13 October 2014

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")

Fleurhof Integrated Development

Jabulani Integrated Development

Highlights

Profit after tax up 39.20% to R71 million

Headline earnings per share up 26.92% to 50.97 cents

Cash on hand of R167 million

Pipeline has been maintained in excess of R17 billion

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2014

Condensed Consolidated Statement of Comprehensive Income

R'000	Unaudited Six Months 31 August 2014	Unaudited Six Months 31 August 2013	Audited Year Ended 28 Feb 2014
Revenue	412 076	**434 638**	784 943
Cost of sales	(329 392)	**(372 642)**	(671 954)
Gross profit	82 684	**61 996**	112 989
Other income	7 119	**1 036**	1 793
Other expenses	-	**437**	(3 553)
Administrative expenses	(32 593)	**(29 770)**	(58 378)
Operating profit	57 209	**33 699**	52 851
Share of profit of joint ventures – Net of tax	29 943	**27 638**	66 161
Net finance (Cost)/Income	(4 958)	**(2 595)**	(3 797)
Profit before tax	82 195	**58 743**	115 215
Taxation	11 144	**(7 703)**	(9 519)
Profit after taxation	71 050	**51 040**	105 695

Profit after taxation attributable to:

Equity holders of the company	71 050	**51 040**	105 695
Earnings per share - cents	55.90	**40.16**	83.16
Headline earnings per share - cents	50.97	**40.16**	83.16
Fully diluted earnings per share - cents	55.90	**40.16**	83.16
Fully diluted headline earnings per share - cents	50.97	**40.16**	83.16

Earnings Reconciliation

R'000	Unaudited Six Months 31 August 2014	Unaudited Six Months 31 August 2013	Audited Year Ended 28 February 2014
Determination of headline and diluted earnings			
Attributable profit	71 050	**51 040**	105 695
(Loss)Profit on disposal of property	(41)	**-**	-
Gain on deemed disposal of interest in Joint venture	(6 222)	**-**	-
Headline and diluted headline earnings	64 787	**51 040**	105 695
Determination of earnings and diluted earnings			
Attributable profit	71 050	**51 040**	105 695
Earnings and diluted earnings	71 050	**51 040**	105 695
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 ('000)	127 100	**127 100**	127 100

Condensed Consolidated Statement of Financial Position

R'000	Unaudited Six Months 31 August 2014	Audited Year Ended 28 Feb 2014
Assets		
Non-Current Assets		
Property, plant and equipment	**1 858**	2 612
Deferred tax	**19 812**	18 639
Intangible assets	**41 022**	32 986
Investment in joint ventures	**172 684**	142 740
Investment property	**5 743**	5 743
	241 119	202 720
Current Assets		
Inventories	**452 052**	385 826
Construction contracts	**187 200**	183 889
Trade and other receivables	**123 320**	220 045
Other Current Assets	**21 886**	42 164
Cash and cash equivalents	**166 675**	62 893

	951 133	894 817
Total Assets	**1 192 252**	1 097 537
Equity and Liabilities		
Equity		
Capital and Reserves	**504 103**	433 053
Total Equity	**504 103**	433 053
Non-Current Liabilities		
Deferred income tax liability	**44 773**	37 128
	44 773	37 128
Current Liabilities		
Borrowings	**478 743**	470 929
Other current liabilities	**164 663**	156 427
	643 376	627 356
Total Liabilities	**688 148**	664 484
Total Equity and Liabilities	**1 192 252**	1 097 537
Net asset value per share - cents	**396.62**	340.72
Net tangible asset value per share - cents	**364 34**	314.77

Condensed Consolidated Statement of Cash Flows

R'000	Unaudited Six Months 31 August 2014	Unaudited Six Months 31 August 2013	Audited Year Ended 28 February 2014
Net cash from operating activites	121 621	**(167 500)**	(291 953)
Net cash from/(utilised in) investing activities	(24 989)	**(17 685)**	(16 091)
Net cash from financing activities	7 150	**141 875**	172 593
Net increase in cash and cash equivalents	103 782	**(43 490)**	(135 450)
Cash and cash equivalents the beginning of the year	62 893	**198 343**	198 343
Cash and cash equivalents the end of the year	166 675	**154 853**	62 893

Condensed Consolidated Statement of Changes in Equity

(Figures in Rand's)	Stated capital	Retained income	Total equity
Balance at 1 March 2013	96 021 721	231 335 823	327 357 544
Profit for the period	-	51 039 752	51 039 752
Total comprehensive income for period ended 31 August 2013	-	51 039 752	51 039 752
Balance at 1 March 2014	**96 021 721**	**337 031 142**	**433 052 863**
Profit for the period	**-**	**71 050 284**	**71 050 284**

Total comprehensive income for period ended 31 August 2014	-	71 050 284	71 050 284
Balance at 31 August 2014	96 021 721	408 081 426	504 103 147

Condensed Segment Report for the Group

R'000 August 2014	Construction and Infrastructure Development	Sale of Land and Development	Professional Services	Total
Segment revenue	**328 433**	**70 855**	**12 788**	**412 076**
Inter-segment revenue	**-**	**-**	**-**	**-**
Revenue from external customers	**328 433**	**70 855**	**12 788**	**412 076**
Operating profit	**26 020**	**20 437**	**12 076**	**58 534**
Finance costs	**(8 371)**	**-**	**-**	**(8 371)**
Adjusted profit before tax	**17 650**	**20 437**	**12 076**	**50 163**
August 2013				
Segment revenue	428 768	1 963	3 907	**434 638**
Inter-segment revenue	-	-	-	**-**
Revenue from external customers	428 768	1 963	3 907	**434 638**
Operating profit	30 041	1 415	3 327	**34 783**
Finance costs	(6 581)	(7)	-	**(6 588)**
Adjusted profit before tax	23 460	1 409	3 327	**28 195**

August 2014	Construction and Infrastructure Development	Sale of Land and Development	Professional Services	Total
Assets:				
Goodwill	**36 550**	**-**	**4 155**	**40 705**
Inventories	**22 423**	**429 629**	**-**	**452 052**
Construction contracts	**174 275**	**-**	**-**	**174 275**
Liabilities:				
Borrowings	**(472 951)**	**(5 792)**	**-**	**(478 743)**
February 2014				
Assets:				
Goodwill	28 515	-	4 155	**32 670**
Inventories	21 611	364 215	-	**385 826**
Construction contracts	179 487	-	-	**179 487**
Liabilities:				
Borrowings	(470 929)	-	-	**(470 929)**

A reconciliation of adjusted profit / (loss) before tax is provided as follows:

R'000	Unaudited Six Months 31 August 2014	Unaudited Six Months 31 August 2013
Adjusted profit before tax for reportable segments	**50 163**	28 195
Group overhead cost	**(1 325)**	(1 083)
Share of profit of joint ventures - net of tax	**29 943**	27 638
Total segments	**78 782**	54 750
Finance Income - Net	**3 413**	3 993
Profit before tax	**82 195**	58 743

Reportable segment assets are reconciled to total assets as follows:

R'000	Unaudited Six Months 31 August 2014	Audited Year Ended 28 February 2014
Segment assets for reportable segments	**667 032**	597 983
Unallocated:		
Deferred tax	**19 812**	18 639
Investment property	**5 743**	5 743
Property, plant and equipment	**1 858**	2 612
Intangible assets excluding goodwill	**317**	316
Investment in joint ventures	**172 684**	142 740
Work in progress	**12 925**	4 402
Loans to joint ventures	**15 894**	35 818
Loans and receivables	**5 757**	5 757
Current tax receivable	**234**	589
Trade and other receivables	**123 320**	220 045
Cash and cash equivalents	**166 675**	62 893
Total asset per the consolidated statement of financial position	**1 192 252**	1 097 537

Reportable segment liabilities are reconciled to total liabilities as follows:

R'000	Unaudited Six Months 31 August 2014	Audited Year Ended 28 February 2014
Segment liabilities for reportable segments	**478 743**	470 929
Unallocated:		
Deferred tax	**44 773**	37 128
Current tax	**78**	154
Finance lease obligations	**73**	215
Trade and other payables	**164 482**	156 057
Total liabilities per the consolidated statement of financial position	**688 148**	664 484

Related Party Transactions

R'000	Unaudited Six Months 31 August 2014	Unaudited Six Months 31 August 2013
Compensation paid to key employees and personnel	**8 008**	9 303
Finance income from related parties	**2 891**	2 810
Contract revenue received from joint ventures	**214 075**	224 512
Services fees received from joint ventures	**4 265**	15 216

COMMENTARY

INTRODUCTION

The Directors present the condensed consolidated interim financial results for the six months ended 31 August 2014 ("the period").

Results of the Group's operations showed improvement in the period under review, despite the tough trading environment in the development and construction sectors. During this period the industry was affected by the metal workers strike that caused unprecedented delays.

When the Group commences with a predominantly infrastructure installation based phase of the development cycle, the Group turnover will be higher with a lower profit margin being experienced. When a predominantly top-structure construction based phase commences, the turnover will be lower with a higher profit margin being experienced. During the period under review, the Group experienced a predominantly top-structure construction based phase.

The Group's most significant achievements/events during the period:

- The Fleurhof project was awarded the Best Integrated Project, Best Informal Settlement Upgrade and the Best Finance Linked Individual Subsidy Programme (FLISP) project at the Govan Mbeki awards;
- The Jabulani project was awarded the Best Social Housing Project at the Govan Mbeki awards;
- Commenced construction on the first phase of the Otjomuise project in Windhoek, Namibia;
- Infrastructure for the third phase of the Fleurhof project completed. Commenced construction of 1305 units that will continue to contribute revenue for the next six to eighteen months. Infrastructure for the fourth phase of the project commenced with the award of tenders for the construction of the bulk and link infrastructure, thereby unlocking the next 1400 opportunities;
- Construction activity in the Scottsdene project increased with the construction of 500 Social Housing units. Town Planning issues delaying the construction of units aimed at the bonded market were resolved and another project will start to contribute revenue during the second half of the financial year;
- The Jabulani CBD project is not expected to contribute revenue during the February 2015 financial year. Delays experienced during the previous reporting period have been resolved and losses previously experienced will not be repeated;
- The installation of infrastructure for the Witpoortjie project continued during the period under review. The project has however not contributed revenue as yet and is not expected to be a significant revenue contributor during the second half of the financial year;

- Construction on the last phase of the Brandwag project in Bloemfontein has not commenced as the Group's risk has not been sufficiently mitigated. "Financial closure" between contracting parties could still not be achieved and construction will not commence until the Group's payment risks have been mitigated; and

- Construction of units in the first phase of the La Vie Nouvelle project (retirement village) was completed and enabled the Group to start unlocking capital invested in the installation of infrastructure in the project.

FINANCIAL RESULTS

Although revenue at Group level decreased to R412 million (August 2013 : R435 million) gross profit margins increased to 20.07% (August 2013 : 14.26%), as a result of the focus on top structure construction on stands previously serviced. Gross profit margins increased as margins are lower during the infrastructure installation cycle of the project and increase during the top structure construction cycle of the project, resulting in a much higher cumulative margin.

Profit after tax was R71 million (August 2013 : R51 million). Headline earnings per share (HEPS) increased by 26.92% to 50.97 cents (August 2013 : 40.16 cents). Earnings per share (EPS) increased by 39.19% to 55.90 cents (August 2013 : 40.16 cents). The difference between HEPS and EPS is due to a gain, the calculation of which is set out in Note 3 below, on the deemed disposal as a result of the buyout of our joint venture partner (International Housing Solutions) in the Summerset project (Clidet No 1014 Propriety Limited). The Group now owns 100% of this project.

Profits from Joint Ventures (JV's) increased to R29.9 million (August 2013 : R27.6 million). These are essentially financing JV's and Calgro M3 takes responsibility for operational matters and related operating cost of these JV's.

The Group's cash position remains strong at R166.7 million(February 2014 : R62.9 million). Working capital continues to be closely monitored by focusing on the timeous receipt of debtors and the transfer of properties to clients, thereby ensuring that money becomes due and payable.

Total net debt decreased to R312 million (February 2014: R408 million), as a result of the Group entering a more cash positive cycle. Cash/Capital in a project is invested to:
- acquire land;
- pay professional fees;
- install bulk and link infrastructure;
- install internal infrastructure; and
- construct top structures.

Once transfer of completed units commence, cash flow is generated. A project generally becomes net cash positive as a rule when 50% completion is achieved.

Receivables from JV's decreased by R100 million to R99 million (February 2014 : R199 million) mostly due to the Fleurhof project that entered its cash positive cycle.

The statement of financial position remains healthy with total assets growing to R1.2 billion (February 2014 : R1.1 billion). Investment in infrastructure on our Witpoortjie project, final payment for the Belhar land acquisition and the buyout of our JV partner in the Summerset project saw significant additions during the period under review. Management is of the opinion that the Group is appropriately structured to support the implementation of the secured pipeline and future growth.

Contract revenue from related parties decreased to R214 million (August 2013 : R225 million).

Land for development remained at similar levels as at the end of February 2014 with a market value in excess of R1.3 billion and carried at a cost of R550 million. This excess should flow through as profits over the next few years. The aforesaid valuation takes into account a reduction of JV partner interest.

SHARE APPRECIATION RIGHTS SCHEME

In terms of the Share Appreciation Rights Scheme introduced on 1 March 2012, 9,178,172 share appreciation rights (SAR's)(with a vesting period of 2, 3, 4 and 5 years if a hurdle growth rate linked to the Consumer Price Index (CPI) is exceeded) were issued to directors and senior management. This has resulted in an amount of R5,377,927 being recognised as an expense in the Statement of Comprehensive Income for the period ended 31 August 2014. In terms of the Scheme, 1,666,666 of the SAR's were exercised on 1 March 2014 and replaced with 1,744,838 new SAR's on the same date.

OPERATIONAL REVIEW

The secured pipeline has been maintained in excess of R17 billion. With the installation of bulk infrastructure commencing on four new projects during the second half of the February 2015 financial year, thereby converting more of the pipeline into construction projects, the Group is well placed to secure new opportunities to grow the secured pipeline.

The Group experienced a renewed commitment from Government to increase investment in infrastructure, allowing the Group to deliver on infrastructure for integrated developments.

The Group benefitted from its exposure to subsidised housing in the form of Social Housing and units aimed at the FLISP market which is currently gaining traction. With the FLISP pilot project successfully completed, more units are currently under construction on both the Fleurhof and Jabulani projects.

As projected, construction capacity has reached a stage where the use of external contractors was increased to meet demand. The Group's commitment to partner with local and emerging contractors is also gaining momentum.

HEALTH & SAFETY

The Group maintained its exceptional safety record and was again free of fatality and serious injuries in the workplace. The Group will not take this position for granted and a continuous effort will be maintained to sustaining its target level of zero harm.

PROSPECTS

During the next six months, margins are expected to come under pressure as exposure to the installation of infrastructure increases primarily as a result of the planned installation of infrastructure on the Belhar, South Hills, Jabulani Hostels and Vista Park projects.

Trading conditions in the construction and development sector remain challenging, but renewed support from the National Department of Human Settlements is encouraging. The construction of units for Public Sector and strong end-user sales in the FLISP, GAP and Affordable markets are all contributing in making integrated developments, based on Private Public Partnerships, successful.

The Group is well positioned to capitalise on numerous opportunities and will aim to continuously grow the secured pipeline in the next six months under review.

Any reference made to prospects in this announcement has not been reviewed by the Group's external auditors.

CORPORATE GOVERNANCE

The directors and senior management of the Group endorse the Code of Governance Principles and Report on Governance, together referred to as King III. Having regard to the size of the Group, the Board is of the opinion that the Group substantially complies with King III and with the Listings Requirements of the JSE Limited. The Group performs regular reviews of its corporate governance policies and practices and strives for continuous improvement in this regard.

APPRECIATION

Our management team have been instrumental in ensuring that growth could be sustained. We thank them and look forward to continuing on this successful path of creating value for our shareholders. We would also like thank our partners, clients and shareholders for maintaining confidence in us.

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, SAICA financial reporting guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, 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 28 February 2014.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The operating cycle of inventory, construction contracts and work in progress is considered to be longer than 12 months. Accordingly the associated assets and liabilities are classified as current as they are expected to be settled within the same operating cycle as inventory, construction contracts and work in progress.

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 10 October 2014.

2. Independent audit

These consolidated condensed interim financial statements have not been audited or reviewed by the Group's external auditors.

3. Buyout of JV partner

On 31 March 2014 (effective acquisition date), the group acquired the remaining 24.0% of the share capital and 50% of the voting rights of Clidet No 1014 (Pty) Ltd, an unlisted South African property development company. The total consideration for the acquisition was R24.9 million. As a result of the acquisition, the group increased its stake to 100% in the Summerset Project, located in Midrand, South Africa. None of the goodwill is expected to be deductible for tax purposes.

In line with the applicable guidance under IFRS this transaction has been accounted for in two steps: (a) accounting for the disposal of the JV and (b) the subsequent acquisition of the subsidiary. A gain on disposal of the JV amounting to R6.2 million and goodwill arising on the acquisition of the subsidiary amounting R8.0 million was recorded.

The following table summarises the consideration paid for Clidet No 1014 (Pty) Ltd, and the assets acquired and liabilities assumed at the acquisition date.

Consideration at 31 March 2014	(Figures in Rands)
Fair value of previous shareholding	6 221 717
Cash purchase consideration	24 906 089
Existing loan to JV extinguished	22 611 493
Total Consideration	53 739 299

Identifiable assets acquired and liabilities assumed at fair value

Cash and cash equivalents	116
Inventories	53 465 000
Trade and other receivables	236 510
Trade and other payables	(2 148 909)
Borrowings	(5 790 067)
Net deferred tax assets/(liabilities)	(58 722)
Total identifiable net assets	45 703 928
Goodwill	8 035 371
Total Consideration	53 739 299

The fair values of all identifiable assets acquired and liabilities assumed approximated their carrying value on acquisition date with the exception of inventories.

The fair value of inventory is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the inventory being valued.

In assessing the fair value of inventories, the valuator considers title deed information, town planning conditions, locality and improvements made to the property. Property vacancy rates in surrounding areas, realised yields on comparative sales as well as micro- and macro-economic conditions pertaining to land development are considered. The fair value is classified as level 3 in the fair value hierarchy.

No revenue was included in the consolidated statement of comprehensive income from 1 April 2014 to 31 August 2014 by Clidet No 1014 (Pty) Ltd. Clidet No 1014 (Pty) Ltd did not contribute any profit over the same period. The group is also of the opinion that there are no contingent assets or liabilities which may arise as a result of this transaction.

4. Bond exchange borrowings

On 22 July 2014 one of the Group's R22.5 million 36 month floating rate notes (CGR 7) matured and was repaid. On the same day the Group issued R24 million in new 36 month floating rate notes (CGR 15) expiring on 21 July 2017. On 23 September 2014, subsequent to the end of the six months under review, the Group bought back R49 million of CGR 9 expiring 12 November 2014 and replaced it with 36 month floating rate notes (CGR 16) to the value of R49 million, expiring on 22 September 2017.

5. Dividends

No dividends have been declared for the period. The Board is of the opinion that the Group must continue to conserve cash to maintain the present growth and create shareholder value.

BP Malherbe (Chief executive officer) WJ Lategan (Financial director)
Johannesburg 13 October 2014

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)

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PO Box 61051, Marshalltown 2107

Sponsor: Grindrod Bank Limited

Auditors: PricewaterhouseCoopers Inc.

www.calgrom3.com