

## NOTES

### 1. Basis of preparation

These consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on Interim Financial Reporting (IAS34), the Listings Requirements of the JSE Limited and Schedule 4 of the South African Companies Act. The accounting policies are consistent with those applied in the audited annual financial statements for the year ended 28 February 2010.

### 2. Independent review

These consolidated condensed interim financial statements have not been reviewed.

### 3. Dividends

No dividend has been declared for the period.

## COMMENTS

The directors present the condensed consolidated interim financial results for the six months ended 30 August 2010 ("the period"), that reflect anticipated significant improvement in a number of key financial indicators.

The results reflect an upturn in sales across the board and predominantly in the affordable housing sector. This affirms the group's growth strategy and flexible business model which enables Calgro M3 to selectively accelerate the profitable component/s of any integrated development.

Calgro M3 achieved a number of major operational milestones during the period, including:

- completion of the civil and electrical infrastructure on Phase I of the Fleurhof project;
- start of construction of housing structures in Phase 1 of the Fleurhof project;
- successful bulk sales in the sectional title GAP component of both the Jabulani and Fleurhof projects;
- adding of value to land acquired for the mid-to-high income housing segment to be ready for project implementation on recovery of the market.

### FINANCIAL RESULTS

The start of top structure construction in the Fleurhof project significantly boosted both the group's profit and cash flow for the period. Although an upturn in revenue is also expected going forward, the benefits of executing two or more large projects simultaneously will only be partially realised during 2011, but will have a greater impact during FY2012. The lag is attributable to the lead time required to complete infrastructure prior to top structure construction commencing.

The public sector strike during the period, which crippled the deeds office, has caused a delay in the number of property transfers expected to conclude during the period, to the six months ahead. The group reversed the headline loss of the previous comparable period, generating earnings of R4.5 million (31 August 2009: R21.6 million) and headline earnings of R4.5 million (August 2009: [R3.7 million] headline loss. A headline profit per share of 3.61 cents was achieved, compared to the headline loss of 2.93 cents incurred in the previous comparative period and headline loss of 7.64 cents for February 2010. Earnings per share of 3.61 cents for the period was down from 17 cents. These results are regarded by management as a satisfactory outcome in the current, still pressured economic climate.

Calgro M3 continued to invest further in the Pennyville project. The group undertook construction in-house to rectify latent defects as a result of poor quality and non-performance under the sub-contractor agreement. [This resulted in the termination of the sub-contractor agreement, as reported February 2010].

Cash generated by operations increased substantially to R31.2 million from R1 million for the year ended 28 February 2010. The increase is attributable to cash now being utilised in the development and construction of current and new projects. The group's balance sheet restructuring and debt reduction programme proved successful in terms of current financial goals and are at a level believed by management to be sustainable.

Cash on hand at 31 August 2010 increased marginally to negative (R10.2) million from negative (R11.2) million at 28 February 2009. Although not a material improvement, management considers it to be significant after taking account of the additional cash injection into the construction of Fleurhof.

Total goodwill amounted to R32.7 million, consistent with the previous comparative period. No major capital expenditure was incurred.

### OPERATIONAL REVIEW

Of the more than 400 sale agreements currently concluded for full-title units at Fleurhof, construction of 199 began in July following completion of the civil and electrical infrastructure on Phase I. Early indications affirm that the calculated risk of installing services on the Fleurhof project during 2009/10 should start to realise benefits for the group in the second six months ahead.

The group's mid-to-high income housing operations started to show a slow increase in sales, which is expected to contribute positively during FY2012.

The reason for the non-immediate translation of impact is that a certain level of pre-sales needs to be achieved prior to installation of civil infrastructure and commencement of construction. In this regard the group does not foresee balance sheet write-downs at this time. However, any cash lucrative offers will be fully assessed and considered.

Strict discipline and intense focus by management saw the group successfully contain costs and continue to decrease overhead expenses while still retaining skilled project managers and construction-related staff in anticipation of future housing projects. An escalation in staff is expected when current projects reach full production and smaller projects are possibly brought on board. It is intended that any future increase in overheads will, where possible, be calculated on a variable cost per project basis.

### 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.

### PROSPECTS

Notwithstanding continued cash flow and funding constraints at government levels during the period, the integrated housing market continues to hold promising prospects. The shortfall in delivery of housing units during 2009/10 to date, has only exacerbated the existing housing backlog in South Africa with pressure for delivery mounting in the run-up to the 2011 local elections. Further, with the likelihood of the Financial Services Charter being reinstated, financial institutions and developers alike will have renewed pressure to deliver on housing with a specific focus on the GAP market.

Calgro M3 will continue to target development in the Gauteng province. Expansion into other regions in South Africa will be considered once Gauteng operations become settled in servicing the recovering market. With construction of units in the first phase of the Fleurhof project underway and the installation of infrastructure on the subsequent phases continuing, Calgro M3 is well poised to deliver on housing leading into 2011.

Looking ahead, in addition to Fleurhof, progress on the Jabulani and Jukskei View projects is expected to have a positive effect in the six months ahead to year-end. The initial success of the Fleurhof and Jabulani projects (see 'Operational Review') bodes well for future growth in the affordable housing segment of the market. This is further supported by factors such as the decreasing impact of the National Credit Act which will improve opportunities to secure end-user finance on behalf of prospective home buyers.

Any forward looking statement included in this interim results announcement has not been reviewed or reported on by the company's independent auditors.

### APPRECIATION

We express our appreciation to our fellow directors, staff and stakeholders for their continued support during this tough but exciting period. We believe that we can now look ahead, and that the group is well positioned to go from strength to strength.

### BP Malherbe

(Chief executive officer)  
Johannesburg  
20 October 2010

### WJ Lategan

(Financial director)

**Directors:** PF Radebe (Chairperson)\*, BP Malherbe (Chief executive officer), WJ Lategan (Financial director), FJ Steyn, DN Steyn, JB Gibbon\*#, H Ntene\*, N Maninjwa\*#, M Phetla-Lekhethe\*#. (\*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)

**Designated advisor:** Grindrod Bank Limited

**Auditors:** PricewaterhouseCoopers Inc.

**Company secretary:** Barnards Inc.

**www.calgrom3.com**

# INTERIM REPORT FOR THE SIX MONTHS ENDED 31 AUGUST 2010

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")



**CALGRO M3**  
H O L D I N G S

**CONDENSED CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME**

R'000	Unaudited Six months ended 31 August		Audited Year ended 28 February	
	2010	2009	2010	2009
<b>Revenue</b>	<b>96 171</b>	112 832	<b>188 726</b>	233 054
Cost of sales	<b>(76 267)</b>	(92 277)	<b>(161 058)</b>	(182 205)
Gross profit	<b>19 904</b>	20 555	<b>27 667</b>	50 849
Net administrative expenses	<b>(13 879)</b>	(14 270)	<b>(26 704)</b>	(35 787)
Impairment of inventory	-	(11 385)	<b>(13 065)</b>	(8 991)
Gain on cancellation of put option	-	-	-	17 035
Impairment of goodwill	-	-	-	(14 714)
Profit on sale of investment	-	29 450	<b>29 305</b>	-
<b>Operating profit</b>	<b>6 025</b>	24 350	<b>17 203</b>	8 392
Net finance income/expense	<b>299</b>	226	<b>(1 003)</b>	(506)
Profit before taxation	<b>6 323</b>	24 576	<b>16 200</b>	7 886
Taxation	<b>(1 736)</b>	(2 974)	<b>(712)</b>	(1 864)
<b>Profit after taxation</b>	<b>4 587</b>	21 602	<b>15 488</b>	6 022
<b>Total comprehensive income</b>	<b>4 587</b>	21 602	<b>15 488</b>	6 022
<b>Profit attributable to:</b>				
Owners of the company	<b>4 587</b>	21 602	<b>15 488</b>	6 022
Earnings per share – cents	<b>3.61</b>	17.00	<b>12.19</b>	4.74
Headline earnings per share – cents	<b>3.61</b>	(2.93)	<b>(7.64)</b>	16.32

**CONDENSED SEGMENT REPORT FOR THE GROUP**

R'000	Construc- tion	Land develop- ment	Profes- sional services	Inter- group & holding	Total
<b>Aug 2010</b>					
<b>Revenue</b>	<b>60 792</b>	<b>33 539</b>	<b>1 840</b>	-	<b>96 171</b>
<b>Operating (loss)/profit</b>	<b>5 653</b>	<b>(666)</b>	<b>1 577</b>	<b>(539)</b>	<b>6 025</b>
<b>Aug 2009</b>					
Revenue	104 363	8 276	519	(326)	112 832
Operating (loss)/profit	4 098	21 835	(820)	(763)	24 350
<b>Aug 2010</b>					
<b>Total assets</b>	<b>29 149</b>	<b>237 452</b>	-	<b>98 176</b>	<b>364 777</b>
<b>Total liabilities</b>	<b>(53 740)</b>	<b>(93 426)</b>	-	<b>(59 304)</b>	<b>(206 471)</b>
<b>Feb 2010</b>					
Total assets	50 952	255 078	-	91 518	397 548
Total liabilities	(5 364)	(100 392)	-	(138 073)	(243 830)

**CONDENSED CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION**

R'000	Unaudited Six months ended 31 August		Audited Year ended 28 February	
	2010	2009	2010	2009
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5 961	8 388	7 150	8 100
Loans to associates	28 549	19 888	15 424	-
Other non-current assets	39 740	51 639	40 375	49 433
	74 250	79 915	62 949	57 533
<b>Current assets</b>				
Inventories	246 188	254 414	266 393	260 115
Construction contracts	9 106	67 125	32 217	64 389
Trade and other receivables	10 860	6 824	14 428	18 368
Other current assets	19 115	13 361	15 502	13 836
Cash and cash equivalents	5 258	25 930	6 059	30 594
	290 527	367 654	334 599	387 302
Assets of a disposal group classified as held for sale	-	-	-	126 301
<b>Total assets</b>	<b>364 777</b>	<b>447 569</b>	<b>397 548</b>	<b>571 136</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Capital and reserves	158 306	159 833	153 719	138 231
<b>Total equity</b>	<b>158 306</b>	<b>159 833</b>	<b>153 719</b>	<b>138 231</b>
<b>Non-current liabilities</b>				
Non-current borrowings	138 426	165 702	154 379	117 957
Other non-current liabilities	2 032	14 725	6 704	19 266
	140 458	180 427	161 083	137 223
<b>Current liabilities</b>				
Current borrowings	8 740	10 036	9 650	69 350
Other current liabilities	41 834	82 364	55 834	104 094
Bank overdraft	15 439	14 909	17 262	15 842
	66 013	107 309	82 746	189 286
Assets of a disposal group classified as held for sale	-	-	-	106 396
<b>Total equity and liabilities</b>	<b>364 777</b>	<b>447 569</b>	<b>397 548</b>	<b>571 136</b>
Net asset value per share – cents	124.55	125.75	120.94	108.76


**CONDENSED CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY**

(Rands)	Attributable to the owners of the company			
	Share capital	Share premium	Retained income	Total equity
<b>Balance at 01 March 2009</b>	1 271	96 020 450	42 208 687	138 230 408
Profit for the year	-	-	15 488 109	15 488 109
Total comprehensive income for the period ended 31 August 2009	-	-	15 488 109	15 488 109
<b>Balance at 28 February 2010</b>	1 271	96 020 450	57 696 796	153 718 517
Profit for the period	-	-	4 587 329	4 587 329
Total comprehensive income for the period ended 31 August 2010	-	-	4 587 329	4 587 329
<b>Balance at 31 August 2010</b>	1 271	96 020 450	62 284 125	158 305 846

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

R'000	Unaudited Six months ended 31 August		Audited Year ended 28 February	
	2010	2009	2010	2009
<b>Net cash from operating activities</b>	<b>31 284</b>	33 272	<b>958</b>	68 240
<b>Net cash from investing activities</b>	<b>(12 897)</b>	7 614	<b>(4 128)</b>	(30 666)
<b>Net cash from financing activities</b>	<b>(17 365)</b>	(44 617)	<b>(22 785)</b>	(20 625)
<b>Net (decrease)/increase in cash and cash equivalents and bank overdraft</b>	<b>1 022</b>	(3 731)	<b>(25 955)</b>	16 949
Cash and cash equivalents and bank overdraft at the beginning of the period/year	<b>(11 203)</b>	14 752	<b>14 752</b>	(2 197)
<b>Cash and cash equivalents and bank overdraft at the end of the period/year</b>	<b>(10 181)</b>	11 021	<b>(11 203)</b>	14 752

**EARNINGS RECONCILIATION**

R'000	Unaudited Six months ended 31 August		Audited Year ended 28 February	
	2010	2009	2010	2009
<b>Determination of headline earnings</b>				
Attributable profit	<b>4 587</b>	21 602	<b>15 488</b>	6 022
Impairment of goodwill	-	-	-	14 714
Loss/(profit) on disposal of property, plant and equipment	-	-	-	-
Profit on sale of investment - net of tax	-	(25 327)	<b>(25 202)</b>	-
<b>Headline earnings</b>	<b>4 587</b>	(3 725)	<b>(9 714)</b>	20 736
<b>Determination of diluted earnings</b>				
Attributable profit	<b>4 587</b>	21 602	<b>15 488</b>	6 022
Share option expense	-	-	-	(963)
<b>Diluted earnings</b>	<b>4 587</b>	21 602	<b>15 488</b>	5 059
Number of ordinary shares	<b>127 100</b>	127 100	<b>127 100</b>	127 100
Weighted average shares	<b>127 100</b>	127 100	<b>127 100</b>	127 100