CALGRO M3
Group

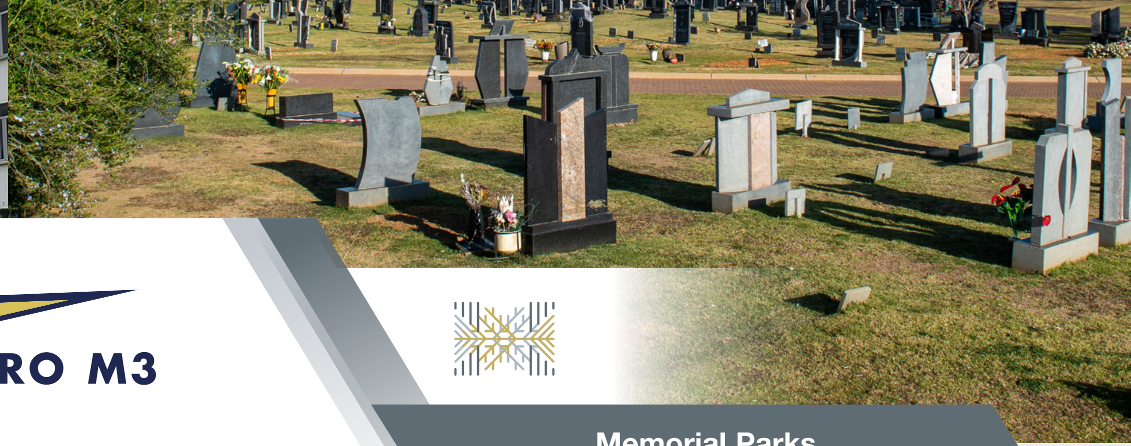
Building legacies. Changing lives

2023

Unaudited condensed consolidated interim results

for the six months ended 31 August 2023

Overview



CALGRO M3

Residential Property Development

The Residential Property Development business remains the largest contributor to revenue and profit, operating primarily in Gauteng and the Western Cape with eight active projects. Its reach has expanded by targeting fully subsidised to bonded homes, ensuring diversity amid current economic conditions and market challenges. The focus lies in offering value-for-money homes in lifestyle estates at the best possible price, benefiting consumers, including those from 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".***

Memorial Parks

Calgro M3 Memorial Parks is an alternative to traditional cemeteries, 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 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.

Financial highlights

Share buyback of **22.6 million** shares at an average price of **R2.63** per share	EPS increased to **78.88** cents per share (August 2022: 57.04 cents per share)	HEPS increased to **78.88** cents per share (August 2022: 57.00 cents per share)	**949** residential units handed over	**2 118** residential units under construction	Infrastructure installation underway for **3 398** units
Net asset value ("NAV") increased by **26.1%** to **R11.99** per share (February 2023: R9.51 per share)	Cash increased by **11.2%** to **R191.9 million** (February 2023: R172.6 million)	Net debt to equity stable at **0.61** (February 2023: 0.62)	Both businesses increased profit after tax by more than **20%**	Revenue increased by **13.5%** to **R688.9 million** (August 2022: R607.1 million)	Historic deferred land payments settled

Commentary

for the six months ended 31 August 2023

Operational overview

In the current challenging economic and broader South African landscape, we are proud to present another solid set of results. Our performance reiterates the importance of adaptability, consistent evaluation, and strategic foresight, these being the core principles of how we conduct business as the Calgro M3 Group. Our mission remains "***Building legacies. Changing lives***". We are humbled and proud of the recognition we receive from the communities we serve for the difference we make.

In line with our commitment to **#sustainable**actions, the achievement of strong results is attributable to a deep understanding of the Living Standards Measure ("LSM") markets we serve, the prioritisation of long-term sustainability, expanding market share, and rolling out existing pipeline opportunities in a controlled but adaptable manner.

We find ourselves in a strong financial position with consistent cash flows as a result of the continued focus on the Group's cash generation resulting in cash from operations of R89.8 million, which is closely aligned to profit generation of R84.8 million. This prudent financial strategy saw an 11.2% increase in our cash flow balance with net debt to equity remaining steady at 0.61, while still funding infrastructure of R94.3 million in support of the future pipeline, and repurchasing 18.6% of the Group's issued share capital.

The Group increased revenue by 13.5%, primarily driven by the Residential Property Development segment. While overall Group sales are on an uptrend, it requires significant effort and innovation on our part. Understanding the financial well-being of our consumers, we decided to slow down the construction of top structures in the lower-income market units. However, we have seen a positive shift towards better average sales prices and despite handing over fewer units than the comparable period, an increase in revenue of 13.9% was recorded in the Residential Property Development segment.

The average gross profit margin remains consistent at 22.2%. However, the current strained economic environment requires the attraction of an increased number of clients to our sites in order to achieve similar sales year-on-year. We are achieving this through multiple sales and marketing initiatives.

The Group consistently fosters workplace harmony and tackles issues head-on through our community engagement, ensuring minimal project disruptions. We have seen almost no interruptions in this period.

Skills development, training and education remain a pillar of the Group with additional training initiatives implemented in the period. The Group's female representation is currently at 46%, working towards the target of 50%. African employment at 73%, highlights our commitment to the empowerment plan.

Business specific

Residential Property Development Segment

The Residential Property Development business remains the largest revenue source, operating in Gauteng and the Western Cape, with eight active projects. The markets served are broad, ranging from fully subsidised to bonded homes, which allows us to adapt and reposition construction activities amongst market segments in response to economic shifts, with no subsidised homes handed over or under construction during the period.

We handed over 949 opportunities in the current period (August 2022: 1 193 opportunities), 2 118 opportunities are under construction, with more than half set for hand-over by February 2024. Currently, the Group has 1 937 serviced opportunities whilst servicing a further 3 398 opportunities. The residential revenue pipeline is in excess of R15 billion, representing 22 357 opportunities.

We have mentioned in previous updates, that capital allocation remains a top priority. In the last six months, we invested R250 million of infrastructure in Fleurhof, Jabulani, and Belhar.

Diversifying our projects across different provinces and maintaining a balanced customer base are crucial to achieving our strategic objectives. This approach enables us to ensure stable handovers and to generate positive cash flow. One of our primary strategic objectives is maintaining a well-balanced mix of units ready for sale, units with granted bonds, units awaiting transfer, and units currently under construction.

Memorial Parks Segment

The current period has shown a strong recovery in cash receipts, with a 33.8% increase to R33.9 million.

Revenue for the period remained flat at R19.9 million, representing 3% of Group revenue.

Sales reservations have shifted to the lay-by offering, away from the traditional cash sales, highlighting the tightening consumer pocket. This offering has grown by R11.2 million to R21.1 million, which will translate into revenue as and when these sales are fully settled.

The gross profit margin remains in excess of 40%, due to effective cost management over the past 18 months.

Bloemfontein Memorial Park, a new addition, is slowly picking up. While current performance is below expectations, an enhanced marketing plan has been implemented to boost visibility and sales growth.

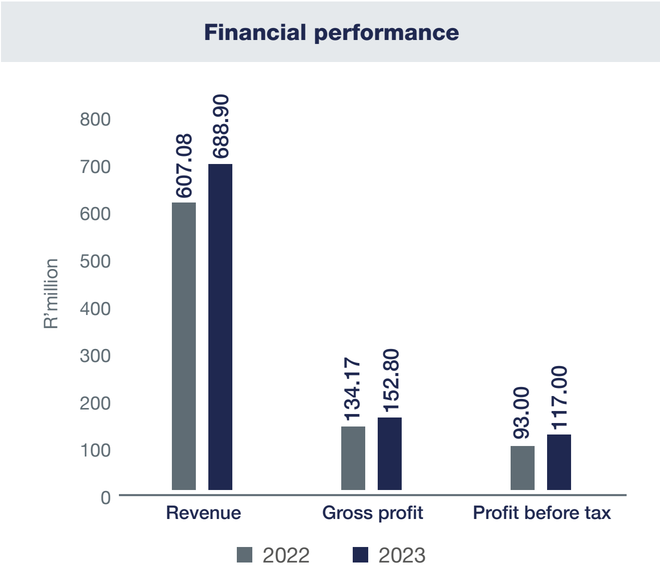
The business has performed well during this period, but we remain cautious. Our commitment is to continuously improve our offerings, keeping affordability and quality at the forefront thereof.

Commentary (continued)

for the six months ended 31 August 2023

Financial overview

Key financial metrics



Statement of comprehensive income

The Group is pleased to report another six month period of positive financial growth increasing revenue by 13.5% to R688.9 million (August 2022: R607.1 million) whilst maintaining the gross profit percentage at 22.2% (August 2022: 22.1%), within the target range of 20% to 25%.

Administrative costs increased to R49.9 million (August 2022: R41.1 million) mainly due to an increase in professional and consulting fees, which were required to offset temporary capacity constraints, and increased advertising spend to achieve more open market sales and focus on additional brand awareness campaigns.

This increase in advertising and related costs were introduced to counter the current economic environment. This initiative equates to approximately 2% of a unit's sales price and includes enhanced digital marketing campaigns, investment in AI marketing programmes and the offering of additional incentives to clients, all of which are in support of sales and cash conversion.

Net finance income increased to R4.3 million (August 2022: net finance cost R4.4 million). The increase is attributable to the increase in finance income on receivable balances which remain outstanding at the end of the period.

Share buybacks

In the current financial period the Group repurchased 22.6 million of issued share capital at an average price of R2.63 per share, thereby decreasing the issued share capital from 121.4 million shares to 98.8 million shares, net of treasury shares.

Earnings per share ("EPS") increased to 78.88 cents per share (August 2022: 57.04 cents per share) with headline earnings per share ("HEPS") increasing to 78.88 cents per share (August 2022: 57.00 cents per share). Both the EPS and HEPS have been calculated based on the weighted average number of shares of 107.5 million shares during the period rather than the closing shares in issue of 98.8 million, as required by reporting standards.

Net asset value per share ("NAV") increased by 26.1% to 1 198.87 cents per share (February 2023: 950.61 cents per share).

Statement of financial position and cash flow

The Group's financial position remains healthy with a current ratio (liquidity ratio) of 1.97 (February 2023: 1.91), this improvement is attributable to the following:

- Increase in cash and cash equivalents by 11% to R191.9 million (February 2023: R172.6 million).
- Reduction in trade and other payables by R49.7 million to R310.8 million (February 2023: R360.5 million), driven by a reduction in employee-related provisions by R38.03 million and the settlement of the deferred land purchase liabilities of R11.2 million during the period. Subsequent to the end of the period the Group settled the last deferred land obligation resulting in the conclusion of all long-term land acquisitions.
- Maintaining current asset levels (excluding cash and cash equivalents)
  Current assets (excluding cash and cash equivalents) have increased by 1%, with the construction contracts balance of R1 162.5 million (February 2023: R1 162.40 million) remaining constant for the period. This is due to the Group remaining cautious on the current economic environment and mindful of the financial health of the consumer.
- Increase in Group borrowings by 4% to R909.2 million (February 2023: R876.4 million). The Group refinanced the remaining two capital payments on the Proparco facility amounting to R155 million. This was countered by the repayment of R122.4 million of debt in the period. Subsequent to the end of the period the Group settled the final payment to Proparco of R77.4 million.

With the adoption of the new executive share scheme, those participants who had been allocated share appreciation rights on previous share schemes have had these allocations cancelled and accelerated in the current period resulting in an acceleration expense of R2.9 million.

Covenants

The net debt to equity ratio ended at 0.61:1 (February 2023: 0.62:1), significantly below the regulated covenant level of 1.5:1.

The Group's debt service cover ("DSCR") ratio increased to 2.27:1 (February 2023: 1.61:1) well above the regulated level of at least 1.2:1, as a result of the strong cash position at the end of the period.

As previously communicated 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.

Fleurhof

Where to from here

Looking ahead, we are enthusiastic about prospects and confident in tackling challenges. With a strong total Group revenue pipeline in excess of R17 billion, encompassing over 22 000 residential (excluding the Frankenwald project) and 98 000 burial opportunities, we are set to have a significant impact in the affordable housing and burial sectors while ensuring meaningful returns to shareholders. The inclusion of Frankenwald, where we plan to exercise the land option before March 2024, will unlock between 20 000 and 30 000 opportunities. The already available electricity supply and infrastructure for the commencement phases reduces initial capital needs, easing the Frankenwald project's cash flow strain which will result in improved margins. This project will bring Calgro M3's lifestyle offerings and value for money to the doorstep of Sandton on a significant scale.

Our commitment to developing high-quality and best-in-class value for money homes and memorial parks at an affordable price resonates deeply with the communities we serve. Calgro M3's dedication to understanding the lower LSM consumer lifestyle will continue to stimulate sales, even amidst challenges such as rising unemployment, household debt and the current high interest and inflation rate environment. The support we have garnered from banks, exemplified by the continued granting of 100% mortgage bonds, is a testament to our solid standing.

In line with the goal of having a wider memorial parks presence we intend expanding its footprint into a new province within the current financial year.

We remain well equipped with sufficient liquidity to fund market growth and satisfy demand in both business segments.

As we continue to adapt, innovate, and hold true to our mission: "Building legacies. Changing lives", our strong pipeline and ability to mix sales heralds an exciting future. We remain committed to sensible capital allocation, consistently reviewing opportunities in the market to ensure further growth. We are grateful to our employees, clients, stakeholders, and the Board for their consistent support, which helped us not only deliver positive results but remain stable in the South African context.

Wikus Lategan
Chief Executive Officer

Sayuri Naicker
Financial Director

13 October 2023

Unaudited condensed consolidated statement of financial position

for the six months ended 31 August 2023

R'000	Notes	Unaudited August 2023	Audited February 2023	Unaudited August 2022
Assets				
Cash and cash equivalents		**191 880**	172 614	58 852
Trade and other receivables		**166 356**	164 011	169 195
Current income tax assets		**15**	362	828
Construction contracts	4	**1 162 527**	1 162 394	1 079 634
Loans to joint ventures		**381 840**	371 472	296 380
Investment in joint ventures		**62 138**	51 992	49 992
Inventories	5	**502 231**	498 541	567 945
Investments		**15 929**	14 895	14 299
Property, plant and equipment		**15 144**	16 684	18 166
Investment property		**19 947**	19 947	19 947
Intangible assets		**159 651**	159 651	159 651
Deferred income tax asset		**18 433**	26 500	24 871
Total assets		**2 696 091**	2 659 063	2 459 760
Equity and liabilities				
Equity				
Equity attributable to owners of the parent				
Stated capital	6	**42 368**	102 081	102 081
Share-based payment reserve		**4 869**	10 455	8 434
Retained income		**1 136 289**	1 040 813	923 898
		1 183 526	1 153 349	1 034 413
Non-controlling interests		**731**	689	607
Total equity		**1 184 257**	1 154 038	1 035 020
Liabilities				
Trade and other payables		**310 799**	360 504	381 432
Current income tax liabilities		**1 070**	633	870
Borrowings	8	**909 180**	876 362	812 324
Deferred income tax liability		**290 785**	267 526	230 114
Total liabilities		**1 511 834**	1 505 025	1 424 740
Total equity and liabilities		**2 696 091**	2 659 063	2 459 760

Unaudited condensed consolidated statement of comprehensive income

for the six months ended 31 August 2023

R'000	Notes	Unaudited August 2023	Unaudited August 2022	Audited February 2023
Revenue	9	**688 904**	607 079	1 525 317
Cost of sales	10	**(536 109)**	(472 911)	(1 167 623)
Gross profit		**152 795**	134 168	357 694
Other income		**5 499**	4 561	8 983
Administrative expenses		**(49 875)**	(41 071)	(102 425)
Expected credit losses on financial and contract assets		**86**	(857)	(5 657)
Other expenses		**(35)**	(2 900)	(1 066)
Finance income		**29 833**	15 810	33 481
Finance costs		**(25 518)**	(20 203)	(44 038)
Share of profit of joint ventures – net of tax		**4 247**	3 386	5 387
Profit before tax		**117 032**	92 894	252 359
Taxation		**(32 185)**	(23 634)	(66 071)
Profit after taxation		**84 847**	69 260	186 288
Other comprehensive income		**–**	–	–
Total comprehensive income		**84 847**	69 260	186 288
Profit after taxation and other comprehensive income attributable to:				
– Owners of the parent		**84 805**	69 249	186 195
– Non-controlling interests		**42**	11	93
		84 847	69 260	186 288
Profit after taxation and other comprehensive income attributable to:				
Equity holders of the Company	3	**84 805**	69 249	186 195
Basic earnings per share (cents)	3	**78.88**	57.04	153.37
Diluted earnings per share (cents)	3	**77.44**	55.16	147.43

Unaudited condensed consolidated statement of changes in equity

for the six months ended 31 August 2023

R'000	Note	Stated capital	Share-based payment reserve	Retained income	Total	Non-controlling interests	Total equity
Balance at 1 March 2022		102 081	10 646	850 363	963 090	596	963 686
Share-based payment – shares not vested or cancelled		–	(4 286)	4 286	–	–	–
Share-based payment expense		–	2 074	–	2 074	–	2 074
Comprehensive income							
Profit for the period		–	–	69 249	69 249	11	69 260
Other comprehensive income		–	–	–	–		–
Total comprehensive income		–	–	69 249	69 249	11	69 260
Balance at 31 August 2022		102 081	8 434	923 898	1 034 413	607	1 035 020
Balance at 1 March 2023		**102 081**	**10 455**	**1 040 813**	**1 153 349**	**689**	**1 154 038**
Shares repurchased	6	**(59 713)**	**–**	**–**	**(59 713)**	**–**	**(59 713)**
Share-based payment expense		**–**	**5 085**	**–**	**5 085**	**–**	**5 085**
Share-based payment – shares not vested or cancelled		**–**	**(10 671)**	**10 671**	**–**	**–**	**–**
Comprehensive income							
Profit for the period		**–**	**–**	**84 805**	**84 805**	**42**	**84 847**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**–**	**84 805**	**84 805**	**42**	**84 847**
Balance at 31 August 2023		**42 368**	**4 869**	**1 136 289**	**1 183 526**	**731**	**1 184 257**

Unaudited condensed consolidated statement of cash flows

for the six months ended 31 August 2023

R'000	Unaudited August 2023	Audited February 2023	Unaudited August 2022
Cash generated from operating activities			
Cash generated from/(utilised in) operations	**117 872**	89 639	(60 560)
Finance income received	**27 571**	8 003	4 367
Finance cost paid	**(55 557)**	(90 375)	(43 225)
Tax paid	**(74)**	(5 197)	1 229
Net cash generated from/(utilised in) operating activities	**89 812**	2 070	(98 189)
Cash flows invested in investing activities			
Purchase of property, plant and equipment	**(424)**	(1 199)	(569)
Proceeds from the sale of property, plant and equipment	**–**	456	117
Acquisition of shares from joint venture	**(5 900)**	–	–
Loans advanced to joint ventures	**(52 224)**	(65 125)	(9 312)
Loans repaid by joint ventures	**16 990**	13 172	4 490
Net cash (invested in) investing activities	**(41 558)**	(52 696)	(5 274)
Cash flows repaid in financing activities			
Proceeds from borrowings	**155 000**	230 000	50 000
Capital repayment of borrowings	**(122 400)**	(194 800)	(77 400)
Share repurchases	**(59 713)**	–	–
Repayment of capital portion on leases	**(1 875)**	(3 074)	(1 399)
Net cash (repaid in)/advanced financing activities	**(28 988)**	32 126	(28 799)
Net increase/(decrease) in cash and cash equivalents	**19 266**	(18 500)	(132 262)
Cash and cash equivalents at the beginning of the period	**172 614**	191 114	191 114
Cash and cash equivalents at the end of the period	**191 880**	172 614	58 852

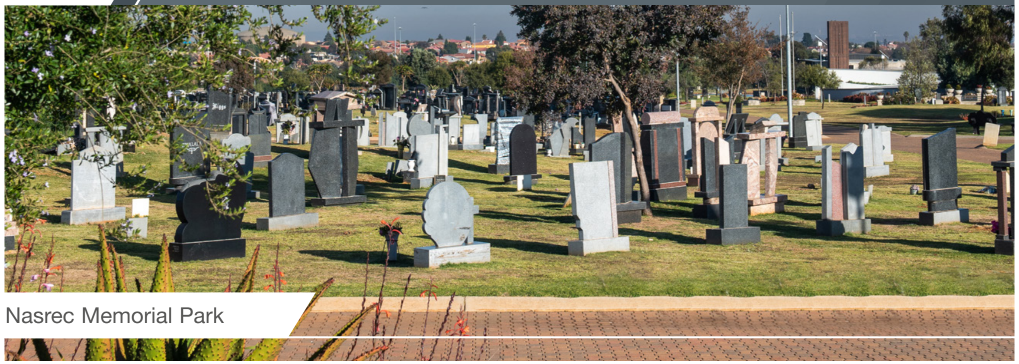
Unaudited condensed segment report for the Group

The Chief Operating Decision Makers ("CODM") manage the Group activities in two distinct segments, namely:

Residential Property Development

Jabulani

Memorial Parks



Nasrec Memorial Park

Unaudited condensed segment report for the Group (continued)

R'000	Residential Property Development	Memorial Parks	All other segments	Total
August 2023				
Total segment revenue	**668 959**	19 945	–	688 904
Fleurhof	**297 337**	–	–	297 337
Jabulani	**89 689**	–	–	89 689
Scottsdene	**32 032**	–	–	32 032
South Hills	**103 665**	–	–	103 665
Belhar	**108 438**	–	–	108 438
Third parties	**37 798**	19 945	–	57 743
Gross revenue	**668 959**	19 945	–	688 904
Point in time	**242 495**	19 945	–	262 440
Over time	**426 464**	–	–	426 464
Revenue	**668 959**	19 945	–	688 904
Cost of sales	**(524 784)**	(11 325)	–	(536 109)
Gross profit	**144 175**	8 620	–	152 795
Other income	**2 254**	3 245	–	5 499
Administrative expenses	**(40 736)**	(6 831)	(2 308)	(49 875)
Net impairment losses on financial and contract assets	**71**	16	–	86
Other expenses	**(35)**	–	–	(35)
Finance income	**27 557**	255	2 021	29 833
Finance costs	**(24 991)**	(527)	–	(25 518)
Share of profit of joint ventures – net of tax	**4 247**	–	–	4 247
Profit/(loss) before tax	**112 541**	4 778	(287)	117 032
Taxation	**(32 892)**	811	(106)	(32 185)
Profit/(loss) after taxation	**79 649**	5 591	(393)	84 847
Other comprehensive income	**–**	–	–	–
Total comprehensive income	**79 649**	5 591	(393)	84 847
Profit/(loss) after taxation and other comprehensive income attributable to:				
– Owners of the parent	**79 607**	5 591	(393)	84 805
– Non-controlling interests	**42**	–	–	42
	79 649	5 591	(393)	84 847

R'000	Residential Property Development	Memorial Parks	All other segments	Total
August 2023				
Assets				
Cash and cash equivalents	**139 405**	1 888	50 587	191 880
Trade and other receivables	**162 305**	4 031	20	166 356
Current income tax assets	**15**	–	–	15
Construction contracts	**1 162 527**	–	–	1 162 527
Loans to joint ventures	**381 840**	–	–	381 840
Investment in joint ventures	**62 138**	–	–	62 138
Inventories	**331 881**	170 350	–	502 231
Investments	**–**	15 929	–	15 929
Property, plant and equipment	**6 991**	8 153	–	15 144
Investment property	**–**	19 947	–	19 947
Intangible assets	**158 956**	695	–	159 651
Deferred income tax asset	**5 994**	12 437	2	18 433
Total assets	**2 412 052**	233 430	50 609	2 696 091
Liabilities				
Trade and other payables	**250 356**	55 219	5 224	310 799
Current income tax liabilities	**682**	271	117	1 070
Borrowings#	**890 404**	18 776	–	909 180
Deferred income tax liability	**290 785**	–	–	290 785
Total liabilities	**1 432 227**	74 266	5 341	1 511 834

The Group reassessed the borrowings and finance costs allocation between the segments. This change has resulted in the allocation of Group borrowings to the Memorial Parks segment aligning to the capital injections made into the segment less repayments thereof. The prior year Group allocation for borrowings and finance costs was calculated based on the proportional split of total assets per segment.

Unaudited condensed segment report for the Group (continued)

R'000	Residential Property Development	Memorial Parks	All other segments	Total
August 2022				
Total segment revenue	587 247	19 832	–	607 079
Fleurhof	292 353	–	–	292 353
Jabulani	28 293	–	–	28 293
Witpoortjie	1 373	–	–	1 373
South Hills	64 412	–	–	64 412
Belhar	104 963	–	–	104 963
Third parties	95 853	19 832	–	115 685
Gross revenue	587 247	19 832	–	607 079
Point in time	153 641	17 800	–	171 441
Over time	433 606	2 032	–	435 638
Revenue	587 247	19 832	–	607 079
Cost of sales	(461 216)	(11 695)	–	(472 911)
Gross profit	126 031	8 137	–	134 168
Other income	2 425	2 136	–	4 561
Administrative expenses	(33 390)	(5 619)	(2 062)	(41 071)
Net impairment losses on financial and contract assets	(2 910)	10	–	(2 900)
Other expenses	(857)	–	–	(857)
Finance income	15 634	49	127	15 810
Finance costs	(16 322)	(3 881)	–	(20 203)
Share of profit of joint ventures – net of tax	3 386	–	–	3 386
Profit/(loss) before tax	93 997	832	(1 935)	92 894
Taxation	(24 940)	1 273	33	(23 634)
Profit/(loss) after taxation	69 057	2 105	(1 902)	69 260
Other comprehensive income	–	–	–	–
Total comprehensive income	69 057	2 105	(1 902)	69 260
Profit after taxation and other comprehensive income attributable to:				
– Owners of the parent	69 046	2 105	(1 902)	69 249
– Non-controlling interests	11	–	–	11
	69 057	2 105	(1 902)	69 260

R'000	Residential Property Development	Memorial Parks	All other segments	Total
February 2023				
Assets				
Cash and cash equivalents	169 181	2 380	1 053	172 614
Trade and other receivables	157 644	6 367	–	164 011
Current income tax assets	329	33	–	362
Construction contracts	1 162 394	–	–	1 162 394
Loans to joint ventures	371 472	–	–	371 472
Investment in joint ventures	51 992	–	–	51 992
Inventories	325 290	173 251	–	498 541
Investments	–	14 895	–	14 895
Property, plant and equipment	8 466	8 218	–	16 684
Investment property	–	19 947	–	19 947
Intangible assets	158 956	695	–	159 651
Deferred income tax asset	16 951	9 549	–	26 500
Total assets	2 422 675	235 335	1 053	2 659 063
Liabilities				
Trade and other payables	300 833	54 747	4 924	360 504
Current income tax liabilities	169	240	224	633
Borrowings#	798 772	77 590	–	876 362
Deferred income tax liability	267 526	–	–	267 526
Total liabilities	1 367 300	132 577	5 148	1 505 025

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

1. Basis of preparation

1.1 Statement of compliance

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

The condensed consolidated interim financial statements have been prepared by R van Maarleveld CA(SA) under the supervision of SU Naicker CA(SA).

The condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 28 February 2023, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The condensed consolidated interim financial statements have been prepared on the historical cost basis, excluding specific financial assets held at fair value through profit and loss.

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

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

The condensed consolidated interim financial statements of Calgro M3 were authorised for issue on 13 October 2023 by the Board of Directors.

1.2 Judgements and estimates

Management made judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were similar to those applied to the Group annual financial statements as at and for the year ended 28 February 2023.

2. Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group annual financial statements as at and for the year ended 28 February 2023.

3. Earnings reconciliation

	Unaudited August 2023	Unaudited August 2022	Audited February 2023
Determination of headline and diluted earnings – net of tax and non-controlling interest			
Attributable profit to shareholders	**84 805**	69 249	186 195
Profit on disposal of property, plant and equipment and computer software	**–**	(49)	(237)
Headline and diluted headline earnings – net of tax and non-controlling interest	**84 805**	69 200	185 958
Determination of earnings – net of tax and non-controlling interest			
Basic earnings	**84 805**	69 249	186 195
Diluted basic earnings	**84 805**	69 249	186 195
Headline earnings	**84 805**	69 200	185 958
Diluted headline earnings	**84 805**	69 200	185 958
Determination of shares			
Number of ordinary shares	**98 781**	121 400	121 400
Weighted average shares	**107 510**	121 400	121 400
Fully diluted weighted average shares	**109 508**	125 546	126 292
Determination of per share values – net of tax and non-controlling interest			
Basic earnings per share (cents per share)	**78.88**	57.04	153.37
Fully diluted earnings per share (cents per share)	**77.44**	55.16	147.43
Headline earnings per share (cents per share)	**78.88**	57.00	153.18
Fully diluted headline earnings per share (cents per share)	**77.44**	55.12	147.24

	Unaudited August 2023	Audited February 2023
4. Construction contracts		
Disaggregated construction contracts – pre-expected credit loss provisions		
Infrastructure – contract assets	**158 151**	129 544
Fully and partially subsidised units – contract assets	**437 906**	440 402
Non-subsidised units – contract assets	**68 007**	113 791
Serviced land – contract assets	**24 362**	21 949
Contract assets	**688 426**	705 686
Future contract asset costs		
Development cost for future contract assets	**480 680**	463 605
	1 169 106	1 169 291
Reconciliation of construction contracts		
Gross statement of financial position balance for ongoing contracts	**688 426**	705 686
Provisions for expected credit losses on contract assets	**(6 579)**	(6 897)
Development cost for future contract assets	**480 680**	463 605
Statement of financial position balance for construction contracts	**1 162 527**	1 162 394
5. Inventories		
Memorial park land costs	**170 350**	173 251
Completed units	**1 683**	2 341
Other land costs for future development	**330 198**	322 949
Closing balance	**502 231**	498 541

	Unaudited August 2023 Number of shares	Audited February 2023 Number of shares	Unaudited August 2023 Rand amount	Audited February 2023 Rand amount
6. Stated capital				
Authorised				
Ordinary no par value shares	**500 000**	500 000		
Issued				
Shares in issue to the public	**121 400**	121 400	**102 080**	102 080
Shares held by Calgro M3 Employee Benefit Trust	**5 213**	5 213	**104 240**	104 240
Shares held by Calgro M3 Empowerment Trust	**5 213**	5 213	**104 240**	104 240
Shares held by Calgro M3 Developments (Pty) Ltd	**8 469**	8 469	**163 190**	163 190
Shares repurchased*	**(22 619)**	–	**(59 713)**	–
Total shares in issue	**117 676**	140 295	**414 037**	473 750
Treasury shares in issue	**(18 894)**	(18 894)	**(371 669)**	(371 669)
Closing balance	**98 782**	121 401	**42 368**	102 081

* *During the period under review, ordinary shares were repurchased in line with the general authority granted to the Board of Directors as per the special resolution passed during the 2022 and 2023 Annual General Meetings. A total of 22.6 million shares were repurchased for a total value of R59.7 million during the period, representing 18.6% of the issued ordinary share capital before any repurchases were made.*

7. Financial instruments – impairment

The Group assesses on a forward looking basis the expected credit losses ("ECLs") associated with its financial asset instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group considers credit risk to have increased significantly when the outstanding balances exceed the expected contractual repayment dates. ECLs are a probability weighted estimate of credit losses.

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

7. Financial instruments – impairment (continued)

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

- Loans to joint venture
- Contract assets relating to construction contracts
- Trade receivables

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

The general expected credit loss model for loans to companies outside of the Group held at amortised cost has been applied. There has been no significant increase in the credit risk since initial recognition. The Group considers credit risk to have increased significantly when the outstanding balances exceed the expected contractual repayment dates. The Group considers a financial asset in default when contractual payments are 90 days past the contractual repayment dates.

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

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

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

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

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

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

The Group considers a financial asset to be credit impaired when one or more events have occurred:

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

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

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

7. Financial instruments – impairment (continued)

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

	August 2023		
	1. Government institution exposure	2. Normal business risk exposure	3. Financial institution risk exposure
Rates to be utilised for the ECLs			
New projects/projects undertaken with higher exposure to government	7.72%		
Project at an early to advanced stage of completion	2.12%-5.18%	2.12%-6.02%	
Project backed by a financial institution at an early to advanced stage of completion	2.12%-5.18%		1.04%
Specific exposure	0%-100%	0%-100%	0%-100%

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

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

	August 2023			
R'000	1. Government institution exposure	2. Normal business risk exposure	3. Financial institution risk exposure	Total
Loans to joint ventures				
Project at an early to advanced stage of completion	46 276	–	–	46 276
Project backed by a financial institution at an early to advanced stage of completion	–	346 364	–	346 364
Specific exposure	–	–	5 376	5 376
Loans to joint ventures	**46 276**	**346 364**	**5 376**	**398 016**
Construction contracts – contract assets				
Project at an early to advanced stage of completion	108 823	44 005	–	152 828
Project backed by a financial institution at an early to advanced stage of completion	121 655	–	3 790	125 445
Specific exposure	27 962	382 191	–	410 153
Construction contracts – contract assets	**258 440**	**426 196**	**3 790**	**688 426**
Trade receivables				
Project at an early to advanced stage of completion	1 969	69 923	–	71 892
Project backed by a financial institution at an early to advanced stage of completion	–	85	–	85
Specific exposure	70 386	24 468	–	94 854
Trade receivables	**72 355**	**94 476**	**–**	**166 831**

7. Financial instruments – impairment (continued)

Reconciliation of expected credit losses on financial assets at amortised cost – August 2023

	Expected credit loss model applied	Opening balance 1 March 2023	Current year movement	Closing balance 31 August 2023
Cash and cash equivalents	General	–	–	–
Trade and other receivables	Lifetime	8 481	(269)	8 212
Construction contracts – contract assets	Lifetime	6 897	(318)	6 579
Loans to joint ventures	General	15 675	501	16 176
		31 053	(86)	30 967

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

February 2023	1. Government institution exposure	2. Normal business risk exposure	3. Financial institution risk exposure
Rates to be utilised for the ECLs			
New projects/projects undertaken with higher exposure to government	7.72%		
Project at an early to advanced stage of completion	2.12%-5.18%	2.12%-6.02%	
Project backed by a financial institution at an early to advanced stage of completion	2.12%-5.18%		1.04%
Specific exposure	0%-100%	0%-100%	0%-100%

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

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

February 2023	1. Government institution exposure	2. Normal business risk exposure	3. Financial institution risk exposure	Total
Loans to joint ventures				
New projects with significant government exposure	43 492	–	–	43 492
Project at an early to advanced stage of completion	–	338 572	–	338 572
Project backed by a financial institution at an early to advanced stage of completion	–	–	5 083	5 083
Loans to joint ventures	43 492	338 572	5 083	387 147
Construction contracts – contract assets				
Project at an early to advanced stage of completion	92 260	60 066	–	152 326
Project backed by a financial institution at an early to advanced stage of completion	125 828	–	345	126 173
Specific exposure	31 931	395 256	–	427 187
Construction contracts – contract assets	250 019	455 322	345	705 686
Trade receivables				
Project at an early to advanced stage of completion	46 009	67 118	–	113 127
Project backed by a financial institution at an early to advanced stage of completion	–	69	–	69
Specific exposure	44 108	6 681	–	50 789
Trade receivables	90 117	73 868	–	163 985

7. Financial instruments – impairment (continued)

Reconciliation of expected credit losses on financial assets at amortised cost – August 2022

	Expected credit loss model applied	Opening balance 1 March 2022	Current year movement	Closing balance 31 August 2022
Cash and cash equivalents	General	–	–	–
Trade and other receivables	Lifetime	7 414	345	7 759
Construction contracts				
– contract assets	Lifetime	5 136	1 755	6 891
Loans to joint ventures	General	12 846	800	13 646
		25 396	2 900	28 296

	Interest rate	Expiration date	Unaudited August 2023	Audited February 2023
8. Borrowings				
Floating rate note – CGR 42	JIBAR plus 4.50%	3 August 2023	**–**	45 000
Floating rate note – CGR 47	JIBAR plus 4.50%	28 February 2025	**60 000**	60 000
Floating rate note – CGR 48	JIBAR plus 4.25%	30 September 2023	**50 000**	50 000
Floating rate note – CGR 49	JIBAR plus 4.75%	30 September 2024	**50 000**	50 000
Floating rate note – CGR 50	JIBAR plus 4.25%	23 October 2023	**33 000**	33 000
Floating rate note – CGR 51	JIBAR plus 4.75%	23 October 2024	**48 000**	48 000
Floating rate note – CGR 52	JIBAR plus 4.25%	30 June 2025	**50 000**	50 000
Floating rate note – CGR 53	JIBAR plus 3.95%	28 February 2027	**40 000**	40 000
Floating rate note – CGR 54	JIBAR plus 4.5%	28 February 2028	**40 000**	40 000
Transaction cost amortisation*			**(435)**	(527)
Total bond exchange			**370 565**	415 473
NHFC Loan	Prime plus 0.50%	30 August 2026	**215 000**	215 000
Proparco Loan	JIBAR plus 4.90%	15 September 2023	**77 400**	154 800
Term Loan 1	JIBAR plus 5.00%	12 October 2027	**100 000**	100 000
Term Loan 2	JIBAR plus 4.40%	24 April 2028	**155 000**	–
Transaction cost amortisation			**(8 785)**	(8 911)
Other borrowings			**538 615**	460 889
Total borrowings			**909 180**	876 362

Total finance cost incurred for the period amounted to R60.5 million (August 2022: R41.7 million) of which R35.0 million (August 2022: R21.5 million) was capitalised to inventory and construction contracts.

	Unaudited August 2023	Unaudited August 2022
9. Revenue		
Disaggregated revenue		
Residential Property Development Segment		
Infrastructure	**291 979**	268 517
Fully and partially subsidised units	**294 653**	174 947
Non-subsidised units	**60 913**	85 629
Serviced land sales	**21 414**	3 154
Commercial land sale	**–**	55 000
	668 959	587 247
Memorial Parks Segment		
Memorial Parks burial rights	**19 945**	19 832
	19 945	19 832
Total revenue	**688 904**	607 079
10. Cost of sales		
Disaggregated cost of sales		
Residential Property Development Segment		
Infrastructure	**208 805**	185 468
Fully and partially subsidised units	**215 213**	129 262
Non-subsidised units	**84 365**	105 178
Serviced land sales	**16 401**	4 109
Commercial land sale	**–**	37 196
	524 784	461 213
Memorial Parks Segment		
Memorial Parks burial rights	**11 325**	11 698
	11 325	11 698
Total cost of sales	**536 109**	472 911

	Unaudited August 2023	Unaudited August 2022
11. Related party transactions		
Compensation paid to key employees and personnel*	**14 432**	12 320
Finance income from related parties	**21 250**	10 764
Net contract revenue received from joint ventures	**88 515**	64 504

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

The Group entered into various sale and purchase transactions with joint ventures during the ordinary course of business.

These transactions were subject to terms that are no less, nor more favourable than those arranged with independent third parties.

12. Fair values

Financial instruments

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

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

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

Fair value table

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

Level no	Level definition
1.	Quoted prices (unadjusted) in active markets for identical assets or liabilities
2.	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
3.	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

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

	Carrying values		Fair value Level 2		Fair value Level 3	
	August 2023 Unaudited	February 2023 Audited	August 2023 Unaudited	February 2023 Audited	August 2023 Unaudited	February 2023 Audited
Assets						
Investment property	**19 947**	19 947	**–**	–	**19 947**	19 947
Investments#	**15 929**	14 895	**–**	–	**15 929**	14 895
Loans to joint ventures	**398 016**	387 148	**–**	–	**398 016**	387 148
Trade and other receivables	**166 831**	163 984	**–**	–	**166 831**	163 984
Liabilities						
Borrowings – Bond Exchange	**370 565**	415 473	**375 664***	420 330*	**–**	–
Borrowings – other	**538 615**	460 890	**–**	–	**538 615**	460 890
Trade and other payables	**243 342**	237 240	**–**	–	**243 342**	237 240

 # Based on prices for units trusts held by reputable financial institutions.
** Based on quoted prices on the Bond Exchange.*

The carrying values for loans to and from joint ventures, trade and other receivables and trade and other payables are a reasonable approximation of their fair value. The balances exclude any non-financial instruments. Refer to note 6 for details on financial instruments.

Non-financial instruments

The fair value measurement for investment property has been categorised as a level 3 fair value based on the inputs to the valuation technique used. The value of investment properties was determined by management using the discounted cash flow ("DCF") method. This method takes into account the time value of money between the valuation date and the date when the income stream theoretically reverts to prevailing market levels. Properties are valued by discounting the expected future net income for a specific period at an appropriate discount rate to give the present value of the expected net income cash flow. The net income is determined taking into account the gross income, vacancies and lease obligations from which is deducted all normalised operating expenditure. The fair values of the properties determined using the DCF method with inputs described above did not deviate significantly from the previous valuations and were left unchanged.

13. Dividends

Management believes that, for the current reporting period cash should be retained to fund growth across the Group. Cash retention is important to ensure investment in future projects as well as the reduction of debt and interest. In view hereof, the Board has resolved not to declare a dividend for the current reporting period.

As previously communicated, the Group remains committed to the adoption of a dividend policy within the current financial year which will serve as a guideline for considering and declaring dividends in future.

14. Going concern

Based on the latest results for the six month period ended 31 August 2023, the latest Board approved budget for the 2024 financial year, as well as the available bank facilities and cash generating capability, Calgro M3 satisfies the criteria of a going concern.

15. Events after the reporting period

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

16. JSE Listings Requirements

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

17. Corporate governance

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

The Board of Directors endorse the principles contained in King IV. Calgro M3's application of these principles are set out in the 2023 integrated report and has been, in accordance with the JSE Listings Requirements, available on the Company's website since May 2023. Please contact the Group company secretary (Juba Statutory Services, represented by Ms S van Schalkwyk), for any additional information.

18. Ratio calculations

Net debt/equity ratio

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

	Unaudited August 2023	Audited February 2023
Net debt		
Borrowings	**909 180**	876 362
Other interest-bearing borrowings	**–**	4 282
Less: Cash and cash equivalents	**(191 880)**	(172 614)
	717 300	708 030
Equity		
Stated capital	**42 368**	102 081
Retained income	**1 136 289**	1 040 813
	1 178 657	1 142 894
Net debt/equity ratio	**0.61**	0.62

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

18. Ratio calculations (continued)

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

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

	Unaudited August 2023	Audited February 2023
Available cash flow		
Cash generated from operating activities	**117 872**	89 639
New financial indebtedness incurred	**155 000**	230 000
Cash and cash equivalent beginning of the year	**172 614**	191 114
Capex	**(41 558)**	(52 696)
	403 928	458 057
Debt service requirement		
Interests and fees	**(55 557)**	(90 375)
Principal repayments	**(122 400)**	(194 800)
	(177 957)	(285 175)
Debt service cover ratio ("DSCR")	**2.27**	1.61

The Group monitors capital repayments and interest serviceability on the basis of its debt service cover ratio ("DSCR"). The minimum allowed DSCR ratio for the Group is 1.2.

Liquidity ratio
This ratio is calculated as the ratio of current assets to current liabilities as defined. Current assets have been defined as cash and cash equivalents, trade and other receivables, work in progress, construction contracts, current tax receivable, inventories and loans to joint ventures. Current liabilities have been defined as trade and other payable, current tax liabilities and borrowings.

	Unaudited August 2023	Audited February 2023
Current assets		
Cash and cash equivalents	**191 880**	172 614
Trade and other receivables	**166 356**	164 011
Current income tax assets	**15**	362
Construction contracts	**1 162 527**	1 162 394
Loans to joint ventures	**381 840**	371 472
Inventories	**502 231**	498 541
	2 404 849	2 369 394
Current liabilities		
Trade and other payables	**310 799**	360 504
Current income tax liabilities	**1 070**	633
Borrowings	**909 180**	876 362
	1 221 049	1 237 499
Liquidity ratio	**1.97**	1.91

The Group monitors capital on the basis of its liquidity ratio. The minimum allowed liquidity ratio for the Group is 1.2:1.

General information

Calgro M3 Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 2005/027663/06
Share code: CGR
ISIN: ZAE000109203

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

Postal address
Private Bag X33
Craighall
2024

Published
16 October 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
S 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

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

CALGRO M3
Group

www.calgrom3.com