Calgro M3 Developments (Proprietary) Limited

(Registration number 1996/017246/07)

Annual Financial Statements for the year ended 28 February 2009

Calgro M3 Developments (Proprietary) Limited

(Registration number 1996/017246/07)

Annual Financial Statements for the year ended 28 February 2009

(All amounts Stated in Rand unless otherwise stated)

General information

Country of incorporation and domicile	South Africa	
Directors	FJ Steyn	Executive
	DN Steyn	Executive
	WJ Lategan	Executive
Registered office	33 Ballyclare Drive Ballywoods Office Park Cedarwood House Bryanston 2024	
Business Address	33 Ballyclare Drive Ballywoods Office Park Cedarwood House Bryanston 2024	
Postal Address	Private Bag X33 Craighall 2024	
Bankers	First National Bank Nedbank Limited	
Auditors	PricewaterhouseCoopers Inc.	
Secretary	Barnards Attorneys Inc	
Company registration number	1996/017246/07	

Calgro M3 Developments (Proprietary) Limited

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Annual Financial Statements for the year ended 28 February 2009

(All amounts Stated in Rand unless otherwise stated)

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The reports and statements set out below comprise the annual financial statements presented to the shareholder:

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A report of the directors has not been prepared as the company is a wholly owned subsidiary of Calgro M3 Holdings Limited which is incorporated in the Republic of South Africa.

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF CALGRO M3 DEVELOPMENTS (PROPRIETARY) LIMITED

We have audited the annual financial statements of Calgro M3 Developments (Proprietary) Limited, which comprise the balance sheet as at 28 February 2009, and the income statement, statement of changes in equity and 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 45.

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 Calgro M3 Developments (Proprietary) Limited as at 28 February 2009, and its financial performance and its 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
12 May 2009

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, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related 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 judgements 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 clear defined framework, effective accounting procedures and adequate segregartion 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.
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 reports may be relied on for the preparation of the annual financial statements. However, any system of internal controls 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 2010 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 5-45, which have been prepared on the going concern basis, were approved by the board of directors on 11 May 2009 and were signed on its behalf by:

DN Steyn

WJ Lategan

Balance Sheet

	Notes	2009	2008
Assets			
Non-Current Assets			
Investment property	5	**7,492,601**	1,393,171
Property plant and equipment	6	**7,234,590**	6,708,048
Intangible assets	7	**350,519**	719,118
Investment in subsidiaries	8	**600**	400
Loans to group companies	9	**148,195,742**	77,626,054
Deferred income tax asset	10	**-**	1,289,051
		163,274,052	87,735,842
Current Assets			1,289,051
Inventories	11	**22,822,054**	19,507,031
Loans and receivables	12	**7,749,659**	6,732,587
Construction contracts	13	**8,740,338**	9,627,724
ade and other receivables	14	**2,428,174**	7,504,194
repayments	15	**1,312,668**	-
Cash and cash equivalents	16	**1,516,072**	5,822,273
		44,568,965	49,193,809
Total Assets		**207,843,017**	136,929,651
Equity and Liabilities			
Equity			
Equity attributable to owners of the parent			
Ordinary shares	17	**88,561,467**	100
Reserves		**-**	963,141
Retained income		**3,496,197**	2,775,290
		92,057,664	3,738,531
Liabilities			
on-current Liabilities			
Borrowings	18	**-**	4,713,302
Finance Lease obligations	19	**1,842,872**	677,144
Loans from group companies	9	**33,149,870**	89,136,537
Deferred income tax liability	10	**726,995**	1,557,479
		35,719,737	96,084,462
Current Liabilities			
Borrowings	18	**51,293,067**	5,708,047
Current income tax liabilities		**396,857**	582,186
Finance lease obligations	19	**1,204,642**	375,490
Trade and other payables	20	**21,093,630**	15,449,908
Bank overdraft	16	**6,077,420**	14,991,027
		80,065,616	37,106,658
Total Liabilities		**115,785,353**	133,191,120
Total Equity and Liabilities		**207,843,017**	136,929,651

Income Statement

	Notes	2009	2008
Revenue	21	**64,939,861**	73,849,961
Cost of sales	22 & 24	**(56,551,692)**	(75,195,167)
Gross profit/(loss)		**8,388,169**	(1,345,206)
Other income	23	39,852,227	23,187,585
Administrative expenses	24	(53,353,391)	(26,791,271)
Other expenses	24	(7,602,576)	-
Operating loss		**(12,715,571)**	(4,948,892)
Finance income	25	15,452,059	6,220,860
Finance costs	26	(1,557,015)	(968,079)
Profit before tax		**1,179,473**	303,889
Taxation	27	(458,566)	(164,645)
Profit after taxation		**720,907**	139,244

Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Retained income	Total Equity
Balance at 1 March 2007	**100**	**-**	**100**	2,636,046	**2,636,146**
Profit for the year	-	-	-	139,244	139,244
Balance at 1 March 2008	**100**	**-**	**100**	**2,775,290**	**2,775,390**
Issue of shares	1	88,561,366	88,561,367	-	88,561,367
Profit for the year	-	-	-	720,907	720,907
Balance at 28 February 2009	**101**	**88,561,366**	**88,561,467**	**3,496,197**	**92,057,664**
Note	17	17			

Statement of cashflows

	Notes	2009	2008
Cash generated from operations			
Cash generated from operations	28	(4,408,504)	(3,887,810)
Interest received		15,452,059	6,220,860
Interest paid		(1,557,015)	(968,079)
Tax paid	29	(185,329)	(628,143)
Net cash from operating activities		**9,301,211**	736,828
Cash flows from investing activities			
Purchase of property plant and equipment		(2,308,763)	(6,102,537)
Proceeds from the sale of property plant and equipment		6,837	(38,407)
Purchase of investment property		(6,099,430)	(28,655)
Purchase of intangible assets		(147,797)	(858,271)
Proceeds from the sale of intangible assets		1,014	-
Acquisition of subsidiary companies		(200)	(100)
Loans to group companies repaid		-	10,726,544
(Increase)/decrease in loans and receivables		(1,017,072)	(389,962)
Net cash from investing activities		**(9,565,411)**	3,308,612
Cash flows from financing activites			
Proceeds on share issue		1	-
Share premium		88,561,366	-
Increase in borrowings		42,866,594	(11,637,520)
Loans advanced to group companies		(126,556,355)	-
Net cash from financing activities		**4,871,606**	(11,637,520)
Net increase/(decrease) in cash and cash equivalents and bank overdraft		**4,607,406**	(7,592,080)
Cash and cash equivalents and bank overdraft at the beginning of the year		(9,168,754)	(1,576,674)
Cash and cash equivalents and bank overdraft at end of the year	16	**(4,561,348)**	(9,168,754)

Notes to the Annual Financial Statements

1. General Information

Calgro M3 Developments (Proprietary) Limited is a company engaged in construction and residential land development.

The company is a limited liability company incorporated and domiciled in South Africa. The address of its registered office is Cedarwood House, Ballyclare Office Park, 33 Ballyclare Drive, Bryanston, 2024.

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 2009.

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.

Basis of preparation

The annual financial statements of Calgro M3 Developments (Proprietary) Limited 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are disclosed in Note 4.

(a) New standards and interpretations

(i) Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2009 or later periods:

- **IAS 1 (Revised) Presentation of Financial Statements**

The main revisions to IAS 1 (AC 101):

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a balance sheet at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

Notes to the Annual Financial Statements

(a) **New standards and interpretations (Continued)**

(i) Standards and interpretations not yet effective (Continued)

- **IAS 1 (Revised) Presentation of Financial Statements (Continued)**

The effective date of the standard is for years beginning on or after 01 January 2009.
The company expects to adopt the standard for the first time in the 2010 annual financial statements.
It is unlikely that the standard will have a material impact on the company's annual financial statements.

- **IAS 23 (Revised) Borrowing Costs**

The revision 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 has been removed.
The effective date of the standard is for years beginning on or after 01 January 2009.
The company expects to adopt the standard for the first time in the 2010 annual financial statements.
It is unlikely that the standard will have a material impact on the company's annual financial statements.

- **IFRS 8 Operating segments**

IFRS 8 (AC 145) replaces IAS 14 (AC 115) Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.
The effective date of the standard is for years beginning on or after 01 January 2009.
The company expects to adopt the standard for the first time in the 2010 annual financial statements.
It is unlikely that the standard will have a material impact on the company's annual financial statements.

- **IFRIC 15 Agreements for the Construction of Real Estates**

IFRIC 15 (AC 448) specifies whether an agreement for the construction of real estate is within the scope of IAS 11 (AC 109) Construction Contracts or IAS 18 (AC 111) Revenue, and thus impacts the related recognition of revenue. An agreement for the construction of real estate is a construction contract within the scope of IAS 11 (AC 109) only when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. Revenue in such cases should be determined in accordance with the percentage of completion of the contract. In all other cases, IAS 18 (AC 111) applies. If IAS 18 (AC 111) applies and the entity is required to provide the materials for the construction as well as carry out the construction activity, the supply represents the sale of goods. In such cases, revenue is recognised on delivery of the constructed asset. If the entity is not required to provide materials, but only to construct the real estate, the supply is the rendering of services, and revenue should be recognised on the percentage of completion basis.
The effective date of the interpretation is for years beginning on or after 01 January 2009.
The company expects to adopt the interpretation for the first time in the 2010 annual financial statements.
The impact of this interpretation is currently being assessed.

- **IFRS 2 Amendment: IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations**

The amendment clarifies that vesting conditions are only performance conditions or service conditions. All other conditions are non-vesting conditions. Non-vesting conditions are accounted for in the same manner as market conditions. It further clarifies that if either party can choose not to satisfy a non-vesting condition, then the arrangement is treated as a cancellation upon non fulfilment of that condition.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Notes to the Annual Financial Statements

(a) New standards and interpretations (Continued)

(i) Standards and interpretations not yet effective (Continued)

- **IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation**

The revision requires that certain puttable financial instruments and other instruments that impose on the entity an obligation to deliver a pro rata share of the net assets of the entity on liquidation should be classified as equity if certain conditions are met. Any classifications of such items are to be disclosed in the financial statements, together with information concerning the entity's objectives and policies with regards to managing such obligations.
The effective date of the standard is for years beginning on or after 01 January 2009.
The company expects to adopt the standard for the first time in the 2010 annual financial statements.
It is unlikely that the standard will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures**

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 1 Presentation of Financial Statements**

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 (AC 133) Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/liabilities.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 8 Accounting Policies Changes in Accounting Estimates and Errors**

The amendment clarified that Implementation Guidance related to any Standard is only mandatory when it is identified as an integral part of the Standard.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 10 Events after the Reporting Period**

The amendment clarified that if dividends are declared (appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends may not be recognised as a liability as no obligation exists at the reporting date. Thus clarifying that in such cases a liability cannot be raised even if there is a constructive obligation.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Notes to the Annual Financial Statements

(a) **New standards and interpretations (Continued)**

(i) Standards and interpretations not yet effective (Continued)

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 Property, Plant and Equipment**

The term 'net selling price' has been replaced with 'fair value less cost to sell' in the definition of recoverable amount.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 Property, Plant and Equipment**

The amendment requires entities that routinely sell items of property, plant and equipment that they have previously held for rental to others, to transfer such assets to inventories at their carrying amount when they cease to be rented and are held for sale. The proceeds from the sale of such assets should be recognised as revenue in accordance with IAS 18 (AC 111) Revenue. IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations does not apply in these situations.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 7 Statement of Cash Flows**

Cash payments to manufacture or acquire property, plant and equipment that entities routinely sell and which they have previously held for rentals to others, and cash receipts from rental and sale of such assets are to be included within operating activities.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 18 Revenue**

With regards to financial service fees, the term 'direct costs' have been replaced with 'transaction costs' as defined in IAS 39 (AC 133) Financial Instruments: Recognition and Measurement. This was in order to remove the inconsistency for costs incurred in originating financial assets and liabilities that should be deferred and recognised as an adjustment to the underlying effective interest rate.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 Employee Benefits**

With regards to curtailments and negative past service costs clarification has been made that:
  - When a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
  - Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
  - A curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of 'return on plan assets' has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

Notes to the Annual Financial Statements

(a) New standards and interpretations (Continued)

(i) Standards and interpretations not yet effective (Continued)

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 Employee Benefits (Continued)**

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 23 Borrowing Costs (as revised in 2007)**

The description of specific components of borrowing costs has been replaced with a reference to the guidance in IAS 39 (AC 133) Financial Instruments: Recognition and Measurement on effective interest rate.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 27 Consolidated and Separate Financial Statements**

The amendment requires that investments in subsidiaries, jointly controlled entities and associates accounted for in accordance with IAS 39 (AC 133) Financial Instruments: Recognition and Measurement in the parent's separate financial statements should continue to be measured in accordance with IAS 39 (AC 133) when classified as held for sale (or included in a disposal company classified as held for sale), and not in accordance with IFRS 5 (AC 142) Non-current Assets held for Sale and Discontinued Operations.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures; IAS 32 Financial Instruments: Presentation; IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures**

The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through profit or loss or are classified as held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures are required together with the disclosures of IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 28 Investments in Associates**

The amendment clarifies that because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised, it is not tested separately for impairment. Instead the entire carrying amount of the investment is tested for impairment. Any resulting impairment loss is not allocated to any of the assets, including goodwill, that make up the carrying amount of the investment. Therefore any reversal of an impairment loss is reversed to the extent that the recoverable amount of the investment increases. This applies to the full impairment loss, because the impairment was not allocated to goodwill.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Notes to the Annual Financial Statements

(a) New standards and interpretations (Continued)

(i) Standards and interpretations not yet effective (Continued)

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 34 Interim Financial Reporting**

The amendment clarifies that the requirement to present information on earnings per share in interim financial reports applies only to entities within the scope of IAS 33 (AC 104) Earnings per Share.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 Impairment of Assets**

The amendment requires disclosures of estimates used to determine the recoverable amount of cashgenerating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 38 Intangible Assets**

The amendments clarify the circumstances in which an entity can recognise a prepayment asset for advertising or promotional expenditure. Recognition of an asset would be permitted up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.
In addition, wording perceived as prohibiting the use of the unit of production method if it results in a lower amount of accumulated amortisation than under the straight line method has been removed. Entities may use the unit of production method when the resulting amortisation charge reflects the expected pattern of consumption of the expected future economic benefits embodied in an intangible asset.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 Financial Instruments: Recognition and Measurement**

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.
The amendments have also removed references to the designation of hedging instruments at the segment level.
The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Notes to the Annual Financial Statements

(a) New standards and interpretations (Continued)

(i) Standards and interpretations not yet effective (Continued)

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 40 Investment Property and IAS 16 Property, Plant and Equipment**

Property being constructed for use as investment property is now classified as investment property and not property, plant and equipment (as previously required). Even if the entity accounts for investment property at fair value, such property may be measured at cost until the earlier of date fair value is determinable or construction is complete.
Some terminology in the Standard has been amended to be consistent with other Standards and Interpretations.
In determining the carrying amount of investment property held under a lease and accounted for using the fair value model, the amendment clarified that any lease liability should be added back to the valuation to arrive at the carrying amount, rather than the fair value of the investment property.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Amendment for determining cost of investment in the separate financial statements on first time adoption**

The amendments:
  - Allow for the purposes of first time adoption of IFRS, investors to use a deemed cost to measure the initial cost of investments in subsidiaries, jointly controlled entities, and associates in the separate financial statements. This deemed cost is either fair value or the carrying amount under previous accounting practice.
  - Require that, when a new parent is formed in a reorganisation, the new parent must measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **IAS 18 Revenue: Consequential amendments**

Dividends paid out of pre-acquisition profits are no longer deducted from the cost of the investment.
The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **IAS 36 Impairment of Assets: Consequential amendments**

Under certain circumstances, a dividend received from a subsidiary, associate or joint venture could be an indicator of impairment. This occurs when:
  - Carrying amount of investment in separate financial statements is greater than carrying amount of investee's net assets including goodwill in consolidated financial statements or
  - Dividend exceeds total comprehensive income of investee in period dividend is declared.

The effective date of the amendment is for years beginning on or after 01 January 2009.
The company expects to adopt the amendment for the first time in the 2010 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Notes to the Annual Financial Statements

(a) New standards and interpretations (Continued)

(i) Standards and interpretations not yet effective (Continued)

- **IFRS 3 (Revised) Business Combinations**

The revisions to IFRS 3 (AC 140) Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 01 July 2009.
The company expects to adopt the standard for the first time in the 2011 annual financial statements.
It is unlikely that the standard will have a material impact on the company's annual financial statements.

- **IAS 27 (Amended) Consolidated and Separate Financial Statements**

The revisions require:

- Losses of the subsidiary to be allocated to non-controlling interest, even if they result in the noncontrolling interest being a debit balance.
- Changes in level of control without loss of control to be accounted for as equity transactions, without any gain or loss being recognised or any remeasurement of goodwill.
- When there is a change in the level of control without losing control, the company is prohibited from making reclassification adjustments.
- When control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is remeasured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2009.
The company expects to adopt the amendment for the first time in the 2011 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **IAS 7 Statement of Cash flows: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements**

Cash flows arising from changes in level of control, where control is not lost, are equity transactions and are therefore accounted for as cash flows from financing transactions.
The effective date of the amendment is for years beginning on or after 01 July 2009.
The company expects to adopt the amendment for the first time in the 2011 annual financial statements.
It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Notes to the Annual Financial Statements

(a) New standards and interpretations (Continued)

(i) Standards and interpretations not yet effective (Continued)

- **IAS 28 Investments in Associates: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements**

  When an investment in an associate is reduced but significant influence is retained, a proportionate share of other comprehensive income must be reclassified to profit or loss.
  The effective date of the amendment is for years beginning on or after 01 July 2009.
  The company expects to adopt the amendment for the first time in the 2011 annual financial statements.
  It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **IAS 12 Income Taxes – consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements**

  The amendment is as a result of amendments to IAS 27 (AC 132) Consolidate and Separate Financial Statements. The amendment refers to situations where a subsidiary, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and profit or loss to the extent that it exceeds goodwill), only if it results from information in the measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period.
  The effective date of the amendment is for years beginning on or after 01 July 2009.
  The company expects to adopt the amendment for the first time in the 2011 annual financial statements.
  It is unlikely that the amendment will have a material impact on the company's annual financial statements.

- **Amendment to IAS 39 and IFRS 7: Reclassification of Financial Assets**

  The amendment permits an entity to reclassify certain financial assets out of the fair value through profit or loss category if certain stringent conditions are met. It also permits an entity to transfer from the available for sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.
  The effective date of the amendment is for years beginning on or after 01 July 2009.
  The company expects to adopt the amendment for the first time in the 2011 annual financial statements.
  It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Notes to the Annual Financial Statements

(a) New standards and interpretations (Continued)

(ii) Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2009 or later periods but are not relevant to its operations:

- **IFRIC 13 Customer Loyalty Programmes**

IFRIC 13 (AC 446) 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 using fair values. The effective date of the interpretation is for years beginning on or after 01 July 2008.

- **IFRIC 16 Hedges of a Net Investment in a Foreign Operation**

The interpretation deals with the following issues:

- Presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.
- Any entity or entities within a company can hold a hedging instrument in a hedge of a net investment in a foreign operation. The parent entity holding the net investment in a foreign operation therefore does not also have to hold the hedging instrument.
- How an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.
- IAS 39 (AC 133) Financial Instruments: Recognition and Measurement must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, and IAS 21 (AC 112) The Effects of Changes in Foreign Exchange Rates must be applied in respect of the hedged item.

The effective date of the interpretation is for years beginning on or after 01 October 2008.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance**

The amendment requires that the benefit of loans from Government with a below market rate of interest be accounted for as a government grant, measured as the difference between the initial carrying amount of the loan determined in accordance with IAS 39 (AC 133) Financial Instruments: Recognition and Measurement and the proceeds received.
The terminology in the Standard was also amended to bring it in line with other Standards and Interpretations.
The effective date of the amendment is for years beginning on or after 01 January 2009.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 29 Financial Reporting in Hyperinflationary Economies**

The standard was amended to reflect the fact that in historical cost financial statements, some assets and liabilities may be measured at current values (e.g. property, plant and equipment measured at fair value).
Some terminology of the standard was amended to make it consistent with other Standards and Interpretations.

Notes to the Annual Financial Statements

(a) New standards and interpretations (Continued)

(ii) Standards and interpretations not yet effective or relevant (Continued)

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 29 Financial Reporting in Hyperinflationary Economies (Continued)**

  The effective date of the amendment is for years beginning on or after 01 January 2009.

- **May 2008 Annual Improvements to IFRS's: Amendments to IAS 41 Agriculture**

  The amendment impacts the discount rate used for fair value calculations. The discount rate was previously required to be a pre-tax rate. The amendment requires a current market rate to be used, but permits this to be a pre-tax or post-tax rate according to the valuation methodology used.
  Additional biological transformation may now be taken into consideration when calculating the fair value of biological assets using discounted cash flows.
  In addition, the definition of 'agricultural activity' has been amended to include the harvest of biological assets. 'Point of sale costs' have been replaced with 'costs to sell', where costs to sell are defined as the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.
  Logs are now an example of products as a result of processing after the harvest rather than an example of agricultural produce. Felled trees replaces the example of logs in agricultural produce.
  The effective date of the amendment is for years beginning on or after 01 January 2009.

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Consequential amendments**

  A dividend paid out of pre-acquisition profits is no longer considered to be part of a disposal of an interest in a foreign operation.
  The effective date of the amendment is for years beginning on or after 01 January 2009.

- **IAS 31 Interests in Joint Ventures: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements**

  When an interest in a joint venture is reduced but joint control is retained, a proportionate share of other comprehensive income must be reclassified to profit or loss.
  The effective date of the amendment is for years beginning on or after 01 July 2009.

- **May 2008 Annual Improvements to IFRS's: Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

  The amendment clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.
  The effective date of the amendment is for years beginning on or after 01 July 2009.

Notes to the Annual Financial Statements

(a) New standards and interpretations (Continued)

(ii) Standards and interpretations not yet effective or relevant (Continued)

- **IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items**

The amendment provides clarification on two hedge accounting issues:
- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2009.

2.2 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 administrative expenses in the income statement.

Notes to the Annual Financial Statements

2.3 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.

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
- Land	Indefinite
- Building	20 years

Building under construction is carried at cost and is classified as inventory until such time as the property is available for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the income statement.

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).

2.5 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.

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

Notes to the Annual Financial Statements

2.6 Financial assets

(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 14 and 16)

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 company of financial assets is impaired.

(e) *Derivative financial instruments*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as either:

(i) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the income statement within administrative expenses or other income.

2.7 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.

2.8 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.

Notes to the Annual Financial Statements

2.8 Cost of sales (Continued)

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.

2.9 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.

2.10 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 company 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 administrative expenses in the income statement.

.1 Cash and cash equivalents

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

2.12 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.

2.13 Trade payables

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

Notes to the Annual Financial Statements

2.14 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.

Facilitation fees are incurred for new borrowings raised. These fees are capitalised accordingly.

2.15 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 aqcuired 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.

2.16 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.

Notes to the Annual Financial Statements

2.16 Current and deferred income tax (continued)

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).

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 expense

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.

2.17 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.

Notes to the Annual Financial Statements

2.17 Employee benefits (continued)

(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.

(c) *Share based compensation (continued)*

...e 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.

2.18 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 ...rresponding 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).

2.19 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 and after eliminating sales within the company.

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.

Notes to the Annual Financial Statements

2.19 Revenue recognition (continued)

(a) *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 or 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.

(b) *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.

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 bear 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.

(c) *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.

(d) *Dividend income*

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

Notes to the Annual Financial Statements

2.20 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.

2.21 Dividend distribution

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

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 and 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 no 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 R808,470 (2008 - R828,431).

Notes to the Annual Financial Statements

3.1 Financial risk factors (continued)

(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.

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

The company has facilities with major banks to the value of R15,000,000

(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 28 February 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	51,293,067	-	-	-
Bank	6,077,420	-	-	-
Trade and other payables	21,093,630	-	-	-

at 29 February 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	5,708,047	4,713,302	-	-
Bank	14,991,027	-	-	-
Trade and other payables	15,449,908	-	-	-

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 consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables and interest free loans receivable 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.

4 Critical accounting estimated and judgements

4.1 Critical accounting estimated and assumptions

(a) Construction contracts revenue recognition and profit taking

The company uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires the company to estimate the construction services and activities performed to date as a proportion of the total services and activities to be performed. In addition, judgements are required when recognising and measuring any variations or claims on each contract.

Notes to the Annual Financial Statements

5 Investment Property

	2009			2008		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Investment property	7,492,601	-	7,492,601	1,393,171	-	1,393,171

Reconciliation of investment property - 2009	Opening balance	Transfer from inventory	Total
Investment Property	1,393,171	6,099,430	7,492,601

Reconciliation of investment property - 2008	Opening balance	Additions	Total
Investment Property	1,364,516	28,655	1,393,171

Details of properties	2009	2008
Building situated on stand 2334 Northriding Ext 82		
Building - Transfer from inventory - At Cost	684,177	684,176
Building situated on stand 2336 Northriding Ext 82		
Building - Transfer from inventory - At Cost	708,995	708,995
Land situated on stand 1849 Witkoppen Ext 87		
Land - At Cost	582,794	-
Building - Transfer from inventory - At Cost	169,067	-
	751,861	**-**
Land situated on stand 1858 Witkoppen Ext 87		
Land - At Cost	582,794	-
Building - Transfer from inventory - At Cost	170,171	-
	752,965	**-**
Land situated on stand 2032 Witkoppen Ext 136		
Land - At Cost	517,042	-
Land situated on stand 2033 Witkoppen Ext 136		
Land - At Cost	517,043	-
Building - Transfer from inventory - At Cost	562,748	-
	1,079,791	**-**
Land situated on stand 2034 Witkoppen Ext 136		
Land - At Cost	517,043	-
Building - Transfer from inventory - At Cost	406,402	-
	923,445	**-**
Building situated on stand 2020 Witkoppen Ext 136		
Building - At Cost	36,671	-
Land and building situated on stand 1810 Witkoppen Ext 131		
Land - At Cost	711,452	-
Building - Transfer from inventory - At Cost	734,195	-
	1,445,647	**-**
Building situated on stand 1999 Witkoppen Ext 136		
Building - At Cost	592,007	-
Total	**7,492,601**	**1,393,171**

Land under investment property has a fair value of R7,500,000.

Notes to the Annual Financial Statements

	2009	2008

6 Property, plant and equipment

	2009			2008		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Plant and machinery	2,640,629	(923,169)	1,717,460	1,313,009	(364,501)	948,508
Furniture and fixtures	3,281,229	(769,230)	2,511,999	3,254,069	(213,246)	3,040,823
Motor vehicles	1,810,261	(336,794)	1,473,467	1,134,096	(144,914)	989,182
Office equipment	31,774	(4,515)	27,259	13,450	(306)	13,144
IT equipment	731,912	(289,100)	442,812	632,904	(95,405)	537,499
Leasehold Improvements	1,396,200	(334,607)	1,061,593	1,247,144	(68,252)	1,178,892
Total	9,892,005	(2,657,415)	7,234,590	7,594,672	(886,624)	6,708,048

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Depreciation	Total
Plant and machinery	948,508	1,327,620	-	(558,668)	1,717,460
Furniture and fixtures	3,040,823	27,160	-	(555,984)	2,511,999
Motor vehicles	989,182	676,166	-	(191,881)	1,473,467
Office equipment	13,144	18,324	-	(4,209)	27,259
IT equipment	537,499	110,438	(6,837)	(198,288)	442,812
Leasehold Improvements	1,178,892	149,056	-	(266,355)	1,061,593
	6,708,048	2,308,764	(6,837)	(1,775,385)	7,234,590

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 finance lease obligations

Plant and machinery	1,377,316	948,508
Motor vehicles	942,786	-
	2,320,102	**948,508**

Notes to the Annual Financial Statements

		2009	2008

7 Intangible assets

	2009			2008		
	Cost	Accumulated Amortisation/	Carrying amount	Cost	Accumulated Amortisation/	Carrying amount
Computer software	1,003,516	(652,997)	350,519	858,271	(139,153)	719,118
	1,003,516	**(652,997)**	**350,519**	858,271	(139,153)	719,118

Reconciliation of intangible assets - 2009	Opening Balance	Additions	Amortisation	Disposals	Total
Computer software	719,118	147,797	(515,382)	(1,014)	350,519
	719,118	147,797	(515,382)	(1,014)	350,519

Reconciliation of intangible assets - 2008	Opening Balance	Additions	Amortisation	Total
Computer software	-	858,271	(139,153)	719,118
	-	858,271	(139,153)	719,118

8 Investment in subsidiaries

Name of company	% Holding 2009	% Holding 2008	Carrying amount 2009	Carrying amount 2008
Direct				
CM3 Northriding Ext 86 - Mio Bella (Pty) Ltd	**100.00%**	100.00%	**100**	100
CM3 Northriding Ext 94 - Cherrywood Estate (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%**	100.00%	**100**	100
MS5 Pennyville (Pty) Ltd	**100.00%**	-%	**100**	-
MS5 Projects (Pty) Ltd	**100.00%**	-%	**100**	-
			600	**400**
In-direct				
PZR Pennyville Zamamphilo Relocation (Pty) Ltd	**100.00%**	100.00%	**100**	100
PZR Fleurhof (Pty) Ltd	**100.00%**	-%	**100**	-
			200	**100**

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

9 Loans to/(from) group companies

Holding company		
Calgro M3 Holdings Limited	(5,663,344)	(88,017,803)
The loan is unsecured, bears interest at a rate linked to prime and is not repayable in the following 12 months.		
Subsidiaries		
CM3 Witkoppen Ext 86 - Mio Bella (Pty) Ltd	182,087	156,144
The loan is unsecured, bears interest at a rate linked to prime and is not repayable in the following 12 months.		

Notes to the Annual Financial Statements

		2009	2008
9	**Loans to/(from) group companies (continued)**		
Subsidiaries (continued)			
CM3 Witkoppen Ext 94 - Cherrywood Estate (Pty) Ltd		146,444	271,588
The loan is unsecured, bears interest at a rate linked to prime and is not repayable in the following 12 months.			
MS5 Pennyville (Pty) Ltd		6,176,250	-
The loan is unsecured, bears interest at a rate linked to prime and is not repayable in the following 12 months.			
CM3 Randpark Ridge Ext 120 (Pty) Ltd		2,223,850	2,467,238
The loan is unsecured, bears interest at a rate linked to prime and is not repayable in the following 12 months.			
PZR Pennyville Zamimphilo Relocation (Pty) Ltd		(27,486,526)	6,462,713
The loan is unsecured, bears interest at a rate linked to prime and is not repayable in the following 12 months.			
MS5 Projects (Pty) Ltd		3,897,006	(1,118,734)
The loan is unsecured, bears interest at a rate linked to prime and is not repayable in the following 12 months.			
Fellow - Subsidiaries			
CTE Consulting (Pty) Ltd		2,709,098	330,457
The loan is unsecured, bears interest at a rate linked to prime and is not repayable in the following 12 months.			
Calgro M3 Land (Pty) Ltd		132,861,007	67,937,914
The loan is unsecured, bears interest at a rate linked to prime and is not repayable in the following 12 months.			
Loans to group companies		**148,195,742**	**77,626,054**
Loans from group companies		**(33,149,870)**	**(89,136,537)**

Notes to the Annual Financial Statements

	2009	2008
10 Deferred income tax assets/(liabilities)		
Deferred tax (liability)/asset		
Construction contracts	(3,123,369)	(1,382,785)
Tax losses available for set off against future taxable income	2,644,437	1,110,778
Reduction due to rate change	-	3,579
Capital allowances	(248,063)	-
	(726,995)	**(268,428)**
Reconciliation of deferred tax (liability)/asset		
At beginning of the year - originating temporary difference on construction contracts	(1,557,479)	(103,783)
Construction contracts	(2,676,668)	(1,382,033)
Capital allowances	(248,063)	(71,663)
Deferred tax liabilities	**(4,482,210)**	**(1,557,479)**
Tax losses available for set off against future taxable income	3,755,215	1,110,778
Reduction due to rate change	-	3,579
Capital allowances	-	174,694
Deferred tax assets	**3,755,215**	**1,289,051**
	(726,995)	**(268,428)**

Recognition of deferred tax asset

A deferred tax asset has been raised as management expects future taxable profits in the company will be in excess of the losses incurred to date, based on future developments planned and the profit forecasts thereon.

11 Inventories		
Land under development held for sale	22,822,054	19,507,031
	22,822,054	**19,507,031**

Inventory pledged as security

Land under development is secured by mortgage bonds over the properties as set out in note 18.

Inventories to the value of R1,543,406 is stated at net realisable value.

12 Loans and receivables		
Autumn Star Trading 910 (Pty) Ltd The loan is unsecured, interest free and is payable on demand.	5,756,677	5,920,562
Other loans and receivables The loan is unsecured, interest free and is payable on demand.	1,992,982	812,025
	7,749,659	**6,732,587**

All loans and receivables are fully performing

Loans and receivables to the value of R5,756,677 are past due and not impaired.

Notes to the Annual Financial Statements

	2009	2008
13 Construction contracts		
Contracts in progress at balance sheet date		
The aggregate costs incurred and recognised profits to date	77,634,083	13,804,502
Less: Progress billings	(68,893,745)	(4,176,778)
Construction contracts	8,740,338	9,627,724

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

14 Trade and other receivables		
Trade receivables	2,219,226	5,495,400
Securing deposits	208,948	2,008,794
	2,428,174	**7,504,194**
Financial Instruments	2,219,226	5,495,400
Non-financial Instruments	208,948	2,008,794
	2,428,174	**7,504,194**

All trade receivables are fully performing

15 Prepayments		
Prepayments listed on the face of the Balance Sheet, are expenses incurred on land under development that has not yet transferred into the company's name.	1,312,668	-
	1,312,668	**-**

16 Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	200	98,799
Bank balances	1,515,872	5,723,474
Bank overdraft	(6,077,420)	(14,991,027)
	(4,561,348)	**(9,168,754)**
Current assets	1,516,072	5,822,273
Current liabilities	(6,077,420)	(14,991,027)
	(4,561,348)	(9,168,754)

Notes to the Annual Financial Statements

	2009	2008
17 Ordinary shares		
Authorised		
1,000 Ordinary shares of R1 each	1,000	1,000
Reconciliation of number of shares issued:		
Reported as at the beginning of the year	100	100
Issue of shares - ordinary shares	1	-
	101	100
Issued		
101 Ordinary shares of R1 each	101	100
Share premium	88,561,366	-
	88,561,467	100

All issued shares are fully paid.

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

18 Borrowings		
Non-current		
Rand Merchant Bank Limited	-	4,713,302
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.		
Total non-current borrowings	**-**	**4,713,302**
Current borrowings		
Nedbank Corporate	45,000,000	-
This is a 3 month listed note and bears interest at a jabar related rate determined every 3 months.		
Thomas Henry Walter Priday	5,000,000	-
The loan is secured over land under development included in inventory and with, bears interest at 20 % and repayable by 24 September 2008.		
Holdgro Projects (Pty) Ltd	68,390	356,437
The loan is unsecured, interest free and is repayable in the following 12 months.		
Capricorn Finance (Pty) Ltd	1,224,677	-
The loan is unsecured, interest free and is repayable in the following 12 months.		

Notes to the Annual Financial Statements

	2009	2008
18 Borrowings (continued)		
Current borrowings (continued)		
Calprop (Pty) Ltd	-	11,349
The loan is unsecured, interest free and is repayable in the following 12 months.		
Flaming Moon trading 309 (Pty) Ltd	-	2,394,261
The loan is secured over land under development included in inventory, bears interest at 30 % compounded annually and repayable by 28 February 2009.		
D Earle	-	2,946,000
The loan is unsecured, interest free and is repayable in the following 12 months.		
Total current borrowings	**51,293,067**	**5,708,047**
Total borrowings	**51,293,067**	**10,421,349**
Non-current liabilities		
At amortised cost	-	**4,713,302**
Current liabilities		
At amortised cost	**51,293,067**	**5,708,047**
	51,293,067	**10,421,349**

The directors have not breached the requirements of the company's Memorandum and Articles of Association in terms of their borrowing powers.

19 Finance lease obligations

Minimum lease payments due		
- within one year	1,546,020	428,059
- in second to fifth year inclusive	2,191,644	771,944
	3,737,664	1,200,003
Less: future finance charges	(690,150)	(147,369)
Present value of minimum lease payments	**3,047,514**	**1,052,634**
Present value of minimum lease payments due		
- within one year	1,204,642	375,490
- in second to fifth year inclusive	1,842,872	677,144
	3,047,514	**1,052,634**
Non-current liabilities	1,842,872	677,144
Current liabilities	1,204,642	375,490
	3,047,514	**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.

Notes to the Annual Financial Statements

	2009	2008
20 Trade and other payables		
Trade payables	19,175,056	14,816,000
Value Added Tax	1,284,666	-
Provision for leave pay	623,908	623,908
Deposits received	10,000	10,000
	21,093,630	**15,449,908**
Financial instruments	19,175,056	14,816,000
Non-financial instruments	1,918,574	633,908
	21,093,630	**15,449,908**

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

21 Revenue		
Sale of developed land	453,754	15,228,255
Rendering services	-	6,276,928
Construction contracts	64,486,107	52,344,778
	64,939,861	73,849,961
22 Cost of sales		
Sale of developed land		
Development of land	457,762	25,810,642
Rendering of services	-	5,622,923
Construction contracts		
Construction costs	56,093,930	43,761,602
	56,551,692	**75,195,167**
23 Other income		
Reimbursed expenses	8,169,113	-
Insurance refunds	38,541	22,240
Management fees	31,623,925	21,696,363
Other income	-	1,468,982
Rental income	20,648	-
	39,852,227	**23,187,585**

Notes to the Annual Financial Statements

	2009	2008
24 Expense by nature		
Administrative expenses		
Administration and management fees	587,405	296,782
Advertising	1,666,782	901,762
Auditors remuneration	2,881,849	316,605
Changes in Inventories and work in progress	887,386	(8,169,188)
Computer expenses	593,024	-
Depreciation on property, plant and equipment and amortisation on computer software	2,290,767	756,146
Donations	356,444	17,634
Employee benefit expenses excluding company contributions	27,284,399	20,599,077
Fines, penalties and interest	101,822	-
Insurance	970,029	1,059,769
Loss on sale of property, plant and equipment	-	(110,854)
Lease rentals on operating leases	3,127,151	1,314,418
Legal fees	336,851	-
Profit on share appreciation scheme revalued	(963,141)	-
Purchases of inventory and work in progress	55,664,306	83,364,355
Motor vehicle expenses	246,661	-
Printing and stationery	577,485	-
Professional fees	2,111,086	2,594,927
Telephone and fax	592,644	540,257
Reimbursive expenses	8,169,113	-
Sundry expenses	2,423,020	(1,495,252)
Other expenses		
Impairment of inventory	5,412,136	-
Impairment of loans	2,190,440	-
Total cost of sales, administration expenses and other expenses	**117,507,659**	**101,986,438**
25 Finance income		
Interest revenue		
Interest bearing borrowings	14,574,824	6,220,860
Bank	877,235	-
	15,452,059	**6,220,860**
26 Finance cost		
Trade and other payables	-	18,976
Bank	590,779	745,104
Interest bearing borrowings	966,236	203,999
	1,557,015	**968,079**

Notes to the Annual Financial Statements

	2009	2008
27 Taxation		
Major components of the tax expense		
Deferred		
Current year	458,566	168,224
Changes in tax rates	-	(3,579)
	458,566	**164,645**
Reconciliation of tax expense		
Applicable tax rate	28.00%	29.00%
Decrease in tax rate for deferred tax movement	-%	(1.97)%
Decrease in tax rate for deferred tax opening balance	-%	(1.18)%
Non-deductable expenses	10.88%	28.33%
Effective tax rate	**38.88%**	**54.18%**

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

28 Cash (used in)/generated from operations		
Profit before taxation	1,179,473	303,889
Adjustments for:		
Depreciation	1,775,385	756,146
Loss on sale of assets	-	110,854
Finance income	(15,452,058)	(6,220,860)
Finance cost	1,557,015	968,079
Amortisation of intangible assets	515,382	139,153
Share based payments	(963,141)	963,140
Changes in working capital:		
Inventories	(7,327,675)	1,510,250
Trade and other receivables	5,103,448	(4,775,089)
Prepayments	(1,300,891)	-
Construction contracts	4,881,639	(8,169,188)
Trade and other payables	5,622,919	10,525,816
	(4,408,504)	**(3,887,810)**
29 Tax paid		
Balance at beginning of the year	(582,186)	(1,210,329)
Current tax for the year recognised in income statement	-	-
Balance at end of the year	396,857	582,186
	(185,329)	**(628,143)**

Notes to the Annual Financial Statements

	2009	2008

30 Share-based payments

Outstanding rights	Exercise date within one year	Exercise date from two to five years	Exercise date after five years	Total
Number of rights with an exercise price of R3.75	-	10,736,000	-	10,736,000

Information on options granted during the year

Share rights in the holding company are granted to directors and to selected employees. The exercise price of the granted options is equal to the market price of the shares 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.

No expense was incurred in the 2009 financial year. Because of non-market vesting conditions the rights issue is not expected to be fulfilled so therefore the expenses of R963,141 previously expensed have been reversed in the current financial year.
The share scheme is equity-settled.

31 Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	2,841,924	2,607,269
- in second to fifth year inclusive	9,173,727	11,715,702
	12,015,651	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.

32 Related parties

The following entities are related parties of the company:

Holding company:

- Calgro M3 Holdings Limited

Subsidiaries

- MS5 Projects (Pty) Ltd
- MS5 Pennyville (Pty) Ltd
- PZR Pennyville Zamimphilo Relocation (Pty) Ltd
- CM3 Northriding Ext 86 - Mio Bella (Pty) Ltd
- CM3 Northriding Ext 94 - Cherrywood Estates (Pty) Ltd
- CM3 Randpark Ridge Ext 120 (Pty) Ltd

Directors of the company:

- FJ Steyn - Executive
- DN Steyn - Executive
- WJ Lategan - Executive

Fellow subsidiaries

- CTE Consulting (Pty) Ltd
- Calgro M3 Land (Pty) Ltd
- Midfield Estates (Pty) Ltd
- Fleurhof Ext 2 (Pty) Ltd

For intercompany balances with group companies refer to note 6.

Notes to the Annual Financial Statements

	2009	2008
32 Related parties (continued)		
Interest paid to Calgro M3 Developments (Proprietary) Limited by related parties		
MS5 Projects (Pty) Ltd	(576,323)	-
Calgro M3 Land (Pty) Ltd	(11,264,317)	(5,640,990)
MS5 Pennyville (Pty) Ltd	(89,838)	-
PZR Pennyville Zamimphilo Relocation (Pty) Ltd	(2,246,388)	(311,098)
CTE Consulting (Pty) Ltd	(71,918)	-
CM3 Northriding Ext 86 - Mio Bella (Pty) Ltd	(25,255)	(47,456)
CM3 Northriding Ext 94 - Cherrywood Estates (Pty) Ltd	(13,441)	(40,621)
CM3 Randpark Ridge Ext 120 (Pty) Ltd	(287,344)	(180,695)
	(14,574,824)	**(6,220,860)**
Interest paid to related parties by Calgro M3 Developments (Proprietary) Limited		
Calgro M3 Holdings Limited	404,643	-
MS5 Projects (Pty) Ltd	-	203,999
PZR Pennyville Zamimphilo Relocation (Pty) Ltd	561,593	-
	966,236	**203,999**
Administration fees paid to Calgro M3 Developments (Proprietary) Limited by related parties		
MS5 Projects (Pty) Ltd	(11,502,224)	(11,096,511)
PZR Pennyville Zamimphilo Relocation (Pty) Ltd	(14,032,642)	(10,599,852)
Midfield Estates (Pty) Ltd	(2,113,887)	
Fleurhof Ext 2 (Pty) Ltd	(2,113,887)	
CTE Consulting (Pty) Ltd	(1,861,285)	
	(31,623,925)	**(21,696,363)**
Administration fees paid by Calgro M3 Developments (Proprietary) Limited to related parties		
Calgro M3 Holdings Limited	587,405	271,782
	587,405	**271,782**
Professional fees paid by Calgro M3 Developments (Proprietary) Limited to related parties and capitalised to Inventories		
CTE Consulting (Pty) Ltd	29,000	-
	29,000	**-**

Notes to the Annual Financial Statements

33 Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2009

	Loans and receivables	Fair Value through profit or loss - held for trading	Fair Value through profit or loss - designated	Available for sale	Total
Loans and receivables	7,749,659	-	-	-	7,749,659
Trade receivables	2,219,226	-	-	-	2,219,226
Loans to group companies	148,195,742	-	-	-	148,195,742
Cash and cash equivalents	1,516,072	-	-	-	1,516,072
	159,680,699	**-**	**-**	**-**	**159,680,699**

2008

	Loans and receivables	Fair Value through profit or loss - held for trading	Fair Value through profit or loss - designated	Available for sale	Total
Loans and receivables	6,732,587	-	-	-	6,732,587
Trade receivables	5,495,400	-	-	-	5,495,400
Loans to group companies	77,626,054	-	-	-	77,626,054
Cash and cash equivalents	5,822,273	-	-	-	5,822,273
	95,676,314	**-**	**-**	**-**	**95,676,314**

The credit quality of financial assets can be assessed by reference to historical information. Trade receivables (less than 6 months) comprise outstanding draw downs from banks, government and municipal institutions with no history of default. Cash and cash equivalents are deposits with major banks. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The company does not hold any collateral as security.

Notes to the Consolidated Annual Financial Statements

34 Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2009

	Financial liabilities at amortised cost	Fair Value through profit or loss - held for trading	Fair value through profit or loss - Designated	Total
Borrowings	51,293,067	-	-	51,293,067
Finance Lease obligations	1,842,872	-	-	1,842,872
Loans from group companies	33,149,870	-	-	33,149,870
Trade and other payables	19,175,056	-	-	19,175,056
Bank overdraft	6,077,420	-	-	6,077,420
	111,538,285	**-**	**-**	**111,538,285**

2008

	Financial liabilities at amortised cost	Fair Value through profit or loss - held for trading	Fair value through profit or loss - Designated	Total
Borrowings	10,421,349	-	-	10,421,349
Finance Lease obligations	677,144	-	-	677,144
Loans from group companies	89,136,537	-	-	89,136,537
Trade and other payables	14,816,000	-	-	14,816,000
Bank overdraft	14,991,027	-	-	14,991,027
	130,042,057	**-**	**-**	**130,042,057**