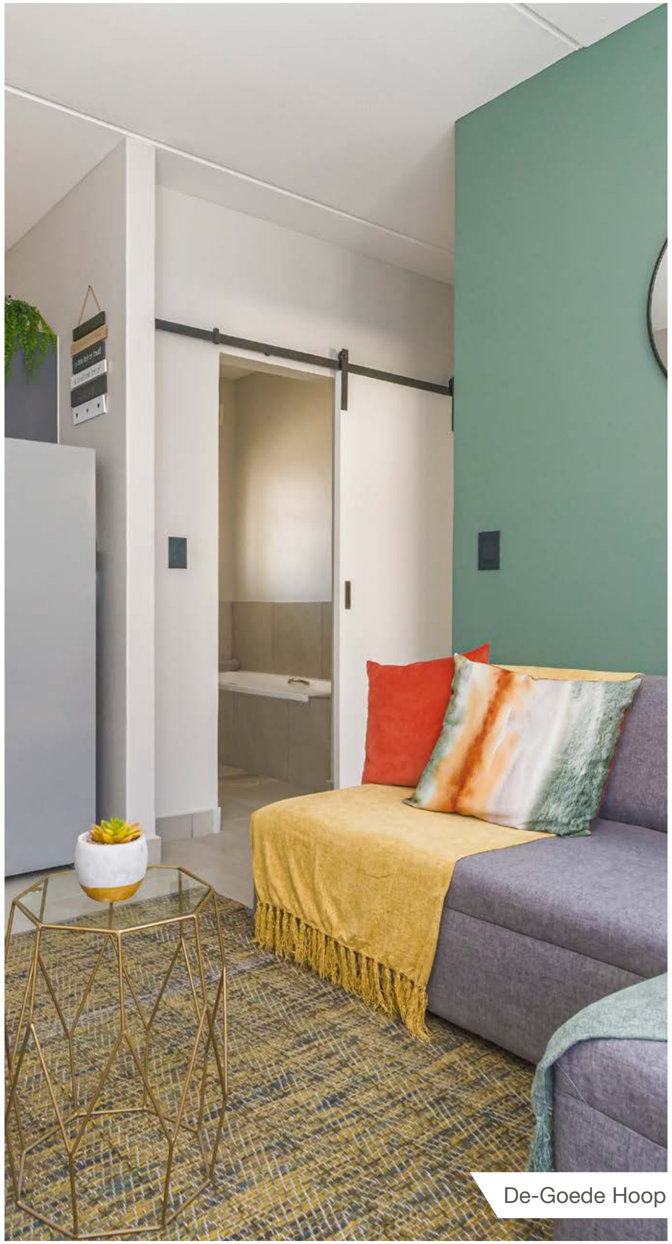
The balance sheet of the Group is strong with a net debt to equity ratio of 0.62:1, the lowest in 10 years, being below the communicated target of 0.75:1 for February 2024 and well below the regulated covenant of 1.5:1. The Group does not intend reducing debt further in the short to medium term and will utilise free cash flow in funding additional working capital requirements.

The Group has settled debt of R194.8 million in the current financial year, whilst raising an additional R230 million due to the cyclical nature of the Group's working capital requirements.

A summary of the movement in debt and maturities is as follows:

	Rand million
Opening balance 1 March 2022	**850.6**
New debt	**230.0**
Debt repaid	**(194.8)**
Closing balance – 28 February 2023	**885.8**

Maturity profile	Rand million
FY 2024*	282.8
FY 2025	211.8
FY 2026	157.5
FY 2027	93.7
FY 2028	140



De-Goede Hoop

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

Where to from here?

As we look forward, we are excited about the opportunities that lie ahead and remain confident that we can effectively manage the challenges. With a robust revenue pipeline of R18.1 billion, representing more than 22 000 residential and more than 99 000 burial opportunities, we are well-positioned to make a meaningful impact in the affordable housing and burial sectors, while at the same time ensuring meaningful returns to shareholders. The addition of Frankenwald, which should contribute between 20 000 and 30 000 units to the pipeline, further solidifies our position as a leading player in the industry and ensures continued sustainability.

The time invested in understanding the needs of our target markets has benefited the Group by enabling Calgro M3 to establish sustainable sales and marketing initiatives that address the consumer's lifestyle needs at an affordable price, which in turn drives consistent and targeted sales. While the market continues to be affected by factors such as unemployment, limited credit access, and high levels of household debt, we are encouraged by the support received from banks, as evidenced by the granting of 100% mortgage bonds to clients.

We recognise the importance of cost containment and will continue to focus on creating efficient building designs and layouts to improve margins. We are confident that the gross profit margin can be maintained within the target range of 20% to 25%, demonstrating a commitment to delivering value to clients and shareholders.

We remain confident in the strategy of the Memorial Parks business. It has taken effort to understand the market dynamics and build critical mass. The newly implemented lay-by offering is resonating well with the market and ongoing strategic marketing and data processing will ensure the sales momentum continues. While consumers are impacted by negative market conditions, we continue to investigate and develop favourable payment plans and remain confident that the business can achieve its annuity income targets in the medium term. Sales momentum should further be boosted through burial rights received for the Bloemfontein Memorial Park.

In addition to our strategic growth initiatives, capital allocation remains key as demonstrated by the aggregate share buy-backs of 9.27% of the Group's issued ordinary share capital in the last two months. Our strong financial position and expected positive cash flow, ensures sustainable debt management and sufficient liquidity to withstand challenges should these arise.

With a diversified revenue stream and an experienced, longstanding management team, we believe that the demand for affordable housing and dignified memorial services will remain strong given the immense backlog. Product diversification helps mitigate risk and provides stability to the Company's financial performance, as we leverage opportunities across different market segments and adapt to changing market conditions. This coupled with our in-depth understanding of market complexities and the needs of the clientele we serve, provides us with a competitive advantage.

We acknowledge the need to evolve and remain abreast of digital innovations and as such our Memorial Parks business is seen as the technological hub for the Group, where new technologies and data gathering tools are developed and battle-tested before being rolled out to the Residential Development business. This approach enables us to continuously enhance our efficiency and profitability across the Group, ensuring we remain at the forefront of industry innovation.

Sustainability is further driven through Calgro M3's commitment to social impact initiatives, including creating sustainable communities, and dignified final resting places. Our guiding principle, ***"Building legacies. Changing lives"***, underscores our dedication to making a lasting, positive impact on the communities we serve.

Appreciation

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

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

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

Wikus Lategan
Chief Executive Officer

Sayuri Naicker
Financial Director

15 May 2023

02

Strategy and five-year performance

The immense shortage of affordable, well-built homes and burial options that exist in South Africa will ensure that Calgro M3 has a strong pipeline for many years to come. This pipeline supports sustainability into the future.

Our pipelines are contained on pages 10 and 15.

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 people's lives every day.

This chapter explains our strategy and how we think about doing business. It describes changes in our operating environment and the manner in which we have addressed the challenges to ensure we change rather than repeat past mistakes. We explain how we think about short- and medium-term goals as well as debt capital restructuring.

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.

The chapter culminates in a five-year performance review showing progress made on income statements, cash flows, and key ratios.

Value creation through 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.

Capital and key areas

Financial capital

Funds obtained either from equity, debt, proceeds from capital recycling activities or internally generated funds

- Retain profit for growth
- Debt funding
- Subsidies
- Centralised treasury

Intellectual capital

Our brand, reputation as well as the innovative designs and layouts used our product offerings

- In-house professional teams
- In-house market specialists
- Brands and intellectual property

Human capital

Our employees, whose skills and wellness ensure optimal running of the Group

- Skills development, training and education
- Culture of making a difference
- Values and ethics

Social and relationship capital

Our relationship with internal and external stakeholders, especially with the communities we operate within, enables us to fulfil our purpose

- Stakeholder relationships
- Health and safety
- Skills and enterprise development
- Project focused CSI initiatives
- Community development and involvement

Manufactured capital

Our effective management of the assets, including our project pipeline to service our clients

- Land development
- Construction oversight capacity
- Infrastructure development

Natural capital

Sustainably managing natural resources in both the development and after sales phase of products to ensure long term value creation for clients

- Land
- Water conservation
- Energy source

Value creation

Residential Property Development

Value is created through a turnkey approach to capitals

Professional services

- Identify project and due diligence
- Secure land
- Township establishment
- Top structure planning and design

Infrastructure (outsourced)

- Marketing and sales
- Transfer to end-user (erven for houses and bulk deals)
- Construction (outsourced)
- Transfer to end-user (multi-storey units)
- Handover to clients

Memorial Parks

Value is created through operating in strategic locations and providing superior products and customer service

- Landscaping and infrastructure development (outsourced)
- Holistic burial and remembrance services
- Land identified/acquisition
- Marketing and sales
- Maintenance

Inputs FY 2023

Financial capital

- Reinvested 52% of wealth back into the Group
- Net/debt to equity decreased by 12% to 0.62
- Available facilities of R632 million

Intellectual capital

- Continuous investment in innovative building designs whilst challenging the efficiency of design layouts resulting in improved margins
- Diversified products offering

Human capital

- 163 permanent employees with the relevant skills, knowledge and experience
- Diverse workforce by gender, race, age and tenure
- Strong leadership team, driving our values and culture

Social and relationship capital

- Developing strong stakeholder relationships
- Maintaining stringent health and safety protocols to safeguard all stakeholders on development sites

Manufactured capital

- 2 719 housing opportunities under construction
- 2 161 serviced housing opportunities
- 99 797 burial opportunities available

Natural capital

- Water management and energy efficient systems installed across all developments and offices

Outputs

Market capitalisation:

- Return on equity increased to 19.3%

Refer to pages 5 to 21 for the Message from the CEO and FD for further details

- Margin of 23.5% maintained within target range of 20% to 25%
- Group efficiencies noted in designs from standardisation of unit designs as a result of continuous efficiencies implemented

- Employee remuneration R116.7 million, representing 34% of wealth distribution by the Group
- 18% of employees trained to the value of R1.6 million
- Wellness programmes initiated for all employees with successful uptake

Refer to the ESG Report for further details around the Human Capital investments made by the Group

- In excess of R7 million on enterprise development
- R1.3 million spent on corporate social investment in the year
- Involvement in multiple community outreach programmes
- Zero fatalities
- Successfully passed all Health and Safety ISO recertification audits with no findings

Refer to the ESG Report for further details on the Social and Relationship Capital investments made by the Group

- Residential Property Development and Memorial Parks pipeline R18.2 billion
- 3 186 housing opportunities completed in the current financial year
- Undeveloped land within inventory to the value of R496 million
- Construction contracts investment in the current year R284 million

- 33% of waste recycled in current year
- 13 650 m^3 water used across office network
- All developments actively installed energy saving mechanisms to assist with energy crisis (eg. solar geysers, gas cooking/heating or heat pumps)

Refer to the ESG Report for further details on the Natural Capital investments made by the Group

Engaging with stakeholders

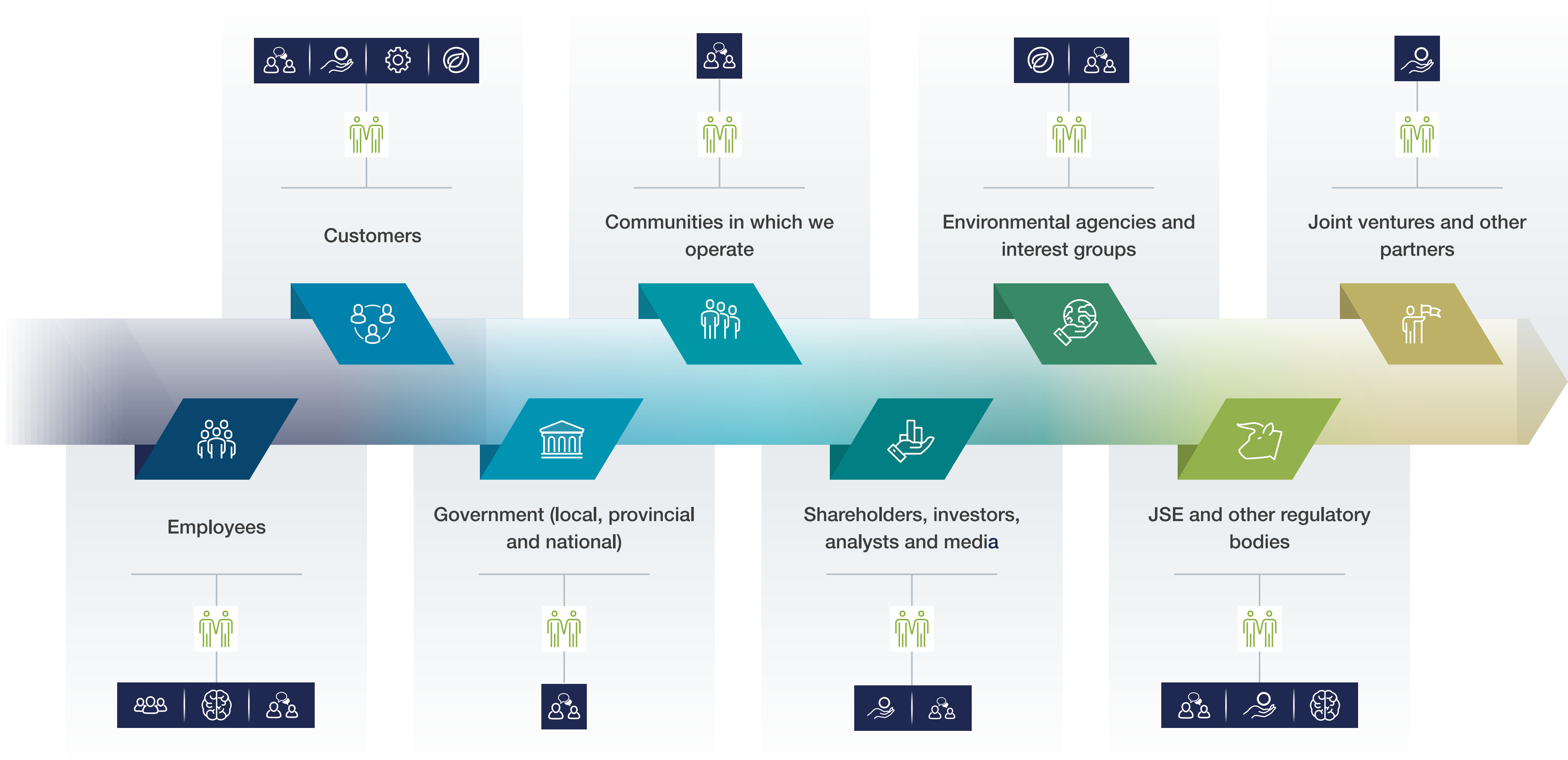
Below is a summary of Calgro M3's stakeholders, further details on stakeholder engagement can be found on pages 9 to 13 of the ESG Report.

Capitals

Financial capital | Intellectual capital | Human capital | Social and relationship capital | Manufactured capital | Natural capital

Relationship

Strong relationship | Developing relationship



Strategy and risk management

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.

In formulating our strategy, the Group developed its investment case and the fundamental principles which drives it to include:

- Strong pipeline of secured projects
- Sustainable 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
- 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, affordable and tranquil Memorial Parks
- Leverage in-house developed technology and data-driven insights to gain a competitive advantage in the market
- Focus on 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
- 28-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

Our strategy and positioning journey

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 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 the developments business predominantly on the Gauteng and Western Cape provinces while trading out KwaZulu-Natal and Eastern Cape in a structured manner
- Sold 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
- Refinanced and restructured 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 more than 22 000 units, excluding the new Frankenwald project which will yield between 20 000 and 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;
  - In-house developed technology and data-driven insights;
  - Ample serviced opportunities; and
  - Strong sales across markets.

Strategy and risk management (continued)

Our strategic objectives address material issues that have been identified as potential risks that could significantly affect the Group's ability to create value in the short-medium term. The following strategies and there value creation in terms of the six capitals are represented in the table below:

Objective over the short term

Strategic objective	Capitals	Performance against objective
Cash preservation and liquidity of balance sheet		Total available liquidity amounts to R632 million. Refer to the graph on page 6 for sources and breakdown.
Maximising cash generation and roll-out of existing project pipeline		To date no new projects have been added to the pipeline, however enhancements in designs has resulted in project densifications with limited to no additional costs. Cash generated from operations remains positive with reinvestment back into projects in the Group. Cash generated from operations exceeded R1 billion over the last four years.
Continued focus on variable cost model		Even though revenue increased by more than 15% the Group maintained the gross profit margin within the target range of 20% to 25%.
Greater brand awareness and the creation of an aspirational brand		Underway with more scientific and data driven marketing in both open market residential sales and enhanced focus on lifestyle offerings within developments 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 values.

Objective over the medium term

Strategic objective	Capitals	Performance against objective
Consistent, predictable cash flow from the Memorial Parks business to stabilise lumpy cash flows from the Residential Property Development business		Memorial Parks contributed R47.9 million of free cash flow to support the funding of Group overheads and interest. The decrease in cash collections are being countered by alternative sales offering initiatives as well as marketing campaigns which has shown an increase in operations in the last six months of the financial year. This remains a key area of growth for the Group and is expected to grow to meet the targets set.
Ensure long-term sustainability		Retained strong pipeline in excess of R18.1 billion whilst securing the Frankenwald project that will bring affordable and integrated housing to the doorstep of Sandton with expected housing opportunities in excess of the current Group pipeline.
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		Exploring small projects close to the areas familiar to Calgro M3 (i.e. the Fleurhof area) as well as acquiring land in the surrounding areas of current integrated developments where the Group already has a footprint. Additional land was acquired in the current year in Fleurhof which expands the lifecycle of the project.
50% female representation across all levels of management		Continuous focus being placed on female representation, current female representation is at 44.8%.

Strategy and risk management (continued)

Specific objective: Debt capital

Strategic objective	Capitals	Performance against objective
Decrease net debt to equity to: Date / Target by 28 February 2023 – 0.80:1 by 28 February 2024 – 0.75:1		Net debt to equity improved to 0.62:1.
Cash liquidated from the following to be utilised for decreasing debt: ▸ The sale of various commercial and retail stands; ▸ Sale of the residential rental portfolio; and ▸ Partnering with third-party developers to fast track cash conversion on the mid-to-high cluster portfolio.		The sale of various commercial and retail stands are well progressed and should be concluded in the 2024 financial year. Sale of residential rental portfolio – South Hills and Scottsdene 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. Partnering with third-party developers to fast-track development of mid-to-high cluster portfolio. In the current year the Group commenced construction on 32-on-Pine being a mid-to-high development which assists in converting this portfolio to cash.
Any additional capital available, once these targets have been achieved, will be utilised for: ▸ Creation of a larger cash flow buffer for unforeseen events; ▸ Working capital; ▸ Opportunity capital should extraordinary opportunities arise; and ▸ Share buy backs.		Sustainable liquidity buffer in place of R632 million. The Group registered a share repurchase scheme in February 2023 under this programme 13 000 000 ordinary shares have been repurchased at an average price of R2.34 a share enhancing value for shareholders.

Specific objective: Variable cost structure

Cost containment remains a major focus area and a key strength for the Group. 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 by 15% administrative costs were contained as demonstrated through an increase in the gross profit margin to 23.5%.

Belhar Lofts

Strategy and risk management (continued)

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 six 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.

A detailed section on "Engaging with stakeholders" is contained in the ESG Report on pages 9 to 13.

South Hills

Key operational risks

This is an extract from the risk register of the top risks that Calgro M3 faces at present. This key is used to categorise the various risks:

Inherent and residual risk

0 – 4 Mild | 5 – 9 Minor | 10 – 14 Moderate | 15 – 19 Major | 20 – 25 Extreme

Control of risk

Effective | Strong | Adequate | Needs improvement | None

Refer to Stakeholder list on page 24.

Risk category

O Operational | R Reputational | S Strategic | F Financial

Capitals

Financial | Intellectual | Human | Social and relationship | Manufactured | Natural

Level	Key operational risks identified	Inherent risk	Control over risk	Residual risk	Internal/ external	Risk category	Stakeholder impact	Risk link to capitals	Mitigation strategies
1.	**Housing shortages leading to land invasions**	Extreme	Adequate	Major	E	O F		Manufactured	‣ Enhanced communication on the positive impact the Group makes in the communities we operate within ‣ Increased security measures on sites ‣ Actively assisting public sector to eradicate the housing shortage ‣ Exposure to fewer areas, enabling better focus on specific needs in the areas we develop ‣ Proactive monitoring of possible invasions
2.	**Retention of key personnel**	Extreme	Adequate	Major	I	O		Human, Intellectual	‣ Staff morale and performance actively monitored and benchmarked to ensure high-performing staff are retained ‣ Salary benchmarking carried out regularly to ensure adequate remuneration for output ‣ Introduction of custom made short and long-term schemes for both Executive and senior staff levels to promote retention ‣ Succession planning is performed through each department for all department heads and key personnel

Key operational risks (continued)

Level	Key operational risks identified	Inherent risk	Control over risk	Residual risk	Internal/ external	Risk category	Stakeholder impact	Risk link to capitals	Mitigation strategies
3.	**Macro environment and impact on businesses**				E	O F			▸ Updated economic and affordability data reviewed regularly and considered with every new business or project investment ▸ Consideration of the macro economic conditions prevalent at the time
4.	**Capacity**				I	O			▸ Strategic appointments were made in the year, both internally and externally to assist the Group in executing its strategic objectives. ▸ Continuous assessments of senior managements capacity is carried out with reallocation of obligations being performed to alleviate capacity constraints
5.	**Cash flow/liquidity**				I	F			▸ Strict budget control, cash flow monitoring and working capital preservation measures in place ▸ Actively prioritising the sale of non-core assets and previous rental stock portfolio ▸ Short-term net debt to equity targets are maintained with the Group to balance the repayment of debt and working capital in future periods
6.	**Uncontrolled growth**				I	S			▸ Guidance and supervision around the right sizing of the Group from Executive management and Board of Directors ▸ Continuous capacity monitoring before the commencement of new projects/developments ▸ Current strategic focus on executing secured projects and not securing additional projects in the short to medium term ▸ Specified controlled growth targets have been set for both operating businesses in the Group

Five-year financial review

	2023	2022	2021	2020	2019
Group income statement					
Revenue	**1 525 316 550**	1 321 593 256	879 146 585	984 130 486	997 064 528
Gross profit	**357 693 797**	281 846 673	108 023 284	100 609 332	128 690 047
Gross profit %	**23.45%**	21.33%	12.29%	10.22%	12.91%
Share of profit/(loss) of joint ventures and associates – net of tax	**5 386 925**	9 641 933	3 345 892	(732 541)	14 188 053
Profit/(loss) before tax	**252 358 820**	179 464 816	26 066 297	13 327 604	(24 076 699)
Basic earnings per share	**153.37**	108.58	14.88	3.84	2.53
Headline earnings/(loss) per share	**153.18**	105.68	(15.17)	1.77	(20.30)
Net asset value per share	**950.61**	793.81	682.09	636.12	629.41
Tangible net asset value per share	**817.97**	662.30	550.58	511.54	504.81
Group balance sheet					
Inventories	**498 540 794**	615 819 830	643 573 871	719 305 469	568 498 000
Construction contracts	**1 162 393 952**	909 322 057	840 695 306	945 948 487	1 279 072 872
Net cash position	**172 614 330**	191 114 249	154 561 255	255 069 163	122 632 997
Retained income	**1 040 813 265**	850 362 620	718 881 468	693 734 868	690 054 102
Borrowings	**876 362 326**	839 067 772	944 161 828	1 062 842 931	969 195 006
Trade and other payables	**360 504 294**	422 012 321	486 875 046	656 832 209	896 279 099
Group cash flows					
Cash generated from operations	**89 638 658**	228 221 971	114 768 074	464 208 719	298 290 313
Tax (paid)/refunded	**(5 197 841)**	(18 022 488)	(17 878 456)	(17 817 929)	8 604 779
Net cash generated from/(utilised in) operating activities	**2 069 545**	129 881 745	(3 007 782)	343 376 868	202 083 075
Net cash (invested in)/received from investing activities	**(52 695 855)**	25 535 309	(51 566 633)	(158 201 444)	(298 160 560)
Net cash raised from/(repaid in) from financing activities	**32 126 391**	(118 864 060)	(45 933 493)	(52 739 258)	61 987 547
Net (decrease)/increase in cash and cash equivalents	**(18 499 919)**	36 552 994	(100 507 908)	132 436 166	(34 089 938)
Cash and cash equivalents at the beginning of the year	**191 114 249**	154 561 255	255 069 163	122 632 997	156 722 935
Cash and cash equivalents	**172 614 330**	191 114 249	154 561 255	255 069 163	122 632 997
Financial ratios					
Return on average shareholders' funds	**19.19%**	15.92%	2.31%	0.61%	0.33%
Return on net assets	**16.13%**	14.59%	2.29%	0.66%	0.15%
Return on net tangible assets	**18.62%**	16.44%	2.83%	0.82%	0.19%
Current ratio	**1.91**	1.70	1.51	1.36	1.33
Market capitalisation at year-end – ordinary shares	**445 733 107**	440 682 250	230 660 131	512 600 276	121 313 104

03

Statutory reports

This chapter includes feedback from our Chairperson, including his views on the business and the wider industry. The composition and qualifications of the Board are covered including information on the skills sets that they have to provide meaningful engagement with the Executive management of the Group.

A Remuneration Report, from the Chairperson of the Nominations and Remuneration Committee provides shareholders with all the important information required on remuneration structures and performance requirements to vote at the annual general meeting.

Chairperson's report

Hatla Ntene *Chairperson*

"The recent past has seen Calgro M3 focus on the core principle of #sustainableactions. The Group has delivered another solid financial performance by safeguarding the basics of an optimal capital structure, increasing sales and growing market share, reducing debt, and ensuring liquidity for future growth."

I am pleased to present this report to the Board and shareholders of Calgro M3 for the year ended February 2023. This year has been an extraordinary success for our organisation, with record-breaking revenue growth, a reduction in debt, strong cash generation, and several housing units handed over.

The financial performance has been awe-inspiring and is a testament to our team's hard work and dedication. We are proud to report that our revenue has increased by 15.4%, profit after tax increased by 40% to R186,3 million and that our debt was reduced by an amount of R194.8 million. However, during the year an additional R230 million debt was raised to assist in funding future infrastructure development. The Group remains cash generative and able to repay debts as they fall due. Additionally, we successfully completed and handed over 3 186 housing units this year, representing a significant milestone.

These results have been achieved through the commitment of our team to our core values and dedication to providing the best quality services. We are incredibly proud of our accomplishments and excited to share them with you.

Introduction

These results were delivered in a challenging operating environment, given low economic growth, inflation, increasing interest rates, political uncertainty and load shedding. Despite this, Executive management and their teams have remained disciplined in our core focus areas. This result is a testament to the defensive nature of the Calgro M3 offering. Over the past few years, the Group has ensured that most homes delivered to the market are sold into the private sector at affordable prices and across the spectrum of housing segments supported by government assistance and bank bonds. 80% of sales are to the private sector.

Similarly, Memorial Parks is a defensive product, and the nature and beauty of the offering across the country makes for sustainability. Sadly, the quality of public cemeteries has deteriorated and are simply reaching capacity. Memorial Parks, under the leadership of Waldi Joubert, has embarked on much more research and data analysis to understand where sales emanate from and how to capture that demand. This research has assisted in ensuring that products are correctly priced and that marketing is more targeted.

Board and other changes during the year

Effective 17 June 2022, Lynette Ntuli resigned as an independent Non-Executive Director and member of the Social and Ethics Committee of the Company to concentrate on personal priorities.

Calgro M3 also announced a change in external independent auditors on 23 June 2022 through the appointment of Mazars, with Gerhard de Beer acting as the designated audit partner, for the ensuing financial year ending 28 February 2023 or until the annual general meeting ("AGM") is held in 2023. Mazars replaced PricewaterhouseCoopers Inc. ("PwC").

On 1 September 2022, we announced that Itumeleng April ("Tumi"), stepped down as company secretary of the Company. Tumi remains at Calgro M3 and has transitioned into a wider senior legal function within the Group. The Board appointed Juba Statutory Services (Pty) Ltd ("Juba Statutory Services"), represented by Sirkien van Schalkwyk ("Sirkien"), as company secretary with the Board being satisfied that Sirkien has the experience, qualifications and expertise to take up the position of the company secretary.

Chairperson's report (continued)

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.

Environment, Social Impact, Governance ("ESG") reporting

As you know by now, Calgro M3 produces an annual report suite of documents which is loaded and available on our website. Last year our ESG Report was enhanced, and I am pleased to report that it has been strengthened by including the JSE Sustainability Framework guidelines to our data points.

Furthermore, we have taken the UN Sustainable Development Goals ("UNSDGs") into account and concentrated on seven which are central to achieving our strategy and five in support of our strategy.

Read about these goals and why they are important to Calgro M3 in the 2023 ESG Report.

Our annual general meeting will take place on 29 June 2023. At the 2022 AGM held on 29 July, the non-binding advisory votes relating to the remuneration policy and the remuneration implementation report received 99.34% shareholder approval. As the requisite majorities passed the non-binding advisory votes, no further engagement with shareholders was required.

Appreciation and future outlook

I want to express my deepest appreciation and gratitude to the Executive management team, staff, suppliers, contractors and fellow Board members for their hard work and dedication. Your tireless efforts have enabled Calgro M3 to reach new heights over the past year, and I am proud to have such a talented and committed team of people working together to help our business succeed.

Your commitment and enthusiasm have been an inspiration to us all and I am grateful for your unwavering support. Your contributions have been invaluable to our success and your dedication to excellence is evident in everything you do.

By embracing **#sustainable**actions we can continue to support fellow South Africans by tackling the shortfall of housing and burial sites in South Africa. We remain confident that Calgro M3 will continue to take advantage of this need and ensure continued sustainability.

Hatla Ntene

15 May 2023

87 data points analysed in ESG report

- Health and safety
- Corporate social investment and spend
- Land
- Water management
- Electricity
- Environment
- Governance
- Waste
- Human capital
- Covid-19

7 UNSDGs central to achieving our strategy

5 UNSDGs in support of our strategy

Our leadership

Calgro M3 Board of Directors

Independent Non-Executive Chairperson

Hatla Ntene

Lead Independent Non-Executive Director

Ralph Patmore

Executive Directors

- Wikus Lategan (CEO)
- Sayuri Naicker (FD)
- Waldi Joubert
- Wayne Williams

Independent Non-Executive Directors

- Mdu Gama
- George Hauptfleisch
- Themba Baloyi

Non-Executive Directors

- Tyrone Moodley

Remuneration and Nomination Committee

- Ralph Patmore (Chairperson Remuneration Committee)
- Hatla Ntene (Chairperson Nomination Committee)
- Themba Baloyi
- Wikus Lategan#

Audit and Risk Committee

- George Hauptfleisch (Chairperson)
- Ralph Patmore
- Mdu Gama
- Wikus Lategan#
- Sayuri Naicker#

Social and Ethics Committee

- Mdu Gama (Chairperson)
- Urvash Kissoon-Singh**
- Tyrone Moodley◊
- Sayuri Naicker
- Waldi Joubert#
- Wikus Lategan#
- Wayne Williams#

Stakeholder Relations

- Wikus Lategan
- Waldi Joubert
- Wayne Williams
- Sayuri Naicker

◊ *Lynette Ntuli resigned as an independent Non-Executive Director and member of the Social and Ethics Committee on 17 June 2022, she was replaced on the Social and Ethics Committee by Tyrone Moodley.*

\# *Invited to Committee meetings in FY2022.*

** *Urvash Kissoon-Singh resigned from the Group, effective 30 May 2022 and was replaced on the Social and Ethics Committee by Sayuri Naicker.*

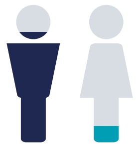
Board and committee attendance can be found on page 53 of the ESG Report 2023.

Our leadership (continued)

Board composition

1	Non-Executive Director
1	Independent Chairman
1	Lead Independent Director
4	Executive Directors
3	Independent Non-Executive Directors

Gender



90% Male

10% Female

Target: 20% female

Board skills

Broad industry or property	16%
Accounting and auditing	16%
Technology and innovation	5%
Legal	3%
Business strategy	16%
Macroeconomic and public policy	9%
Governance	23%
Stakeholder management	7%
Environment and climate	5%

Race

Black	White	Indian
30%	50%	20%

Target: 60% black

("Black" includes African, Coloured and Indian)

Tenure

Average: 9 years

1 to 2 years	3 to 9 years	10+ years
1	5	4

Chairman – Independent Non-Executive Director

Hatla Ntene (68) *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.

Our leadership (continued)

Lead Independent Non-Executive Director

Ralph Bruce Patmore (71) *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 Trellidor Holdings Limited.

Skills set	With his vast industry experience, including, but not limited to, being a former Executive Director of Everite, Group Five, Illiad and subsidiaries in Unihold and Malbak, comes a valuable approach to specific industry thinking and expertise.

Independent Non-Executive Directors

Dr Mduduzi Edward (Mdu) Gama (54) *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 (66) *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.

Themba Baloyi (46) *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 Ltd ('Discovery Insure'), a short-term insurance company launched in 2011. The Discovery Insure work propelled him to win the 2018 CNBC Africa All Africa Business Leaders 'Entrepreneur of the Year Award'. He was honoured as a 2015 World Economic Forum Young Global Leader. He is a Fellow of the Aspen Institute Global Leadership Network and is a board member of Curro Holdings, and the Allan Gray Orbis Foundation, 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.

Our leadership (continued)

Non-Executive Directors

Tyrone Moodley (37) *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.

Executive Directors

Willem Jakobus (Wikus) Lategan (42) *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 (33) *CA(SA)*

Sayuri was appointed as Financial Director of Calgro M3 with effect from 1 March 2022 after joining 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. 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.

Willem Adolph (Waldi) Joubert (37) *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 (54) *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

Juba Statutory Services, represented by Sirkien van Schalkwyk *BLC, LLB*

Sirkien van Schalkwyk (BLC, LLB) has more than 25 years' company secretarial experience and has acted as company secretary for a number of companies. Founded in 2010, Juba's prime focus is on a limited number of clients to ensure a high quality of service. These clients include listed companies on the main board of the Johannesburg Stock Exchange, the Alternate Exchange (AltX), Cape Town Stock Exchange (CTSE) as well as big private companies – all having to comply with the Companies Act, 2008 as amended, the JSE Listings Requirements, CTSE Exchange, King IV, etc.

Remuneration report

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

The report highlights the Calgro M3 Remuneration Philosophy, Remuneration Strategy and the Remuneration Policy for Directors (Executive and Non-Executive) and Senior management and other employees.

We have divided the report into three parts being:

Part 1 Remuneration background, philosophy and strategy

- Employees remain the backbone of the business.
- During the 2023 financial year, employees received 34% (2022: 34%) of the total wealth created by the Group.

99%
Approval from shareholders at 2022 AGM for Remuneration Policy and Remuneration Implementation Report respectively

Part 2 Remuneration policy

Target is to remunerate all employees between the 25th and 90th percentile when short- and long-term incentives are included.

Executive remuneration

Remuneration structure includes:

1. Guaranteed remuneration – benchmarked between the 50th and 75th percentile;
2. Short-term bonus – based on incremental performance growth targets;

Refer to page 45 for details.

3. Long-term service reward – split between
   a. 2019 share appreciation rights awards – awards to be cancelled once the below share retention awards are approved by shareholders;
   b. Retention awards settled in shares;
   c. Retention awards settled in cash.

Senior Management and other employees

Remuneration structure includes:

1. Guaranteed remuneration;
2. Short term bonus: bonus pool based on Group performance;
3. Long-term service reward – this includes long-term incentive scheme issued to participants in the previous financial year.

Part 3 Remuneration implementation report

- Executive Directors received short-term incentives in terms of approved policy in line with financial achievements.
- Total remuneration and employee costs increased to R116 million.
- WJ Lategan is the only Executive Director with pledged securities of 6 459 494 of which the facility expires on 29 November 2024.

Part 2 and 3 will be put to a non-binding advisory vote at the 2023 annual general meeting ("AGM") (Ordinary resolution 10.1 and 10.2).

Remuneration report (continued)

Part 1 Remuneration background, philosophy and strategy

Calgro M3's remuneration philosophy is designed to attract, develop, and retain passionate, committed and talented people 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 company 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 believes that its remuneration practices are in line with King IV remuneration governance principles, and that these principles underpin the achievement of its business objectives, its ethical culture and an overriding philosophy of "pay for performance".

In line with previous years, the remuneration strategy takes cognisance of local and industry specific remuneration best practices to ensure that the Group attracts and retains the appropriate skills and talent. The Remuneration and Nomination 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 all Non-Executive and Independent Non-Executive Directors.

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.

At the 2022 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	99.34	99.34
Against	0.66	0.66

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

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.

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Remuneration report (continued)

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 Company's target is to remunerate all performing employees between the 25th and 90th percentile when short and long-term incentives are included, thereby ensuring that these employees are properly benchmarked within their respective disciplines. Further to this, we also differentiate between bonuses and targets for different businesses and departments in the Group. This is all in an endeavour to ensure that staff are financially motivated in their respective fields.

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.

The following components of remuneration have been implemented to assist in achieving the above:

- Guaranteed remuneration
- Variable remuneration, consisting of both
  - short-term bonus structures and
  - long-term service rewards
- Benefits – consisting of retirement funding plans

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.

Guaranteed remuneration

Increases for all management levels and all staff will again be adjusted at our increase cycle in May, taking into account CPI and economic conditions. The Group will continue to provide an additional increase to our lowest earning staff members to promote distribution of wealth to this bracket.

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 for Executive and senior management is based on principles of retention of key and critical skills and to drive performance in alignment with shareholders' interests, through guaranteed pay combined with short- and long-term incentives. A significant portion of the Executives' total potential remuneration is performance-related to drive the right behaviour to optimise Company performance. Targets are set annually in the context of prospects of the Group and the prevailing economic environment in which it operates.

Components of Group Executive Directors' remuneration

1 Guaranteed remuneration

2 Short-term bonus

3 Long-term retention reward

4 Cash-settled deferred long-term bonus

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 2023 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.

Remuneration report (continued)

Guaranteed remuneration

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 Executive Directors are benchmarked between the 50th and 75th percentile.

Variable remuneration

All Group Executive management qualify for the short-term bonus and long-term service rewards.

Short-term bonus

The objectives of the short-term bonus or 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 2024 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% Individual performance

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, in the event of no short-term bonus pot being earned, 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 and effort operating in/under a difficult environment and circumstances.

Long-term service rewards

The Group has the following long-term service rewards in place for Group executive management:

1 **2019 long-term Executive share scheme**

2 **2023 long-term incentive scheme**

- a. **Retention component settled in shares**
- b. **Retention component settled in cash**

The implementation of these schemes is to ensure that the interests of the Executive Directors are aligned with those of shareholders.

Remuneration report (continued)

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. The five (5)-year scheme commenced 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, hereafter referred to as the "vesting date".

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 number of allocated share appreciation rights is based on a year-on-year total shareholder return ("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. If the compounded 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.

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

Share Appreciation Rights ("SARs")

Participant	Maximum SARs that can be awarded	Remaining SARs Awards*	Vested SARs
2023			
WJ Lategan	3 500 000	1 211 800	–
W Williams	2 541 306	843 192	–
WA Joubert	2 435 361	879 873	–
Total	**8 476 667**	**2 934 865**	**–**

* *On 1 March 2023, 1 467 432 share appreciation rights lapsed from the 2022 vesting period, this has been adjusted for in the above table.*

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 volume-weighted average price ("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, with employees needing to be in the employ of the Group on the vesting date. This gives rise to an effective lock-in period. The Calgro M3 shares will vest on the vesting date but will only be issued on 30 June of each vesting year.

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. Based on the current share performance both the 2021 and 2022 allotments were not in the money and as such the allocated share appreciation rights did not vest.

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.

Subsequent to year-end, the Board has approved and presented to shareholders the 2023 long-term incentive scheme settled in shares, refer below for further details. This scheme has been approved at the 10 May 2023 shareholders meeting. The participants who form part of the newly approved scheme and are also participants to the 2019 long-term executive share scheme are not legible to continue their participation in the 2019 scheme, and their awards on this scheme will be cancelled.

Background to the 2023 retention component settled in shares

The scheme was implemented to incentivise and retain employees by providing them with an opportunity to receive shares in the Company through the award of options. This scheme has been approved by shareholders at the general meeting held on 10 May 2023. The five (5)-year scheme, commencing the day after the Scheme has been approved by shareholders, with the allocated share options vesting in five (5) yearly tranches on 15 January in each of 2024, 2025, 2026, 2027 and 2028, hereafter referred to as the "vesting date".

In terms of the scheme, the Company will provide employees with an incentive to advance the interests and growth of the Group over the long term, by awarding them with the opportunity to share in the success of the Company.

Remuneration report (continued)

The options forming part of the first award shall be made by the Board to participants elected by the Board, on the first day following the publication of the Company's annual financial statements for the financial year ending 28 February 2023 on the basis that the 5 tranches will vest as at 15 January 2024 and on 15 January for the four years thereafter.

The Board shall have the final authority to determine (i) which employees will participate (ii) the number of options awarded to a participant (iii) the commencement date of the award.

The frequency of the awarding of options, including any new or additional options from time to time, shall be determined by the Board from time to time.

The aggregate number of shares which may be settled in terms of the scheme may not exceed 10 000 000 shares, with no one participant being awarded more than 3 000 000 shares.

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, with employees needing to be in the employ of the Group on the vesting date.

The scheme's vesting conditions are as follows:

Vesting conditions	
1. First vesting year one	– 100%: 20% of options awarded
2. Second vesting year two	– 100%: 20% of options awarded
3. Third vesting year three	– 100%: 20% of options awarded
4. Fourth vesting year four	– 100%: 20% of options awarded
5. Fifth vesting year five	– 100%: 20% of options awarded

Retention component settled in cash

A further 50% award, based on the short-term bonus metrics as set out above, will be paid in two equal deferred portions, with the first being 12 months after initial qualification (end of May in the year following the year in which the award is made) and the second portion being paid 24 months after initial qualification (end of May, two years after the year in which the award is made).

Retention component bonus pot calculation:
- Growth greater than prior year HEPS (After bonus payment) = 3% of PAT x 50%
- Growth greater than 10% to prior year HEPS (After bonus payment) = 5% of PAT x 50%
- Growth greater than 15% to prior year HEPS (After bonus payment) = 6% of PAT x 50%
- Growth greater than 20% to prior year HEPS (After bonus payment) = 7% of PAT x 50%
- Growth greater than 30% to prior year HEPS (After bonus payment) = 8% of PAT x 50%
- Growth greater than 40% to prior year HEPS (After bonus payment) = 9% of PAT x 50%
- Growth greater than 50% to prior year HEPS (After bonus payment) = 10% of PAT x 50%

For purposes of clarity, herewith is a synopsis of how the short-term bonus and retention component settled in cash will be determined:

Example:
- Assumed growth in HEPS 29% that places Executives in 7% of PAT bracket.
- Assume PAT for the year = R159 000 000 before the bonus calculation
- Effective bonus percentage is 7% adjusted for corporate tax at 28% = 5.04%
- *Short-term bonus* calculation will be based on:
  - (R159 000 000/1.0504) x 0.0504 = R7 629 094 / 0.72 = R10 595 963 (bonus pool)
  - Assume this is allocated across the current four Executive Directors which the scheme is applicable to equally, each Director would be entitled to R2 648 990.
- *Retention component settled in cash*
  - This bonus pool is computed by applying 50% to the short-term bonus pool and deferring the payment equally over a two-year period
- R10 595 963 x 50% = R5 297 981.50 retention component pool
- Assume this is allocated across the current four Executive Directors which the scheme is applicable to equally, each Director would be entitled to R1 324 495 deferred into two equal payments.

Assuming equal allocation for current Executive Directors, each participant will be allocated the following (assuming all secondary targets are 100% achieved):
- Short-term bonus R2 648 990
- Payment to be made in May 2024 R662 246
- Payment to be made in May 2025 R662 246

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.

In the case of the components of employee remuneration, the Group has identified that each entity requires a different mix of the elements of remuneration. Group Executives believe that no senior management member should be motivated by money, but each member should be rewarded in a way that makes them feel proud of what they have "earned" for their family. It is with this in mind that components of remuneration are determined to include annual guaranteed remuneration, short-term bonus structures and long-term service rewards which are linked in such a way as to achieve the Group's strategy, and drive performance objectives.

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.

Variable remuneration

All permanent employees can qualify for short-term bonus awards. 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 2020 financial year.

Short-term bonus

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 Executive Committee;
- Any surplus bonus amounts are allocated to highly committed, top performing employees;
- Bonuses are payable at the discretion of the Group Executive Committee, generally 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 paid 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.

Long-term incentive

The following long-term incentives are issued to qualifying senior management and other employees:

1. Long-term incentive scheme for senior management
2. Long-term service awards for staff

Long-term incentive scheme for senior management

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

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.

Remuneration report (continued)

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

The scheme is valid for five (5) years, commencing on 1 September 2021, with the allocated share appreciation rights vesting in four (4) equal tranches on 1 September in each of 2023, 2024, 2025 and 2026, here after referred to as the "vesting date".

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 each vesting date.

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 each vesting date and multiplying this with the number of share appreciation rights allocated for each TSR milestone reached.

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 (120 days after vesting), giving rise to an effective lock-in period.

Long-term service awards for staff

A long-term service award 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 award").

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 2023 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 awards.

Period of service	Percentage of employees
Below five years	**53%***
5 – 10 years	**35%**
10 – 15 years	**10%**
15 years and above	**2%**
	100%

* *21% of these employees operate in the memorial parks business.*

Remuneration report (continued)

Non-Executive Directors' fees for approval

Non-Executive Directors ("NEDs") 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 2023 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 2023/2024 financial year have been escalated by 6% (rounded off) and are as follows:

	2023/2024						
Director	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)	310 000	47 750	–	37 000	–	24 750	–
RB Patmore	250 000	–	–	37 000	27 000	24 750	29 750
ME Gama	210 000	–	–	37 000	27 000	24 750	29 750
GS Hauptfleisch	210 000	–	42 500	37 000	–	–	29 750
TP Baloyi	210 000	–	–	37 000	–	24 750	29 750
TC Moodley	210 000	–	–	37 000	–	24 750	29 750

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)

Part 3 Remuneration implementation report

Details pertaining to Non-Executive and Executive Directors' remuneration earned during the 2023 financial year are contained in the tables below and can be referenced in the Annual Financial Statements to note 37 which can be found on the Company's website.

Guaranteed remuneration

In the 2023 financial year Executive Directors' guaranteed remuneration increases were recommended by the Remuneration Committee taking into consideration the benchmarking exercise performed for Executives, taking into account CPI, and economic conditions. These recommendations were approved by the Board.

The Non-Executive Director fees increase of 6% was approved at the 2022 AGM.

Short-term incentives

2023 Financial year bonus pool and vesting conditions

The bonus pool for the 2023 financial year was based on the incremental growth in Group profitability measured by the growth in headline earnings per share ("HEPS").

Growth targets were as follows, and calculated as a percentage of profit after tax and bonus payments made to Executive Management:

- 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

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

The 2023 Group Executive management STI bonus pool was calculated as follows:

STI Bonus calculation	
Incremental percentage qualified for	9%
Profit after tax: Before bonus accrual	203 801 642
Total bonus pool	**17 225 908**
HEPS growth post bonus accrual	**49%**

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%	100%
Total STI bonus to Executives			17 225 908

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 0.8:1 for February 2023.

Achieved – Consolidated Group numbers – 0.62:1 (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. Achieved.

20% Empowerment targets

Retain or improve the current level. Achieved – The BEE scorecard rating for the 2023 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. The Board awarded the full percentage to all participants.

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. Not applicable as a bonus pool was achieved.

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 2023 financial year.

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 and joint ventures in the 2022 and 2023 financial years.

Executive Directors' remuneration

Remuneration and other benefits	Guaranteed remuneration R	Short-term bonus R	Total before deferred retention component settled in cash R	Deferred long-term retention component settled in cash* R	Total R
2023					
WJ Lategan	4 191 250	5 620 004	9 811 254	2 198 630	12 009 884
WA Joubert	3 137 557	4 136 564	7 274 121	1 618 286	8 892 407
W Williams	3 137 557	4 136 564	7 274 121	1 618 286	8 892 407
S Naicker	2 325 056	3 332 777	5 657 833	1 303 832	6 961 665
	12 791 420	17 225 909	30 017 329	6 739 034	36 756 363
2022					
WJ Lategan	3 808 577	5 076 924	8 885 501	–	8 885 501
WA Joubert	3 000 079	4 061 538	7 061 617	–	7 061 617
W Williams	3 000 822	4 061 538	7 062 360	–	7 062 360
	9 809 478	13 200 000	23 009 479	–	23 009 479

* *The deferred long-term retention component settled in cash will be paid in the 2024 and 2025 financial year, should conditions be met, this amount has been discounted in the Annual Financial Statements.*

Nasrec Memorial Park

Remuneration report (continued)

Non-Executive Directors' remuneration

The remuneration tabled below was approved at the AGM.

	2022/2023						
Director	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	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	–	–	–	–	–	–	28 000

Total remuneration

	2023 R	2022 R
H Ntene	622 720	605 483
RB Patmore	576 212	538 967
ME Gama	574,765	538 584
GS Hauptfleisch	496 765	465 233
SL Ntuli (resigned 17 June 2022)	94 750	352 484
TP Baloyi	405 765	376 983
TC Moodley	363 015	312 983
Total Non-Executive Directors	**3 133 992**	3 190 717
Summary		
Executive Directors	36 756 363	23 009 479
Non-Executive Directors	3 133 992	3 190 717
Total Directors	**39 890 355**	26 200 196

	2023 R	2022 R
Employee costs		
Salary and wages	72 568 060	79 587 434
Executive share scheme expense	4 222 154	3 788 191
Directors' emoluments	39 890 355	26 200 196
Executive Directors*	36 756 363	23 009 479
Non-Executive Directors	3 133 992	3 190 717
Salary and wages	**116 680 569**	109 575 821
Less: Amounts allocated to qualifying assets (construction contracts)	(54 357 556)	(57 833 491)
Total employee costs	**62 323 013**	51 742 330

* *The Executive Directors' emoluments include only the guaranteed remuneration and all incentive payments (short and long term).*

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 2023 R	Direct 2022 R	Indirect 2023 R	Indirect 2022 R
Ordinary shares				
WJ Lategan	**6 805 631**	6 459 494	**–**	–
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.

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 2023, 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**	**406 060**	**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.


La Vie Nouvelle

Environmental, social and governance ("ESG")

Please refer to the full ESG Report 2023 on the website
www.calgrom3.com

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

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. In South Africa, corporate social investment is critical, alongside what the government can and is able to do. Calgro M3 remains better poised than ever to assist in closing the housing gap in keeping with our vision of ***"Building legacies. Changing lives"***.

This is supported by our theme **#sustainable**actions 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, wellbeing 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"*** vision.

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.

Measuring our accountability

This year we are taking our sustainability journey, as narrated in our ESG Report 2023, a few steps further, firstly by highlighting the key UN Sustainable Development Goals ("UNSDGs") that form the basis and the support structures to our strategy as well as incorporating the JSE Sustainable Guidelines into our evaluation.

We have 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. Each section of the ESG Report includes relevant measurements of performance.

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 and on pages 39 to 51 of this Integrated Annual Report, respectively.

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
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2196

Postal address
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Craighall
2024

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15 May 2023

Transfer secretaries
Computershare Investor Services

Bankers
First National Bank
Standard Bank
Nedbank

Auditors
Mazars

Debt and Equity Sponsor
PSG Capital

Appointed Debt Officer
WA Joubert

Secretary
Juba Statutory Services, represented by Sirkien van Schalkwyk

Directors

W Williams	Executive
WA Joubert	Executive
WJ Lategan	Executive
SU Naicker	Executive
H Ntene	Independent Non-Executive Chairperson
RB Patmore	Lead Independent Non-Executive
GS Hauptfleisch	Independent Non-Executive
ME Gama	Independent Non-Executive
TP Baloyi	Independent Non-Executive
TC Moodley	Non-Executive

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 consolidated annual financial statements have been audited by our external auditors Mazars in accordance with the applicable requirements of the Companies Act No. 71 of 2008.

CALGRO M3
Group

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