Calgro M3 Developments Proprietary Limited and its Subsidiaries

(Registration number 1996/017246/07)

Consolidated Financial Statements for the year ended 29 February 2012

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(All amounts Stated in Rand unless otherwise stated)

General information

Calgro M3 Developments Proprietary Limited

Incorporated in the Republic of South Africa

Registration number 1996/017246/07

Registered Office

Cedarwood House

Ballyclare Office Park

33 Ballyclare Drive

Bryanston

2196

Business Address

Cedarwood House

Ballyclare Office Park

33 Ballyclare Drive

Bryanston

2196

Postal Address

Private Bag X33

Craighall

2024

Published

29 June 2012

Preparer

The financial statements were internally compiled by WJ Lategan CA (SA).

Level of assurance

These financial statements have been audited by our external auditors PricewaterhouseCoopers Inc. in compliance with the applicable requirements of the Companies Acts 71 of 2008.

Bankers

First National Bank

Auditors

PricewaterhouseCoopers Inc.

Secretary

WJ Lategan

Directors

DN Steyn	Executive
FJ Steyn	Executive
WJ Lategan	Executive

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

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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the group and 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 financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and 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 group and company and all employees are required to maintain the highest ethical standards in ensuring the group and company`s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group and company is on identifying, assessing, managing and monitoring all known forms of risk across the group and company. While operating risk cannot be fully eliminated, the group and 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 Code of Corporate Practices and Conduct has been integrated into the group and company's strategies and operations.

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

The directors have reviewed the group and company`s cash flow forecast for the year to 28 February 2013 and, in the light of this review and the current financial position, they are satisfied that the group and 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 group and company's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the group and company`s external auditors and their report is presented on page 4.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders and the board of directors. The board of directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The company`s holding company has appointed an audit committee which performs the functions required under Section 94(7) of the companies act 71 of 2008 on behalf of Calgro M3 Developments Proprietary Limited. The audit committee of the holding company has confirmed to the directors of the company that these functions have been performed without any exceptions noted in relation to the financial statements and that they are satisfied that the auditors were independent of the group and company.

The consolidated and seperate financial statements set out on pages 5 to 40, which have been prepared on the going concern basis, were approved by the board of directors on of directors on 29 June 2012 and were signed on its behalf by:

DN Steyn

WJ Lategan

pwc

Independent Auditors' Report to the Shareholder of Calgro M3 Developments Proprietary Limited

We have audited the consolidated annual financial statements and annual financial statements of Calgro M3 Developments Proprietary Limited, which comprise the consolidated and separate statements of financial position as at 29 February 2012, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 7 to 40.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 about 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 consolidated and separate financial position of Calgro M3 Developments Proprietary Limited as at 29 February 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: L Loots
Registered Auditor
Sunninghill
29 June 2012

Directors' report

The directors submit their report for the year ended 29 February 2012

1. Review of activities
Main business and operations

Calgro M3 Group and company is a mixed-use housing development group, established in 1995. The business model focuses on the full range of related disciplines including acquisition of land, town planning, project management of civil infrastructure, services installation, marketing and construction of homes.

In summary, the group and company`s offering comprises one core business operations: residential construction across the range of economic sectors;.

The group and company's business strategy supports government's proactive drive, which is expressed in the *'Breaking New Ground'* initiative aimed at ensuring the formation of sustainable settlements. This is achieved through the integration of various income groups, as well as the provision of socio-amenities such as schools and hospitals, within a fully integrated community.

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2196

Postal Address
Private Bag X33
Craighall
2024

2. Financial position

The financial statements on pages 7 to 40 set out fully the financial position, results of operations and cash flows of the group and company for the year ended 29 February 2012 and do not, in our opinion, require any further comment.

Segmental reporting is set out in note 38 of the financial statements. The segments follow the one core business operations namely construction. The three key construction products offered are: integrated housing; affordable housing; and mid-to-high income housing.

3. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The directors believe that the group and company has adequate financing to continue operating for the next period.

4. Events after reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year.

5. Type of company

Calgro M3 Develcpments Proprietary Limited is registered as a private company in terms of the Companies Act No. 71 of 2008.

6. Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

7. Authorised and issued share capital

There were no changes to authorised or issued share capital during the year.

8. Capital expenditure

Details on capital expenditure are set out in note 6 and 7 of the financial statements.

9. Dividends

No dividends were declared or paid to the shareholder during the year .

10. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
DN Steyn	South African
FJ Steyn	South African
WJ Lategan	South African

11. Secretary

The company secretary is WJ Lategan. The address of the secretary is set cut below:

Business address
Cedarwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196

Postal address
Private Bag X33
Craighall
2024

Directors' report

12. Auditors

PricewaterhouseCoopers Inc will continue in office in accordance with section 90 of the Companies Act, subject to the approval of the shareholders at the next general meeting. It is voted that L Loots will be the individual registered auditor who will undertake the audit.

13. Preparer

The financial statements were internally compiled by WJ Lategan CA (SA).

14. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act No. 71 of 2008.

15. Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008.

16. Special Resolution

No special resolutions relating to the capital expenditure, borrowing powers or any other material matter that affects the understanding of the company were passed by the company during the year under review.

17. Share Appreciation Rights

The following directors, executives and employees were awarded Share Appreciation Rights (SAR's) in December 2007 in accordance with the provisions, terms and rules of the SAR scheme, as approved.

Name of employee	Number of SAR's Awarded
F J Steyn – Business Development Director	1,400,000
D N Steyn - Chief Operating Officer	702,000
Divisional Directors – 1	702,000
Key Employees – 6	1,900,000

The grant price of the above SAR is R3.75 each, a 25% premium to the listing price of R3.00.

One third of all SAR vest on the third anniversary of the grant, another third on the fourth anniversary and the final third on the fifth anniversary.

In order for the awardees to exercise the SAR on the respective anniversary dates, performance (headline earnings per share of the holding company) and CPIX indicators must have been met.

The options were to expire in November 2012. The scheme was however cancelled on the 14th January 2012. A bonus of R4,488,750 was paid to employees as compensation therefore.

18. Subsidiary Companies

All direct and indirect subsidiaries are South African-based and are engaged in construction.

Particulars of the principal subsidiaries are set out on note of the financial statements.

The attributable interest of the holding company in the aggregate income earned and losses incurred after taxation by its subsidiaries, are as follows:

	29 February 2012	28 February 2011
R'000		
Profit	-	1 655
Losses	(5 760)	(27 131)

19. Holding Companies

The holding company of the company is Calgro M3 Holdings Limited

Calgro M3 Developments Proprietary Limited and its Subsidiaries

(Registration number 1996/017246/07)
Consolidated Financial Statements for the year ended 29 February 2012
(All amounts Stated in Rand unless otherwise stated)

Consolidated statement of financial position	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Assets					
Non-Current Assets					
Investment property	5	**4 239 303**	4 239 303	**4 239 303**	4 239 303
Property, plant and equipment	6	**3 788 959**	4 640 067	**3 629 293**	4 405 150
Intangible assets	7	**28 713 616**	28 530 616	**198 819**	15 819
Investment in subsidiaries	8	**-**	-	**300**	300
Deferred income tax asset	9	**889 831**	95 357	**-**	-
		37 631 709	37 505 343	**8 067 715**	8 660 572
Current Assets					
Loans receivable	10	**22 007 486**	5 756 677	**22 007 486**	5 756 677
Loans to group companies	11	**206 869 013**	145 093 699	**227 565 045**	161 773 021
Inventories	12	**20 873 004**	19 530 805	**20 873 004**	18 098 502
Current tax receivable		**2 109 403**	-	**2 019 978**	-
Construction contracts	13	**85 573 404**	37 179 993	**75 751 399**	29 417 761
Trade and other receivables	14	**14 642 910**	11 785 049	**13 664 260**	7 971 239
Cash and cash equivalents	15	**75 530 531**	9 887 308	**75 171 137**	9 877 516
		427 605 751	229 233 530	**437 052 309**	232 894 716
Total Assets		**465 237 460**	266 738 874	**445 120 024**	241 555 288
Equity and Liabilities					
Equity					
Equity attributable to owners of the parent					
Share capital	16	**88 561 467**	88 561 467	**88 561 467**	88 561 467
Retained income		**96 994 244**	60 332 904	**57 081 556**	14 957 256
		185 555 711	148 894 371	**145 643 023**	103 518 723
Liabilities					
Non-current Liabilities					
Finance Lease obligations	17	**244 644**	984 111	**244 644**	984 111
Deferred income tax liability	9	**18 908 887**	6 466 920	**18 908 887**	2 209 692
		19 153 531	7 451 031	**19 153 531**	3 193 803
Current Liabilities					
Loans from group companies	11	**554 555**	492 188	**28 353 482**	38 167 734
Borrowings	18	**147 221 371**	62 369 102	**147 221 371**	62 369 102
Current income tax liabilities		**-**	6 128 989	**-**	2 152 277
Finance lease obligations	17	**1 461 964**	1 036 271	**1 461 964**	1 036 271
Trade and other payables	19	**111 290 328**	40 365 475	**103 286 653**	31 117 378
Bank overdraft	15	**-**	1 447	**-**	-
		260 528 218	110 393 472	**280 323 470**	134 842 762
Total Liabilities		**279 681 749**	117 844 503	**299 477 001**	138 036 565
Total Equity and Liabilities		**465 237 460**	266 738 874	**445 120 024**	241 555 288

The notes on pages 11 to 40 are an integral part of these consolidated financial statements.

Calgro M3 Developments Proprietary Limited and its Subsidiaries

(Registration number 1996/017246/07)
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(All amounts Stated in Rand unless otherwise stated)

Consolidated statement of comprehensive income		Group		Company	
	Notes	2012	2011	2012	2011
Revenue	20	**504 115 680**	249 511 558	**463 864 713**	184 099 279
Cost of sales	22/24	**(422 166 636)**	(213 840 608)	**(387 066 009)**	(163 800 522)
Gross profit		**81 949 044**	35 670 950	**76 818 704**	20 298 757
Other income	22	**2 569 557**	6 147 950	**18 840 328**	27 018 817
Administrative expenses	23	**(47 654 784)**	(39 246 430)	**(50 479 326)**	(43 000 910)
Other expenses	23	**759 571**	(11 336 609)	**759 571**	(273 041)
Operating profit		**37 623 388**	(8 764 139)	**45 939 277**	4 043 623
Finance income	24	**22 502 702**	19 166 628	**24 753 446**	21 173 773
Finance costs	25	**(9 021 325)**	(6 691 100)	**(11 869 227)**	(14 318 480)
Profit before tax		**51 104 765**	3 711 389	**58 823 496**	10 898 916
Taxation	26	**(14 443 425)**	(544 810)	**(16 699 196)**	(2 581 006)
Profit after taxation		**36 661 340**	3 166 579	**42 124 300**	8 317 910
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income		**36 661 340**	3 166 579	**42 124 300**	8 317 910
Profit after taxation and other comprehensive income attributable to:					
Owners of the parent		36 661 340	3 166 579		

Statement of changes in equity

	Share capital	Share premium	Share base payment reserve	Retained income	Total equity
Group					
Balance at 01 March 2010	101	88 561 366	-	57 166 325	145 727 792
Comprehensive income					
Profit for the year	-	-	-	3 166 579	3 166 579
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	3 166 579	3 166 579
Balance at 28 February 2011	101	88 561 366	-	60 332 904	148 894 371
Share options scheme cancelled	-	-	4 488 750	-	4 488 750
Bonus paid as consideration for cancellation of share option scheme	-	-	(4 488 750)	-	(4 488 750)
Share based payment reserve	-	-	-	-	-
Comprehensive income					
Profit for the year	-	-	-	36 661 340	36 661 340
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	36 661 340	36 661 340
Balance at 29 February 2012	101	88 561 366	-	96 994 244	185 555 711
Note	16	16	31		
Company					
Balance at 01 March 2010	101	88 561 366		6 639 346	95 200 813
Comprehensive income					
Profit for the year	-	-	-	8 317 910	8 317 910
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	8 317 910	8 317 910
Balance at 28 February 2011	101	88 561 366	-	14 957 256	103 518 723
Share options scheme cancelled	-	-	4 488 750	-	4 488 750
Bonus paid as consideration for cancellation of share option scheme	-	-	(4 488 750)	-	(4 488 750)
Share based payment reserve	-	-	-	-	-
Comprehensive income					
Profit for the year	-	-	-	42 124 300	42 124 300
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	42 124 300	42 124 300
Balance at 29 February 2012	101	88 561 366	-	57 081 556	145 643 023
Note	16	16	31		

Consolidated statement of cash flows

	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Cash generated from operations					
Cash generated from/(used in) operations	28	70 325 989	(7 189 553)	67 035 869	(17 827 107)
Interest received		22 001 558	19 166 628	23 857 814	21 173 773
Interest paid		(10 351 853)	(7 289 898)	(14 515 192)	(14 318 480)
Tax paid	29	(11 034 326)	(10 182 650)	(4 172 255)	(243 974)
Net cash from/(in) operating activities		**70 941 368**	(5 495 473)	**72 206 236**	(11 215 788)
Cash flows from investing activities					
Purchase of property plant and equipment		(419 976)	(41 750)	(400 816)	(6 750)
Proceeds from the sale of investment property		-	1 419 413	-	1 419 413
Purchase of intangible assets		(268 350)	-	(268 350)	-
Acquisition of joint ventures		-	-	-	200
Loans advanced		(17 042 700)	-	(17 042 700)	-
Repayment of loans		1 551 892	-	1 551 892	-
Proceeds of loans repaid/(loans advanced)		-	1 809 510	-	1 809 510
Advances to group companies		(520 778 018)	-	(524 491 892)	-
Repayments of loans to group companies		447 913 121	-	447 913 121	-
Net cash (invested in)/from investing activities		**(89 044 031)**	3 187 173	**(92 738 745)**	3 222 373
Cash flows from financing activites					
Proceeds of borrowings		170 281 016	17 326 698	170 281 016	17 326 698
Repayment of borrowings		(86 513 684)	(10 115 091)	(86 513 684)	(4 929 814)
Loan advanced to group companies		-	1 232 045	50 438 045	4 789 091
Advanced from group companies		-	-	(48 359 246)	-
Repayment of loans from group companies		-	54 769	-	-
Net cash from financing activities		**83 747 332**	8 498 421	**85 826 131**	17 185 975
Net increase in cash and cash equivalents		**65 644 669**	6 190 121	**65 293 621**	9 192 560
Cash and cash equivalents and bank overdrafts at the beginning of the year		9 885 861	3 695 740	9 877 516	684 956
Cash and cash equivalents at end of the year	16	**75 530 531**	9 885 861	**75 171 137**	9 877 516

The notes on pages 11 to 40 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General Information

Calgro M3 Developments Proprietary Limited (the "company") and its subsidiaries (together "the group") is a construction company with trading subsidiaries engaged in investment holding, residential land development and construction.

The company is a private company incorporated and domiciled in South Africa. The address of its registered office is Cedarwood House, Ballyclare Office Park, 33 Ballyclare Drive, Bryanston, 2196.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in South African Rands. These accounting policies are consistent with the previous period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company's accounting policies. The areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The operating cycle for inventory and construction contracts is considered to be longer than 12 months. Accordingly the associated liabilities are classified as or areas current as they are expected to be settled within the same operating cycle as inventory and construction contracts.

(a) New standards and interpretations

(i) Standards and interpretations effective and adopted in the current year:

- **IAS 24 - Related Party Disclosures (Revised)**

  The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities. In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.
  The effective date of the standard is for years beginning on or after 1 January 2011.
  It does not have a material impact on the group and company's financial statements.

- **IFRS 7 - 2010 Annual Improvements Project: Amendments to IFRS 7 Financial Instruments: Disclosures**

  Additional clarification is provided on the requirements for risk disclosures.
  The effective date of the standard is for years beginning on or after 1 January 2011.
  It does not have a material impact on the group and company's financial statements.

- **IAS 1 - 2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements**

  The amendment now requires that an entity must present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item.
  The effective date of the standard is for years beginning on or after 1 January 2011.
  It does not have a material impact on the group and company's financial statements.

- **IAS 31 - 2010 Annual Improvements Project: Amendments to IAS 31 Interests in Joint Ventures**

  The amendment provides transitional provisions as a result of changes to IAS 27 Consolidated and Separate Financial Statements.
  The effective date of the standard is for years beginning on or after 1 July 2010.
  It does not have a material impact on the group and company's financial statements.

- **IAS 34 - 2010 Annual Improvements Project: Amendments to IAS 34 Interim Financial Reporting**

  The amendment provides additional examples of events and transactions which would be considered significant and therefore required to be disclosed in the interim financial report. In addition, the amendment removes references to only reporting certain items when they are material. Therefore, the list of items to be presented in addition to significant transactions and events are required irrespective of whether they are material.
  The effective date of the standard is for years beginning on or after 1 January 2011.
  It does not have a material impact on the group and company's financial statements.

(ii) Standards and interpretations not yet effective:

- **IFRS 10 - Consolidated financial statements**

  This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.
  The effective date of the standard is for years beginning on or after 1 January 2013.
  It is not expected to have a material impact on the group and company's financial statements.

Notes to the Consolidated Financial Statements

(a) New standards and interpretations (continued)

(ii) Standards and interpretations not yet effective (continued):

- **IFRS 9 - Financial Instruments**

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. Phase one deals with the classification and measurement of financial assets. The following are changes from the classification and measurement rules of IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value through profit and loss. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost under any circumstances.

In December 2011, the effective date of IFRS 9 was delayed. The original effective date for periods beginning on/after 1 January 2013 has been delayed to periods beginning on/after 1 January 2015. The amendment also modifies the relief from restating prior periods, in that if IFRS 9 is adopted for reporting periods: beginning before 1 January 2012, comparatives need not be restated nor does the additional disclosure requirements of IFRS 7 need to be provided; beginning on/after 1 January 2012 and before 1 January 2013, either the additional disclosure required by IFRS 7 must be provided or the prior periods need to be restated; beginning on/after 1 January 2013, the IFRS 7 additional disclosure is required but the entity need not restate prior periods.
It is not expected to have a material impact on the group and company's financial statements.

- **IAS 12 - Amendment to IAS 12,'Income taxes' on deferred tax**

Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.
The effective date of the standard is for years beginning on or after 1 January 2012.
It is not expected to have a material impact on the group and company's financial statements.

- **IFRS 11 - Joint arrangements**

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
The effective date of the standard is for years beginning on or after 1 January 2013.
It is not expected to have a material impact on the group and company's financial statements.

- **IFRS 12 – Disclosures of interests in other entities**

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles.
The effective date of the standard is for years beginning on or after 1 January 2013.
It is not expected to have a material impact on the group and company's financial statements.

- **IFRS 13 – Fair value measurement**

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.
The effective date of the standard is for years beginning on or after 1 January 2013.
It is not expected to have a material impact on the group and company's financial statements.

- **IAS 27 (revised 2011) – Separate financial statements**

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
The effective date of the standard is for years beginning on or after 1 January 2013.
It is not expected to have a material impact on the group and company's financial statements.

Notes to the Consolidated Financial Statements

(a) New standards and Interpretations (continued)

(ii) Standards and interpretations not yet effective (continued):

- **IAS 28 (revised 2011) – Associates and joint ventures**

  This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
  The effective date of the standard is for years beginning on or after 1 January 2013.
  It is not expected to have a material impact on the group and company's financial statements.

- **IFRS 7 (Amendment): Financial Instruments: Disclosures - IFRS 9 Transitional Disclosures**

  The amendment requires additional disclosure on the transition from IAS 39 to IFRS 9. This additional disclosure is only required when an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2013. If an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2012 and before 1 January 2013, the entity can either provide the additional disclosure or restate prior periods. The additional disclosure highlights the changes in classification of financial assets and financial liabilities upon the adoption of IFRS 9.
  The effective date of the standard is for years beginning on or after 1 January 2015.
  It is not expected to have a material impact on the group and company's financial statements.

2.2 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the group and all entities, which are controlled by the group.

Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies,

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value of the non-controlling interest's share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Consolidated Financial Statements

2.3 Investment in subsidiaries

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

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

2.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the group and company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, 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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
- Plant and machinery	5 years
- Furniture and fixtures	6 years
- Motor vehicles	5 years
- Office equipment	6 years
- IT Equipment	3 years
- Leasehold Improvements	5 years

The residual value, useful life and depreciation method of each asset are reviewed, and adjusted if appropriate, at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.5 Investment property

The group and company owns property that is held to earn long-term rental income and for capital appreciation. This property is not occupied by the group and company.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

Investment property is carried at cost less depreciation less any accumulated impairment losses. Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property,which is as follows:

Item	Useful life
- Land	Unlimited
- Buildings	20 years

Notes to the Consolidated Financial Statements

2.6 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries, and represents the excess of the consideration transferred over the group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit, or group of units, to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense in profit or loss and is not subsequently reversed.

(b) *Computer software*

Acquired computer software is 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 to their residual values over their estimated useful lives, as follows:

Item	Average useful life
- Computer software	2 years

2.7 Impairment of non-financial assets

The group and company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group and company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group and company also:

- tests intangible assets with an indefinite useful life and intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period;
- tests goodwill acquired in a business combination for impairment annually.

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

2.8 Financial instruments

2.8.1 Classification

The group and company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Notes to the Consolidated Financial Statements

2.8 Financial instruments (continued)

2.8.2 Initial recognition and measurement

Financial instruments are recognised initially when the group and company becomes a party to the contractual provisions of the instruments. The group and company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are initially measured at fair value except for equity instruments to which a fair value is not determinable, which are measure at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit and loss, transaction costs are included in the initial measurement of the instruments.

2.8.3 Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

2.8.4 Impairment of financial assets

At each reporting date the group and company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset, or group of financial assets, has been impaired.

For amounts due to the group and company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within administrative expenses. An allowance account is used when the group and company determines that a financial asset is not recoverable. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against administrative expenses.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of land under development held for sale comprises design costs, building materials, direct labour and other direct costs . Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The land under development held for sale, is expected to be realised in the normal operating cycle which is longer than 12 months, due to external factors, for example delay of title deed transfers.

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.

2.10 Construction contracts

A construction contract is defined by IAS 11 as a contract specifically negotiated for the construction of an asset.

Contract costs are recognised as expenses in the period in which they are incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

The group and company uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The group and company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The group and company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Notes to the Consolidated Financial Statements

2.11 Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired, with the exception of retention debtors, which is payable once the retention period has lapsed. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within administrative expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on 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.

2.13 Bank overdraft

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.
Any difference between the proceeds (net of transaction costs) and the settlement or redemption of overdrafts is recognised over the term of the borrowings in accordance with the group and company's accounting policy for borrowing costs.

Bank overdrafts are classified as current liabilities based on the operating cycle of the group and company.

2.14 Share capital and equity

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

Where any group 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.

2.15 Trade payables

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

2.16 Borrowings

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

Borrowings are classified as current liabilities based on the operating cycle of the group and company.

Fees paid on the establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as prepayments for liquidity services and amortised over the period of the facility to which it relates.

2.17 Borrowing costs

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

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds gerenrally borrowed for the prupose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing cost incurred.

Qualifying assets consist of land under development which has been classified as inventories.

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.

Notes to the Consolidated Financial Statements

2.17 Borrowing costs (continued)

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

Borrowing costs that are directly attributable to the construction of an asset are treated as contract costs.

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

2.18 Current and deferred income tax

Current income tax assets and liabilities

Current income 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 income 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 end of the reporting period.

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 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 goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

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, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- 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 arising from investments in subsidiaries and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

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 end of the reporting period.

Income tax expenses

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

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

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

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 in equity.

Secondary tax on companies (STC)

South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax (called STC), on distribution income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the statement of comprehensive income in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceeds the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceeds dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividends cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extend that it is probable that the company will declare future dividends to utilise such STC credits.

STC Tax has been replaced with a dividend withholding tax, and is applicable from 1 April 2012.

Notes to the Consolidated Financial Statements

2.19 Employee benefits

(a) Defined contribution plans

A defined contribution plan is a pension plan under which the group and company pays fixed contributions into a separate entity. The group and company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The group and company has no further payment obligations once the contributions have been paid.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group and company obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

(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.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

(c) *Bonus plans*

The group and 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 group and company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Share-based payments

The group and company operated an equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the holding company. 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 is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

If an equity settled award is cancelled, its is treated as if it had vested on the date on cancellation and any expense not yet recognised for the award is recognised immediately.

2.21 Loans to/(from) group companies

These include loans to and from holding companies, fellow subsidiaries and subsidiaries and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

2.22 Loans receivable

Loans receivable are recognised initially at fair value plus direct transaction costs.
Loans receivable are classified as loans and receivables

2.23 Provisions and contingencies

Provisions are recognised when:

- the group and company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

Notes to the Consolidated Financial Statements

2.24 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 group and company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group and company.

The group and 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 group and company's activities as described below. The group and 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 group and company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group and 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 group and 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 end of the reporting period. 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 group and company;
- the stage of completion of the transaction at the end of the reporting period 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.

(c) *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.

Revenue is recognised over the period of the contract on the 'percentage-of-completion' basis by reference to the contracts costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

In applying the recognition criteria in IAS 18 'Revenue Recognition' judgement is required in determining whether:

- a single transaction includes separately identifiable components; or
- two or more transactions together, when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole, should be grouped.

The group and company applies judgement in determining whether contracts for the sale of land and the construction of residential housing include separately identifiable components or whether these should be grouped together.

(d) *Finance income*

Finance income is recognised on a time-proportion basis using the effective interest method.

Finance income on impaired loans is recognised using the original effective interest rate.

(e) *Dividend income*

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

(f) *Rental income*

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

(g) Management fees

Management fees are recognised on the date the services are performed.

2.25 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Notes to the Consolidated Financial Statements

2.25 Leases (continued)

Finance leases – lessee

Finance leases are recognised as assets 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 obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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 on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as income on a straight-line basis over the lease term. The difference between the amounts recognised as an income and the contractual receipts are recognised as an operating lease liability. This liability is not discounted.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income from leases is disclosed under other income in profit or loss.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period in which they are incurred.

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.

3 Financial risk management

3.1 Financial risk factors

The group and company activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The group and company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group and company's financial performance. Risk management is carried out under policies approved by management.

Risk management is carried out under policies approved by management.

Risk management is carried out by the group and company's management who identifies and evaluates financial risks in close-co-operation with the group and company's operating units. The board of directors are responsible for overall risk management, as well as guidance covering specific areas, such as interest rate risk, credit risk and non-derivitave financial instruments, and investment of excess liquidity.

(a) *Market risk*

(i) Foreign currency and commodity price risks

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

(ii) Cash flow and fair value interest rate risk

The group has interest-bearing assets through loans to group companies and others. The loans issued on variable rates expose the group to cash flow interest rate risk.

The company has interest-bearing assets through loans to company companies and others. The loans issued on variable rates expose the company to cash flow interest rate risk.

The group's interest rate risk arises from borrowings, finance lease obligations and loans from group companies. These obligations issued at variable rates expose the group to cash flow interest rate risk.

The company's interest rate risk arises from loans from group companies, borrowings and finance lease obligations. These obligations issued at variable rates expose the company to cash flow interest rate risk.

The interest rate exposure is monitored and managed by management of the group and company and will not be hedged to limit interest rate risk.

The group and company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the group and company calculates the impact on profit and loss of a defined interest rate shift.

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The scenarios are run for asests and 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:

	Group		Company	
	2012	2011	**2012**	2011
2 % increase/decrease on interest bearing borrowings	2 152 548	934 296	2 552 853	1 476 824
2 % increase/decrease on interest bearing assets	3 212 925	2 089 348	3 510 948	2 329 532

The simulation is done on a yearly basis to verify that the maximum loss potential is within the limit given by management.
The group and company does not have any fixed rate borrowings and is not exposed to fair value interest rate risk.

(b) *Credit risk*

Credit risk consists mainly of loans, cash deposits, cash equivalents and trade debtors. The group and 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 deems the risk level to be unacceptable, payment guarantees are insisted upon.

Credit risk is limited, certain limits were exceeded during the reporting period but are limited as management does not expect any material losses from non-performance by these counterparties.

Credit risk on loans to group companies are limited as the entities which these loans were granted to, have sufficient assets to service these loans.

Details of financial assets are set out in note 36.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the group and company's management maintains flexibility in funding by maintaining availability under committed credit lines.

The group and company manages liquidity risk by monitoring forecast cash flows.

The group and company manages liquidity risk on borrowings by striving to match the maturity profile with expected cash flows from construction projects and land under development.

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

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

The table below analyses the group and company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting period date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

Group

at 29 February 2012	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Borrowings	68 490 742	12 126 040	155 627 788	-	**236 244 570**
Loans from group companies	554 555	-	-	-	**554 555**
Finance lease obligations	1 629 641	223 128	-	-	**1 852 769**
Trade and other payables	94 506 997	-	-	-	**94 506 997**
	165 181 935	**12 349 168**	**155 627 788**	**-**	**333 158 891**

at 28 February 2011	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Borrowings	60 935 924	5 731 238	-	-	**66 667 162**
Loans from group companies	492 188	-	-	-	**492 188**
Bank overdraft	1 447	-	-	-	**1 447**
Finance lease obligations	1 170 202	1 003 521	-	-	**2 173 723**
Trade and other payables	36 864 682	-	-	-	**36 864 682**
	99 464 443	**6 734 759**	**-**	**-**	**106 199 202**

Company

at 29 February 2012	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Borrowings	68 490 742	12 126 040	155 627 788	-	**236 244 570**
Loans from group companies	28 353 482	-	-	-	**28 353 482**
Finance lease obligations	1 629 641	223 128	-	-	**1 852 769**
Trade and other payables	91 866 123	-	-	-	**91 866 123**
	190 339 988	**12 349 168**	**155 627 788**	**-**	**358 316 944**

Notes to the Consolidated Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk (continued)*

Company (continued)

at 28 February 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings	60 935 924	5 731 238	-	-	**66 667 162**
Loans from group companies	38 167 734	-	-	-	**38 167 734**
Finance lease obligations	1 170 202	1 003 521	-	-	**2 173 723**
Trade and other payables	28 897 812	-	-	-	**28 897 812**
	129 171 672	**6 734 759**	-	-	**135 906 431**

3.2 Capital risk management

The group and company's objectives when managing capital are to safeguard the group and 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.

The capital structure of the group and company consist of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents disclosed in note 15 and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group and company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

3.3 Fair value estimation

The group and company is not exposed to any fair value estimation risk.

4 Critical accounting estimates and judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

(a) Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment.

Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including, cost of production, expected volume, expected selling price and discount rates, together with economic factors.

(b) Share based payments

Management used the Black Scholes Valuation method to determine the value of the options at issue date. Additional details regarding the estimates are included in the note 31 Share based payments.

(c) Construction contracts revenue recognition and profit taking

The group and company uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires the group and 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.

(d) Trade receivables and loans and receivables

The group and company assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group and company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

(e) Land under development held for sale

In assessing the net realisable value of land under development held for sale, valuators consider title deed information, town planning conditions, locality and improvements made to the property. Property vacancy rates in surrounding areas, realised yields on comparative sales as well as micro- and macro-economic conditions require judgement.

Notes to the Consolidated Financial Statements

5 Investment Property

Group	2012			2011		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Investment property	4 239 303	-	4 239 303	4 239 303	-	4 239 303

Reconciliation of investment property - Group - 2012

	Opening balance	Additions	Depreciation	Total
Investment Property	4 239 303	-	-	4 239 303

Reconciliation of investment property - Group - 2011

	Opening balance	Disposals	Depreciation	Total
Investment Property	5 492 558	(1 419 413)	166 158	4 239 303

Company	2012			2011		
	Cost	Accumulated depreciation	Carrying	Cost	Accumulated depreciation	Carrying amount
Investment property	4 239 303	-	4 239 303	4 239 303	-	4 239 303

Reconciliation of investment property - Company - 2012

	Opening balance	Additions	Depreciation	Total
Investment Property	4 239 303	-	-	4 239 303

Reconciliation of investment property - Company - 2011

	Opening balance	Disposals	Depreciation	Total
Investment Property	5 492 558	(1 419 413)	166 158	4 239 303

	Group		Company	
Details of properties	**2012**	2011	**2012**	2011
Land and building situated on stand 2334 Northriding Ext 82				
Land - At cost	307 017	307 017	307 017	307 017
Building	1 769 869	1 769 869	1 769 869	1 769 869
	2 076 886	**2 076 886**	**2 076 886**	**2 076 886**
Land and building situated on stand 2336 Northriding Ext 82				
Land - At cost	307 017	307 017	307 017	307 017
Building	1 855 400	1 855 400	1 855 400	1 855 400
	2 162 417	**2 162 417**	**2 162 417**	**2 162 417**
	4 239 303	**4 239 303**	**4 239 303**	**4 239 303**

Group and Company

Land and buildings under investment property have a fair value of R 5,100,000 (2011 - R5,500,000). 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.

In assessing the fair value of investment property, valuations consider title deed information, town planning conditions, locality and improvements made to the property. Property vacancy rates in surrounding areas, realised yields on comparative sales as well as micro- and macro-economic conditions pertaining to residential properties are considered.

Investment properties with a carrying value of R4,239,303 (2011 - R4,239,303) are secured by mortgage bonds to Rand Merchant Bank Limited held in the name of Calgro M3 Land Proprietary Limited (fellow subsidiary).

Repairs and maintenance expended on investment property amount to Rnil (2011 - Rnil). Refer to note 23.

Rental income received in respect of investment property amounts to R165,000 (2011 - R363,342). Refer to note 22.

6 Property, plant and equipment

Group	2012			2011		
	Cost	Accumulated depreciation	Net book amount	Cost	Accumulated depreciation	Net book amount
Plant and machinery	3 883 330	(3 123 718)	759 612	3 792 175	(2 424 364)	1 367 811
Furniture and fixtures	3 651 874	(2 577 671)	1 074 203	3 548 400	(1 982 268)	1 566 132
Motor vehicles	1 502 474	(816 636)	685 838	1 502 474	(548 852)	953 622
Office equipment	852 358	(85 278)	767 080	52 597	(32 376)	20 221
IT equipment	1 331 956	(1 093 514)	238 442	1 115 209	(966 109)	149 100
Leasehold Improvements	1 616 441	(1 352 657)	263 784	1 616 441	(1 033 260)	583 181
Total	12 838 433	(9 049 474)	3 788 959	11 627 296	(6 987 229)	4 640 067

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2012

	Opening Balance	Additions	Disposals	Depreciation	Closing net book amount
Plant and machinery	1 367 811	91 156	-	(699 355)	759 612
Furniture and fixtures	1 566 132	103 474	-	(595 403)	1 074 203
Motor vehicles	953 622	-	-	(267 784)	685 838
Office equipment	20 221	799 762	-	(52 903)	767 080
IT equipment	149 100	216 747	-	(127 405)	238 442
Leasehold Improvements	583 181	-	-	(319 397)	263 784
	4 640 067	1 211 139	-	(2 062 247)	3 788 959

Reconciliation of property, plant and equipment - Group - 2011

	Opening Balance	Additions	Disposals	Depreciation	Closing net book amount
Plant and machinery	2 127 211	6 750	-	(766 149)	1 367 811
Furniture and fixtures	2 157 649	-	-	(591 518)	1 566 132
Motor vehicles	1 293 510	-	(170 943)	(168 945)	953 622
Office equipment	28 990	-	-	(8 768)	20 221
IT equipment	383 281	35 000	-	(269 181)	149 100
Leasehold Improvements	906 470	-	-	(323 289)	583 181
	6 897 111	41 750	(170 943)	(2 127 850)	4 640 067

Company	2012			2011		
	Cost	Accumulated depreciation	Net book amount	Cost	Accumulated depreciation	Net book amount
Plant and machinery	3 883 330	(3 123 717)	759 613	3 792 175	(2 424 364)	1 367 811
Furniture and fixtures	3 364 060	(2 391 867)	972 193	3 276 786	(1 838 608)	1 438 178
Motor vehicles	1 502 474	(816 636)	685 838	1 502 474	(548 852)	953 622
Office equipment	831 535	(64 832)	766 703	31 774	(15 108)	16 666
IT equipment	1 172 510	(951 628)	220 882	958 723	(832 963)	125 760
Leasehold Improvements	1 396 200	(1 172 136)	224 064	1 396 200	(893 087)	503 113
Total	12 150 109	(8 520 816)	3 629 293	10 958 132	(6 552 982)	4 405 150

Reconciliation of property, plant and equipment - Company - 2012

	Opening Balance	Additions	Disposals	Depreciation	Closing net book amount
Plant and machinery	1 367 811	91 156	-	(699 354)	759 613
Furniture and fixtures	1 438 178	87 275	-	(553 260)	972 194
Motor vehicles	953 622	-	-	(267 784)	685 838
Office equipment	16 666	799 761	-	(49 724)	766 703
IT equipment	125 760	213 787	-	(118 665)	220 882
Leasehold Improvements	503 113	-	-	(279 049)	224 064
	4 405 150	1 191 978	-	(1 967 836)	3 629 293

Reconciliation of property, plant and equipment - Company - 2011

	Opening Balance	Additions	Disposals	Depreciation	Closing net book amount
Plant and machinery	2 127 211	6 750	-	(766 150)	1 367 811
Furniture and fixtures	1 984 418	-	-	(546 240)	1 438 178
Motor vehicles	1 293 510	-	(170 943)	(168 945)	953 622
Office equipment	21 963	-	-	(5 297)	16 666
IT equipment	363 944	-	-	(238 184)	125 760
Leasehold Improvements	782 353	-	-	(279 240)	503 113
	6 573 399	6 750	(170 943)	(2 004 056)	4 405 150

	Group		Company	
	2012	2011	2012	2011
Property, plant and equipment subject to finance lease				
Carrying value of assets pledged as security under finance lease obligations				
Plant and machinery	640 167	1 198 548	640 167	1 198 548
IT Equipment	26 013	83 405	26 013	83 405
Motor vehicles	580 281	737 753	580 281	737 753
Office equipment	747 209	-	747 209	-
	1 993 670	**2 019 706**	**1 993 670**	**2 019 706**

Refer to note 17 for details of finance lease obligations.

Group
Depreciation expense of R2,062,247 (2011 - R2,127,850) has been charged in 'administrative expenses' in the statement of comprehensive income.

Company
Depreciation expense of R1,967,836 (2011 - R2,004,056) has been charged in 'administrative expenses' in the statement of comprehensive income.

Notes to the Consolidated Financial Statements

7 Intangible assets

Group	2012			2011		
	Cost	Accumulated Amortisation/ Impairment	Carrying amount	Cost	Accumulated Amortisation/ Impairment	Carrying amount
Goodwill	43 228 775	(14 713 978)	28 514 797	43 228 775	(14 713 978)	28 514 797
Computer software	543 698	(344 879)	198 819	275 348	(259 529)	15 819
	43 772 473	**(15 058 857)**	**28 713 616**	43 504 123	(14 973 507)	28 530 616

Reconciliation of intangible assets - Group - 2012

	Opening Balance	Additions	Amortisation	Total
Goodwill	28 514 797	-	-	28 514 797
Computer software	15 819	268 350	(85 350)	198 819
	28 530 616	268 350	(85 350)	28 713 616

Reconciliation of intangible assets - Group - 2011

	Opening Balance	Additions	Amortisation	Total
Goodwill	28 514 797	-	-	28 514 797
Computer software	76 388	-	(60 569)	15 819
	28 591 185	-	(60 569)	28 530 616

Company	2012			2011		
	Cost	Accumulated Amortisation/ Impairment	Carrying amount	Cost	Accumulated Amortisation/ Impairment	Carrying amount
Computer software	543 698	(344 879)	198 819	275 348	(259 529)	15 819
	543 698	**(344 879)**	**198 819**	275 348	(259 529)	15 819

Reconciliation of intangible assets - Company - 2012

	Opening Balance	Additions	Amortisation	Total
Computer software	15 819	268 350	(85 350)	198 819
	15 819	268 350	(85 350)	198 819

Reconciliation of intangible assets - Company - 2011

	Opening Balance	Additions	Amortisation	Total
Computer software	76 388	-	(60 569)	15 819
	76 388	-	(60 569)	15 819

Group and Company

Amortisation expenses of R85,350 (2011 - R60,569) has been charged in 'administration expenses' in the statement of comprehensive income.

Impairment tests for goodwill

Goodwill is monitored at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

	Group	
	2012	2011
Construction	28 514 797	28 514 797
	28 514 797	**28 514 797**

The recoverable amounts of the Construction CGU has been determined based on value-in-use calculations.

These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a six year period. The six year period is considered relevant for purposes of the value in use calculation of the construction CGU as it is presentative of project timelines.

The key assumptions used for value-in-use calculations in 2012 are as follows:

	Construction
Gross margin	13.80%
Pre-tax Discount rate (real)	17.08%

The key assumptions used for value-in-use calculations in 2011 are as follows:

	Construction
Gross margin	13.80%
Post-tax Discount rate (real)	12.30%

These assumptions have been used for the analysis of each CGU within the operating segment.

Real cash flows were discounted at a real discount rate. No cash flows beyond the initial forecast periods of six years were included in the value-in-use calculations. This approach is considered to be conservative.

The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. Management determined budgeted gross margin based on past performance and its expectations of market development and availability of cash for the end user.
If the budgeted gross margin used in the value-in-use calculations had been lower by 5%, the management estimates at 29 February 2012, the group would still not recognise an impairment of goodwill.

Notes to the Consolidated Financial Statements

7 Intangible assets (continued)

Impairment tests for goodwill (continued)

If the estimated pre tax discount rate applied to the discounted cashflows had been 5%, higher than managements estimates, the group would still not recognise an impairment of goodwill.

Impairment tests for goodwill are performed annually.

8 Investment in subsidiaries

Company Name of company	% Voting power 2012	% Voting power 2011	% Holding 2012	% Holding 2011	Carrying amount 2012	Carrying amount 2011
Direct						
MS5 Pennyville Proprietary Limited	**100%**	100%	**100.00%**	100.00%	**100**	100
MS5 Projects Proprietary Limited	**100%**	100%	**100.00%**	100.00%	**100**	100
CM3 Randpark Ridge Ext 120 Proprietary Limited	**100%**	100%	**100.00%**	100.00%	**100**	100
					300	300
In-direct						
PZR Pennyville Zamamphilo Relocation Proprietary Limited	**100%**	100%	**100.00%**	100.00%		
PZR Fleurhof Proprietary Limited	**100%**	100%	**100.00%**	100.00%		

All subsidiaries are incorporated in South Africa. The year ends of all the direct and in-direct subsidiaries are consistent with those of the group and company.

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

9 Deferred income tax assets/(liabilities)	Group		Company	
	2012	2011	**2012**	2011
Deferred tax liability				
Construction contracts	(18 942 722)	(6 141 813)	(18 942 722)	(2 258 621)
Capital Allowances	(183 211)	(208 887)	(183 211)	(235 895)
Provisions	135 580	94 583	135 580	94 583
Operating leases	81 466	190 241	81 466	190 241
Inventory	-	(401 044)	-	-
Deferred tax liabilities	**(18 908 887)**	**(6 466 920)**	**(18 908 887)**	**(2 209 692)**
Deferred tax asset				
Tax losses available for set off against future taxable income	281 887	95 357	-	-
Construction contracts	580 107	-	-	-
Capital allowances	829	-	-	-
Provisions	27 008	-	-	-
Deferred tax asset	**889 831**	**95 357**	**-**	**-**
	(18 019 056)	**(6 371 563)**	**(18 908 887)**	**(2 209 692)**
Reconciliation of deferred tax (liability)/asset				
Opening balance	(6 371 563)	(9 053 970)	(2 209 692)	(2 024 937)
Tax losses available for set off against future taxable income	186 530	2 355 236	-	3 561 409
Construction contracts	(12 220 802)	164 704	(16 684 101)	(4 074 094)
Capital allowances	26 505	70 113	52 684	43 105
Provisions	68 005	94 583	40 997	94 583
Operating leases	(108 775)	190 241	(108 775)	190 242
Inventory	401 044	(192 470)	-	-
	(18 019 056)	**(6 371 563)**	**(18 908 887)**	**(2 209 692)**
Deferred tax liabilities				
Deferred tax asset to be recovered within 12 months	(18 725 676)	(5 856 989)	(18 725 676)	(1 973 797)
Deferred tax asset to be recovered after more than 12 months	(183 211)	(609 931)	(183 211)	(235 895)
	(18 908 887)	**(6 466 919)**	**(18 908 887)**	**(2 209 692)**
Deferred tax assets				
Deferred tax liability to be recovered within 12 months	889 002	95 357	-	-
Deferred tax liability to be recovered after more than 12 months	829	-	-	-
	889 831	**95 357**	**-**	**-**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.
The group did not recognise deferred income tax assets of Rnil (2011: R168,986) in respect of losses amounting to Rnil (2011: R603,521) that can be carried forward against future taxable income.

Notes to the Consolidated Financial Statements

	Group		Company	
	2012	2011	**2012**	2011
10 Loans receivable				
Fleurhof Ext 2 Proprietary Limited	10 000 000	-	10 000 000	-
The loan is unsecured, bears interest at prime plus 2 % and is expected to be repaid based on the group and company's operating cycle.				
Aquarella Investments 265 Proprietary Limited	6 250 000	-	6 250 000	-
The loan is unsecured, bears interest at prime plus 2 % and is expected to be repaid based on the group and company's operating cycle.				
Sabre Homes Projects Proprietary Limited	809	-	809	-
The loan is unsecured, bears no interest and is repayable on demand.				
Autumn Star Trading 910 Proprietary Limited	5 756 677	5 756 677	5 756 677	5 756 677
The loan is unsecured, interest free and is payable on demand. The Autumn Star Trading 910 (Pty) Ltd loan is subject to litigation. Management estimates that this claim will be settled prior to or by the courts in November 2012 and have therefore classified it as current.				
Current assets	**5 757 486**	**5 756 677**	**5 757 486**	**5 756 677**
11 Loans to/(from) group companies				
Holding Company				
Calgro M3 Holdings Limited	203 404 380	136 730 815	203 404 380	136 730 815
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand and is expected to be repaid based on the group and company's operating cycle.				
Fellow Subsidiaries				
CTE Consulting Proprietary Limited	3 464 633	3 778 325	3 462 488	3 776 325
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand and is expected to be repaid based on the group and company's operating cycle.				
CTE Consulting Proprietary Limited	(554 555)	(492 188)	-	-
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand and is expected to be repaid based on the group and company's operating cycle.				
Calgro M3 Land Proprietary Limited	-	4 488 928	-	4 488 928
The loan is unsecured, bears interest at prime plus 3% and has been repaid.				
Subsidiaries				
MS5 Pennyville Proprietary Limited	-	-	20 698 177	16 681 322
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand and is expected to be repaid based on the company's operating cycle.				
CM3 Randpark Ridge Ext 120 Proprietary Limited	-	-	(2 741 918)	(168 241)
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand and is expected to be repaid based on the company's operating cycle.				
MS5 Projects Proprietary Limited	-	-	(4 999 660)	(1 785 829)
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand and is expected to be repaid based on the company's operating cycle.				
PZR Pennyville Zamimphilo Relocation Proprietary Limited	-	-	(20 611 904)	(36 213 664)
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand and is expected to be repaid based on the company's operating cycle.				
Joint venture of a fellow subsidiary				
Fleurhof Ext 2 Proprietary Limited	-	95 631	-	95 631
The loan is unsecured, bears interest at prime plus 2 % and has been repaid.				
Loans to group companies	206 869 013	145 093 699	227 565 045	161 773 021
Loans from group companies	(554 555)	(492 188)	(28 353 482)	(38 167 734)
	206 314 458	**144 601 511**	**199 211 563**	**123 605 287**

The carrying value of loans to/(from) group companies approximates their fair values.

Notes to the Consolidated Financial Statements

	Group		Company	
	2012	2011	**2012**	2011

12 Inventories

Land under development held for sale	20 873 004	19 530 805	20 873 004	18 098 502
	20 873 004	**19 530 805**	**20 873 004**	**18 098 502**
Inventories to be sold within 12 months	1 200 000	-	1 200 000	-
Inventories to be sold after more than 12 months	19 673 004	19 530 805	19 673 004	18 098 502
	20 873 004	**19 530 805**	**20 873 004**	**18 098 502**

Certain inventories net realisable value has increase due to the market conditions improving in the areas where these inventory's are situated.

Group
Borrowing costs to the value of R892,503 (2011 - R687,393) have been capitalised. (Note 2.17)
Please refer to note 23 for inventories written down.

Inventory pledged as security
Land under development with a carrying value of R 19,873,004 (2011: R 19,530,805) has been mortgated to Rand Merchant Bank Limited for a loan to Calgro M3 Land Proprietary Limited (a fellow subsidiary).
Inventories to the value of R8,225,111 (2011 - R7,560,726) are stated at net realisable value.

Company
Borrowing costs to the value of R2,324,806 (2011 - RNil) have been capitalised. (Note 2.17)
Please refer to note 23 for inventories written down.

Inventory pledged as security
Land under development with a carrying value of R 19,873,004 (2011: R 18,098,502) has been mortgated to Rand Merchant Bank Limited for a loan to Calgro M3 Land Proprietary Limited (a fellow subsidiary).
Inventories to the value of R8,225,111 (2011 - R7,356,555) are stated at net realisable value.

13 Construction contracts

Contracts in progress at statement of financial position date

The aggregate costs incurred and recognised profits to date	527 881 034	293 339 452	488 192 160	202 276 161
Less: Progress billings	(457 098 779)	(256 159 459)	(422 655 815)	(172 858 400)
Net statement of financial position balance for ongoing contracts	**70 782 255**	**37 179 993**	**65 536 345**	**29 417 761**
Excess billings over work done	14 791 149	-	10 215 054	-
	85 573 404	**37 179 993**	**75 751 399**	**29 417 761**
Construction contracts to be realised within 12 months	65 323 312	18 250 888	61 226 464	16 213 812
Construction contracts to be realised after 12 months	20 250 092	18 929 105	14 524 935	13 203 949
	85 573 404	**37 179 993**	**75 751 399**	**29 417 761**

14 Trade and other receivables

Trade receivables	4 782 612	7 146 534	4 752 054	4 194 731
Trade receivables - Related parties	3 097 028	960 390	3 046 521	960 390
Retention debtors - Related parties	5 273 334	2 061 185	5 273 335	2 061 185
Retention debtors	426 872	-	426 872	-
Other receivables	32 445	208 486	32 445	208 486
Securing deposits	151 855	1 139 054	133 033	546 446
Value Added Tax	878 764	269 400	-	-
	14 642 910	**11 785 049**	**13 664 260**	**7 971 239**
Financial Instruments	13 612 292	10 876 596	13 534 227	7 971 239
Non-financial Instruments	1 030 618	908 453	130 033	-
	14 642 910	**11 785 049**	**13 664 260**	**7 971 239**

Fair value of trade and other receivables
The carrying value of trade and other receivables approximates their fair values, due to the short term nature of these financial instruments.

Group

Trade receivables, related party receivables and retention debtors fully performing
At 29 February 2012, trade receivables of R12,311,939 (2011: R3,451,907) were fully performing.

Trade receivables, related party receivables and retention debtors past due but not impaired
As at 29 February 2012, trade receivables of R1,267,908 (2011: R6,716,201) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The ageing of amounts past due but not impaired is as follows:

Up to 3 months	-	308 457	-	(11 078)
3 to 6 months	-	6 407 744	-	3 775 477
6 months and older	1 267 908	-	1 267 908	-
	1 267 908	6 716 201	1 267 908	3 764 399

Notes to the Consolidated Financial Statements

	Group		Company	
	2012	2011	**2012**	2011

14 Trade and other receivables (continued)

Trade receivables impaired
As of 29 February 2012, trade receivables of Rnil (2011: R106,881) were impaired and provided for. The amount of the provision was Rnil (2011: R106,881)

The ageing of these amounts is as follows:				
Over 6 months	-	106 881	-	-
Reconciliation of provision for impairment of trade receivables				
As at 1 March	106 881	-	-	-
Provision for receivables impairment	-	106 881	-	-
Reversal of provision for receivables impaired	(106 881)	-	-	-
As at 29/28 February	-	106 881	-	-

Company

Trade receivables and retention debtors fully performing
At 29 February 2012, trade receivables of R12,230,872 (2011: R3,451,907) were fully performing.

Trade receivables past due but not impaired
As at 29 February 2012, trade receivables of R1,267,908 (2011: R3,764,399) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The creation and release of the provision for impaired receivables have been included in administrative expenses in the statement of comprehensive income (note 23). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group and company does not hold any collateral as security.

The carrying amounts of the group and company's trade and other receivables are denominated in SA Rands.

15 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the statement of cashflows

Cash on hand	225	150	90	15
Bank balances	75 530 306	9 887 158	75 171 047	9 877 500
Bank overdraft	-	(1 447)	-	-
	75 530 531	**9 885 861**	**75 171 137**	**9 877 516**
Current assets	75 530 531	9 887 308	75 171 137	9 877 516
Current liabilities	-	(1 447)	-	-
	75 530 531	**9 885 861**	**75 171 137**	**9 877 516**

Group and Company

Guarantees and suretyships

The bank holds guarantees and suretyships on the overdraft facilities of the group and company to the value of R506,340 (2011 - R506,340)

16 Share capital

Authorised				
1,000 Ordinary shares of R1 each	1 000	1 000	1 000	1 000
Issued				
101 Ordinary shares of R1 each	101	101	101	101
Share premium	88 561 366	88 561 366	88 561 366	88 561 366
	88 561 467	88 561 467	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.

Notes to the Consolidated Financial Statements

	Group		Company	
	2012	2011	**2012**	2011
17 Finance lease obligations				
Minimum lease payments due				
- within one year	1 083 666	1 170 202	1 083 666	1 170 202
- in second to fifth year inclusive	769 103	1 003 521	769 103	1 003 521
	1 852 769	2 173 723	1 852 769	2 173 723
Less: future finance charges	(146 161)	(153 341)	(146 161)	(153 341)
Present value of minimum lease payments	**1 706 608**	**2 020 382**	**1 706 608**	**2 020 382**
Present value of minimum lease payments due				
- within one year	1 461 964	1 036 271	1 461 964	1 036 271
- in second to fifth year inclusive	244 644	984 111	244 644	984 111
	1 706 608	**2 020 382**	1 706 608	2 020 382
Non-current liabilities	244 644	984 111	244 644	984 111
Current liabilities	1 461 964	1 036 271	1 461 964	1 036 271
	1 706 608	**2 020 382**	1 706 608	2 020 382

It is group and company policy to lease certain equipment under finance leases. The average lease term is 3-5 years and average effective borrowing rate is prime.

Refer to note 6 for the carrying value of assets under finance lease.
The group and company's obligations under finance leases are secured by the lessor's charge over the leased assets.

18 Borrowings				
Current borrowings				
Nedbank Limited	12 221 371	9 800 689	12 221 371	9 800 689
The loan is secured over the work in progress on the Jabulani Hostel Project situated on the land registered in the name of City of Johannesburg, bears interest at prime plus 1% and is repayable on receipt of payment from the Gauteng Department of Housing at the expected date of 28 February 2013.				
Bond exchange	135 000 000	50 000 000	135 000 000	50 000 000
This liability consist of 5 listed instruments, a R50 million 60 month instrument, which is unsecured, bears interest at jibar plus 5.3%, and expires on 8 December 2016. A R 22.5 million 36 months instrument, which is unsecured, bears interest at jibar plus 8% and expires on 25 July 2014. A R22.5 million 48 month instrument, which is unsecured, bears interest at jibar plus 10% and expires on 25 July 2015. A R 5 million 24 months instrument, which is unsecured, bears interest at jibar plus 6.5% and expires on 18 February 2013. A R35 million 12 month instrument, which is unsecured, bears interest at jibar plus 2.95% and expires on 15 November 2012.				
Barnards Incorporated	-	42 404	-	42 404
The loan has been repaid				
Barnards Incorporated	-	2 526 009	-	2 526 009
The loan has been repaid				
Total current borrowings	**147 221 371**	**62 369 102**	**147 221 371**	**62 369 102**
Total borrowings	**147 221 371**	**62 369 102**	**147 221 371**	**62 369 102**
Current liabilities				
At amortised cost	147 221 371	62 369 102	147 221 371	62 369 102
	147 221 371	**62 369 102**	**147 221 371**	**62 369 102**
Borrowings to be settled within 12 months	52 221 371	47 568 413	52 221 371	47 568 413
Borrowings to be settled after more than 12 months	95 000 000	14 800 689	95 000 000	14 800 689
	147 221 371	**62 369 102**	**147 221 371**	**62 369 102**

General
The directors have not breached the requirements of the company's Memorandum of incorporation in terms of their borrowing powers.
All borrowings are denominated in South African Rands.
The fair value of the borrowings approximates their carrying value, with the exception of the Bond exchange borrowing.

The fair value of the bond exchange borrowings at the end of the period under review is R140,168,695 for the group and company.
The fair value is based on cash-flows discounted using a rate for similar instruments on the reporting period date.

Notes to the Consolidated Financial Statements

	Group		Company	
	2012	2011	**2012**	2011
19 Trade and other payables				
Trade payables	75 393 941	33 088 769	74 560 072	26 751 668
Retention creditors	3 259 979	850 819	3 259 979	850 819
Accrued expenses	15 702 077	2 766 293	13 895 072	2 584 695
Value Added Tax	1 607 968	3 262 796	821 262	533 400
Accrual for leave pay	384 214	237 798	384 214	237 796
Deposits received	151 000	159 000	151 000	159 000
Excess billings over work done	14 791 149	-	10 215 054	-
	111 290 328	**40 365 475**	**103 286 653**	**31 117 378**
Financial instruments	94 506 997	37 102 679	91 866 123	28 897 779
Non-financial instruments	16 783 331	3 262 796	11 420 529	2 219 599
	111 290 328	**40 365 475**	**103 286 653**	**31 117 378**

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, due to the short term nature of these financial statements.

20 Revenue				
Sale of developed land	1 315 789	1 644 737	1 315 789	1 644 737
Rendering of services	22 401 680	4 947 321	5 478 102	-
Construction contracts	480 398 211	242 919 500	457 090 822	182 454 542
	504 115 680	**249 511 558**	**463 884 713**	**184 099 279**
21 Cost of sales				
Sale of developed land				
Development of land	1 321 424	1 651 112	1 321 424	1 651 112
Rendering of services				
Professional fees	6 440 270	3 545 793	64 543	-
Construction contracts				
Construction costs	414 404 942	208 643 703	385 680 042	162 149 410
	422 166 636	**213 840 608**	**387 066 009**	**163 800 522**
22 Other income				
Bond commissions	117 366	41 893	117 366	36 055
Insurance refunds	-	694 606	-	508 419
Management fees	2 203 854	3 108 490	18 474 625	24 172 306
Rental income	165 000	363 342	165 000	363 342
Reversal of write-down of inventory	-	1 542 969	-	1 542 969
Other income	83 337	396 650	83 337	395 726
	2 569 557	**6 147 950**	**18 840 328**	**27 018 817**

Rental income received relates to investment properties as stated in note 6.

23 Expense by nature				
Administration and management fees	10 808 579	9 404 451	10 808 579	9 404 451
Advertising	574 168	1 781 451	378 497	1 055 520
Auditors remuneration	1 243 357	1 703 536	866 678	1 703 536
Bad debts	1 489 233	1 658 905	529 168	1 547 625
Commission paid	6 416 787	3 545 792	41 060	-
Computer expenses	884 168	633 457	884 168	611 067
Construction costs	462 798 352	213 182 494	432 013 680	186 803 828
Deficit on disposal of property, plant and equipment	(2 960)	180 549	-	180 549
Depreciation on property, plant and equipment and amortisation on computer software	2 147 597	2 022 260	2 053 183	1 898 467
Donations	20 083	19 373	20 083	14 373
Fines, penalties and interest	779 717	1 184 743	497 203	(99 473)
Impairment of staff loans	-	127 136	-	127 136
Insurance	444 265	577 679	444 265	577 679
Land infrastructure costs	23 483	-	23 483	-
Land development costs	2 663 622	3 425 908	4 095 926	2 738 515
Lease rentals on operating leases	2 344 023	2 760 705	2 023 904	2 201 636
Legal fees	827 716	208 725	825 017	165 085
Motor vehicle expenses	707 766	464 503	447 706	203 599
Movement in inventory	(1 342 198)	(1 774 796)	(2 774 502)	(1 087 403)
Movement in construction contracts	(48 393 410)	(4 538 791)	(46 333 638)	(24 654 418)
Printing and stationery	592 970	405 130	517 198	328 167
Professional fees	257 006	227 437	249 007	227 437
Salaries and wages	21 161 676	13 235 678	27 275 887	21 094 074
Sundry expenses	2 034 725	1 310 557	1 944 711	1 202 054
Social corporate responsibilities	56 200	1 373 173	56 200	-
Telephone and fax	1 284 495	1 467 290	657 872	685 065
Write-down of inventory	(759 571)	145 904	(759 571)	145 904
Write-down of prepayments	-	9 690 395	-	-
Total cost of sales, administration expenses and other expenses	**469 061 849**	**264 423 644**	**436 785 764**	**207 074 473**

Notes to the Consolidated Financial Statements

	Group		Company	
	2012	2011	**2012**	2011
24 Finance income				
Interest revenue				
Bank	105 527	186 642	104 970	82 018
Related parties	22 397 175	18 979 986	24 648 475	21 091 755
	22 502 702	**19 166 628**	**24 753 446**	**21 173 773**
25 Finance cost				
Finance leases	160 067	297 712	160 067	297 712
Group companies	62 347	55 509	4 342 622	6 995 970
Other	1 653	5 565	1 653	5 658
Interest bearing borrowings	12 382 213	7 481 435	12 382 143	7 480 867
Finance cost	**12 606 280**	**7 840 221**	**16 886 485**	**14 780 207**
Less: amounts capitalised on qualifying assets (inventory)	(892 503)	(687 393)	(2 324 806)	-
Less: amounts capitalised on qualifying assets (construction contracts)	(2 692 452)	(461 727)	(2 692 452)	(461 727)
	9 021 325	**6 691 101**	**11 869 227**	**14 318 480**
26 Taxation				
Major components of the tax expense				
Current tax				
Local income tax - current period	2 795 934	3 227 214	-	2 396 251
	2 795 934	**3 227 214**	**-**	**2 396 251**
Deferred				
Current year	11 821 119	(2 682 404)	16 699 195	184 755
Prior year over/under provision	(173 628)	-	-	-
	11 647 491	**(2 682 404)**	**16 699 195**	**184 755**
	14 443 425	**544 810**	**16 699 195**	**2 581 006**
Reconcillation of tax expense				
Applicable tax rate	28.00%	28.00%	28.00%	28.00%
Disallowable charges	0.60%	8.19%	0.39%	0.11%
Exempt income	-%	(12.99)%	-%	(4.42)%
Prior year over/under provision	(0.34)%	-%	-%	-%
Tax losses for which no deferred income tax asset was recognised	-%	(8.52)%	-%	-%
Effective tax rate	**28.26%**	**14.68%**	**28.39%**	**23.68%**

The estimated tax loss for the group available for set off against future taxable income is R1,006,739 (2011: R960,659).

27 Auditors remuneration				
Fees	1 243 357	1 703 536	866 678	1 703 536
	1 243 357	**1 703 536**	**866 678**	**1 703 536**
28 Cash generated from/(used in) operations				
Profit before taxation	51 104 766	3 711 389	58 823 497	10 898 916
Adjustments for:				
Bad debts	1 489 233	1 658 905	529 168	-
Depreciation	2 062 247	1 961 693	1 967 836	1 837 898
Loss on sale of assets	-	170 944	-	170 943
Finance income	(22 502 702)	(19 166 628)	(24 753 446)	(21 173 773)
Finance cost	9 021 325	6 691 100	11 869 227	14 318 480
Reversal of write-down of inventory	-	(1 542 969)	-	-
Write down of inventory	(759 571)	145 904	(759 571)	
Amortisation of intangible assets	85 350	60 569	85 350	60 569
Write down of prepayemnts	-	9 690 395	-	-
Write down of staff loans	-	127 136	-	-
Changes in working capital:				
Inventories	309 875	309 662	309 864	(1 087 403)
Trade and other receivables	13 745 022	(1 158 027)	29 014 336	(2 671 371)
Prepayments	-	(9 444 750)	-	245 645
Construction contracts	(45 700 960)	(4 077 064)	(43 641 186)	(24 654 418)
Trade and other payables	61 471 403	3 672 188	33 590 794	4 227 407
	70 325 989	**(7 189 553)**	**67 035 869**	**(17 827 107)**

Notes to the Consolidated Financial Statements

	Group		Company	
	2012	2011	**2012**	2011
29 Tax paid				
Balance at beginning of the year	(6 128 989)	(13 084 425)	(2 152 277)	-
Current tax for the year	(2 795 934)	(3 227 214)	-	(2 396 251)
Balance at end of the year	(2 109 403)	6 128 989	(2 019 978)	2 152 277
	(11 034 326)	**(10 182 650)**	**(4 172 255)**	**(243 974)**
30 Commitments				
Operating leases – as lessor (income)				
Minimum lease payments due				
- within one year	701 064	1 088 760	701 064	1 088 760
- in second to fifth year inclusive	-	701 064	-	701 064
	701 064	**1 789 824**	701 064	1 789 824
Operating leases – as lessee (expense)				
Minimum lease payments due				
- within one year	2 109 320	3 363 810	2 109 320	3 261 729
- in second to fifth year inclusive	431 395	2 033 751	431 395	2 033 751
	2 540 715	**5 397 561**	2 540 715	5 295 480

Operating lease payments represent rentals payable by the group and company for all 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.

Group and Company

Rand Merchant Bank Limited

The group and company provided guarantees for repayment of a Rand Merchant Bank Limited loan which is registered in the name of the following companies:
- Calgro M3 Land Proprietary Limited (a fellow subsidiary)
- Clidet No 1014 Proprietary Limited (a joint venture of the holding company)

31 Share-based payments

	Total
Outstanding rights	
Outstanding at the beginning of the year	4 704 000
Modification/cancellation of rights	(4 704 000)
Outstanding at year end	-

Information on options granted during the year

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

Expense - Equity settled arrangements

Arising on cancellation of scheme	4 488 750	-	4 488 750	-

No amount was expensed in the 2011, 2010 and 2009 financial years because non-market vesting conditions were not met. The amount of R963,141 previously expensed was also reversed for this reason in 2009.

See directors report for details of options granted to directors and key management.

32 Employee costs

Salary and wages	43 308 167	33 786 322	42 500 774	33 786 322
Share option expense on cancellation of options granted to directors and employees	4 488 750	-	4 488 750	-
Salary and wages	**47 796 917**	**33 786 322**	**46 989 524**	**33 786 322**
Less: amounts capitalised on qualifying assets (construction contracts)	(26 635 241)	(20 550 644)	(19 713 637)	(12 692 248)
Total employee costs	**21 161 676**	**13 235 678**	**27 275 887**	**21 094 074**

Notes to the Consolidated Financial Statements

	Group		Company	
	2012	2011	**2012**	2011

33 Related parties

The following entities are related parties of the company:

Holding company:

- Calgro M3 Holdings Limited

Direct subsidiaries:

- MS5 Projects Proprietary Limited
- MS5 Pennyville Proprietary Limited
- CM3 Randpark Ridge Ext 120 Proprietary Limited

Indirect subsidiaries:

- PZR Pennyville Zamimphilo Relocations Proprietary Limited
- PZR Fleurhof Proprietary Limited

Fellow subsidiaries:

- Calgro M3 Land Proprietary Limited
- Calgro M3 Project Management Proprietary Limited
- CM3 Witkoppen Ext 131 Proprietary Limited
- Hightrade-Invest 60 Proprietary Limited
- Business Venture Investments No 1221 Proprietary Limited
- Business Venture Investments No 1244 Proprietary Limited
- CTE Consulting Proprietary Limited
- Ridgewood Estate Proprietary Limited
- Tres Jolie Ext 24 Proprietary Limited

Directors

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

Senior management

- BP Malherbe

Directors and senior management of subsidiaries:

- HB Malherbe
- B Blieden
- WP Steenkamp

The directors as stated above exercise control over all of the subsidiaries of the group.

Joint ventures of the holding company:

- Fleurhof Ext 2 Proprietary Limited
- Aquarella Investments 265 Proprietary Limited
- Clidet No 1014 Proprietary Limited
- Sabre Homes Projects Proprietary Limited

Related party balances

Loans to group companies				
Calgro M3 Holdings Limited	203 404 380	136 730 815	203 404 380	136 730 815
CTE Consulting Proprietary Limited	3 464 633	3 778 325	3 462 488	3 776 325
Calgro M3 Land Proprietary Limited	-	4 488 928	-	4 488 928
MS5 Pennyville Proprietary Limited	-	-	20 698 177	16 681 322
	206 869 013	**144 998 068**	**227 565 045**	**161 677 390**
Loans from group companies				
CTE Consulting Proprietary Limited	(554 555)	(492 188)	-	-
CM3 Randpark Ridge Ext 120 Proprietary Limited	-	-	(2 741 918)	(168 241)
MS5 Projects Proprietary Limited	-	-	(4 999 660)	(1 785 829)
PZR Pennyville Zamimphilo Relocation Proprietary Limited	-	-	(20 611 904)	(36 213 664)
	(554 555)	**(492 188)**	**(28 353 482)**	**(38 167 734)**
Loans to joint ventures				
Fleurhof Ext 2 Proprietary Limited	10 000 000	95 631	10 000 000	95 631
Aquarella Investments 265 Proprietary Limited	6 250 000	-	6 250 000	-
Sabre Homes Projects Proprietary Limited	809	-	809	-
	16 250 809	**95 631**	**16 250 809**	**95 631**
Receivables from related parties				
Fleurhof Ext 2 Proprietary Limited	7 817 825	2 061 185	7 817 825	2 061 185
Aquarella Investments 265 Proprietary Limited	466 712	59 173	466 712	59 173
Sabre Homes Projects Proprietary Limited	85 825	849 025	35 319	849 025
Clidet No 1014 Proprietary Limited	-	52 192	-	52 192
	8 370 362	**3 021 575**	**8 319 856**	**3 021 575**

Related party transactions

Interest received from related parties

MS5 Projects Proprietary Limited	-	-	(87 577)	(57 177)
MS5 Pennyville Proprietary Limited	-	-	(2 160 267)	(1 854 210)
CTE Consulting Proprietary Limited	(596 959)	(480 875)	(596 834)	(480 875)
Calgro M3 Holdings Limited	(21 802 403)	(18 399 813)	(21 802 403)	(18 399 813)
CM3 Randpark Ridge Ext 120 Proprietary Limited	-	-	(3 581)	(200 382)
Fleurhof Ext 2 Proprietary Limited	95 631	(95 631)	95 631	(95 631)
Aquarella Investments 265 Proprietary Limited	-	(3 667)	-	(3 666)
Sabre Homes Projects Proprietary Limited	(93 444)	-	(93 444)	-
	(22 397 175)	**(18 979 986)**	**(24 648 475)**	**(21 091 755)**

Notes to the Consolidated Financial Statements

	Group		Company	
	2012	2011	**2012**	2011
33 Related parties (continued)				
Related party transactions (continued)				
Interest paid to related parties				
PZR Pennyville Zamimphilo Relocation Proprietary Limited	-	-	4 163 397	6 828 751
CTE Consulting Proprietary Limited	62 367	55 415	-	-
MS5 Projects Proprietary Limited	-	-	110 180	165 553
CM3 Randpark Ridge Ext 120 Proprietary Limited	-	-	69 045	1 666
	62 367	**55 415**	**4 342 622**	**6 995 970**
Construction fees received from related parties				
PZR Pennyville Zamimphilo Relocations Proprietary limited	-	-	(7 192 549)	(34 434 006)
Fleurhof Ext 2 Proprietary Limited	(164 949 302)	(115 151 015)	(164 949 302)	(115 151 015)
Aquarella Investments 265 Proprietary Limited	(105 618 712)	(5 208 637)	(105 618 712)	(5 208 637)
Clidet No 1014 Proprietary Limited	(47 030)	(527 998)	(47 030)	(527 998)
Sabre Homes Projects Proprietary Limited	(17 057 190)	(4 997 383)	(3 337 001)	(4 997 383)
MS5 Projects Proprietary Limited	-	-	-	(6 916 223)
	(287 672 234)	**(125 885 033)**	**(281 144 594)**	**(167 235 262)**
Rendering of services from related parties				
Fleurhof Ext 2 Proprietary Limited	(6 847 575)	(4 584 596)	295 924	-
Sabre Homes Projects Proprietary Limited	(7 470 240)	-	(1 968 314)	-
Aquarella Investments 265 Proprietary Limited	(7 921 181)	(362 725)	(3 650 068)	-
	(22 238 996)	**(4 947 321)**	**(5 322 458)**	**-**
Management fees received from related parties				
MS5 Projects Proprietary Limited	-	-	(7 189 086)	(6 044 262)
PZR Pennyville Zamimphilo Relocations Proprietary limited	-	-	(9 081 685)	(16 019 556)
CTE Consulting Proprietary Limited	(2 203 854)	(2 108 488)	(2 203 854)	(2 108 488)
Sabre Homes Projects Proprietary Limited	-	(1 000 002)	-	-
	(2 203 854)	**(3 108 490)**	**(18 474 625)**	**(24 172 306)**
Construction Contracts fees paid to related parties				
CM3 Randpark Ridge Ext 120 Proprietary Limited	-	-	-	1 844 822
	-	**-**	**-**	**1 844 822**
Commission fees paid to related parties				
MS5 Projects Proprietary Limited	-	-	7 092 348	4 947 321
	-	**-**	**7 092 348**	**4 947 321**
Marketing fees paid to related parties				
MS5 Projects Proprietary Limited	-	-	-	5 462 202
	-	**-**	**-**	**5 462 202**
Compensation paid to key employees and personnel				
Short term employee benefits	21 919 144	9 270 622	21 949 444	9 270 622
	21 919 144	**9 270 622**	**21 949 444**	**9 270 622**

34 Contingent assets and liabilities

There are no additional contingent assets or liabilities in the current year whcih have not been disclosed under commitments.

35 Directors' emoluments

The directors' emoluments for the year under review is as follows

	Remuneration and other benefits			Pension	
2012	**Salary as a director**	**Expence allowance**	**Performance bonus**	**On behalf of the director to a pension scheme**	**Total**
Executive directors - Group and Company					
WJ Lategan					
For services rendered in connection with the carrying on of affairs of the business within the same group of companies, associates and joint ventures	1 451 010	144 000	2 272 375	72 058	**3 939 443**
DN Steyn					
For services rendered in connection with the carrying on of affairs of the business within the same group of companies, associates and joint ventures	1 520 573	144 000	2 272 375	3 000	**3 939 948**
FJ Steyn					
For services rendered in connection with the carrying on of affairs of the business within the same group of companies, associates and joint ventures	1 473 928	144 000	2 294 250	73 013	**3 985 191**
	4 445 511	**432 000**	**6 839 000**	**148 071**	**11 864 582**

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35 Directors' emoluments (continued)

2011	Remuneration and other benefits			Pension	
	Salary as a director	Expence allowance	Performance bonus	On behalf of the director to a pension scheme	Total
Executive directors - Group and Company					
WJ Lategan					
For services rendered in connection with the carrying on of affairs of the business within the same group of companies, and joint ventures	1 396 000	144 000	125 000	66 630	**1 731 630**
FJ Steyn					
For services rendered in connection with the carrying on of affairs of the business within the same group of companies, and joint ventures	1 396 000	144 000	125 000	66 630	**1 665 000**
DN Steyn					
For services rendered in connection with the carrying on of affairs of the business within the same group of companies, and joint ventures	1 396 000	144 000	125 000	52 725	**1 717 725**
	4 188 000	**432 000**	**375 000**	**185 985**	**5 114 355**

The prescribed officers' appointment, terms of contract and remuneration for the year under review is as follows:

	Date appointed	Contract expiry
Prescribed officer 1	05/08/2005	1 month notice
Prescribed officer 2	05/08/2005	1 month notice
Prescribed officer 3	26/11/2007	1 month notice
Prescribed officer 4	05/08/2005	3 month notice

	Short term employee benefits		
	Remuneration and benefits received	On behalf of the prescribed officer to a pension scheme	Total remuneration/ benefits
2012 - Group and Company			
Prescribed officer 1			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	3 867 385	72 058	**3 939 443**
Prescribed officer 2			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	1 465 431	38 105	**1 503 536**
Prescribed officer 3			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	660 467	11 673	**672 140**
Prescribed officer 4			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	3 936 443	3 000	**3 939 443**
	9 929 726	**124 836**	**10 054 562**
2011 - Group and Company			
Prescribed officer 1			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	1 610 328	66 630	**1 676 958**
Prescribed officer 2			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	731 797	29 787	**761 584**
Prescribed officer 3			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	-	-	-
Prescribed officer 4			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	1 665 000	52 725	**1 717 725**
	4 007 125	**149 142**	**4 156 267**

Notes to the Consolidated Financial Statements

36 Financial assets by category

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

Group - 2012

	Loans and receivables	Total
Loans and receivables	22 007 486	22 007 486
Trade and other receivables	13 612 292	13 612 292
Cash and cash equivalents	75 530 531	75 530 531
Loans to group companies	206 869 013	206 869 013
	318 019 322	**318 019 322**

Group - 2011

	Loans and receivables	Total
Loans and receivables	5 756 677	5 756 677
Trade and other receivables	10 876 596	10 876 596
Cash and cash equivalents	9 887 308	9 887 308
Loans to group companies	145 093 699	145 093 699
	171 614 280	**171 614 280**

Company - 2012

	Loans and receivables	Total
Loans to group companies	227 565 045	227 565 045
Trade and other receivables	13 531 255	13 531 255
Cash and cash equivalents	75 171 137	75 171 137
Loans receivable	22 007 486	22 007 486
	338 274 923	**338 274 923**

Company - 2011

	Loans and receivables	Total
Loans to group companies	161 773 021	161 773 021
Trade and other receivables	7 971 239	7 971 239
Cash and cash equivalents	9 877 516	9 877 516
Loans receivable	5 756 677	5 756 677
	185 378 453	**185 378 453**

Notes to the Consolidated Financial Statements

37 Financial liabilities by category

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

Group - 2012

	Financial liabilities at amortised cost	Total
Borrowings	147 221 371	147 221 371
Finance Lease obligations	1 706 608	1 706 608
Trade and other payables	94 506 997	94 506 997
Loans from group companies	554 555	554 555
	243 989 531	**243 989 531**

Group - 2011

	Financial liabilities at amortised cost	Total
Borrowings	62 369 102	62 369 102
Finance Lease obligations	2 020 382	2 020 382
Trade and other payables	37 102 679	37 102 679
Bank overdraft	1 447	1 447
Loans from group companies	492 188	492 188
	101 985 798	**101 985 798**

Company - 2012

	Financial liabilities at amortised cost	Total
Borrowings	147 221 371	147 221 371
Finance Lease obligations	1 706 608	1 706 608
Loans from group companies	28 353 482	28 353 482
Trade and other payables	91 866 123	91 866 123
	269 147 584	**269 147 584**

Company - 2011

	Financial liabilities at amortised cost	Total
Borrowings	62 369 102	62 369 102
Finance Lease obligations	2 020 382	2 020 382
Loans from group companies	38 167 734	38 167 734
Trade and other payables	28 897 812	28 897 812
	131 455 030	**131 455 030**

Notes to the Consolidated Financial Statements

38 Segment reporting

The executive committee is the group's chief operating decision maker.

Management has determined the operating segments based on the reports reviewed by the executive committee for the purpose of making strategic decisions.

At 29 February 2012, the group is organised on a national basis into one main operating segments:

- construction of residential housing with a wide range of variety;

The group's products consist of mid to high income housing as well as integrated developments. Integrated developments comprise affordable housing, social/GAP housing as well as RDP/BNG housing. The operation of the three operating segments span the entire product range.

The customer base includes the government, financial institutions and the general public.

As the group consists of only one segment namely construction. The information in the statement of comprehensive income and statement of financial position as listed below are provided to the executive committee:

Statement of comprehensive income
Revenue
Operating profit/(loss)
Finance costs

Statement of financial position
Goodwill
Inventories
Construction contracts
Borrowings