AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2008



CALGRO M3 HOLDINGS

CONDENSED CONSOLIDATED INCOME STATEMENT

R'000	Year ended 29 Feb 2008	Year ended 28 Feb 2007
Revenue	**316 677**	124 169
Cost of sales	**(239 719)**	(104 578)
Gross profit	**76 958**	19 591
Net administration expenses	**(29 433)**	(12 848)
Operating profit	**47 525**	6 743
Net finance cost	**(2 393)**	(176)
Profit before taxation	**45 132**	6 567
Taxation	**(13 723)**	(2 193)
Profit after taxation	**31 409**	4 374
Attributable to:		
Equity holders of the company	**31 409**	4 167
Minority interest	**-**	207
	31 409	4 374
Earnings per share - cents	**30.33**	4.48
Headline earnings per share - cents	**30.40**	4.47
Fully diluted earnings per share - cents	**28.32**	4.48

CONDENSED SEGMENT REPORT FOR THE GROUP

R'000	Clusters	Integrated housing	Total
2008			
Revenue	**72 629**	**244 048**	**316 677**
Operating (loss)/profit	**(7 655)**	**55 180**	**47 525**
Total assets	**234 292**	**245 339**	**479 631**
Total liabilities	**140 615**	**205 845**	**346 460**
2007			
Revenue	58 262	65 907	124 169
Operating profit	2 889	3 854	6 743
Total assets	42 804	25 744	68 548
Total liabilities	40 147	23 416	63 563

CONDENSED CONSOLIDATED BALANCE SHEET

R'000	29 Feb 2008	28 Feb 2007
ASSETS		
Non-current assets		
Property, plant and equipment	**7 782**	1 505
Other non-current assets	**28 610**	5 896
	36 392	7 401
Current assets		
Inventories	**251 417**	34 433
Construction contracts and receivables	**91 000**	6 855
Trade and other receivables	**54 684**	12 093
Other current assets	**43 027**	6 700
Cash and cash equivalents	**3 111**	1 066
	443 239	61 147
Total assets	**479 631**	68 548
EQUITY AND LIABILITIES		
Equity		
Capital and reserves	**133 171**	4 778
	133 171	4 778
Minority interest in equity	**-**	207
Total equity	**133 171**	4 985
Non-current liabilities		
Borrowings	**165 269**	519
Other non-current liabilities	**13 766**	134
	179 035	653
Current liabilities		
Borrowings	**91 205**	32 760
Other current liabilities	**70 912**	28 570
Bank overdraft	**5 308**	1 580
Total liabilities	**167 425**	62 910
Total equity and liabilities	**479 631**	68 548
Net asset value per share - cents	**104.8**	5.4

EARNINGS RECONCILIATION

R'000	Year ended 29 Feb 2008	Year ended 28 Feb 2007
Determination of headline earnings		
Attributable profit	**31 409**	4 167
Loss/(profit) on disposal of property, plant and equipment	**72**	(7)
Headline earnings	**31 481**	4 160
Determination of diluted earnings		
Attributable profit	**31 409**	4 167
Share option expense	**963**	-
Diluted earnings	**32 372**	4 167
Number of ordinary shares	**127 100**	93 000
Weighted average shares	**103 562**	93 000
Fully diluted weighted average shares	**114 299**	93 000

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

R'000	Year ended 29 Feb 2008	Year ended 28 Feb 2007
Net cash from operating activities	**(289 327)**	(20 664)
Net cash from investing activities	**(12 728)**	(8 552)
Net cash from financing activities	**300 372**	30 599
Net (decrease)/increase in cash and cash equivalents and bank overdraft	**(1 683)**	1 383
Cash and cash equivalents and bank overdraft at the beginning of the year	**(514)**	(1 897)
Cash and cash equivalents and bank overdraft at end of the year	**(2 197)**	(514)

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 01 March 2006	100			609 943		610 043
Profit for the year				4 166 848	206 926	4 373 774
Issue of shares	830					830
Balance at 01 March 2007	930			4 776 791	206 926	4 984 647
Profit for the year				31 409 443		31 409 443
Issue of shares	341	96 020 450				96 020 791
Share appreciation scheme			963 141			963 141
Acquisition of minority interest					(206 926)	(206 926)
Balance at 29 February 2008	**1 271**	**96 020 450**	**963 141**	**36 186 234**	**-**	**133 171 096**

BUSINESS COMBINATIONS

On 18 January 2008, the group acquired 100% of the share capital of CTE Consulting (Pty) Ltd, a town planning company operating in South Africa.

The acquisition of CTE Consulting did not contribute to revenue or profits during the current financial year.

Details of net assets acquired and goodwill are as follows:	R'000
Fair value of assets acquired:	
Property, plant and equipment	579
Goodwill	4 155
Consideration paid:	
Cash paid	(234)
Fair value of shares issued (1 500 000 shares at R 3.00 a share in Calgro M3 Holdings Ltd)	(4 500)
	(4 734)
Cash consideration paid	(234)

Net assets acquired represent property, plant and equipment. No intangible assets existed or contingent liabilities were recognised on the date of acquisition.

The goodwill is attributable to the directors' know-how of integrated housing developments.

The fair value of the shares issued was based on the share price as at 16 November 2007 (the date of listing).

NOTES

1. **Basis of preparation**
   These consolidated condensed financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) on Interim Financial Reporting (IAS34) and Schedule 4 of the South African Companies Act. The accounting policies are consistent with those used in the annual financial statements for the year ended 28 February 2007.
   These consolidated condensed financial statements must be read in conjunction with the audited annual financial statements. A copy of the audited annual financial statements is available for inspection at the registered office of the company.
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 is available for inspection at the registered office of the company.
3. **Dividends**
   No dividends have been declared for the financial year.

COMMENTS

NATURE OF BUSINESS

Calgro is a mixed use housing development company, established in 1995. Our business model focuses on the acquisition of land, project management of civil infrastructure, services installation, town planning, marketing and construction of homes.

The group's housing products target the specific markets of integrated housing and cluster housing, primarily in Gauteng.

Integrated housing comprises three components:

1. RDP homes – costed at government subsidy scales currently R43 000 for "give away" houses. In addition, there is a rental housing subsidy of R80 000 per rental house;
2. "GAP" homes – are valued at between R180 000 and R400 000, falling within the requirements of the Financial Sector Charter 2005;
3. Affordable homes - valued at between R400 000 and R600 000.

Our business strategy supports government's proactive drive as expressed in the 'Breaking New Ground' initiative aimed at ensuring the creation of sustainable human settlements. This is achieved through the integration of various income groups of buyers/beneficiaries as well as provision of socio-amenities such as schools and hospitals within a fully integrated community development.

Cluster developments

These are homes valued at between R900 000 and R1.6m.

FINANCIAL OVERVIEW

Group revenue for the year-end February 2008 grew by 155%, from R124m to R317m. This improvement in revenue has been complemented by an increase in margins to 24.3% from 15.8% in the prior year.

The group overheads have been well contained at R29.4m and the margin improvement has contributed to an overall 605% rise in operating profit and 657% increase in headline earnings to R31.5m. Headline earnings per share have grown by 580% to 30.40 cents per share.

Achievements in the year under review

The company has achieved significant milestones in the last year:

1. The company listed on the Alt^X on 16 November 2007, and raised R55m in a private placement to support the company's strategic focus, being the acquisition of land for future developments as well as fast tracking the delivery of the signature Pennyville landmark integrated development and the streamlining of existing funding arrangements.
2. In the listing process Broad Based Economic Empowerment (BBEE) equity holding increased to 25.12% being held by various BEE groupings.
3. Calgro completed the acquisition of 441ha of prime land for the Fleurhoff integrated development, 12km south of Johannesburg CBD. This will accommodate 6 500 homes. FNB has provided finance for the acquisition of land and also provided a development bond for the development. Town planning for the project has commenced and Calgro is on track to begin the installation of civil infrastructure by September 2008, with the construction of homes beginning in March 2009. The estimated turnover from this project is R1.6bn.
4. The company has completed the purchase of 391ha of prime land in Midrand for an integrated housing development with an option to acquire a further 280ha of adjacent land from the seller. The 391ha project will accommodate 14 700 homes. Nedbank has provided finance for the acquisition of land. Town planning for the project has commenced and Calgro is on track to obtain transfer once subdivision is completed. The project is expected to commence in the first quarter of the financial year 2009. The expected turnover from the project is R2.6bn and is expected to run over the next seven years.
5. On 1 March 2007 Calgro acquired the minority share of its Pennyville Zamimpilo Relocation Project (PZR) in Pennyville, south of Johannesburg CBD. It purchased the 37.5% minority share on 1 March 2007 with cash and shares to be issued in the new Fleurhoff project.
6. During the financial year, Calgro acquired a town-planning business, CTE Town and Regional Planners (Pty) Ltd. This acquisition enhances the company's capabilities in the control of the town planning process, thus achieving internal skills and capacity in dealing with municipalities and other government planning institutions.
7. The increase in borrowings for the year is directly attributable to the acquisition of land for the future pipeline of the company. All interest-bearing borrowings are matched to the purchase of land and directly attributable to individual pieces of land. All finance costs related to land acquisitions are capitalised to inventory as a direct cost associated to the development. These costs are released to the income statement as and when the land is transferred to the buyer and the associated revenue is recognised.

Operations

Integrated development segment

In the integrated market, PZR continues to perform well. This project includes the development of 2 800 homes and is expected to be completed in the 2009 financial year. MS5, our subsidiary that focuses on the provision of affordable homes has been less impacted by general macroeconomic issues due to the overall shortage of houses in this segment of the market and continues to perform to expectation.

Eskom's power availability has not affected this part of the business due to internal service agreements between City Power and City of Johannesburg our principal client. Most importantly, the national specification for RDP homes does not require power. In late April 2008, Housing Minister Lindiwe Sisulu confirmed that government has undertaken to supply all integrated developments with electricity.

Cluster segment

The cluster segment of the business underperformed in the last year for three primary reasons:

Firstly, macroeconomic factors including higher interest rates, the National Credit Act, inflation, negative business sentiment and consumer confidence have directly impacted cluster sales. As a result there has been a slowdown in both the willingness to purchase as well as availability of credit for such purchases.

Secondly, there are delays in registering land and property transfers. This is due to the fact that such transfers are affected by planning approvals by the municipalities concerned. Currently we are experiencing backlogs owing to the inability of the municipalities to achieve timely deadlines.

Thirdly, Eskom's power availability has had an impact on the cluster segment of the business with Calgro being unable to timeously obtain development rights on select cluster projects.

"Green" Initiative

Electricity has become a significant issue in South Africa. Eskom has further issued a directive that residential developments will only be permitted if they consume less than 100 kilovolt-amperes (KVA) per project. Calgro has developed a proactive "green" initiative, which includes an electricity-saving component, which has resulted in the ground breaking model that allows Calgro to build cluster homes with an overall consumption of 2 KVA per house, as opposed to the accepted 8+KVA, thus meeting Eskom's requirements. Calgro will be implementing this initiative in select cluster projects which will result in a limited impact on future delivery of projects. This will have an enhanced appeal to the community in reducing electricity expenses.

In regard to remedial measures to correct the cluster underperformance, and in line with the prospectus, the company has fast tracked the strategic focus of the business so as to achieve the 80% integrated and 20% cluster business split.

LISTING FORECAST

In the prospectus prior to listing the group provided a forecast to 29 February 2008. Below is a segmental comparison between the forecasts and audited results to 29 February 2008.

Turnover

R'000

Division	Forecast	Actual	% difference
Integrated housing	287 361	244 048	(15)
Cluster housing	275 451	72 629	(74)
Group total	562 812	316 677	(44)

Operating profits/(losses)

R'000

Division	Forecast	Actual	% difference
Integrated housing	48 731	55 180	13
Cluster housing	39 832	(7 655)	(119)
Group total	88 563	47 525	(46)

Earnings per share

The group achieved earnings per share of 30.33 cents and headline earnings per share of 30.4 cents being 10% below forecast headline and earnings per share of 33.8 cents. The factors that have contributed to this are detailed below.

Impacting factors

Turnover

This was negatively impacted by poor performance of the cluster division. The factors that have contributed to this are largely macroeconomic factors that the company has no control over such as increasing inflation and interest rates, increased food prices, increased fuel costs and escalating general cost of living. Further, as these factors are expected to persist for the coming 12 to 18 months, the company has focused on immediate corrective actions aimed at ensuring that the business is not impacted negatively going forward.

The company has decided to contain the contribution of the cluster division to 20% of the business going forward. This will be achieved through the following actions that are currently being implemented:

1. Sale of select cluster land - The company has evaluated its cluster land and identified those projects that are impacted negatively and put these in the market for sale. This will greatly improve the gearing ratios and release capacity to leverage and originate projects in the booming integrated housing division of the company when opportunities arise.
2. Fast tracking construction of current cluster projects – The company will reallocate the skills that were to be utilised in the projects that are being disposed of in order to accelerate the completion of those developments currently under construction.
3. Tight cost containment - The company has implemented stringent controls that are aimed at ensuring cost containment, from construction materials orders that are now centralised, to operational costs that are monitored closely by the group's executive committee.

Margins

There has been a positive improvement in the margins from the forecast 21% to the current 24.3%, resulting from cost containment as well as optimisation of the value chain.

Overheads

Overheads of R29.4m have been well managed to within forecast expectations of R30.5m.

Operating profits

Operating profits for the current year are 46% below forecast due to the reduced turnover from the cluster division. However, we have also seen a soundly enhanced performance of the integrated housing division, which has delivered operating profits of 13% ahead of forecast.

Interest

For the current financial year an interest expense of R36.3m had been forecast. The majority portion of this interest expense relates to the holding costs of cluster development land. A portion of this forecast interest charge was settled during the year either out of the funds raised on listing or through direct allocation of shares to settle such debt. A further contributing factor to the lower than expected interest charge is the under-performance of clusters. With the lack of transfer of cluster land to clients, the interest cost has not been realised in the income statement and remains capitalised in inventories at year-end. This expense will be released as and when cluster land is sold and transferred to clients. All cluster project feasibilities with extended timelines for delays in finalisation of projects for reasons stated above, still remain profitable.

Profit before tax

Profit before tax of R45.1m has been achieved during the year which is 13.6% below the forecast R52.2m.

PROSPECTS

Industry overview

With a shortage of housing in South Africa, estimated to be at 3 million homes, comprising 2.4 million RDP and 600 000 affordable homes, coupled with government's commitment to discharging the constitutional obligation contained in Section 26 of the constitution, to provide homes for all South Africans, the prospects for the company are extremely exciting. By leveraging off a solid performance, Calgro is well positioned to unlock the opportunity and has in this regard formed a well tested working relationship in a private-public partnership with the state to support this end result.

Government has set aside R44bn for housing projects over the next four years and aims to deliver 250 000 houses a year. This, together with government's concept of "Breaking New Ground" which focuses on integrated housing, supports Calgro's business model.

As part of the Financial Sector Charter, 2005, the major banks committed to the provision of R65bn, by 2012 for the GAP market, which further supports government's drive for the development of integrated housing. Integrated housing is the model for the future and Calgro has the proven ability to support this outcome.

In the affordable market, the continued supply shortage supports strong demand, even with the prevailing macroeconomic environment. This market shows price elasticity as individuals continue to purchase homes as they become available. As interest rates rise, individuals purchase smaller homes relative to their income and affordability in light of interest rate movements.

In the cluster market, Calgro expects the macroeconomic environment to continue to play a significant role. The impact will continue to be one of a slowdown for the next year in sales and declining prices.

Calgro delivery

With the delivery on the PZR project and the new Fleurhoff and Midrand projects finalised, a solid pipeline in integrated housing for the next 7 to 10 years has been established. This coupled with the remedial actions in the cluster division to a strategic fit of 20% cluster and 80% integrated business model, will underpin the group's ability to deliver profits and sustainability of earnings growth.

Management is confident that it has the capability and capacity to handle all its chosen projects particularly through the now proven roll out of the successful PZR model. In addition, management still retains over 51% of the shares in the company and this provides a powerful incentive for all of the team members to create wealth through earnings growth for all shareholders. Going forward management remains focused on growing shareholder earnings through the delivery of the group's strategy highlighted above.

The year ahead

The PZR project will complete during the 2009 year, according to expectations. Fleurhoff is also expected to contribute in the new year. This is expected to deliver positive growth in the business including the achievement of the forecast profits in terms of the prospectus.

Johannesburg
22 May 2008

NORTHERN GRAPHICS JB/00406

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