Calgro M3 Developments (Proprietary) Limited

(Registration number 1996/017246/07)

Annual Financial Statements for the year ended
28 February 2010

Calgro M3 Developments (Proprietary) Limited

(Registration number 1996/017246/07)

Annual Financial Statements for the year ended 28 February 2010

(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 2196	
Business Address	33 Ballyclare Drive Ballywoods Office Park Cedarwood House Bryanston 2196	
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 2010

(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 MEMBERS OF CALGRO M3 DEVELOPMENTS (PROPRIETARY) LIMITED

We have audited the annual financial statements of Calgro M3 Developments (Proprietary) Limited, which comprise the statement of financial position as at 28 February 2010, and the statement of comprehensive income, 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 38.

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 2010, 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
13 May 2010

Executive: S P Kana (Chief Executive Officer) T P Blandin de Chalain D J Fölscher G M Khumalo I S Sehoole S Subramoney F Tonelli
Resident Director in Charge: E R Mackeown
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 clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the companys business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial 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 2011 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 5-38, which have been prepared on the going concern basis, were approved by the board of directors on 13 May 2010 and were signed on its behalf by:

DN Steyn

WJ Lategan

Calgro M3 Developments (Proprietary) Limited

(Registration number 1996/017246/07)

Annual Financial Statements for the year ended 28 February 2010

(All amounts Stated in Rand unless otherwise stated)

Statement of financial position

	Notes	2010	2009
Assets			
Non-Current Assets			
Investment property	5	**5,492,558**	7,492,601
Property plant and equipment	6	**6,573,399**	7,234,590
Intangible assets	7	**76,388**	350,519
Investment in subsidiaries	8	**500**	600
Loans to group companies	9	**161,865,498**	148,195,742
		174,008,343	163,274,052
Current Assets			
Inventories	10	**17,011,099**	22,822,054
Loans and receivables	11	**7,566,187**	7,749,659
Construction contracts	12	**4,763,343**	8,740,338
Trade and other receivables	13	**5,299,867**	2,428,174
Prepayments	14	**245,645**	1,312,668
Cash and cash equivalents	15	**1,354,250**	1,516,072
		36,240,391	44,568,965
Total Assets		**210,248,734**	207,843,017
Equity and Liabilities			
Equity			
Equity attributable to owners of the parent			
Ordinary shares	16	**88,561,467**	88,561,467
Retained income		**6,639,346**	3,496,197
		95,200,813	92,057,664
Liabilities			
Non-current Liabilities			
Borrowings	17	**45,000,000**	-
Finance Lease obligations	18	**1,998,804**	1,842,872
Loans from group companies	9	**33,471,120**	33,149,870
Deferred income tax liability	19	**2,024,936**	726,995
		82,494,860	35,719,737
Current Liabilities			
Borrowings	17	**3,452,648**	51,293,067
Current income tax liabilities		**-**	396,857
Finance lease obligations	18	**1,541,148**	1,204,642
Trade and other payables	20	**26,889,971**	21,093,630
Bank overdraft	15	**669,294**	6,077,420
		32,553,061	80,065,616
Total Liabilities		**115,047,921**	115,785,353
Total Equity and Liabilities		**210,248,734**	207,843,017

Calgro M3 Developments (Proprietary) Limited

(Registration number 1996/017246/07)

Annual Financial Statements for the year ended 28 February 2010

(All amounts Stated in Rand unless otherwise stated)

Statement of comprehensive income

	Notes	2010	2009
Revenue	21	**118,743,386**	64,939,861
Cost of sales	22/24	**(99,013,561)**	(56,551,692)
Gross profit		**19,729,825**	8,388,169
Other income	23	**35,222,926**	39,852,227
Administrative expenses	24	**(49,084,561)**	(53,353,391)
Other expenses	24	**(6,026,740)**	(7,602,576)
Operating profit/(loss)		**(158,550)**	(12,715,571)
Finance income	25	**15,357,435**	15,452,059
Finance costs	26	**(10,757,794)**	(1,557,015)
Profit before tax		**4,441,091**	1,179,473
Taxation	27	**(1,297,942)**	(458,566)
Profit after taxation		**3,143,149**	720,907
Other comprehensive income		**-**	-
Total comprehensive income		**3,143,149**	720,907

Calgro M3 Developments (Proprietary) Limited

(Registration number 1996/017246/07)

Annual Financial Statements for the year ended 28 February 2010

(All amounts Stated in Rand unless otherwise stated)

Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Retained income	Total Equity
Balance at 1 March 2008	**100**	**-**	**100**	**2,775,290**	**2,775,390**
Comprehensive income					
Profit for the year	-	-	-	720,907	720,907
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	720,907	720,907
Transactions with owners					
Proceeds from shares issued	1	88,561,366	88,561,367	-	88,561,367
Total transactions with owners	1	88,561,366	88,561,367	-	88,561,367
Balance at 28 February 2009	**101**	**88,561,366**	**88,561,467**	**3,496,197**	**92,057,664**
Comprehensive income					
Profit for the year	-	-	-	3,143,149	3,143,149
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	3,143,149	3,143,149
Balance at 28 February 2010	**101**	**88,561,366**	**88,561,467**	**6,639,346**	**95,200,813**
Note	16	16			

Statement of cash flows

	Notes	2010	2009
Cash generated from operations			
Cash generated from/(used in) operations	28	18,663,209	(4,408,504)
Interest received		15,357,435	15,452,059
Interest paid		(10,757,794)	(1,557,015)
Tax paid	29	(396,857)	(185,329)
Net cash from operating activities		**22,865,993**	9,301,211
Cash flows from investing activities			
Purchase of property plant and equipment		(1,508,442)	(2,308,763)
Proceeds from the sale of property plant and equipment		93,439	6,837
Purchase of investment property		(616,535)	(6,099,430)
Purchase of intangible assets		(75,236)	(147,797)
Proceeds from the sale of intangible assets		-	1,014
(Increase)/decrease in investment in subsidiaries		100	(200)
(Increase)/decrease in loans and receivables		183,472	(1,017,072)
Net cash from investing activities		**(1,923,202)**	(9,565,411)
Cash flows from financing activites			
Proceeds on share issue		-	1
Share premium		-	88,561,366
(Decrease)/increase in borrowings		2,143,163	51,224,677
Repayment of borrowings		(4,491,143)	(8,358,083)
Loans advanced to group companies		(13,348,506)	(126,556,355)
Net cash from financing activities		**(15,696,486)**	4,871,606
Net increase in cash and cash equivalents and bank overdraft		**5,246,304**	4,607,406
Cash and cash equivalents and bank overdraft at the beginning of the year		(4,561,348)	(9,168,754)
Cash and cash equivalents and bank overdraft at end of the year	15	**684,956**	(4,561,348)

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 13 May 2010.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The annual financial statements of Calgro M3 Developments (Proprietary) Limited has been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa. The annual financial statements have been prepared under the historical cost convention, unless specifically stated otherwise.

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 effective and adopted:

- **IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009.**

  The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the company presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on the company's financial statements

- **IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009)**

  This deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with emloyees and others providing similiar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The company has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the company's financial statements.

Notes to the Annual Financial Statements

(a) New standards and interpretations (continued)

(i) Standards and interpretations effective and adopted: (continued)

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

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.
The amendment does not result in a material impact on the company's financial statements.

- **IFRS 8 (AC 145) 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 amendment does not result in a material impact on the company's financial statements.

- **IFRIC 15 (AC 448) 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 interpretation does not have a material impact on the company's financial statements.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

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 2010 or later periods:

- **IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009)**

The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The company will apply IFRIC 17 from 1 March 2010. It is not expected to have a material impact on the company's financial statements.

- **IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009)**

The revised standard requires the effects of all transactions with noncontrolling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The company will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 March 2010.

Notes to the Annual Financial Statements

(a) New standards and interpretations (Continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company (continued)

- **IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009)**

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The company will apply IFRS 3 (revised) prospectively to all business combinations from 1 March 2010.

- **IAS 38 (amendment), 'Intangible Assets'**

The amendment is part of the IASB's annual improvements project published in April 2009 and the company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the company's financial statements.

- **IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'**

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company will apply IFRS 5 (amendment) from 1 March 2010. It is not expected to have a material impact on the company's financial statements.

- **IAS 1 (amendment), 'Presentation of financial statements'**

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The company will apply IAS 1 (amendment) from 1 March 2010. It is not expected to have a material impact on the company's financial statements.

- **IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'**

In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the company's financial statements.

- **2009 Annual Improvements Project: Amendments to IFRS 8 Operating Segments**

Entities are only required to report segment assets if they are regularly reported to the chief operating decision maker.
The company will apply amendments to IFRS 8 Operating Segments from 1 March 2010.
It is not expected to have a material impact on the company's financial statements.

- **2009 Annual Improvements Project: Amendments to IAS 7 Statement of Cash Flows**

The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.
The effective date of the interpretation is for years beginning on or after 01 July 2009.
The company will apply amendments to IAS 7 Statement of Cash Flows from 1 March 2010.
It is not expected to have a material impact on the company's financial statements.

Notes to the Annual Financial Statements

(a) New standards and interpretations (Continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company (continued)

- **2009 Annual Improvements Project: Amendments to IAS 18 Revenue**

  The amendment provides additional guidance in the determination of whether an entity is acting as an agent or principal in a revenue transaction. The effective date of the interpretation is for years beginning on or after 01 July 2009.
  The company will apply amendments to IAS 18 Revenue from 1 March 2010.
  It is not expected to have a material impact on the company's financial statements.

- **2009 Annual Improvements Project: Amendments to IAS 36 Impairment of Assets**

  The amendment now requires that, for the purpose of goodwill testing, each group of units to which goodwill is allocated shall not be larger than an operating segment as defined in paragraph 5 of IFRS 8 (AC 145) Operating Segments. Thus the determination is now required to be made before operating segments are aggregated. The effective date of the interpretation is for years beginning on or after 01 July 2009.
  The company will apply amendments to IAS 36 Impairment of Assets from 1 March 2010.
  It is not expected to have a material impact on the company's financial statements.

- **2009 Annual Improvements Project: Amendments to IFRS 8 Operating Segments**

  Entities are only required to report segment assets if they are regularly reported to the chief operating decision maker.
  The effective date of the interpretation is for years beginning on or after 01 July 2009.
  The company will apply amendments to IFRS 8 Operating Segments from 1 March 2010.
  It is not expected to have a material impact on the company's financial statements.

Notes to the Annual Financial Statements

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 statement of comprehensive income 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 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 statement of financial position date.

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

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 less accumulated depreciation and impairments with changes in cost included in the statement of comprehensive income.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

Transfers to investment property from inventory and construction contracts are based on managements decision to change the intended use of the property.

Notes to the Annual Financial Statements

2.4 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.

Amortisation on computer software 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
- Computer software	2 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.

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

2.6 Financial assets

2.6.1 Classification

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

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

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

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classifiedas non-current assets. The company's loans and receivables comprise loans to group companies, 'trade and other receivables' and cash and cash equivalents in the statement of financial position (note 9, 13 & 15)

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and the income transaction costs are expensed in statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Notes to the Annual Financial Statements

2.6.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.6.4 Impairment of financial assets

(a) *Assets carried at amortised cost*

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or company of financ assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) Adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

(b) *Assets classified as available for sale*

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

2.7 Derivative financial instruments and hedging activities

(a) *Derivative financial instruments*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently emeasured 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 :

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair valuehedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The company only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Notes to the Annual Financial Statements

2.8 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.

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.

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 statement of financial position 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.

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.

2.10 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 statement of comprehensive income 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 statement of comprehensive income.

2.11 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 statement of financial position.

Notes to the Annual Financial Statements

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.

Where any company company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

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 statement of comprehensive income 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 statement of financial position 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 acquired for development related purposes.

The capitalisation of borrowing costs commences when:

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

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

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

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

Notes to the Annual Financial Statements

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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 only 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 temporary timing of the reversal of the difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Secondary tax on companies (STC)

Dividends declared are subject to STC, but the STC liability is reduced by the dividends received during the dividend cycle. Where the dividends received exceeds dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to the excess dividends received is carried forward to the next dividend cycle. Where dividends declared exceeds the dividends received during a cycle, STC is payable at the current STC rate. The STC expense is included in the tatxation charge in the statement of comprehensive income in the period that the dividend is paid.

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.

(b) *Short-term benefits*

The costs 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.

(c) *Other post-employment obligations*

The company has no post-employment obligations

Notes to the Annual Financial Statements

2.17 Employee benefits (continued)

(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 corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

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

2.19 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.

(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.

Notes to the Annual Financial Statements

2.19 Revenue recognition (continued)

(b) *Construction contracts*

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.

(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.

(e) *Rental income*

Rental income from operating leases is recognised on a straight-line basis over the lease term.

2.25 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 statement of comprehensive income on a straight-line basis over the period of the lease.

Finance leases are recognised as assets and liabilities in the statement of financial position 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 statement of financial position 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 emaining balance of the liability.

2.26 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 declared.

Notes to the Annual Financial Statements

3 Financial risk management

3.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by the company's management committee 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 maintains its borrowings at variable intrest rates. The company's policy is to borrow mostly from long term debt borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries.

In light of the current financial constrain within the banking sector, the company has reviewed the types of financial risk it faces and continues to monitor these on an ongoing basis.

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 R1,099,079.

(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 but credit risk is limited due to the nature of trade debtors which consist of outstanding draw downs from banks, government and municipal institutions. In cases where management however deems the risk level to be unacceptable, payment guarantees are insisted upon.

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

Details of financial assets are set out in note 33.

(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.

Notes to the Annual Financial Statements

3.1 Financial risk factors (continued)

(c) *Liquidity risk (continued)*

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

During the year, R 45 million of the committed Yield X facility was extended from a 3 monthly maturity to 23 July 2011.

The company manages liquidity risk on long term borrowings by striving to maintain a varied maturity profile.

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 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	3,452,648	51,750,000	-	-
Bank overdraft	669,294	-	-	-
Loans from group companies	-	-	-	33,471,120
Finance lease obligations	1,541,148	1,129,164	869,640	-
Trade and other payables	23,422,907	-	-	-

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	-	-	-
Loans from group companies	-	-	-	33,149,870
Bank overdraft	6,077,420	-	-	-
Finance lease obligations	1,204,642	665,860	1,177,012	-
Trade and other payables	61,746,914	-	-	-

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.

The company considers total equity and interest - bearing borrowings to comprimise capital

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 statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

3.3 Fair value estimation

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

Notes to the Annual Financial Statements

4 Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Share based payments

These calculations require the use of estimates (note 30).

(b) 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.

(c) Impairment of debtors

The company continually assesses the recoverability of any debtor carried on the statement of financial position. This requires an estimate of the future recoverable value of the debtor balance of whether there is observable data indicating a measurable decrease in the estimated future cash flow from a financial asset.

Notes to the Annual Financial Statements

5 Investment Property

	2010			2009		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Investment property	5,692,603	(200,045)	5,492,558	7,492,601	-	7,492,601

Reconciliation of investment property - 2010

	Opening balance	Transfer from inventory / Construction contracts	Additions	Disposals	Depreciation	Total
Investment Property	7,492,601	2,237,249	616,535	(4,653,782)	(200,045)	5,492,558

Reconciliation of investment property - 2009

	Opening balance	Transfer from inventory / Construction contracts	Total
Investment Property	1,393,171	6,099,430	7,492,601

Details of properties	**2010**	2009
Land and building situated on stand 2334 Northriding Ext 82		
Land - At Cost	307,018	-
Building - Transfer from inventory	1,769,869	684,177
	2,076,887	**684,177**
Land and building situated on stand 2336 Northriding Ext 82		
Land - At Cost	307,017	-
Building - Transfer from inventory	1,855,400	708,995
	2,162,417	**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 - Transfer from inventory - At Cost	-	36,671
Land and building situated on stand 1810 Witkoppen Ext 131		
Land - At Cost	713,952	711,452
Building - Transfer from inventory	739,347	734,195
	1,453,299	**1,445,647**

Notes to the Annual Financial Statements

	2010	2009

5 Investment Property (Continued)

Details of properties (continued)

Building situated on stand 1999 Witkoppen Ext 136		
Building - Transfer from inventory - At Cost	-	592,007
Total	**5,692,603**	**7,492,601**

Land and building under investment property has a fair value of R7,500,000. The fair value is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Refer to note 17 for the details of RMB mortgage facility as all the investment properties list are mortgaged.

Levies paid to the amount of R 21,092 relating to investment properties are included in sundry expenses in note 24.

6 Property, plant and equipment

	2010			2009		
	Cost	Accumulated depreciation	Net book amount	Cost	Accumulated depreciation	Net book amount
Plant and machinery	3,785,425	(1,658,214)	2,127,211	2,640,629	(923,169)	1,717,460
Furniture and fixtures	3,276,786	(1,292,368)	1,984,418	3,281,229	(769,230)	2,511,999
Motor vehicles	1,832,096	(538,586)	1,293,510	1,810,261	(336,794)	1,473,467
Office equipment	31,774	(9,811)	21,963	31,774	(4,515)	27,259
IT equipment	958,723	(594,779)	363,944	731,912	(289,100)	442,812
Leasehold Improvements	1,396,200	(613,847)	782,353	1,396,200	(334,607)	1,061,593
Total	11,281,004	(4,707,605)	6,573,399	9,892,005	(2,657,415)	7,234,590

Reconciliation of property, plant and equipment - 2010

	Opening Balance	Additions	Disposals	Depreciation	Closing net book amount
Plant and machinery	1,717,460	1,144,796	-	(735,045)	2,127,211
Furniture and fixtures	2,511,999	-	(3,703)	(523,878)	1,984,418
Motor vehicles	1,473,467	136,835	(88,389)	(228,403)	1,293,510
Office equipment	27,259	-	-	(5,296)	21,963
IT equipment	442,812	226,811	-	(305,679)	363,944
Leasehold Improvements	1,061,593	-	-	(279,240)	782,353
	7,234,590	1,508,442	(92,092)	(2,077,541)	6,573,399

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Depreciation	Closing net book amount
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

Pledged as security

Carrying value of assets pledged as security under finance lease obligations				
Plant and machinery	1,842,019	1,377,316	-	-
IT equipment	176,808	-	-	-
Motor vehicles	866,793	942,786	-	-
	2,885,620	**2,320,102**	**-**	**-**

Refer to note 18 for details of finance lease obligations.

Notes to the Annual Financial Statements

7 Intangible assets

	2010			2009		
	Cost	Accumulated Amortisation	Carrying amount	Cost	Accumulated Amortisation	Carrying amount
Computer software	275,348	(198,961)	76,387	1,003,516	(652,997)	350,519
	275,348	**(198,961)**	**76,387**	1,003,516	(652,997)	350,519

Reconciliation of intangible assets - 2010

	Opening Balance	Additions	Amortisation	Disposals	Total
Computer software	350,519	75,236	(344,632)	(4,736)	76,387
	350,519	75,236	(344,632)	(4,736)	76,387

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

8 Investment in subsidiaries

Name of company	% Holding 2010	% Holding 2009	Carrying amount 2010	Carrying amount 2009
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	**0.00%**	100.00%	**-**	100
MS5 Pennyville (Pty) Ltd	**100.00%**	100.00%	**100**	100
MS5 Projects (Pty) Ltd	**100.00%**	100.00%	**100**	100
			500	**600**
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.

The following company was voluntarily liquidated due to the fact that it was a dormant entity and no longer required:

Neoprop (Pty) Ltd

	2010	2009
9 Loans to/(from) group companies		
Holding company		
Calgro M3 Holdings Ltd	142,282,911	(5,663,344)

The loan is unsecured, bears interest at a rate linked to prime and is repayable on the completion of all group projects considered not to occur in the following 12 months

Notes to the Annual Financial Statements

		2010	2009
9	**Loans to/(from) group companies (Continued)**		
Subsidiaries			
CM3 Witkoppen Ext 86 - Mio Bella (Pty) Ltd		102,111	182,087
The loan is unsecured, bears interest at a rate linked to prime and is repayable on the completion of all group projects considered not to occur in the following 12 months			
CM3 Witkoppen Ext 94 - Cherrywood Estate (Pty) Ltd		24,827	146,444
The loan is unsecured, bears interest at a rate linked to prime and is repayable on the completion of all group projects considered not to occur in the following 12 months			
MS5 Pennyville (Pty) Ltd		13,846,039	6,176,250
The loan is unsecured, bears interest at a rate linked to prime and is repayable on the completion of all group projects considered not to occur in the following 12 months			
CM3 Randpark Ridge Ext 120 (Pty) Ltd		1,695,716	2,223,850
The loan is unsecured, bears interest at a rate linked to prime and is repayable on the completion of all group projects considered not to occur in the following 12 months			
PZR Pennyville Zamimphilo Relocation (Pty) Ltd		(33,354,878)	(27,486,526)
The loan is unsecured, bears interest at a rate linked to prime and is repayable on the completion of all group projects considered not to occur in the following 12 months			
MS5 Projects (Pty) Ltd		(116,242)	3,897,006
The loan is unsecured, bears interest at a rate linked to prime and is repayable on the completion of all group projects considered not to occur in the following 12 months			
Fellow - Subsidiaries			
CTE Consulting (Pty) Ltd		3,913,894	2,709,098
The loan is unsecured, bears interest at a rate linked to prime and is repayable on the completion of all group projects considered not to occur in the following 12 months			
Calgro M3 Land (Pty) Ltd		-	132,861,007
The loan is unsecured, bears interest at a rate linked to prime and is repayable on the completion of all group projects considered not to occur in the following 12 months			
Loans to group companies		161,865,498	148,195,742
Loans from group companies		(33,471,120)	(33,149,870)
		128,434,618	**115,085,747**

Notes to the Annual Financial Statements

		2010	2009
10	**Inventories**		
Land under development held for sale		17,011,099	22,822,054
		17,011,099	**22,822,054**

Please refer to note 24 for inventories written down in terms of IAS 2.

Inventory pledged as security

Land under development is secured by mortgage bonds over the properties as set out in note 22.
Inventories to the value of R3,392,831 (2009 - R1,543,406) are stated at net realisable value.

11	**Loans and receivables**		
Autumn Star Trading 910 (Pty) Ltd The loan is unsecured, interest free and is payable on demand.		5,756,677	5,756,677
Other loans and receivables The loan is unsecured, interest free and is payable on demand.		1,809,510	1,992,982
Subtotal		**7,566,187**	**7,749,659**
Current assets		**7,566,187**	**7,749,659**

Other loans and receivables are fully performing

Autumn Star Trading loan of R5,756,677 is past due but not impaired. Management expects settlement within 12 months.

12	**Construction contracts**		
Contracts in progress at statement of financial position date			
The aggregate costs incurred and recognised profits to date		118,377,957	77,634,083
Less: Progress billings		(113,614,614)	(68,893,745)
Construction contracts		4,763,343	8,740,338
13	**Trade and other receivables**		
Trade receivables		4,880,824	2,219,226
Securing deposits		419,043	208,948
		5,299,867	**2,428,174**
Financial Instruments		4,880,824	2,219,226
Non-financial Instruments		419,043	208,948
		5,299,867	**2,428,174**

All trade receivables are fully performing

14	**Prepayments**		
Prepayments listed on the face of the statement of financial position, are expenses incurred on land under development that have not yet transferred into the company's name.		245,645	1,312,668

Notes to the Annual Financial Statements

		2010	2009
15	**Cash and cash equivalents**		
Cash and cash equivalents consist of:			
Cash on hand		2,068	200
Bank balances		1,352,182	1,515,872
Bank overdraft		(669,294)	(6,077,420)
		684,956	**(4,561,348)**
Current assets		1,354,250	1,516,072
Current liabilities		(669,294)	(6,077,420)
		684,956	(4,561,348)

Guarantees and suretyships

The bank holds guarantees and suretyships to the value of R506,340.

16	**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		101	100
Issue of shares - ordinary shares		-	1
		101	101
Issued			
101 Ordinary shares of R1 each		101	101
Share premium		88,561,366	88,561,366
		88,561,467	88,561,467

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.

17	**Borrowings**		
Non-current			
Nedbank Corporate		45,000,000	-
This is an 18 month listed note and bears interest at a jibar related rate determined every 18 months.			
Total non-current borrowings		**45,000,000**	**-**
Current borrowings			
Capricorn Finance (Pty) Ltd		3,410,244	1,224,677
The loan is unsecured, interest free and is repayable in the following 12 months.			

Notes to the Annual Financial Statements

	2010	2009
17 Borrowings		
Current borrowings (Continued)		
Barnards - 22-on-Campbell	42,404	-
The loan is unsecured, interest free and is payable on demand.		
Nedbank Corporate	-	45,000,000
This is a 3 month listed note and bears interest at a jibar 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 bears interest at 20 % and is repayable by 24 September 2008.		
Holdgro Projects (Pty) Ltd	-	68,390
The loan is unsecured, interest free and is repayable in the following 12 months.		
Total current borrowings	**3,452,648**	**51,293,067**
Total borrowings	**48,452,648**	**51,293,067**
Non-current liabilities		
At amortised cost	45,000,000	-
Current liabilities		
At amortised cost	3,452,648	51,293,067
	48,452,648	**51,293,067**

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

Notes to the Annual Financial Statements

	2010	2009
18 Finance lease obligations		
Minimum lease payments due		
- within one year	1,849,193	1,546,020
- in second to fifth year inclusive	2,077,387	2,191,644
	3,926,580	3,737,664
Less: future finance charges	(386,628)	(690,150)
Present value of minimum lease payments	**3,539,952**	**3,047,514**
Present value of minimum lease payments due		
- within one year	1,541,148	1,204,642
- in second to fifth year inclusive	1,998,804	1,842,872
	3,539,952	**3,047,514**
Non-current liabilities	1,998,804	1,842,872
Current liabilities	1,541,148	1,204,642
	3,539,952	**3,047,514**

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.

19 Deferred income tax assets/(liabilities)		
Deferred tax (liability)/asset		
Construction contracts	1,815,473	(3,123,369)
Tax losses available for set off against future taxable income	(3,561,409)	2,644,437
Capital allowances	(279,000)	(248,063)
	(2,024,936)	**(726,995)**
Reconciliation of deferred tax (liability)/asset		
At beginning of the year - originating temporary difference on construction contracts	(4,482,210)	(1,557,479)
Construction contracts	2,294,404	(2,676,668)
Capital allowances	(30,936)	(248,063)
Deferred tax liabilities	**(2,218,742)**	**(4,482,210)**
Tax losses available for set off against future taxable income	193,806	3,755,215
Reduction due to rate change	-	-
Capital allowances	-	-
Deferred tax assets	**193,806**	**3,755,215**
	(2,024,936)	**(726,995)**

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.

Notes to the Annual Financial Statements

		2010	2009
20	**Trade and other payables**		
Trade payables		23,422,907	19,175,056
Value Added Tax		2,996,336	1,284,666
Provision for leave pay		460,728	623,908
Deposits received		10,000	10,000
		26,889,971	**21,093,630**
Financial instruments		23,422,907	19,175,056
Non-financial instruments		3,467,064	1,918,574
		26,889,971	**21,093,630**

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

21	**Revenue**		
Sale of developed land		1,918,441	453,754
Construction contracts		116,824,945	64,486,107
		118,743,386	64,939,861
22	**Cost of sales**		
Sale of developed land			
Development of land		2,850,561	-
Rendering of services			
Land infrastructure		-	457,762
Construction contracts			
Construction costs		96,163,000	56,093,930
		99,013,561	**56,551,692**
23	**Other income**		
Reimbursed expenses		4,307,035	8,169,113
Bond commissions		4,100	-
Insurance refunds		-	38,541
Management fees		30,827,991	31,623,925
Rental income		(20,648)	20,648
Other income		104,448	-
		35,222,926	**39,852,227**

Rental income received relates to investment properties as stated in note 5.

Notes to the Annual Financial Statements

		2010	2009
24	**Expense by nature**		
Administrative expenses			
Administration and management fees		5,605,227	587,405
Advertising		175,573	1,666,782
Auditors remuneration		2,092,145	2,881,849
Changes in Inventories and work in progress		5,810,955	887,386
Computer expenses		679,011	593,024
Deficit on disposal of property, plant and equipment		3,388	-
Depreciation on property, plant and equipment and amortisation on computer software		2,622,218	2,290,767
Donations		19,325	356,444
Employee benefit expenses			
Salaries and wages		25,636,866	25,563,001
Post retirement benefits		1,358,510	1,721,398
Fines, penalties and interest		372,995	101,822
Insurance		465,756	970,029
Lease rentals on operating leases		2,380,858	3,127,151
Legal fees		565,192	336,851
Profit on share appreciation scheme revalued		-	(963,141)
Purchases of inventory and work in progress		93,202,606	55,664,306
Motor vehicle expenses		182,912	246,661
Printing and stationery		383,473	577,485
Professional fees		276,560	2,111,086
Telephone and fax		402,075	592,644
Reimbursive expenses		4,387,034	8,169,113
Sundry expenses		1,475,442	2,423,020
Other expenses			
Write-down of inventory		6,026,740	5,412,136
Impairment of loans		-	2,190,440
Total cost of sales, administration expenses and other expenses		**154,124,862**	**117,507,659**
25	**Finance income**		
Interest revenue			
Bank		66,360	877,235
Interest bearing borrowings		15,291,075	14,574,824
		15,357,435	15,452,059
26	**Finance cost**		
Trade and other payables		50,164	-
Bank		5,843,327	590,779
Interest bearing borrowings		4,864,303	966,236
		10,757,794	1,557,015

Notes to the Annual Financial Statements

	2010	2009
27 Taxation		
Major components of the tax expense		
Deferred		
Current year	1,028,262	458,566
Prior year	269,680	-
	1,297,942	**458,566**
	1,297,942	**458,566**
Reconciliation of tax expense		
Applicable tax rate	28.00%	28.00%
Non-deductable expenses	7.30%	10.88%
Adjustment in respect of prior years	(6.07)%	-%
Effective tax rate	**29.23%**	**38.88%**
28 Cash generated/(used in) from operations		
Profit before taxation	4,441,091	1,179,473
Adjustments for:		
Depreciation	2,277,586	1,775,385
Loss on sale of assets	3,388	-
Finance income	(15,357,435)	(15,452,058)
Finance cost	10,757,794	1,557,015
Amortisation of intangible assets	344,632	515,382
Share based payments	-	(963,141)
Changes in working capital:		
Inventories	8,227,488	(7,327,675)
Trade and other receivables	(2,871,693)	5,103,448
Prepayments	1,067,023	(1,300,891)
Construction contracts	3,976,995	4,881,639
Trade and other payables	5,796,340	5,622,919
	18,663,209	**(4,408,504)**
29 Tax paid		
Balance at beginning of the year	(396,857)	(582,186)
Current tax for the year	-	-
Balance at end of the year	-	396,857
	(396,857)	**(185,329)**

Notes to the Annual Financial Statements

	2010	2009

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 2010 or 2009 financial year. Because of non-market vesting conditions in that it did not achieve a group profit increase of Cpix plus 8%, the rights issue is not expected to be fulfilled so therefore the expenses of R963,141 previously expensed were reversed in 2009. The share scheme is equity-settled.

31 Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	3,097,697	2,841,924
- in second to fifth year inclusive	6,076,030	9,173,727
	9,173,727	12,015,651

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

For intercompany balances with related parties refer to note 9.

Notes to the Annual Financial Statements

	2010	2009
32 Related parties (continued)		
Interest paid to Calgro M3 Developments (Proprietary) Limited by related parties		
MS5 Projects (Pty) Ltd	(1,284,858)	(576,323)
Calgro M3 Land (Pty) Ltd	-	(11,264,317)
MS5 Pennyville (Pty) Ltd	(942,074)	(89,838)
PZR Pennyville Zamimphilo Relocation (Pty) Ltd	-	(2,246,388)
CTE Consulting (Pty) Ltd	(418,824)	(71,918)
CM3 Northriding Ext 86 - Mio Bella (Pty) Ltd	(13,684)	(25,255)
CM3 Northriding Ext 94 - Cherrywood Estates (Pty) Ltd	(9,644)	(13,441)
Calgro M3 Holdings Limited	(12,428,386)	-
CM3 Randpark Ridge Ext 120 (Pty) Ltd	(193,605)	(287,344)
	(15,291,075)	**(14,574,824)**
Interest paid to related parties by Calgro M3 Developments (Proprietary) Limited		
Calgro M3 Holdings Limited	-	404,643
PZR Pennyville Zamimphilo Relocation (Pty) Ltd	4,864,303	561,593
	4,864,303	**966,236**
Administration fees paid to Calgro M3 Developments (Proprietary) Limited by related parties		
MS5 Projects (Pty) Ltd	(6,716,299)	(11,502,224)
PZR Pennyville Zamimphilo Relocation (Pty) Ltd	(14,641,679)	(14,032,642)
Midfield Estates (Pty) Ltd	-	(2,113,887)
Calgro M3 Land (Pty) Ltd	(6,296,523)	-
Fleurhof Ext 2 (Pty) Ltd	(1,094,508)	(2,113,887)
CTE Consulting (Pty) Ltd	(2,078,982)	(1,861,285)
	(30,827,991)	**(31,623,925)**
Administration fees paid by Calgro M3 Developments (Proprietary) Limited to related parties		
Calgro M3 Holdings Limited	1,200,000	587,405
Calgro M3 Land (Pty) Ltd	4,405,227	-
	5,605,227	**587,405**
Professional fees paid by Calgro M3 Developments (Proprietary) Limited to related parties and capitalised to Inventories		
CTE Consulting (Pty) Ltd	18,210	29,000
	18,210	**29,000**
Contract fees paid to Calgro M3 Developments (Proprietary) Limited by related parties		
PZR Pennyville Zamimphilo Relocation (Pty) Ltd	47,712,814	-
	47,712,814	**-**

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:

2010

	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	7,566,187	-	-	-	7,566,187
Trade receivables	4,880,824	-	-	-	4,880,824
Loans to group companies	161,865,498	-	-	-	161,865,498
Cash and cash equivalents	1,354,250	-	-	-	1,354,250
	175,666,759	**-**	**-**	**-**	**175,666,759**

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**

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 Annual Financial Statements

34 Financial liabilities by category

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

2010

	Financial liabilities at amortised cost	Fair Value through profit or loss - held for trading	Fair value through profit or loss - Designated	Total
Borrowings	3,452,648	-	-	3,452,648
Finance Lease obligations	3,539,952	-	-	3,539,952
Loans from group companies	33,471,120	-	-	33,471,120
Trade payables	23,422,907	-	-	23,422,907
Bank overdraft	669,294	-	-	669,294
	64,555,921	**-**	**-**	**64,555,921**

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	3,047,514	-	-	3,047,514
Loans from group companies	33,149,870	-	-	33,149,870
Trade payables	19,175,056	-	-	19,175,056
Bank overdraft	6,077,420	-	-	6,077,420
	112,742,927	**-**	**-**	**112,742,927**