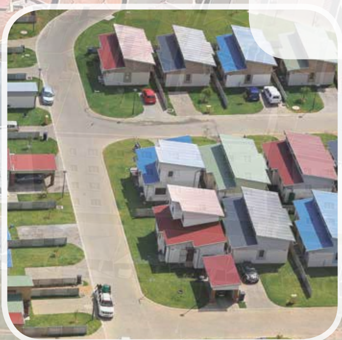
CALGRO M3

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2015

- Headline earnings per share ↑ by 29.98% to 66.25 cents per share
- Revenue ↑ by 39.10% to R573.1 million
- Strong cash flow management resulted in cash on hand ↑ to R152.7 million and borrowings ↓ to R483.6 million



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 Group"
or "the Company")

www.calgrom3.com

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unaudited Six Months 31 August 2015	Unaudited Six Months 31 August 2014	Audited Year ended 28 February 2015
Revenue	**573 195**	412 076	932 205
Cost of sales	**(454 175)**	(329 392)	(757 334)
Gross profit	**119 020**	82 684	174 871
Other income	**599**	7 119	8 521
Administrative expenses	**(54 988)**	(32 593)	(98 900)
Other expenses	**(1 958)**	-	(691)
Operating profit	**62 673**	57 210	83 801
Share of profit of joint ventures and associates (Net of tax)	**44 676**	29 943	86 827
Net finance income/(cost)	**1 297**	(4 958)	(2 479)
Profit before taxation	**108 646**	82 195	168 149
Taxation	**(24 458)**	(11 144)	(22 520)
Profit after taxation	**84 188**	71 050	145 629
Profit after taxation and other comprehensive income attributable to:			
- Owners of the parent	**84 204**	71 050	145 716
- Non-controlling interests	**(16)**	-	(87)
	84 188	71 050	145 629
Earnings per share - cents	**66.25**	55.90	114.65
Headline earnings per share - cents	**66.25**	50.97	109.69
Fully diluted earnings per share - cents	**65.98**	55.90	114.65
Fully diluted headline earnings per share - cents	**65.98**	50.97	109.69

EARNINGS RECONCILIATION

R'000			
Determination of headline and diluted headline earnings			
Attributable profit	**84 204**	71 050	145 629
(Profit)/loss on disposal of property, plant & equipment	**-**	(41)	(83)
Gain on deemed disposal of interest in joint-venture	**-**	(6 222)	(6 222)
Headline and diluted headline earnings	**84 204**	64 787	139 324
Determination of earnings and diluted earnings			
Attributable profit	**84 204**	71 050	145 629
Earnings and diluted earnings	**84 204**	71 050	145 629
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)	**127 629**	127 100	127 100

RELATED PARTY TRANSACTIONS

R'000	Unaudited Six Months 31 August 2015	Unaudited Six Months 31 August 2014
Compensation paid to key employees and personnel	**20 316**	8 008
Finance income from related parties	**3 914**	2 891
Contract revenue received from joint ventures	**468 580**	214 075
Service fees received from joint ventures	**10 245**	4 265

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	**Unaudited at 31 August 2015**	Audited at 28 February 2015
ASSETS		
Non-current assets		
Property, plant and equipment	**2 531**	1 754
Deferred income tax asset	**19 957**	13 825
Intangible assets	**40 852**	40 971
Investment in joint ventures and associates	**274 244**	229 568
Investment property	**5 743**	5 743
	343 327	291 861
Current assets		
Inventories	**517 165**	498 089
Construction contracts and work in progress	**260 677**	212 364
Trade and other receivables	**170 983**	171 100
Other current assets	**31 175**	26 486
Cash and cash equivalents	**152 712**	130 565
	1 132 712	1 038 604
Total assets	**1 476 039**	1 330 465
EQUITY AND LIABILITIES		
Equity		
Stated capital	**96 022**	96 022
Share based payment reserve	**31 441**	-
Retained income	**566 951**	482 747
	694 414	578 769
Non-controlling interests	**(103)**	(87)
Total equity	**694 311**	578 682
Non-current liabilities		
Deferred income tax liability	**65 994**	37 952
	65 994	37 952
Current liabilities		
Borrowings	**483 583**	492 132
Other current liabilities	**232 151**	221 699
	715 734	713 831
Total liabilities	**781 728**	751 783
Total equity and liabilities	**1 476 039**	1 330 465
Net asset value per share - cents	**546.27**	455.30
Net tangible asset value per share - cents	**514.13**	423.06

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

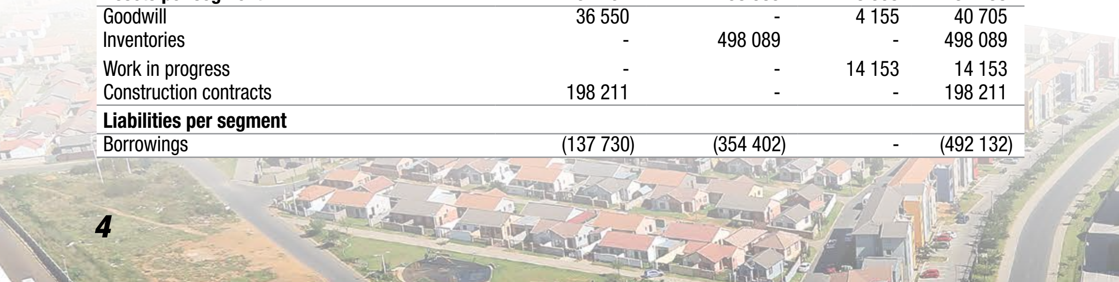
R'000	**Unaudited Six Months 31 August 2015**	Unaudited Six Months 31 August 2014	Audited Year Ended 28 February 2015
Net cash from operations	**31 951**	121 621	79 177
Net cash (utilised in)/ from investing activities	**(1 304)**	(24 989)	(25 576)
Net cash (utilised in)/ from financing activities	**(8 500)**	7 150	14 071
Net increase in cash and cash equivalents	**22 147**	103 782	67 672
Cash and cash equivalents at the beginning of the period	**130 565**	62 893	62 893
Cash and cash equivalents at the end of the period	**152 712**	166 675	130 565

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Stated Capital	Share Based Payment Reserve	Retained Income	Total	Non-Controlling Interests	Total Equity
Balance at 1 March 2014	96 022	-	337 031	433 053	-	433 053
Profit for the period	-	-	71 050	71 050	-	71 050
Total comprehensive income	-	-	71 050	71 050	-	71 050
Balance at 31 August 2014	96 022	-	408 081	504 103	-	504 103
Balance at 1 March 2015	**96 022**	**-**	**482 747**	**578 769**	**(87)**	**578 682**
Reclassification of share appreciation rights liability	**-**	**17 829**	**-**	**17 829**	**-**	**17 829**
Share-based payment expense	**-**	**13 612**	**-**	**13 612**	**-**	**13 612**
Profit for the period	**-**	**-**	**84 204**	**84 204**	**(16)**	**84 188**
Total comprehensive income	**-**	**31 441**	**84 204**	**115 645**	**(16)**	**115 629**
Balance at 31 August 2015	**96 022**	**31 441**	**566 951**	**694 414**	**(103)**	**694 311**

CONDENSED SEGMENT REPORT FOR THE GROUP

R'000	Construction and Infrastructure Development	Sale of Land and Developments	Professional Services	Total
August 2015				
Segment revenue	**520 887**	**42 034**	**10 273**	**573 194**
Revenue from related parties	468 580	-	10 245	478 825
Revenue from external customers	52 307	42 034	28	94 369
Inter-segment revenue	-	-	-	-
Operating profit	47 030	9 386	8 284	64 700
Finance cost	(5 992)	-	-	(5 992)
Adjusted profit before tax	**41 038**	**9 386**	**8 284**	**58 708**
August 2014				
Segment revenue	**328 433**	**70 855**	**12 788**	**412 076**
Revenue from related parties	213 989	-	4 265	218 253
Revenue from external customers	114 444	70 855	8 524	193 823
Inter-segment revenue	-	-	-	-
Operating profit	26 020	20 437	12 076	58 533
Finance cost	(8 371)	-	-	(8 371)
Adjusted profit before tax	**17 649**	**20 437**	**12 076**	**50 162**
August 2015				
Assets per segment	**278 626**	**517 165**	**22 756**	**818 547**
Goodwill	36 550	-	4 155	40 705
Inventories	-	517 165	-	517 165
Work in progress	-	-	18 601	18 601
Construction contracts	242 076	-	-	242 076
Liabilities per segment				
Borrowings	(129 181)	(354 402)	-	(483 583)
February 2015				
Assets per segment	**234 761**	**498 089**	**18 308**	**751 158**
Goodwill	36 550	-	4 155	40 705
Inventories	-	498 089	-	498 089
Work in progress	-	-	14 153	14 153
Construction contracts	198 211	-	-	198 211
Liabilities per segment				
Borrowings	(137 730)	(354 402)	-	(492 132)



REPORTABLE SEGMENTS' ASSETS ARE RECONCILED TO TOTAL ASSETS AS FOLLOWS:

R'000	**Uaudited Six Months 31 August 2015**	Audited Six Months 28 February 2014
Segment assets for reportable segments	**818 547**	751 158
Unallocated:		
Deferred tax	**19 957**	13 825
Investment property	**5 743**	5 743
Property, plant and equipment	**2 531**	1 754
Intangible assets excluding goodwill	**147**	266
Investment in joint ventures and associates	**274 244**	229 568
Loans to joint ventures and associates	**17 773**	16 793
Loans and receivables	**5 757**	5 757
Current tax receivable	**7 645**	3 936
Trade and other receivables	**170 983**	171 100
Cash and cash equivalents	**152 712**	130 565
Total assets per the consolidated statement of financial position	**1 476 039**	1 330 465

REPORTABLE SEGMENTS' LIABILITIES ARE RECONCILED TO TOTAL LIABILITIES AS FOLLOWS:

R'000		
Segment liabilities for reportable segments	**483 583**	492 132
Unallocated:		
Deferred tax	**65 994**	37 952
Current tax	**382**	61
Trade and other payables	**231 769**	221 638
Total liabilities per the consolidated statement of financial position	**781 728**	751 783

A RECONCILIATION OF ADJUSTED PROFIT BEFORE TAX IS PROVIDED AS FOLLOWS:

R'000	**Unaudited Six Months 31 August 2015**	Unaudited Six Months 31 August 2014
Adjusted profit before tax for reportable segments	**58 708**	50 163
Group overhead costs	**(2 027)**	(1 325)
Share of profit of joint ventures and associates - net of tax	**44 676**	29 943
Total segments	**101 357**	78 781
Finance income - net	**7 289**	3 414
Profit before tax	**108 646**	82 195

RECONCILIATION OF THE INCOME TAX EXPENSES

Applicable tax rate	**28.00%**	28.00%
Disallowable charges	**0.33%**	0.21%
Executive share scheme	**4.46%**	-%
Share of profit of joint ventures and associates - Net of tax	**(11.51)%**	(10.20)%
Tax losses for which no deferred income tax asset was recognised	**-%**	1.15%
Tax losses previously unrecognised	**-%**	(3.36)%
Under/(over) provision for deferred tax prior year	**1.24%**	(2.24)%
Effective tax rate	**22.52%**	13.56%

COMMENTARY

The Directors present the condensed consolidated interim financial results for the six months ended 31 August 2015 ("the period").

The Group's operational results again showed strong improvement over the period under review with headline earnings per share (HEPS) increasing by 29.98% to 66.25 cents (August 2014: 50.97 cents), profit after tax increasing to R84.2 million (August 2014: R71 million) and earnings per share (EPS) increasing by 18.52% to 66.25 cents (August 2014: 55.90 cents). Diluted headline earnings of 65.98 cents per share was achieved as a result of a small dilution caused by the new executive share scheme.

Despite a tough trading environment, the Group's diversification within the various residential market sectors and our ability to timeously adapt to our changing environment allows us to efficiently operate between different market sectors when required. Management views the Group's variable costing model as key to reducing risk in uncertain times.

Our main focus during the six months under review was the implementation of our R19 billion project pipeline to ensure sustainable growth. The Group is pleased to report that we were successful in this endeavour and that we now have 12 active projects in the ground, of which the last will start generating revenue during the 2017 financial year. These projects will contribute by generating cash and profits, which should improve the Group's debt gearing ability and enable the Group to fund the current and future project pipeline.

The secured project pipeline remains in excess of R19 billion as a result of sales price escalation, although no new projects were added during the past six months due to the focus on implementation of the pipeline.

Cash flow management remains one of the biggest challenges associated with the roll out of multiple projects. Cash generated from operations of R84 million, of which R52 million was invested back into new projects, resulted in reported cash generated from operations of R32 million. Decrease in debt of R8.5 million and increase in cash on hand of R22.1 million to R152.7 million is evidence that this challenge is being appropriately managed. Management will continue to keep a watchful eye on cash flow requirements during these initial project phases, and ensure that cash returns from all projects are maximised. Management is actively working on unlocking the value tied up in the old mid to high-end land portfolio, as we believe that cash can be utilised more profitably for the Group in the integrated segment of the market. The Group targets a minimum Return on Equity ratio of 30% over the medium to long term.

The Group's most significant non-project specific achievements during the period:

- Fleurhof again being awarded the best FLISP project of the year, best Social Housing Project and best integrated project of the year during the 2015 at the provincial Govan Mbeki Awards and best FLISP at the National Govan Mbeki Awards;
- All projects currently in the ground are profitable;
- Maintaining jobs created on construction sites in excess of 5 000;
- The commencement of a new comprehensive training and local economic development programme that is being rolled out on our South Hills project as a pilot, with great success thus far;
- Reaping the rewards of our in-house skills transfer and mentorship programme that has led to promotions within the Group; and
- The Group again being fatality-free on all construction sites.

The Group's most significant project specific achievements during the period:

- Installation of infrastructure resulted in the Group now having 4 582 serviced opportunities in the following projects:
  - South Hills; Belhar; Witpoortjie;Jabulani Hostels; and 3rd phase of the Fleurhof project.
- Construction is currently under way on 3 857 units, and include among others:
  - The first 627 Belhar units; Jabulani Hostels phase II - 296 units; Fleurhof – 2 068 units; and Scottsdene - 495 units.

Marketing of the Group's first memorial park commenced and although great strides were made in building relationships in the sector, no material financial contribution was made to this set of results. As was to be expected, setting up a new business concept and changing market perception takes time. Burial's to date were well managed, and it is expected that sales will gain momentum towards the end of this financial year. With a substantial inventory investment carried on the statement of financial position for this project to date, the expectation is to see some contribution from this business towards the year-end financial results.

Group revenue increased by 39.1% to R573 million (Aug 2014: R412 million) during the period while Group revenue, including joint ventures, grew to R1 billion (August 2014: R660 million).

The Group's gross profit margin increased slightly to 20.76% (August 2014: 20.07%) as a result of achieving a better mix between infrastructure installation and top structure construction. Gross profit margins fluctuate constantly as margins are lower during the infrastructure installation cycle of the project and increase during the top structure construction cycle of the project.

Operating profit and the effective tax rate was negatively affected by the valuation of the previous cash settled share appreciation rights scheme (SAR) for members who opted not to convert to the new equity settled executive share scheme and the additional expense of the executive share scheme. The current cash settled SAR scheme is in the process of being settled and together with the new share scheme will lead to a future cost saving of around R30 million per year at the current share price growth.

The difference between HEPS and EPS in the comparative reporting period was due to a gain on the deemed disposal as a result of the buy-out 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 increased to R44.7 million (August 2014: R29.9 million). These joint ventures are essentially finance joint ventures and Calgro M3 takes responsibility for operational matters and related operating cost of these joint ventures.

The Group's cash position remains strong at R152.7 million (February 2015: R130.6 million). Working capital however continues to be closely monitored by focusing on the timely recovery of debtors and the transfer of properties to clients.

Total net debt decreased to R330.9 million (February 2015: R361.6 million), as a result of the Group entering a more cash positive cycle in its projects. A project generally becomes net cash positive at around 50% completion, due to cash/capital invested in the initial phases of a project to acquire land, pay professional fees, install bulk and link infrastructure, install internal infrastructure and construction of top structures.

The statement of financial position remains stable with total assets growing to R1.48 billion (February 2015: R1.33 billion). Investment in infrastructure on our Witpoortjie, Belhar, La Vie Nouvelle, Fleurhof, South Hills and Memorial Parks projects, saw some significant additions during the period under review and resulted in an increase in inventory, construction contracts and deferred tax balances. Management is of the opinion that the Group is appropriately structured to support the implementation of the secured pipeline and ensure future growth.

With the Group's balance sheet now completely unsecured, the interest of all stakeholders is aligned to maximise returns.

Land for development remained at similar levels as at the end of February 2015 with a market value in excess of R1.4 billion and carried at a cost of R600 million. This excess should flow through as profits over the next few years. The aforesaid valuation takes into account a reduction of joint venture partner interest. Inventory to the value of R1 958 211 was impaired during the period ended 31 August 2015.

SHARE APPRECIATION RIGHTS SCHEME (SAR)

With respect to the cash settled SAR scheme introduced for directors and senior management on 1 March 2012, there were 10 378 172 SAR's outstanding at 1 March 2015. 2 666 667 SAR's were exercised during the period under review, 5 021 977 SAR's were converted to the new equity settled executive share scheme (ESS) with the balance remaining on the cash settled SAR scheme. An amount of R15 025 185 was recognised as an expense in the statement of comprehensive income for the period ending 31 August 2015 with respect to the cash settled SAR scheme. The revaluation of the converted SAR scheme resulted in a positive movement of R6 653 409 in the statement of comprehensive income for the same period, resulting in a net effect of R8 371 776.

The ESS was approved by shareholders on 29 July 2015 (grant date). The ESS was introduced to align the interest of executives with that of shareholders and to reduce the negative effect that the current cash settled SAR scheme has on the statement of comprehensive income. Under this scheme 10 215 573 shares were allocated to directors and senior management at a purchase price of R4.08 per share. The shares will become unrestricted over a period of three to six years (vesting period), with the first vesting date being 1 March 2017.

The scheme was valued using the 30 day volume weighted average price (VWAP) of the shares on 29 July 2015 (grant date). This new scheme will eliminate the volatile impact that the revaluation of the cash settled SAR scheme had on the statement of comprehensive income. An initial amount of R17 829 049 was transferred from the previous cash settled SAR liability to the share based payment reserve on the date of modification from the cash settled SAR scheme to the equity settled ESS. The expense related to the ESS recognised in the statement of comprehensive income for the period ending 31 August 2015 is R13 611 891.

The total expense recognised in administrative expenses in the statement of comprehensive income relating to the SAR and ESS scheme for the period ending 31 August 2015 was R21 983 668 (August 2014: R5 377 927). This, together with the increase in employee related expenses as a result of the increase in capacity to convert the current pipeline has contributed to the increase in administrative expenses for the period.

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 is made to maintain the Group's target level of zero harm.

PROSPECTS

Trading conditions in the construction and development sector remained challenging, with uncertainty surrounding the micro/macro-economic environment, economic growth, a potential recession and higher inflation and interest rates. The National Department of Human Settlements, however, recently launched its new Catalytic Housing project implementation plan, which should assist in alleviating some of the challenges experienced by the sector. The construction of units for Public Sector and strong end-user sales in the FLISP, GAP and Affordable markets are all contributing towards making integrated developments, based on Private Public Partnerships, successful. The Group is also currently investigating other opportunities in the residential market, outside the public sector. The Group is well positioned to capitalise on numerous opportunities and will aim to continuously grow the secured pipeline in the next six months. Together with converting the current pipeline, the Group will also focus on expanding its sustainable and diversified pipeline, stretching beyond five years, while retaining its core focus on the residential market.

With the Group's first memorial park launched, and the first burials done, the Group views this as a long term, sustainable solution to create sustainable parks whilst at the same time contributing towards restoring dignity in the burial place. The Group is endeavouring to make a difference by taking the memorial park business completely off the national electricity grid.

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

APPRECIATION

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

NOTES

1. Basis of preparation

These condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standard IAS34 - Interim Financial Reporting IAS34, the SAICA financial reporting guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act and the Listings Requirements of the JSE Limited. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the annual financial statements for the year ended 28 February 2015.

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, including debt, 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 9 October 2015.

2. Independent audit

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

3. Financial instruments

The carrying value of all financial instruments are equal to the fair value of those instruments at 31 August 2015 with the exception of borrowings. The carrying value of borrowings at 31 August 2015 was R483 583 418 with a corresponding fair value of R494 559 469. The difference is attributable to these bonds trading in an active market and is classified as level 2 in the fair value hierarchy.

4. Bond exchange

During the period ended 31 August 2015, the Group repaid R22.5 million in borrowings that expired as well as early settled another R61 million that would have expired in the 2017 financial year.

Subsequent to 31 August 2015 another R74 million in bonds expiring in June 2016 were successfully converted to new 5 year instruments.

Total finance cost incurred for the period amounted to R29 416 215 (August 2014: R26 123 074) of which R23 423 409 (August 2014: R17 739 214) was capitalised to inventory and construction contracts.

5. Dividends

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

6. Board of directors

Changes were made to the board of directors during the six months under review, being:

- Mr Hugh Colin Cameron was appointed as an independent Non-Executive Director with effect from 8 May 2015;
- Mr Wayne Williams was appointed as Executive Director of the Company with effect from 1 June 2015;
- Mr Willem Jakobus (Wikus) Lategan was appointed as Managing Director of the Company with effect from 1 June 2015;
- Mr Willem Adolph (Waldi) Joubert was appointed as Financial Director with effect from 1 June 2015;
- Mr Deon Noel Steyn resigned his position as Executive Director with effect 1 June 2015.

BP Malherbe (CEO)   WJ Lategan (Managing Director)
WA Joubert (Financial Director)

Johannesburg   9 October 2015

Directors:

PF Radebe (Chairperson)*#, BP Malherbe (Chief Executive Officer), WJ Lategan (Managing Director), WA Joubert (Financial Director), FJ Steyn, W Williams, JB Gibbon*#, H Ntene*#, R Patmore*# ,ME Gama*#, HC Cameron*#

(*Non-executive) (#Independent)

Registered Office:
Calgro M3, 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.

Website: www.calgrom3.com

Announcement date: 12 October 2015