Calgro M3 Developments (Pty) Ltd

(Registration number 1996/017246/07)

Annual financial statements

for the year ended 29 February 2008

Calgro M3 Developments (Pty) Ltd

(Registration number 1996/017246/07)
Annual Financial Statements for the year ended 29 February 2008
(All amounts stated in Rand unless otherwise stated)

General Information

Country of incorporation and domicile	South Africa	
Directors	CT Daly	- Executive
	DN Steyn	- Executive
	FJ Steyn	- Executive
Registered office	112 11th Street Parkmore Sandton 2196	
Business address	33 Ballyclare Drive Ballyclare Office Park Cedarwood House Bryanston 2024	
Postal address	Private Bag X33 Craighall 2132 2024	
Holding company	Calgro M3 Holdings Limited incorporated in the Republic of South Africa	
Bankers	Nedbank Limited	
Auditors	PricewaterhouseCoopers Inc.	
Secretary	Hofmeyr Tax and Secretarial Services (Pty) Ltd	
Company registration number	1996/017246/07	

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CALGRO M3 DEVELOPMENTS (PTY) LTD

We have audited the annual financial statements of Calgro M3 Developments (Proprietary) Limited, which comprise the balance sheet as at 29 February 2008, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 34.

Directors' Responsibility for the Financial Statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 29 February 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc
Director: M. Horsfield
Registered Auditor
Sunninghill
22 May 2008

C Beggs Chief Executive Officer
F Tonelli Chief Operating Officer
E R MacKeown Director – Managing Johannesburg office
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
PricewaterhouseCoopers Inc is an authorised financial services provider.
VAT reg.no. 4950174682

Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 28 February 2009 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 3.

The annual financial statements set out on pages 5 to 34, which have been prepared on the going concern basis, were approved by the board of directors on 22 May 2008 and were signed on its behalf by:

DN Steyn

FJ Steyn

Calgro M3 Developments (Pty) Ltd

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Annual Financial Statements for the year ended 29 February 2008
(All amounts stated in Rand unless otherwise stated)

Balance Sheet

As at 29 February 2008

Figures in Rand	Note(s)	2008	2007 Restated
Assets			
Non-Current Assets			
Investment property	4	1,393,171	1,364,516
Property, plant and equipment	5	6,708,048	1,434,103
Intangible assets	6	719,118	-
Investments in subsidiaries - Restated	7	400	300
Loans to group companies	8	77,626,054	-
		86,446,791	**2,798,919**
Current Assets			
Inventories	9	19,507,031	21,017,281
Loans to group companies	8	-	3,627,922
Loans and receivables	10	6,732,587	6,342,625
Construction contracts	11	9,627,724	1,458,536
Trade and other receivables	12	7,504,194	2,729,105
Cash and cash equivalents	13	5,822,273	3,498
		49,193,809	**35,178,967**
Total Assets		**135,640,600**	**37,977,886**
Equity and Liabilities			
Equity			
Ordinary shares	14	100	100
Reserves		963,141	-
Retained income		2,775,290	2,636,046
		3,738,531	**2,636,146**
Liabilities			
Non-Current Liabilities			
Loans from group companies	8	89,136,537	-
Other financial liabilities	15	4,713,302	518,842
Finance lease obligation	16	677,144	-
Deferred income tax liabilities	17	268,428	103,783
		94,795,411	**622,625**
Current Liabilities			
Loans from group companies	8	-	4,411,861
Other financial liabilities	15	5,708,047	22,592,661
Current tax payable		582,186	1,210,329
Finance lease obligation	16	375,490	-
Trade and other payables	18	15,449,908	4,924,092
Bank overdraft	13	14,991,027	1,580,172
		37,106,658	**34,719,115**
Total Liabilities		**131,902,069**	**35,341,740**
Total Equity and Liabilities		**135,640,600**	**37,977,886**

Income Statement

For the year ended 29 February 2008

Figures in Rand	Note(s)	**2008**	2007 Restated
Revenue	19	73,849,961	42,431,307
Cost of sales	20 & 21	(75,195,167)	(32,308,006)
Gross (loss) profit		**(1,345,206)**	**10,123,301**
Other income		23,187,585	202,866
Administrative expenses	21	(26,791,271)	(6,397,390)
Operating (loss) profit		**(4,948,892)**	**3,928,777**
Finance income	22	6,220,860	41,207
Finance costs	23	(968,079)	(212,321)
Profit before taxation		**303,889**	**3,757,663**
Taxation	24	(164,645)	(1,106,002)
Profit for the year		**139,244**	**2,651,661**

Calgro M3 Developments (Pty) Ltd

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Statement of Changes in Equity

	Attributable to equity holders of the Company					
Figures in Rand	Share capital	Total share capital	Reserves for own shares / Share repurchase reserve	Retained income	Total	Total equity
Opening balance as previously reported	100	100	-	770,150	770,250	770,250
Adjustments						
Change in accounting policy (note 31)	-	-	-	(785,765)	(785,765)	(785,765)
Balance at 01 March 2006 as restated	**100**	**100**	**-**	**(15,615)**	**(15,515)**	**(15,515)**
Profit for the year	-	-	-	2,651,661	2,651,661	2,651,661
Total recognised income & expenses for 2007	-	-	-	2,651,661	2,651,661	2,651,661
Opening balance as previously reported	100	100	-	2,696,849	2,696,949	2,696,949
Adjustments						
Change in accounting policy (note 31)	-	-	-	(60,803)	(60,803)	(60,803)
Balance at 01 March 2007 as restated	**100**	**100**	**-**	**2,636,046**	**2,636,146**	**2,636,146**
Profit for the year	-	-	-	139,244	139,244	139,244
Share appreciation scheme	-	-	963,141	-	963,141	963,141
Total recognised income & expenses for 2008	-	-	963,141	139,244	1,102,385	1,102,385
Balance at 29 February 2008	**100**	**100**	**963,141**	**2,775,290**	**3,738,531**	**3,738,531**
Note(s)	14	14	25			

Cash Flow Statement

For the year ended 29 February 2008

Figures in Rand	Note(s)	2008	2007 Restated
Cash flows from operating activities			
Cash receipts from customers		60,905,684	39,526,238
Cash paid to suppliers and employees		(64,793,494)	(53,347,779)
Cash used in operations	26	(3,887,810)	(13,821,541)
Finance income		6,220,860	41,207
Finance costs		(968,079)	(212,321)
Tax paid		(628,143)	-
Net cash (used in) operating activities		**736,828**	**(13,992,655)**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(6,102,537)	(1,551,210)
Sale of property, plant and equipment	5	(38,407)	32,883
Purchase of investment property	4	(28,655)	(1,364,516)
Purchase of intangible assets	6	(858,271)	-
Acquisition of subsidiary companies		(100)	(300)
Loans to group companies repaid		10,726,544	1,442,608
Decrease in loans and receivables		(389,962)	(4,196,819)
Net cash from investing activities		**3,308,612**	**(5,637,354)**
Cash flows from financing activities			
Proceeds from other financial liabilities		77,757,564	2,945,327
Repayment of other financial liabilities		(90,447,718)	17,485,325
Increase in finance lease obligations		1,052,634	-
Net cash from financing activities		**(11,637,520)**	**20,430,652**
Net (decrease)/increase in cash and cash equivalents and bank overdraft		**(7,592,080)**	**800,643**
Cash and cash equivalents and bank overdraft at the beginning of the year		(1,576,674)	(2,377,317)
Cash and cash equivalents and bank overdraft at end of the year	13	**(9,168,754)**	**(1,576,674)**

Notes to the Annual Financial Statements

1. General Information

Calgro M3 Developments (Pty) Ltd is a residential land development company.

The company is a limited liability company incorporated and domiciled in South Africa. The address of its registered office is 112 11th Street, Parkmore, Sandton 2196.

The company's functional and presentation currency is the South African Rand.

These annual financial statements were authorised for issue by the board of directors on 22 May 2008.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The annual financial statements of Calgro M3 Developments (Pty) Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS). The annual financial statements have been prepared under the historical cost convention.

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

(a) *Standards, amendments and interpretations effective in* 2008

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2007.

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the company's financial instruments, or the disclosures relating to taxation and trade and other payables.

- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2.

- IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

Notes to the Annual Financial Statements

2.1. Basis of preparation (continued)

(b) *Standards, amendments and interpretations effective in* 2008 *but not relevant*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the company's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

(c) *Standards and amendements to existing standards that are not yet effective*

The following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2008 or later periods, but the company has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The company will apply IAS 23 (Amended) from 1 January 2009. The company currently capitalises borrowing costs in terms of IAS 23.
- IFRS 8, 'Operating segments ' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

Notes to the Annual Financial Statements

(d) *Interpretations to existing standards that are not yet effective and not relevant for the company's operations*

The following interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the company's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the company's operations as the company does not provide public sector services.

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the company's operations because the company does not operate any loyalty programmes.

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The company will apply IFRIC 14 from 1 January 2008, but this statement will not have any impact on the company's financial statements.

2.2 Investments in subsidiaries - Restated

Investments in subsidiaries - Restated are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

2.3 Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives,as follows:

Item	Average useful life
- Machinery	5 years
- Furniture, fittings and equipment	3 - 8 years
- Vehicles	5 years
- Office equipment	6 years
- IT equipment	3 years
- Leasehold improvements	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

Notes to the Annual Financial Statements

2.4 Investment property

Investment property, which is disclosed separately and is property held to generate independent cash flows through rental or capital appreciation, is carried at cost with changes in cost included in the income statement.

2.5 Intangible assets

(a) *Computer Software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three years).

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Notes to the Annual Financial Statements

2.8 Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet (note 12 and 13)

Loans and receivables are initially and subsequently measured at fair value.

(c) Available for sale financial assets

The company does not currently have any available for sale financial assets.

(d) *Impairment*

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of land under development held for sale comprises design costs, building materials, direct labour and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Notes to the Annual Financial Statements

2.11 Construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer, and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2.12 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shwon seperately under current liabilities on the balance sheet.

2.14 Share capital and equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the Annual Financial Statements

2.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

Qualifying assets consist of work-in-progress assets acquired for development related purposes.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.18 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Notes to the Annual Financial Statements

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

2.19 Employee benefits

(a) *Pension obligations*

The company operates a defined contribution plan, the company pays contributions to a privately administered pension insurance plan on a mandatory basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, and bonuses), are recognised in the period in which the service is rendered and are not discounted.

(b) *Other post-employment obligations*

The company has no post-employment obligations

(c) *Share-based compensation*

The company operates a equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) *Bonus plans*

The company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the Annual Financial Statements

2.20 Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received are measured, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, company accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

2.21 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Finance income*

Finance income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as finance income. Finance income on impaired loans is recognised using the original effective interest rate.

(b) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(c) *Sale of* developed land

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(d) *Rendering of services*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Notes to the Annual Financial Statements

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at balance sheet date. Stage of completion is determined by the proportion of costs incurred to date bare to the total estimated costs of the transaction.

Contract revenue comprises:

- the amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

2.22 Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease liability.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.23 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

Notes to the Annual Financial Statements

3 Financial risk management

3.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by the company's management committee which identifies and evaluates financial risks in close co-operation with the company's operating units. The board is responsible for overall risk management, as well as guidance covering specific areas, such as interest rate risk, credit risk and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign currency and commodity price risks

The company is not exposed to foreign currency, equity and commodity price risks.

(ii) Cash flow and fair value interest rate risk

As the company has significant interest-bearing assets, the company's income is substantially independent of changes in market interest rates. The company's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk.

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post-tax profit of a 2% shift would be a maximum increase/decrease of (R 828,431).

(b) Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

Notes to the Annual Financial Statements

3.1 Financial risk factors (continued)

The table below shows the credit limit and balance of the major counterparties at the balance sheet date

	29 February 2008		28 February 2007	
Counterparty	**Credit limit**	**Balance**	**Credit limit**	**Balance**
Nedbank Ltd	**15,000,000**	**(14,991,027)**	3,000,000	(1,580,172)
FNB Ltd	-	**99,000**	-	-
Trade receivables	-	**7,504,194**	-	2,729,105
Attorney trust account - Douglas Smart Attorneys	-	**3,000,000**	-	-

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company management committee maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the company's liquidity reserve and cash and cash equivalents on the basis of expected cash flow.

A specific liquidity risk associated to the company is the raising of loans at specified dates of repayment, against construction projects. The related cash inflows from these construction projects are however uncertain and dependant on factors not under the control of the company.

The company's risk in respect of liquidity results from the funds available to cover future commitments.

At 29 February 2008	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 Years**
Borrowings	6,083,537	94,526,983	-	-
Bank	14,991,027	-	-	-
Trade and other payables	15,449,908	-	-	-

At 28 February 2007	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 Years**
Borrowings	27,004,522	518,842	-	-
Bank	1,580,172	-	-	-
Trade and other payables	4,924,092	-	-	-

Notes to the Annual Financial Statements

3.2 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables and loans to/(from) group companies are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

Notes to the Annual Financial Statements

Figures in Rand	2008	2007

4. Investment property

	2008			2007		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	1,393,171	-	1,393,171	1,364,516	-	1,364,516

Reconciliation of investment property - 2008

	Opening Balance	Additions	Total
Investment property	1,364,516	28,655	1,393,171

Reconciliation of investment property - 2007

	Opening Balance	Additions	Total
Investment property	-	1,364,516	1,364,516

Details of property

Building situated on stand 2334 Northriding Ext 82
This property is valued at fair value, as the land has not yet transfered and the cost approximates fair value

Transfer from inventory	684,176	673,002

Building situated on stand 2336 Northriding Ext 82
This property is valued at fair value, as the land has not yet transfered and the cost approximates fair value

Transfer from inventory	708,995	691,514

5. Property, plant and equipment

	2008			2007		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	1,313,009	(364,501)	948,508	1,100,000	(94,934)	1,005,066
Furniture and fixtures	3,254,069	(213,246)	3,040,823	169,355	(26,464)	142,891
Motor vehicles	1,134,096	(144,914)	989,182	289,849	(34,687)	255,162
Office equipment	13,450	(306)	13,144	-	-	-
IT equipment	632,904	(95,405)	537,499	34,063	(3,079)	30,984
Leasehold improvements	1,247,144	(68,252)	1,178,892	-	-	-
Total	**7,594,672**	**(886,624)**	**6,708,048**	**1,593,267**	**(159,164)**	**1,434,103**

Notes to the Annual Financial Statements

Figures in Rand	2008	2007

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Depreciation	Total
Plant and machinery	1,005,066	213,009	-	(269,567)	948,508
Furniture and fixtures	142,891	3,151,785	(41,463)	(212,390)	3,040,823
Motor vehicles	255,162	844,246	-	(110,226)	989,182
Office equipment	-	13,450	-	(306)	13,144
IT equipment	30,984	632,903	(30,984)	(95,404)	537,499
Leasehold improvements	-	1,247,144	-	(68,252)	1,178,892
	1,434,103	**6,102,537**	**(72,447)**	**(756,145)**	**6,708,048**

Pledged as security

Carrying value of assets pledged as security under the finance lease obligation:

Plant and machinery	948,508	-

6. Intangible assets

	2008			2007		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	858,271	(139,153)	719,118	-	-	-

Reconciliation of intangible assets - 2008

	Opening Balance	Additions	Amortisation	Total
Computer software	-	858,271	(139,153)	719,118

7. Investments in subsidiaries - Restated

Company

Name of company	% holding 2008	% holding 2007	Carrying amount 2008	Carrying amount 2007
Direct				
CM3 Northriding Ext 94 - Cherrywood Estate (Pty) Ltd	**100.00 %**	100.00 %	**100**	100
CM3 Northriding Ext 86 - Mio Bella (Pty) Ltd	**100.00 %**	100.00 %	**100**	100
CM3 Randpark Ridge Ext 120 (Pty) Ltd	**100.00 %**	100.00 %	**100**	100
Neoprop (Pty) Ltd	**100.00 %**	- %	**100**	-
			400	300

The carrying amounts of subsidiaries are shown net of impairment losses.

Notes to the Annual Financial Statements

Figures in Rand	2008	2007
8. Loans to/(from) group companies		
Subsidiaries		
CM3 Northriding Ext 86 - Mio Bella (Pty) Ltd The loan is unsecured, bears interest at 15% per annum and is repayable after the following 12 months.	156,144	493,213
CM3 Northriding Ext 94 - Cherrywood Estate (Pty) Ltd The loan is unsecured, bears interest at 15% per annum and is repayable after the following 12 months.	271,588	284,241
Randpark Ridge Ext 120 (Pty) Ltd The loan is unsecured, bears interest at 15% per annum and is repayable after the following 12 months.	2,467,238	-
	2,894,970	**777,454**
Holding company		
Calgro M3 Holdings Limited The loan is unsecured, interest free and is repayable after the following 12 months.	(88,017,803)	-
Fellow subsidiaries		
Calgro M3 Land (Pty) Ltd The loan is unsecured, bears interest at 15% per annum and is repayable after the following 12 months.	67,937,914	2,645,327
PZR Pennyville Zamimphilo Relocation (Pty) Ltd The loan is unsecured, bears interest at 15% per annum and is repayable after the following 12 months.	6,462,713	(2,064,799)
MS5 Projects (Pty) Ltd The loan is unsecured, bears interest at 15% per annum and is repayable after the following 12 months.	(1,118,734)	(1,769,529)
Hightrade-Invest 60 (Pty) Ltd The loan was unsecured, interest free and was repayable within the following 12 months.	-	205,141
CM 3 Witkoppen Ext 131 (Pty) Ltd The loan was unsecured, interest free and was repayable within the following 12 months.	-	(577,533)
CTE Consulting (Pty) Ltd The loan is unsecured, bears interest at 15% per annum and is repayable after the following 12 months.	330,457	-
Non-current assets	77,626,054	-
Current assets	-	3,627,922
Non-current liabilities	(89,136,537)	-
Current liabilities	-	(4,411,861)
	(11,510,483)	**(783,939)**

Notes to the Annual Financial Statements

Figures in Rand	2008	2007

9. Inventories

Land under development held for sale	19,507,031	21,017,281

Inventory pledged as security

Land under development is secured by mortgage bonds over properties as set out in note 15.

10. Loans and receivables

Ben Pierre Trust The loan is unsecured, interest free and is repayable within 12 months following the year end.	-	715,619
Hendrik Brand Trust The loan is unsecured, interest free and is repayable within 12 months following the year end.	-	888,371
The FJ Steyn Trust The loan is unsecured, interest free and is repayable within 12 months following the year end.	-	699,698
DN Steyn Trust The loan is unsecured, interest free and is repayable within 12 months following the year end.	-	739,692
The Douw Steyn Trust The loan is unsecured, interest free and is repayable within 12 months following the year end.	-	1,019,245
Presidor Twenty Four (Pty) Ltd The loan is unsecured, interest free and is repayable within 12 months following the year end.	-	1,140,000
RZT Zelpy 4228 (Pty) Ltd The loan is unsecured, interest free and is repayable within 12 months following the year end.	-	1,140,000
Other loans and receivables 'The loans are unsecured, interest free and are repayable within 12 months following the year end.	812,025	-
Autumn Star Trading 910 (Pty) Ltd The loan is unsecured, interest free and is repayable after 12 months following the year end.	5,920,562	-
Subtotal	6,732,587	6,342,625
Current assets		
Loans and receivables	6,732,587	6,342,625

Notes to the Annual Financial Statements

Figures in Rand	2008	2007

11. Construction contracts

Contracts in progress at balance sheet date

Construction contracts and receivables	9,627,724	1,458,536

Advances received in excess of work completed are included in trade and other payables.

12. Trade and other receivables

Trade receivables	5,495,400	2,726,311
Deposits	2,008,794	2,794
	7,504,194	**2,729,105**

All trade receivables are fully performing

Trade receivables which are past due and exceed 365 days is R382,677 (2007: Nil)

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	98,799	-
Bank balances	5,723,474	3,498
Bank overdraft	(14,991,027)	(1,580,172)
	(9,168,754)	**(1,576,674)**

Current assets	5,822,273	3,498
Current liabilities	(14,991,027)	(1,580,172)
	(9,168,754)	**(1,576,674)**

14. Ordinary shares

Authorised		
1 000 Ordinary shares of R 1.00 each	1,000	1,000
Reconciliation of number of shares issued:		
Reported as at beginning of year	100	100
Issued		
100 Ordinary shares of R 1.00 each	100	100

All issued shares are fully paid.

15. Other financial liabilities

Rand Merchant Bank Limited The loan is secured over land under development included in inventory, bears interest at prime less 0.25 % and is repayable by 1 May 2009.	4,713,302	-
Nedbank Limited The loan was secured over certain plant and machinery in note 5, bearing interest at a rate linked to prime and repayable in monthly instalments of R27 034.	-	518,842

Notes to the Annual Financial Statements

Figures in Rand	2008	2007
15. Other financial liabilities (continued)		
Calprop (Pty) Ltd The loan is unsecured, interest free and is repayable in the following 12 months.	11,349	-
Flaming Moon trading 309 (Pty) Ltd The loan is secured over land under development included in inventory, bears interest at 30 % compounded annually and repayable by 28 February 2009.	2,394,261	-
Holdgro Projects (Pty) Ltd The loan is unsecured, interest free and is repayable in the following 12 months.	356,437	1,137,158
D Earle The loan is unsecured, interest free and is repayable in the following 12 months.	2,946,000	3,136,000
Nedbank limited The loan was secured over certain motor vehicles in note 5, bearing interest at a rate linked to prime and is repayable in monthly instalments of R13 603.	-	154,594
Nedbank Limited The loan was secured over certain plant and machinery in note 5, bearing interest at a rate linked to prime and is repayable in monthly instalments of R27 034.	-	367,435
Rand merchant Bank Limited The loan was secured over land included in inventory, bears interest at a rate linked to prime and was repayable on transfer of the property within a 12 month period	-	14,055,031
Salamax 1583 (Pty) Ltd The loan was unsecured, interest free and was repayable in the following 12 months	-	2,800,000
Barnards Attorneys The loan was unsecured, interest free and was repayable in the following 12 months	-	942,443
Non-current liabilities		
At amortised cost	4,713,302	518,842
Current liabilities		
At amortised cost	5,708,047	22,592,661
	10,421,349	**23,111,503**

Notes to the Annual Financial Statements

Figures in Rand	2008	2007

16. Finance lease obligation

Minimum lease payments due		
- within one year	428,059	-
- in second to fifth year inclusive	771,944	-
	1,200,003	-
less: future finance charges	(147,369)	-
Present value of minimum lease payments	**1,052,634**	**-**
Present value of minimum lease payments due		
- within one year	375,490	-
- in second to fifth year inclusive	677,144	-
	1,052,634	**-**
Non-current liabilities	677,144	-
Current liabilities	375,490	-
	1,052,634	**-**

It is company policy to lease certain equipment under finance leases.

The average lease term is 3 - 5 years and the average effective borrowing rate is prime.

The company's obligations under finance leases are secured by the lessor's charge over the leased assets with a net book value of R1,300,478.

17. Deferred income tax liabilities

Deferred tax (liability)/asset		
Accelerated capital allowances for tax purposes	(1,382,785)	(103,783)
Tax losses available for set off against future taxable income	1,110,778	-
Reduction due to rate change	3,579	-
	(268,428)	**(103,783)**
Reconciliation of deferred tax asset/(liability)		
At beginning of the year - originating temporary difference on construction contracts	(103,783)	(15,651)
Capital allowances	(71,663)	-
Temporary difference on construction contracts	(1,382,033)	(88,132)
	-	-
Deferred tax liabilities	(1,557,479)	(103,783)
Tax losses available for set off against future taxable income	1,110,778	-
Reduction due to rate change	3,579	-
Capital allowances	174,694	
Deferred tax assets	1,289,051	-
	(268,428)	**(103,783)**

Notes to the Annual Financial Statements

Figures in Rand	2008	2007

18. Trade and other payables

Trade payables	14,816,000	4,802,300
Amounts received in advance	-	111,792
Accrual for leave pay	623,908	-
Deposits received	10,000	10,000
	15,449,908	**4,924,092**

Trade and other payables are unsecured, and are repayable within a period of twelve months. The carrying amounts of trade and other payables approximate their fair value

19. Revenue

Sale of developed land	15,228,255	-
Rendering of services	6,276,928	-
Construction contracts	52,344,778	42,431,307
	73,849,961	**42,431,307**

20. Cost of sales

Sale of developed land		
Development of land	25,810,642	9,547,835
Construction contracts		
Construction costs	43,761,602	22,760,171
	69,572,244	**32,308,006**

21. Expenses by nature

(Loss)/profit on sale of property, plant and equipment	(110,854)	7,946
Administration and management fees	296,782	-
Advertising	901,762	198,653
Auditors remuneration	316,605	-
Changes in inventories and work in progress	(8,169,188)	(1,458,536)
Consulting and professional fees	2,594,927	236,311
Depreciation on property, plant and equipment	756,146	149,416
Donations	17,634	21,121
Employee benefit expenses excluding company contributions	20,599,077	3,621,355
Insurance	1,059,769	82,653
Lease rentals on operating leases	1,314,418	347,504
Other expenses	(1,495,252)	1,490,506
Purchases of inventory and work in progress	83,364,355	33,766,542
Telephone and fax	540,257	241,925
Total cost of sales and administration expenses	101,986,438	38,705,396

22. Finance income

Subsidiaries	6,220,860	-
Bank	-	41,207
	6,220,860	**41,207**

Notes to the Annual Financial Statements

Figures in Rand	2008	2007

23. Finance costs

Group companies	203,999	-
Trade and other payables	18,976	-
Bank	745,104	212,321
	968,079	**212,321**

24. Taxation

Major components of the tax expense

Current		
Local income tax - current period	-	1,017,870
Deferred		
Current year	168,224	88,132
Changes in tax rates	(3,579)	-
	164,645	**88,132**
	164,645	**1,106,002**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	29.00 %	29.00 %
Unprovided timing differences	- %	- %
Decrease in tax rate for deferred tax movement	(1.97)%	- %
Decrease in tax rate for deferred tax opening balance	(1.18)%	- %
Disallowable charges	28.33 %	9.39 %
	54.18 %	**38.39 %**

The statutory corporate tax rate for 2008 financial year was 29%. This rate has now been reduced to 28 % for the 2009 financial year. A deferred tax rate adjustment has been taken into account for the tax rate adjustment.

Notes to the Annual Financial Statements

Figures in Rand	2008	2007

25. Share-based payments

Outstanding rights	Exercise date within one year	Exercise date from two to five years	Exercise date after five years	Total
Rights with exercise price of R 3.75	-	10,736,000	-	10,736,000

Information on options granted during the year

Share rights are granted to directors and to selected employees. The exercise price of the granted options is equal to the market price of the shares of the holding company plus 25 % on the date of the grant. Options are conditional on the employee completing three years of service (the vesting period). The following assumptions were used in determining the expense for the year :

- Exercise price - R 3.75,
- Expected volatility - 40 %,
- Option life - 5 years,
- Expected dividend yield - 0 %,
- The risk-free interest rate - 9.03%,
- Method of valuation - Black Scholes.

Total expenses of R 963,141 related to equity-settled share based payments transactions were recognised in 2008.

26. Cash used in operations

Profit before taxation	303,889	3,757,663
Adjustments for:		
Depreciation	756,146	149,416
Loss/(profit) on sale of assets	110,854	(7,946)
Finance income	(6,220,860)	(41,207)
Finance costs	968,079	212,321
Amortisation of intangible assets	139,153	-
Share-based payments	963,140	-
Changes in working capital:		
Inventories	1,510,250	(20,598,780)
Trade and other receivables	(4,775,089)	(2,726,313)
Construction contracts	(8,169,188)	958,017
Trade and other payables	10,525,816	4,475,288
	(3,887,810)	**(13,821,541)**

Notes to the Annual Financial Statements

Figures in Rand	2008	2007

27. Related parties

The following entities are related parties of the company:

Holding Company

- Calgro M3 Holdings Limited

Subsidiaries

- Neoprop (Pty) Ltd
- CM3 Northriding Ext 86 - Mio Bella (Pty) Ltd
- CM3 Northriding Ext 94 - Cherrywood Estate (Pty) Ltd
- CM3 Randpark Ridge Ext 120 (Pty) Ltd

Fellow subsidiaries:

- MS5 Pennyville (Pty) Ltd
- Calgro M3 Land (Pty) Ltd
- Calgro M3 Project Management (Pty) Ltd
- MS5 Projects (Pty) Ltd

In-direct fellow subsidiaries

- PZR Pennyville Zamimphilo Relocation (Pty) Ltd
- CTE Consulting (Pty) Ltd
- CM3 Witkoppen Ext 87 (Pty) Ltd
- CM3 Witkoppen Ext 131 (Pty) Ltd
- CM3 Hightrade-Invest 60 (Pty) Ltd
- Aquarella Invetsments 265 (Pty) Ltd
- Business Venture Investments No 1243 (Pty) Ltd
- Business Venture Investments No 1244 (Pty) Ltd
- Calgro M3 Land 102 (Pty) Ltd
- Baybridge Canal Development Company (Pty) Ltd
- Fluerhof Ext 2 (Pty) Ltd
- Midfield Estate (Pty) Ltd
- Ridgewood Estate (Pty) Ltd
- Tres Jolie Ext 24 (Pty) Ltd

Directors of the Holding company:

- CT Daly - Executive
- BP Malherbe - Executive
- PM Waweru - Executive
- FJ Steyn - Executive

- SE Funde - Independant non-executive
- PF Radebe - Independant non-executive
- H Ntene - Non-executive
- QE Woods - Non-executive

Notes to the Annual Financial Statements

Figures in Rand	2008	2007

27. Related parties (continued)

Related party transactions

For intercompany balances with group companies refer to note 8.

Purchases from (sales to) related parties		
Randpark Ridge Ext 120 (Pty) Ltd	(3,474,093)	(20,247,995)
CM3 Northriding Ext 86 - Mio Bella (Pty) Ltd	-	(2,428,794)
CM3 Northriding Ext 94 - Cherrywood Estate (Pty) Ltd	-	(2,428,794)
Administration fees paid to (received from) related parties		
Calgro M3 Holdings Limited	271,782	-
PZR Pennyville Zamimphilo Relocation (Pty) Ltd	(10,062,171)	-
MS5 Projects (Pty) Ltd	(7,897,798)	-

28. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

29. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	2,607,269	-
- in second to fifth year inclusive	11,715,702	-
	14,322,971	**-**

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

30. Directors' emoluments

Executive

2008	Emoluments	Total
For services as directors	849,352	849,352

2007	Emoluments	Total
For services as directors	1,704,000	1,704,000

Figures in Rand	2008	2007

31. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the accounting policy for investments in subsidiaries. This change in accounting policy results in the investment in subsidiaries being carried at cost, by the company, as opposed to fair value in the prior year.

The above change resulted in a reduction of net profit in 2007 in the company of R 785,765 and a relating reduction of the carrying value of subsidiaries. The opening balance of retained earnings has been restated to take account of this change. There is no tax affect.

32. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Balance sheet		
Loans to group companies	-	95,050
Loans from group companies	-	(95,050)

Detailed Income statement

Figures in Rand	2008	2007 Restated
Revenue	**73,849,961**	**42,431,307**
Gross (loss) profit	**(1,345,206)**	**10,123,301**
Other income		
Administration and management fees received	23,165,346	-
Rental income	-	18,000
Recoveries	26,878	172,281
Other income	(4,639)	4,639
Finance income	6,220,860	41,207
Gains on disposal of assets	-	7,946
	29,408,445	**244,073**
Expenses (Refer to page 36)	**(26,791,271)**	**(6,397,390)**
Operating profit	**1,271,968**	**3,969,984**
Finance costs	(968,079)	(212,321)
Profit before taxation	**303,889**	**3,757,663**
Taxation	164,645	1,106,002
Profit for the year	**139,244**	**2,651,661**

Detailed Income statement

Figures in Rand	2008	2007 Restated
Administrative expenses		
Accounting fees	-	(145,114)
Administration and management fees	(296,782)	-
Advertising	(901,762)	(198,653)
Auditors remuneration	(316,605)	-
Bank charges	(64,274)	(58,123)
Computer expenses	(151,096)	(25,157)
Conference Fees	(65,081)	(2,664)
Consulting and professional fees	(2,594,927)	(236,311)
Depreciation and impairments	(895,299)	(149,416)
Donations	(17,634)	(21,121)
Employee costs	(14,976,154)	(3,621,355)
Entertainment	(2,189)	-
Gifts	(5,640)	(3,009)
Insurance	(1,059,769)	(82,653)
Lease rentals on operating lease	(1,314,418)	(347,504)
Legal expenses	(621,701)	(55,377)
Loans written off	-	(342,219)
Loss on disposal of assets	(110,854)	-
Medical expenses	-	(2,100)
Motor vehicle expenses	(198,117)	(199,072)
Postage	(4,788)	(5,601)
Printing and stationery	(364,632)	(140,463)
Repairs and maintenance	(100,783)	(275,038)
Secretarial fees	(242,308)	(53,576)
Security	(127,194)	(15,935)
Share appreciation rights	(963,141)	-
Small Asset Purchases	3,909	(3,909)
Small asset purchases	(16,326)	-
Staff welfare	(250,141)	(40,206)
Subscriptions	(125,760)	(24,372)
Telephone and fax	(540,257)	(241,925)
Training	(352,973)	-
Transport and freight	(30,450)	-
Travel - local	(60,580)	(106,517)
Utilities	(23,545)	-
	(26,791,271)	**(6,397,390)**