

AUDITED GROUP EARNINGS AND INFORMATION FOR THE YEAR ENDED 28 FEBRUARY 2011

Calgro M3 Holdings Limited • (Incorporated in the Republic of South Africa)
(Registration number: 2005/027663/06) • Share code: CGR • ISIN: ZAE00109203
(“Calgro M3” or “the company” or “the group”)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited year ended 28 Feb 2011	Audited year ended 28 Feb 2010	Audited year ended 29 Feb 2009
R'000			
Revenue	281 849	188 726	233 054
Cost of sales	(246 825)	(161 058)	(182 205)
Gross profit	35 024	27 667	50 849
Other income	4 154	1 784	17 508
Other expenses	(9 309)	(13 065)	(23 705)
Net administrative expenses	(30 239)	(28 488)	(36 260)
Profit on sale of investment	-	29 304	-
Operating profit/(loss)	(370)	17 203	8 392
Share of profit/(loss) of associates/ joint ventures(net of tax)	16 342	-	-
Net finance cost	(661)	(1 003)	(506)
Profit before taxation	15 311	16 200	7 886
Taxation	1 644	(712)	(1 864)
Profit after taxation	16 955	15 488	6 022

EARNINGS RECONCILIATION

	Audited year ended 28 Feb 2011	Audited year ended 28 Feb 2010	Audited year ended 29 Feb 2009
R'000			
Determination of headline earnings			
Attributable profit	16 955	15 488	6 022
Profit on disposal of subsidiary (net of tax)	-	(25 202)	-
Loss on disposal of property, plant and equipment	179	-	-
Impairment of goodwill	-	-	14 714
Headline earnings	17 134	(9 714)	20 736
Determination of diluted earnings			
Attributable profit	16 955	15 488	6 022
Share option expense	-	-	(963)
Diluted earnings	16 955	15 488	5 059
Number of ordinary shares ('000)	127 100	127 100	127 100
Weighted average shares ('000)	127 100	127 100	127 100
Fully diluted weighted average shares	127 100	127 100	133 208

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited year ended 28 Feb 2011	Reclassified Audited year ended 28 Feb 2010	Audited year ended 29 Feb 2009
R'000			
ASSETS			
Non-current assets	82 156	62 949	57 533
Current assets	311 266	334 599	387 302
Assets of disposal group classified as held for sale	-	-	126 301
Total assets	393 422	397 548	571 136
EQUITY AND LIABILITIES			
Total equity	170 674	153 719	138 230
Non-current liabilities	13 176	10 874	23 436
Current liabilities	209 572	232 955	303 074
Liabilities of disposal group classified as held for sale	-	-	106 396
Total liabilities	222 748	243 829	432 906
Total equity and liabilities	393 422	397 548	571 136
Net asset value per share – cents	134.4	120.9	108.8

* Liabilities relating to inventory have been reclassified as current to better align the classification of assets and liabilities to the operating cycle per IAS 1.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Audited year ended 28 Feb 2011	Audited year ended 28 Feb 2010	Audited year ended 29 Feb 2009
R'000			
Net cash from operating activities	24 266	959	68 240
Net cash from investing activities	9 137	(4 128)	(30 666)
Net cash from financing activities	(11 287)	(22 785)	(20 626)
Net (decrease)/increase in cash and cash equivalents and bank overdraft	22 116	(25 954)	16 948
Cash and cash equivalents and bank overdraft at the beginning of the year	(11 203)	14 751	(2 197)
Cash and cash equivalents and bank overdraft at the end of the year	10 913	(11 203)	14 751

COMMENTARY

FINANCIAL RESULTS

Group revenue increased by 49% to R282 million (2010: R189 million. Headline earnings increased to positive R17.1 million (2010: R9.7 million loss). This was mainly as a result of the commencement of two new projects. Three of the pipeline of eight new projects are expected to commence during 2011 calendar year.

The 2010 difference between earnings and headline earnings was due to the sale of a 30% stake in the Fleurhof project for a profit of R29.3 million.

Cash on hand at year-end increased to a positive R10.9 million (2010: negative R11.2 million). This was due mainly to a R53.2 million increase in cash generated from operations and lower debt repayments.

The liquidity ratio has drastically improved with the current assets (excluding inventory) well above the current liabilities (excluding liabilities relating to inventory).

HIGHLIGHTS

Highlights of the group's most significant achievements during the year included:

Pennyville:

- successful completion of the project and translating experience and lessons learnt on the project into the Fleurhof and Jabulani developments;

Fleurhof:

- completing the installation of infrastructure for Ext 2 and 3, and receiving a Section 82 certificate for Ext 2 after successfully handing over the services to the Municipal Owned Entities (MOE's);
- completing the first units aimed at the bonded market and handing units over to end-users;
- entering into bulk sale agreements for social housing units for Madulamohlo;

Jabulani:

- breaking ground with the installation of civil infrastructure for the hostels and commencing construction of top-structures;
- entering into bulk sale agreements for rental units for Diluculo in the CBD;
- breaking ground with the installation of services on the CBD project;

Jukskei View:

- receiving a Section 82 certificate and breaking ground on the construction of houses;

City of Cape Town:

- expanding outside of Gauteng for the first time through the award to the group of a project developing land on behalf of the City of Cape Town into an integrated development;

Bloemfontein:

- successfully concluding a joint venture ("JV") agreement to construct social housing units for the Free State Housing Company in Bloemfontein; and

Development finance:

- securing development finance in excess of R400 million for projects in a recovering market, enabling the group to double construction revenue in the last six months of the year.

OPERATIONAL REVIEW

Although government has committed to continued infrastructure spend, delays in rolling-out projects are still being experienced, causing our integrated housing projects to be delayed during the year. The group was able to spread its risk by commencing construction on the Jabulani Hostels, Jabulani CBD and Jukskei View projects, since Calgro's vision is not to be the biggest construction group in the country, but one of the best specialists. The directors are of the opinion that the group will reach a stage during the current financial year when our in-house construction capacity will be fully utilised. This will compel the group to again look at making use of external sub-contractors. The challenges associated with maintaining quality at Calgro M3's high quality standards will then be treated as a priority.

The restructuring of the Fleurhof project to accelerate the bonded (privately –funded) component, in lieu of the fully subsidised market, was successfully completed and 203 units were handed over to end users. The construction of the first 24 sectional title units was nearing completion towards the end of February 2011 and construction began on 176 units in Ext. 3 of the project.

The group was able to start the installation of infrastructure on the Jabulani CBD and Jabulani Hostel projects towards the end of the financial year. These contracts will be major revenue drivers in the year ahead. Construction also commenced on the Jukskei View project on the first nine of 575 units.

With the increase in construction, numerous job opportunities were created. Unemployment in the immediate vicinity of our construction projects is noticeably visible. However, the employability of the community raised concerns. The group's training programme was therefore significantly expanded and an adult education programme was also introduced in a JV with a locally-based training company.

Recovery of the affordable housing market continued to gain traction during the year, moving the challenge for the group to source serviced stands at the pace dictated by market demand

rather than the availability of development finance. The company is grateful to our financial partners who loyally supported us during the tough trading conditions, and we are looking forward to a mutually beneficial working relationship in more normalised market conditions.

The mid-to-high income housing operations recovered slowly as expected, but projects in this market segment did not contribute significantly during the year. Three such projects were launched in the year under review, but the sales hurdle of access to development finance has not yet been reached. With all development rights in place the group will continue to "landbank" the balance of these properties while attempting to reduce its exposure to financial institutions.

PROSPECTS

The South African government's public works programme, specifically in the arenas of power generation, transport, water and housing, has the potential to create growth opportunities within the domestic construction sector, provided delays can be overcome.

The continued non-delivery of promised integrated housing during the year served to further increase the already-existing backlog. The Minister of Human Settlements, Tokyo Sexwale, with his focus on demolishing sub-standard houses constructed since 1994, will add to the backlog figures. A secured pipeline of integrated development projects will allow the group to assist government in their endeavour to eradicate the housing shortage in line with the company's evolving public-private partnership policy. These projects will gain momentum as municipalities grappling with budget constraints start to accept the design-construct-finance model on a turn-key project basis.

With recovering market conditions and operations stabilised in Gauteng, the group took the decision to expand into other provinces in South Africa in partnership with select local contractors. The group has been successful in securing a project for the City of Cape Town and in being awarded a tender for the construction of social housing units for the Free State Housing Company in Bloemfontein.

The company sees extensive opportunity in the provision of quality housing for the integrated and GAP housing market segments, with the focus shift to Social and Rental units within these segments. As these are still fairly new market segments, the group is learning every year and will strive to improve the quality of lives of those residing in its developments.

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's external auditors.

RECLASSIFICATION OF CONDENSED CONSOLIDATED COMPREHENSIVE STATEMENT OF FINANCIAL POSITION

The group has reassessed its presentation of the statement of financial position to better align the classification of assets and liabilities to the operating cycle.

The operating cycle for inventory is considered to be longer than 12 months. Accordingly the associated liabilities have been reclassified as current as they are expected to be settled within the same operating cycle as inventory. It was concluded that the reclassification would provide more useful information by classifying liabilities that are expected to be settled in the group's operating cycle in the same manner as assets that are expected to be realised within that period.

	Audited year ended 28 Feb 2011	Reclassified Audited year ended 28 Feb 2010	Audited year ended 28 Feb 2009
R'000			
Non current liabilities			
Borrowing	154 379	(150 209)	4 170
	154 379	(150 209)	4 170
Current liabilities			
Borrowings	9 650	150 209	159 859
	9 650	150 209	159 859
	Audited year ended 28 Feb 2009	Audited year ended 28 Feb 2009	Audited year ended 28 Feb 2009
Non current liabilities			
Borrowing	117 957	(113 787)	4 170
	117 957	(113 787)	4 170
Current liabilities			
Borrowings	69 350	113 787	183 137
	69 350	113 787	183 137

BP Malherbe (Chief executive officer)
WJ Lategan (Financial director)

Johannesburg
16 May 2011

Directors: PF Radebe (Chairperson) *, BP Malherbe (Chief executive officer), WJ Lategan (Financial director), FJ Steyn, DN Steyn, JB Gibbon*#, H Ntene*, R Patmore*#, RN Wesselo*.
(*Non-executive) (# Independent)

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Designated advisor: Grindrod Bank Limited

Auditors: PricewaterhouseCoopers Inc.

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