Calgro M3 Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2005/027663/06)
Share code: CGR ISIN: ZAE000109203
("Calgro M3" or "the Company" or "the Group")

HIGHLIGHTS

Revenue up 55.05% to R798 million

Operating profit up 106.79% to R89 million

Headline earnings up 39.66% to R91,3 million

Construction pipeline in excess of R10 billion

AUDITED ABRIDGED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Audited Year ended 28 February 2013	Audited Year ended 29 February 2012
Revenue	**798 394**	514 913
Cost of sales	**(650 436)**	(435 398)
Gross profit	**147 958**	79 515
Other income	**1 265**	567
Other expenses	**(5 146)**	(284)
Administrative expenses	**(54 703)**	(36 579)
Operating profit	**89 374**	43 219
Share of profit of		
Joint ventures (Net of tax)	**29 406**	34 326
Net finance income	**(1 540)**	391
Profit before taxation	**117 240**	77 936
Taxation	**(25 937)**	(12 556)
Profit after taxation	**91 303**	65 380
Attributable to:		
Equity holders of the Company	**91 303**	65 380
Minority interest	**-**	-
Earnings per share - cents	**71.84**	51.44
Headline earnings per share - cents	**71.84**	51.44
Fully diluted earnings per share - cents	**71.84**	51.44
Fully diluted headline earnings per share - cents	**71.84**	51.44

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Audited Year ended 28 February 2013	Audited Year ended 29 February 2012
Net cash from operating activities	**12 585**	39 276
Net cash from/(utilised in) investing activities	**8 269**	(16 243)
Net cash from financing activities	**73 798**	69 745
Net increase in cash and cash equivalents	**94 652**	92 778
Cash and cash equivalents the beginning of the yea	**103 691**	10 913
Cash and cash equivalents the end of the year	**198 343**	103 691

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Audited Year ended 28 February 2013	Audited Year ended 29 February 2012
ASSETS		
Non-current assets		
Property, plant and equipment	**4 245**	3 878
Deferred tax	**13 908**	12 889
Other non-current assets	**135 101**	99 333
	153 254	116 100
Current assets		
Inventories	**264 580**	249 306
Construction contracts and work in progress	**139 251**	87 514
Trade and other receivables	**45 339**	15 827
Other current assets	**8 353**	23 446
Cash and cash equivalents	**198 343**	103 691
	655 866	479 784
Total assets	**809 120**	595 884
EQUITY AND LIABILITIES		
Equity		
Capital and reserves	**327 358**	236 054
Total equity	**327 358**	236 054
Non-current liabilities		
Deferred tax	**26 863**	19 315
Other non-current liabilities	**216**	245
	27 079	19 560
Current liabilities		
Borrowings	**299 890**	225 111
Other current liabilities	**154 793**	115 159
	454 683	340 270
Total liabilities	**481 762**	359 830
Total equity and liabilities	**809 120**	595 884
Net asset value per share - cents	**257.60**	185.70

EARNINGS RECONCILIATION

R'000	Audited Year ended 28 February 2013	Audited Year ended 29 February 2012
Determination of headline and diluted headline earnings		
Attributable profit	**91 303**	65 380
(Loss)Profit on disposal of property	**-**	(3)
Headline and diluted headline earnings	**91 303**	65 377
Determination of earnings and diluted earnings		
Attributable profit	**91 303**	65 380
Earnings and diluted earnings	**91 303**	65 380
Number of ordinary shares ('000)	**127 100**	127 100
Weighted average shares ('000)	**127 100**	127 100
Fully diluted weighted average shares ('000)	**127 100**	127 100

CONDENSED SEGMENT REPORT FOR THE GROUP

R'000	Construction	Land Development	Professional Services	Total
February 2013				
Segment revenue	**765 925**	**2 698**	**32 182**	**800 805**
Inter-segment revenue	**-**	**-**	**(2 411)**	**(2 411)**
Revenue from external Customers	**765 925**	**2 698**	**29 771**	**798 394**
Operating profit/(loss)	**67 543**	**(4 909)**	**28 875**	**91 509**
Finance cost	**(9 970)**	**-**	**-**	**(9 970)**
Assets				
Goodwill	**28 515**	**-**	**4 155**	**32 670**
Inventories	**20 206**	**244 374**	**-**	**264 580**
Construction contracts	**139 251**	**-**	**-**	**139 251**
Liabilities				
Borrowings	**(221 000)**	**(78 890)**	**-**	**(299 890)**
February 2012				
Segment revenue	508 370	3 732	5 635	517 737
Inter-segment revenue	-	-	(2 824)	(2 824)
Revenue from external Customers	508 370	3 732	2 811	514 913
Operating (loss)/profit	46 804	(3 945)	2 131	44 990
Finance cost	(1 463)	-	-	(1 463)
Assets				
Goodwill	28 515	-	4 155	32 670
Inventories	22 130	227 175	-	249 305
Construction contracts	85 459	-	-	85 459
Liabilities				
Borrowings	(147 221)	(77 890)	-	(225 111)

RECONCILIATION OF ADJUSTED PROFIT BEFORE TAX

R'000	Audited Year ended 28 February 2013	Audited Year ended 29 February 2012
Adjusted profit before tax for reportable segments	**81 538**	43 527
Group overhead cost	**(2 135)**	(1 771)
Share of profit of joint ventures – Net of tax	**29 406**	34 326
Total segments	**108 809**	76 082
Finance income – net	**8 431**	1 854
Profit before tax	**117 240**	77 936

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share-based payment reserve	Retained income	Non-controlling interest	Total equity
Balance at 01 March 2011	1 271	96 020 450	-	74 652 237	-	170 673 958
Share options scheme cancelled	-	-	4 488 750	-	-	4 488 750
Bonus paid as consideration for cancellation of share option scheme	-	-	(4 488 750)	-	-	(4 488 750)
Share based payment reserve		-	-	-	-	-
Comprehensive income						
Profit for the year	-	-	-	65 380 048	-	65 380 048
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	65 380 048	-	65 380 048
Balance at 01 March 2012	1 271	96 020 450	-	140 032 285	-	236 054 006
Comprehensive income						
Profit for the year	-	-	-	91 303 538	-	91 303 538
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	91 303 538	-	91 303 538
Balance at 28 February 2013	**1 271**	**96 020 450**	**-**	**231 335 823**	**-**	**327 357 544**

RELATED PARTY TRANSACTIONS

R'000	Audited Year ended 28 February 2013	Audited Year ended 29 February 2012
Compensation paid to key employees and personnel	**20 925**	24 542
Finance income from related parties	**6 409**	1 801
Contract revenue received from joint ventures	**391 117**	287 672
Services fees received from joint ventures	**29 103**	19 139

COMMENTARY

INTRODUCTION

The Group is well under way to converting its pipeline of projects into construction projects, as demonstrated in this set of results. The Company is committed during this expansionary phase, to ensure controlled growth and the controlled increase in overheads. The focus will remain on stabilizing operations and building capacity to ensure effective implementation of pipeline projects before venturing into new provinces. The Group will continue to closely monitor and maintain a healthy cash balance while balancing exposure between financial institutions.

The Group will not deviate from its stated strategy to become the residential developer of choice for government, financial institutions and funding partners, equity and debt alike, and will concentrate its efforts on the sustainable delivery of quality integrated developments while re-entering the mid- to high-segment of the market with the launch of the La Vie Nouvelle retirement project in Gauteng.

With the Fleurhof integrated development now functioning as a community rather than merely a construction project, the principle of integrated developments has been firmly established and demonstrating benefits to role-players in the market segment. We are proud of the results thus far and of the accolades Fleurhof has been receiving.

The Group benefited from established relationships with funding partners and clients and used these relationships to grow the business. We are pleased to report that Calgro M3 has managed to grow its secured pipeline of projects to in excess of R10 billion from the reported pipeline of R8 billion a year ago. Risk was contained throughout and resources grown and effectively managed. Continued focus on delivery of construction projects in Gauteng, Free State, and the Western Cape was complemented by the award of a project in the North West province in line with the Group's strategy of increasing its exposure in the province.

Cash generated from operations and from structured debt-raising, enabled the Group to provide bridging finance to fast track the implementation of projects.

Through the policy of utilising local labour and skills training on site, the Group was able to create in excess of 5 000 direct new job opportunities in a sustainable way as the average duration of these projects exceed a three year construction period. The effect of job creation is multiplied when one takes into account the number of indirect jobs which were created as a knock-on effect in the manufacturing of building materials.

The Group's most significant achievements during the year comprised:

- the awarding of the Boitekong project in the North West Province in line with a strategic thrust to obtain a footprint in the province thereby benefiting from the new Mining Charter becoming effective 2014;
- the awarding of the Vista View project in the Free State, increasing the group's footprint in the province;
- creating in excess of 5 000 job opportunities in line with government's drive for job creation;
- reporting zero fatalities and no serious injuries in the work place;
- the awarding of the Boitekong project in the North West Province in line with a strategic thrust to obtain a footprint in the province thereby benefiting from the new Mining Charter becoming effective 2014;
- the handover of the first fully subsidised units in the Fleurhof project;
- completion of the first phase of the Jabulani Hostel re-development
- receiving environmental approval to proceed with the South Hills project;
- transferring the first sectional title units and handing over to end-users and body corporates in the Jabulani project;
- installing infrastructure on the La Vie Nouvelle retirement village project to enable the group to launch in the new financial year; and
- nearing completion of the Jukskei View project by selling out all units.

FINANCIAL RESULTS

When compared with the previous financial year, the Group's revenue increased by 55.05% from R514 million to R798 million while the gross profit margin increased from 15.44% to 18.53%.

Operating profit increased 106.79% due to the increase in Group revenue and effective cost containment. Profit before tax increased by 50.43% due to challenges experienced on JV projects resulting in lower profit contribution from them (these issues were resolved by year end). A higher tax rate resulted in a 39.65% increase in profit after tax.

Cash on hand is at a healthy R198 million (2012: R103 million). Cash generated from operations decreased from R69.8 million in 2012 to R49.4 million for the period under review. This was as a result of longer term construction time frames, on bigger than previous bulk deals. Another contributing factor was the upfront investments in projects (included in construction contracts) where professional fees and services on projects were installed prior to top structure construction (Scottsdene– R 29 million and La Vie Novelle - R 13 million). Taking the stressed economic environment into account management is focused on the continual proactive monitoring of capital and more specifically, cash liquidity.

As at year-end the Group held in excess of 40% of its total liabilities in cash. Listed bonds to the value R 40 million were repaid and R 126 million was raised.

An inventory write-down of R 5 146 385 to net releasable value was charged to the statement of comprehensive income during the financial year on the Mabopane project.

OPERATIONAL REVIEW

In line with the National Development plan, government's commitment to infra-structural spend remains a positive influence on the delivery of integrated housing as the success of these projects is based on private/public partnerships. With the public and private sector both actively involved in the provision of housing, the Group was able to partner both sector role-players, and refine the integrated model by optimising the product offering to the benefit of the communities residing in the projects.

The year was however not without its challenges. Labour unrest in the Western Cape Province made it difficult to operate at full capacity during the top structure construction phase of the project, thereby affecting both revenue and profitability. Although labour action and transport strikes now form part of the South African trading environment, the violent nature of intimidation on these strikes caused the project to be delayed beyond expectations.

On the back of construction capacity, build-up during the last few years, and the success experience with regards to construction quality, the Group continued to make use of in-house capacity in order to ensure quality is maintained at the highest level, and will look at making use of external contractors only to complement capacity if and when needed.

The Group further commenced the installation of services on the La Vie Nouvelle project, aimed at the mid to high segment of the market, to be launched in the new financial year. The group will continue to "landbank" the balance of properties while attempting to reduce its exposure to financial institutions, and monitor the recovery of the market.

Statements contained in this abridged results announcement regarding the prospects of the Group have not been reviewed or reported on by the Company's auditors.

SAFETY, HEALTH & ENVIRONMENT ("SHE")

The board is pleased to report on the Group's exceptional SHE track record. Despite the dramatic increase in the number of employees on construction sites, the Group was not only fatality-free again, but also free of any serious injuries in the workplace again. This reflects the Group's on-going and absolute commitment to ensuring that the Group maintains its zero harm target achievements.

BOARD OF DIRECTORS

Rob Wesselo resigned as non-executive director during May 2012 due to a conflict of interest. The Group was able to retain the services of all executive and other non-executive directors. In order to comply with the requirements of the new Companies Act and King III, the role of financial director and company secretary was split post year-end. Wayne Williams was appointed as company secretary effective 1 April 2013.

ANNUAL REPORT AND NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders will be held on 25 June 2013 at the main boardroom, Calgro M3, Ballywoods Office Park, Cedarwood, 33 Ballyclare Drive, Bryanston, to transact business as stated in the notice of the Annual General Meeting posted to shareholders as detailed above.

The annual report containing notice of the annual general meeting will be posted to shareholders on or about 30 May 2013.

APPRECIATION

The positive turnaround experienced in the last two years would not have been possible without the support and dedication of our loyal staff, senior management and executive team. We would like to thank every Calgro M3 employee, whose continuous commitment and enthusiasm has contributed towards the success of Calgro M3.

The board would also like to thank all other stakeholders, particularly its financial and development partners and government for their continued and loyal support.

Notes
1. Basis of preparation

These consolidated condensed financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) on Interim Financial Reporting, SAICA financial reporting guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, IAS 34, the South African Companies Act and the Listings Requirements of the JSE Limited. The accounting policies are consistent with those used in the annual financial statements for the year ended 29 February 2012. The financial statements have been prepared by Mr WA Joubert (CA)SA under supervision of Mr WJ Lategan CA(SA), and were approved by the board on 7 May 2013.

2. Independent audit

These consolidated condensed financial statements have been audited by our auditors, PricewaterhouseCoopers Inc., who have performed the audit in accordance with the International Standards on Auditing. A copy of the unqualified audit report and audited financial statements is available for inspection at the registered office of the Company.

3. Dividends

Cash will be retained to fund growth in the absence of readily available development finance. The board of directors has therefore resolved not to declare a dividend for this reporting period.

BP Malherbe (Chief executive officer)	WJ Lategan (Financial Director)
Johannesburg	7 May 2013

Directors:

PF Radebe (Chairperson) *, BP Malherbe (Chief executive officer), WJ Lategan (Financial Director), FJ Steyn, DN Steyn, JB Gibbon*#, H Ntene*, R Patmore*#,ME Gama*#)
(*Non-executive)
(# Independent)

Registered office:

Cedarwood House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston 2196. (Private Bag X33, Craighall 2024)

Transfer secretaries:

Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg 2001
(PO Box 61051, Marshalltown 2107)

Sponsor:

Grindrod Bank Limited

Auditors:

PricewaterhouseCoopers Inc.

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