

AUDITED ABRIDGED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2010 AND NOTICE OF ANNUAL GENERAL MEETING



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited year ended 28 Feb 2010	Audited year ended 29 Feb 2009
R'000		
Revenue	188 726	233 054
Cost of sales	(161 058)	(182 205)
Gross profit	27 667	50 849
Other income	1 784	17 508
Other expenses	(13 065)	(23 705)
Net administrative expenses	(28 488)	(36 260)
Profit on sale of investment	29 304	-
Operating profit	17 203	8 392
Net finance cost	(1 003)	(506)
Profit before taxation	16 200	7 886
Taxation	(712)	(1 864)
Profit after taxation	15 488	6 022
Attributable to:		
Equity holders of the company	15 488	6 022
Minority interest	-	-
Earnings per share – cents	12.19	4.74
Headline earnings per share – cents	(7.64)	16.32
Fully diluted earnings per share – cents	12.19	3.80

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited year ended 28 Feb 2010	Audited year ended 29 Feb 2009
R'000		
ASSETS		
Non-current assets		
Property, plant and equipment	7 150	8 100
Other non-current assets	55 799	49 433
	62 949	57 533
Current assets		
Inventories	266 393	260 115
Construction contracts	32 217	64 389
Trade and other receivables	14 428	18 368
Other current assets	15 502	13 836
Cash and cash equivalents	6 059	30 594
	334 599	387 302
Assets of disposal group classified as held for sale	-	126 301
	334 599	513 603
Total assets	397 548	571 136
EQUITY AND LIABILITIES		
Equity		
Capital and reserves	153 719	138 231
	153 719	138 231
Minority interest in equity	-	-
Total equity	153 719	138 231
Non-current liabilities		
Non-current borrowings	154 379	117 957
Other non-current liabilities	6 704	19 266
	161 083	137 223
Current liabilities		
Current borrowings	9 650	69 350
Other current liabilities	55 834	104 094
Bank overdraft	17 262	15 842
	82 746	189 286
Liabilities of disposal group classified as held for sale	-	106 396
Total liabilities	243 829	432 906
Total equity and liabilities	397 548	571 136
Net asset value per share – cents	120.9	108.8

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Audited year ended 28 Feb 2010	Audited year ended 29 Feb 2009
R'000		
Net cash from operating activities	959	68 240
Net cash from investing activities	(4 128)	(30 666)
Net cash from financing activities	(22 785)	(20 626)
Net (decrease)/increase in cash and cash equivalents and bank overdraft	(25 954)	16 948
Cash and cash equivalents and bank overdraft at the beginning of the year	14 751	(2 197)
Cash and cash equivalents and bank overdraft at the end of the year	(11 203)	14 751

EARNINGS RECONCILIATION

	Audited year ended 28 Feb 2010	Audited year ended 29 Feb 2009
R'000		
Determination of headline earnings		
Attributable profit	15 488	6 022
Profit on disposal of subsidiary (net of tax)	(25 202)	-
Impairment of goodwill	-	14 714
Headline (loss)/earnings	(9 714)	20 736
Determination of diluted earnings		
Attributable profit	15 488	6 022
Share option expense	-	(963)
Diluted earnings	15 488	5 059
Number of ordinary shares ('000)	127 100	127 100
Weighted average shares ('000)	127 100	127 100
Fully diluted weighted average shares	127 100	133 208

CONDENSED SEGMENT REPORT FOR THE GROUP

(Rands)	Construction	Land development	Professional services	Total
Feb 2010				
Segment revenue	173 080	13 764	3 984	190 828
Inter-segment revenue	-	-	(2 103)	(2 103)
Revenue from external customers	173 380	13 764	1 881	188 725
Profit on sale of investment	-	29 305	-	29 305
Operating (loss)/profit	(346)	(12 146)	1 324	(11 168)
Finance cost	(4 052)	(26)	-	(4 078)
Assets				
Inventories	18 491	247 902	-	266 393
Prepayments	246	7 176	-	7 422
Construction contracts	32 217	-	-	32 217
Liabilities				
Borrowings	(53 638)	(110 392)	-	(164 030)
Feb 2009				
Segment revenue	223 963	8 810	4 824	237 597
Inter-segment revenue	-	-	(4 543)	(4 543)
Revenue from external customers	223 963	8 810	281	233 054
Profit on sale of investment	-	-	-	-
Operating (loss)/profit	12 852	(3 402)	(136)	(9 314)
Finance cost	(1 152)	498	-	(654)
Assets				
Inventories	22 870	237 245	-	260 115
Prepayments	1 054	5 026	-	6 080
Construction contracts	64 389	-	-	64 389
Liabilities				
Borrowings	(66 351)	(150 956)	-	(217 307)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Rands)	Share capital	Share premium	Reserves for own shares/share repurchase reserve	Retained income	Minority interest	Total equity
Balance at 1 March 2008	1 271	96 020 450	963 141	36 186 235	-	133 171 097
Profit for the period	-	-	-	6 022 452	-	6 022 452
Share appreciation scheme	-	-	(963 141)	-	-	(963 141)
Balance at 28 February 2009	1 271	96 020 450	-	42 208 687	-	138 230 408
Profit for the period	-	-	-	15 488 109	-	15 488 109
Balance at 28 February 2010	1 271	96 020 450	-	57 696 796	-	153 718 517

COMMENTS

INTRODUCTION

The directors present the audited condensed consolidated financial results for the year ended 28 February 2010 ("the year"), which highlight the difficult economic and trading conditions and the consequent delays experienced in major housing projects, which impacted negatively on the group's top and bottom line.

The year nonetheless, saw Calgro M3 achieve a number of significant operational milestones reflecting the group's resilience and sustainability even in an economic down cycle. These included:

- nearing completion on the successful Pennyville project while setting new standards in entry level affordable rental housing delivery;
- breaking ground on civil infrastructure for Phase 1 (approximately 1 800 units) of the Fleurhof project;
- successfully launching the Fleurhof and Jabulani projects into the entry level affordable housing market and converting sales into bonds;
- re-focusing on private sector housing projects in light of cash flow and funding constraints at local and provincial government levels; and
- adding value to land acquired for the mid-to-high income housing segment to be ready for project implementation once the housing market recovers.

FINANCIAL RESULTS

The processes to secure finance on long-term projects were far more arduous during the year under review, which delayed construction on the Fleurhof, Jabulani and Jukskei View projects and consequently resulted in a 18.88% decline in group revenue to R189 million.

Finance for these projects has been successfully secured post year-end and the projects are now proceeding as planned. However, revenue will remain under pressure during the six months ahead, primarily as a result of the lead time required to complete infrastructure before construction on top structures can commence during July 2010. Total revenue over the next five years arising from these three projects is estimated to be in the region of R2 billion.

The group generated a small operating profit (excluding fair value adjustments, impairments and non-operational gains) for the year of R3.35 million (February 2009: operating profit R10.2 million), which essentially reflects a 'break-even' position for the group's operations, and is regarded by management as a reasonable outcome in the current tough economic climate. Earnings per share of 12.19 cents was up from 4.47 cents in the previous year. A headline loss per share of 7.64 cents was incurred compared to headline earnings per share in the previous year of 16.32 cents.

Gross profit margins decreased by 7.16% year-on-year, mainly due to the group having to complete the construction of the Pennyville project in-house, as the agreement with the sub-contractor on the project was terminated as a result of poor quality and non-performance.

Cash generated by operations decreased to R2.5 million from R68.5 million for the previous year in line with the decrease in revenue. The material decrease in trade and other payables further contributed to the decrease.

Cash on hand at year-end reduced to negative (R11.2) million from R14.8 million as a result of a focused effort to reduce short and long-term liabilities. Interest-bearing liabilities were reduced to R163.8 million from R217.3 million.

Total goodwill amounted to R32.7 million which was the same as in the previous year. No major capital expenditure was incurred.

OPERATIONAL REVIEW

The setback arising as a result of delays in receiving government funding for the Fleurhof project necessitated a restructuring of the project to accelerate the private sector component of the development ahead of the government-subsidised housing portion. Once the initial delays were resolved, the group was able to successfully launch both this and the Jabulani sectional title project in 2010. The launch of these two projects has contributed greatly to improved risk mitigation by exposing the group to a wider cross-spectrum of the housing market.

Calgro M3 entered into sale agreements for over 400 full-title units at Fleurhof during the first two months of 2010, and 80 sectional title units on the launch weekend of Jabulani in February

2010, reflecting the improving confidence in the affordable housing market. Subsequent to year-end, bond approvals have been obtained for the majority of these units and the relevant revenue arising from these sales will be accounted for in terms of the percentage completion method in the 2011 year. All indications are that the calculated risk of installing services on the Fleurhof project during 2009 will realise benefits for the group in the second half of the year ahead.

The group's mid-to-high income housing operations contributed positively towards group earnings notwithstanding the write-down of land-banked stock in the balance sheet of R13.064 million (surplus land was necessarily impaired to current net realisable value although pockets having been earmarked for future sale), which was further compounded by the added pressure of generating sales in a depressed market.

The group successfully contained overhead expenses through strict cost control while still retaining skilled project managers and construction-related staff in anticipation of future integrated housing projects.

HEALTH & SAFETY

Calgro M3 maintained its exceptional record of safety and was again not only fatality-free, but also free of any serious injuries in the workplace. This reflects the group's commitment to sustaining its target level of zero harm.

BOARD OF DIRECTORS

Effective 13 December 2009 DN Steyn was appointed to the board as an executive director in the role of chief operating officer and BP Malherbe was officially appointed as chief executive officer (a capacity in which he had been acting since January 2009).

PROSPECTS

Notwithstanding the cash flow and funding constraints experienced at government levels during the year, the integrated housing market holds promising prospects. The non-delivery of housing in 2009 has further compounded the backlog in the country to a deficit of roughly 2.1 million homes, escalating annually. With new commitments recently announced by the Minister of Housing of R34.2 billion over the next two years, and an additional R1 billion committed by the President specifically for GAP Housing, prospects for integrated housing look buoyant.

The group will continue to target the Gauteng province. Expansion into other regions in South Africa will be considered once Gauteng operations become settled in servicing the recovering market.

Calgro M3's Pennyville development has set new industry standards in integrated housing and taught the group valuable lessons through which the Fleurhof and Jabulani projects have been substantially improved.

The initial success of the Fleurhof and Jabulani projects (see 'Operational review' above) bodes well for future growth in the affordable housing segment of the market. This is further supported by factors including the decreasing impact of the National Credit Act and the increasing ability to secure end-user finance on behalf of prospective home-owners.

ANNUAL REPORT

The annual report containing the notice of the annual general meeting will be posted to shareholders on or about 24 May 2010.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders will be held at 10h00 on Wednesday, 23 June 2010 at the boardroom, Calgro M3, Cedarwood House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, to transact businesses stated in the notice of the annual general meeting posted to shareholders as detailed above.

APPRECIATION

We express our deep appreciation to our fellow directors, staff and stakeholders for their continued support during this tough trading period. We believe we have weathered the worst of the storm, and whilst challenges remain ahead, the group is well-positioned to take advantage of recovering market segments to boost growth.

BP Malherbe (Chief executive officer)

WJ Lategan (Financial director)

Johannesburg

17 May 2010