BUILDING LEGACIES

CALGRO M3

ANNUAL REPORT 2008

CONTENTS

MISSION

Calgro will be the housing developer of choice in select markets for all South Africans by consistently delivering homes of the highest quality.

VISION

Calgro is committed to:

- *Superior building quality and higher service standards*
- *Exceptional, sustainable returns to our shareholders*
- *Broad Based Black Economic Empowerment*
- *Creating employment opportunities and to develop and reward personnel*
- *Developing mutually beneficial relationships with government, financial institutions and suppliers*

This annual report has been printed on environmentally friendly paper

CHAIRPERSON'S REPORT

On behalf of the board of directors I would like to take this opportunity to thank our staff for the significant role they have played in contributing to the success of the company. A number of our employees have been with us since 1995, and we offer our appreciation for the great years of service, hard work, commitment and loyalty to the company.

We extend this gratitude to our business partners, advisors, suppliers, clients and our shareholders for their ongoing support and immovable passion for what we do.

As the first presented results since the company listed on the Alt^{X} board of the JSE Ltd, the annual report represents a significant milestone in the company's history.

The company's listing has played a pivotal role in the growth of our business and in the facilitation of the provision of capital for further growth opportunities within the industry.

This report is a presentation of the year's highlights, challenges, opportunities, our hard work and continued survival in the midst of the current macroeconomic climate, as well as our company's strategic outlook on the year ahead.

The building and construction industry has braced many challenges during the past year including shortages in building materials, in addition to the current macroeconomic climate constraints. Through sound leadership and foresight our company has created innovative and groundbreaking solutions to answer these challenges.

As we look to the year ahead we are committed to delivering a sound all round performance and given the positive developments this year, I believe that the company is well positioned to succeed.

Pumla Fundiswa Radebe (Mrs)
Chairperson

CHIEF EXECUTIVE'S REPORT

"A year of success and opportunities"

It is with satisfaction that I reflect on the developments in the company during the past year; in this we have laid a solid foundation upon which a thriving enterprise will be built in the years to come. The most significant of these are:

- the transformation from a small family owned business to a public company
- the combination of individuals from diverse cultural and professional backgrounds unifying into a single management team, with the drive to create sustainable world class performance
- the forging of a sound working relationship within company structures, inclusive of the board, Exco and senior management, all of which enabled the delivery of our impressive performance this year.

Given the prevailing macroeconomic and industry environment, our team successfully rose to the challenge to deliver on the company objectives. Therefore I am grateful to the board of the company and all staff for their vision and guidance during this time.

ACHIEVEMENTS IN THE YEAR UNDER REVIEW

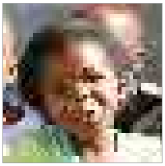
In the year under review we achieved substantial growth and significant milestones which include the following:

1. The company listed on the Alt^X on 16 November 2007, and raised R55 million in a private placement to support the company's strategic focus, the acquisition of land for future developments as well as fast tracking the delivery of the signature Pennyville landmark Integrated Development.

2. In the listing process the company acquired Broad Based Economic Empowerment (BBEE) in its capital structure; and 25.12% of the company is held by various BEE groupings.

3. We completed the acquisition of 441ha of prime land for the Fleurhof Integrated Development, 12km south of Johannesburg CBD which will accommodate 6 500 homes. We are proud to report that FNB has provided finance for the acquisition of land as well as a development bond for the development. Town planning for the project has commenced and we are on track to begin the installation of civil infrastructure by September 2008, with the actual construction of homes starting in March 2009.

4. The company completed the purchase of 391ha of prime land in Midrand for an integrated housing development, which will accommodate 14 700 homes. It is pleasing to highlight that there is a further option to acquire 280ha of adjacent land. Nedbank has provided finance for the acquisition of this land. The project is expected to commence in the first quarter of 2009 and is expected to run over the next seven years.



CHIEF EXECUTIVE'S REPORT CONTINUED

5. The company acquired the minority share of its Pennyville Zamimpilo Relocation Project (PZR Project) in Pennyville, on 1 March 2007.
6. The landmark signature PZR Project has enabled the company to acquire a sound reputation with key financial institutions, which has allowed us to gain a significant foothold in the "GAP" market. The PZR Project has also provided the company with an entry into the Private Public Partnerships within government.
7. During the financial year, we acquired a town-planning business, CTE Town and Regional planners (Pty) Ltd. We are confident that this acquisition will enhance the company's capabilities in the control of the town planning process, thus achieving internal know how and capacity in dealing with municipalities and other government planning institutions.
8. The increase in borrowings for the year is directly attributable to the acquisition of land for the future pipeline of the company. All interest-bearing borrowings are matched to the purchase of land and directly attributable to individual pieces of land. All finance costs related to land acquisitions are capitalised to inventory in the balance sheet in terms of IAS23 as a direct cost associated to the development. These costs are released to the income statement as and when the land is transferred to the buyer and the associated revenue is recognised.

FINANCIAL RESULTS

Group revenue for the year to end February 2008 grew by 155%, from R124 million to R317 million. Coincidentally this improvement in revenue has been complemented by an increase in margins from 15.8% to 24.3% for the current year.

The group overheads have been well maintained at R29.4 million and the margin improvement has contributed to an overall 605% rise in operating profit and 657% increase in headline earnings. Headline earnings per share have grown by 580%.

Review of performance

It is inevitable that the current macroeconomic climate has impacted on the performance of the construction industry and on select projects, namely cluster developments.

Factors such as higher interest rates, the disciplines of the National Credit Act, inflation and general business and consumer confidence have all played a role. Load shedding and supply shortages have also impacted on some of the projected development successes. These factors have not only affected the willingness to purchase, but also availability of credit for purchase.

It is with pride that we announce a significant growth within our integrated housing division. Our latest development, the PZR Project, includes 2 800 homes projected to be completed during the course of the 2009 year. This division has been less impacted by macroeconomic issues due to the overall shortage of housing in this target market. Strategic focus in this sector has allowed us to capitalise on this opportunity.

Eskom power availability

Eskom power availability has not affected the integrated segment of the business due to the internal service agreements between City Power and City of Johannesburg, our principal client. In late April 2008, Housing Minister, Lindiwie Sisilu confirmed that government has undertaken to supply all integrated developments with electricity.

Eskom has further issued a directive that cluster residential developments will only be permitted if they consume less than 100 kilovolt-amperes (KVA) per project. Calgro has developed a proactive "green" initiative, which includes an electricity-saving component, which has resulted in the ground breaking model that allows Calgro to build cluster homes with an overall consumption of 2 KVA per house, as opposed to the accepted 8+KVA, thus meeting the Eskom requirements. Calgro will be implementing this initiative in select cluster projects resulting in limited impact on future delivery of such projects. Furthermore, this will have an enhanced appeal to the community in reducing electricity consumption.

LISTING FORECAST

In the prospectus prior to listing the group provided a forecast to 29 February 2008. Below is a segmental comparison between the forecasts and audited results to 29 February 2008.

Turnover
R'000

Division	Forecast	Actual	% difference
Integrated housing	287 361	244 048	(15)
Cluster housing	275 451	72 629	(74)
Group total	562 812	316 677	(44)

Operating profits/(losses)
R'000

Division	Forecast	Actual	% difference
Integrated housing	48 731	55 180	13
Cluster housing	39 832	(7 655)	(119)
Group total	88 563	47 525	(46)

Earnings per share

The group achieved earnings per share of 30.3 cents and headline earnings per share of 30.4 cents being 10% below forecast headline and earnings per share of 33.8 cents. The factors that have contributed to this are detailed below.

Impacting factors

Turnover

This was negatively impacted by poor performance of the cluster division. The factors that have contributed to this are largely macroeconomic factors that the company has no control over such as increasing inflation and interest rates, increased food prices, increased fuel costs and escalating general cost of living. Further, as these factors are expected to persist for the coming 12 to 18 months, the company has focused on immediate corrective actions aimed at ensuring that the business is not impacted negatively going forward.

The company has decided to contain the contribution of the cluster division to 20% of the business going forward. This will be achieved through the following actions that are currently being implemented:

1. Sale of select cluster land - The company has evaluated its cluster land and identified those projects that are impacted negatively and put these in the market for sale. This will greatly improve the gearing ratios and release capacity to leverage and originate projects in the booming integrated housing division of the company when opportunities arise.
2. Fast tracking construction of current cluster projects - The company will reallocate the skills that were to be utilised in the projects that are being disposed of in order to accelerate the completion of those developments currently under construction.

CHIEF EXECUTIVE'S REPORT CONTINUED

3. Tight cost containment - The company has implemented stringent controls that are aimed at ensuring cost containment, from construction materials orders that are now centralised, to operational costs that are monitored closely by the group's executive committee.

Margins
There has been a positive improvement in the margins from the forecast 21% to the current 24%, resulting from cost containment as well as optimisation of the value chain.

Overheads
Overheads of R29.4 million have been well managed to within forecast expectations of R30.5 million.

Operating profits
Operating profits for the current year are 46% below forecast due to the reduced turnover from the cluster division. However, we have also seen a soundly enhanced performance of the integrated housing division, which has delivered operating profits of 13% ahead of forecast.

Interest
For the current financial year an interest expense of R36.3 million had been forecast. The majority portion of this interest expense relates to the holding costs of cluster development land. A portion of this forecast interest charge was settled during the year either out of the funds raised on listing or through direct allocation of shares to settle such debt. A further contributing factor to the lower than expected interest charge is the under-performance of clusters. With the lack of transfer of cluster land to clients, the interest cost has not been realised in the income statement and remains capitalised in inventories at year-end. This expense will be released as and when cluster land is sold and transferred to clients. All cluster project feasibilities with extended timelines for delays in finalisation of projects for reasons stated above, still remain profitable.

Profit before tax
Profit before tax of R45.1 million has been achieved during the year which is 13.6% below the forecast R52.2 million.

Prospects

1. Industry overview

   With a shortage of housing in South Africa, estimated at 3 million homes, comprising 2.4 million RDP and 600 000 affordable homes, coupled with government's commitment to provide homes for all South Africans, the prospects for the company look positive. By leveraging off this year's solid performance, the company is well positioned to unlock its opportunities and has in this regard formed a well tested working relationship in a private-public partnership with the state to support this end result.

   Government has set aside R44 billion for housing projects over the next four years and aims to deliver 250 000 homes a year. This, together with government's concept of "breaking new ground" focusing on integrated housing, supports Calgro's business model.

   In accordance with the 2005 Financial Sector Charter, the major banks committed to the provision of R65 billion by 2012 for the GAP housing market. With our strategic focus on integrated housing, the company is well positioned to support this outcome.

   In the cluster market, we expect the macroeconomic environment to continue to play a significant role and anticipate a slowdown in sales and a softening in prices, for the year ahead.

2. **Calgro delivery**

With the delivery on the PZR Project and the finalisation of the acquisitions of both Fleurhof and Midrand, the company is well positioned in the integrated housing market, with a strong pipeline for the next seven years. Our adjustment to an 80% integrated and 20% cluster business split underpins our ability to deliver profits and sustainable growth in earnings.

The management team remains committed to focusing on growing shareholder earnings through the delivery of our planned projects.

Looking ahead

We have a focused management team, a skilled employee base, effective stakeholder relationship management, as well as the right tools to unlock significant growth and appropriation of value to shareholders. This, coupled with the meaningful performance delivered in the year, positions the company to successfully tackle the year ahead.

The year ahead

The PZR Project will complete during the 2009 year, according to expectations. Fleurhof is also expected to contribute in the new year. However, in view of the current downturn in the cluster division, a further update in respect of the financial forecast will be released on SENS in due course.

Financial director

Craig Daly has resigned as financial director with effect from 31 July 2008. Craig has however, agreed to consult to Calgro's project management structures. We thank him for his contribution and look forward to his continued participation and support.

A new financial director, Willem Jakobus (Wikus) Lategan has been appointed as of 1 August 2008. Wikus joins us, having played a significant role in the group in the past, firstly as audit manager for the years ended prior to 2007 and as a consultant in support of this year's financial results. He therefore understands the group, its culture and has a full understanding of the group's financial matters. We are proud to have him join the group and look forward to his positive contribution to the group.

Peter Waweru

Chief executive officer

DIRECTORATE

Executive directors

Peter Waweru, BSc (Hons) (44)
Chief executive officer
Appointed: 01 June 2007

Craig Daly, CA (SA) (40)
Financial director
Appointed: 30 April 2007
Resigned: 31 July 2008

Ben Pierre Malherbe, MBA BSc (QS) (41)
Operations director
Appointed: 05 August 2005

Derek Steyn, BSc (QS) (44)
Marketing and strategic planning director
Appointed: 05 August 2005

Non-executive directors

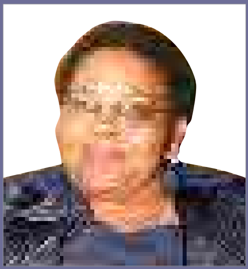
Pumla Radebe, BA (51) **
Independent chairperson
Appointed: 29 June 2007

Eddie Funde, MSc (64) ^**
Independent non-executive
Appointed: 29 June 2007

Hatla Ntene, BSc (Surv), Dip. Con. Econ, Dip. Civ.Eng, PRQS, PMAQS (54)
Independent non-executive
Appointed: 12 October 2007

Quinton Woods, MBA (45) ^ **
Non-executive director
Appointed: 01 June 2007

^ Audit committee
** Remuneration committee


Pumla Radebe

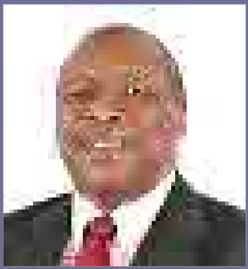

Peter Waweru


Craig Daly


Derek Steyn


Ben Pierre Malherbe


Hatla Ntene


Eddie Funde


Quinton Woods

CURRICULUM VITAE OF DIRECTORS

Executive directors

Peter Muriuki Waweru (44) BSc (Hons)
CEO
After graduating from his BSc (Hons) Peter furthered his studies abroad achieving a post-graduate Diploma in Actuarial Science at City University, London and a Certificate in Actuarial Techniques from the Institute of Actuaries in London. He specialised in actuarial modeling and valuations at Hymans Robertsons Consultants & Actuaries in London before moving to South Africa where he joined Ginsberg Malan & Carsons Consultants & Actuaries. Peter has also been managing director of PSG Channel Management Services and chief executive officer of NBC Africa. He was the founder of Abacus Financial Services which provided structured housing finance to the low cost and affordable market sector.

Craig Terence Daly (40) CA(SA)
Financial director
Craig has a number of years' strategic experience in blue-chip companies including Kohler, Malbak, Afrox Healthcare and AECI Explosives. He has held a number of listed company directorships. Craig was formerly financial director and subsequently group strategic director of Cashbuild. He is highly experienced in strategy, finance, mergers and acquisitions, operations, ICT, HR and risk management.

Ben Pierre Malherbe (41) BSc QS, MBA
Operations director
Ben Pierre started as a quantity surveyor for civil engineering company Con Roux Construction and later for Stocks & Stocks. In 2001 he and his brother Brand joined forces with the Steyn brothers to form Calgro. He is skilled in civils and property development and is responsible for the group's highly acclaimed Pennyville project, an integrated housing development.

Frederik ("Derek") Johannes Steyn (44) BSc QS
Marketing and strategic planning director
Derek worked as a quantity surveyor for five years at Eskom, after which he became a project manager at Safrich, an established property development company specialising in the affordable housing market sector. Calgro was started in 1995 by Derek and his brothers, Deon and Douw. Derek is a specialist in cluster developments, land acquisitions and affordable housing.

Willem Jakobus (Wikus) Lategan (28) BCom (Hons)
Wikus Lategan wrote articles at Mazars, formerly known as Moores Rowland, a medium to large international audit firm, during which time he gained extensive experience in internal audits, due dilgence reviews, foreign audits, tax law and high level consolidations.

Until his departure to join Calgro M3 Holdings Ltd as financial director, he was employed as audit manager at ARC Inc. Auditors where his portfolio comprised medium and large sized public companies, with turnovers of up to R3 billion. He was responsible for the management and audit team's annual planning and performance reviews as well as general office administration. He gained considerable experience in advising on group structures to ensure operational, tax and compliance optimisation, control, review and implementation thereof, internal management reviews and reports, VAT and PAYE audits. He was also involved in the technical treatment of public companies' financial statements and setting up of corporate governance and SENS reports.

Wikus is not new to Calgro, having been specifically responsible for the company's previous audits and assisting the current financial director in compiling financial and listing statements, advising management and the board of the company on technical opinions by the auditors, PWC for the maiden results.

CURRICULUM VITAE OF DIRECTORS CONTINUED

Non-executive directors

Pumla Fundiswa Radebe (51) BA
Independent non-executive chairperson
Pumla specialises in social analysis, project planning and management, and has more than 20 years' experience at local and regional government level. She holds, in addition to her Bachelor of Arts in Social Sciences, a Certificate in Municipal Management from Rand Afrikaans University and a Certificate in Project Management from Pretoria Technikon. Pumla is currently managing partner for Bungane Development Consultants, a former chairperson of Johannesburg City Parks, president of the International Federation for Parks and Recreation Administration, chairperson of PikiTup Johannesburg, a chief examiner and board member on the Films and Publications Board and chairperson of the Independent Development Trust. She also sits on the boards of Khuselo Investments, Khuselo Telecoms and Impi-Linux.

Sonwabo Edwin ("Eddie") Funde (64) MSc
Independent non-executive director
Eddie is an MSc Electrical Engineering graduate from the St Petersburg Polytechnical Institute in Russia. He underwent further training in public policy and change management at the Civil Service College in the UK. He completed the programme on Government Management and Training (USA) and the Executive Candidates Programme on Public Service at the University of the Witwatersrand. He has undergone training in Telecommunications Policy and Regulation at the Adam Smith Institute (UK) and at the United States Telecommunications Training Institute in Washington. Eddie is currently a director of several companies including Murray & Roberts. He is the chairman of the South African Broadcasting Corporation and president of the South African Communications Forum. He is also a former director of Denel, Eskom and chairman of the Independent Development Trust, and has in addition held various leadership positions in the African National Congress.

Hatla Ntene (53) BSc QS
Independent non-executive director
Hatla obtained his Bachelor of Science (Quantity Surveying) from the University of Dublin and is currently executive chairman of Mvua Property Partners. He became the black employment partner for Farrow Laing Ntene in 1996 where he served for 5 years. He was also the property executive manager of Propnet (Property Division of Transnet) for 3 years and brings a wealth of experience dating back to 1977, to Calgro.

Quinton Encombe Woods (45) MBA
Quinton spent 16 years in the Tiger Brands group and has extensive experience in corporate recovery, turnarounds, restructuring and consulting. He has held senior directorships on the boards of two public companies and has vast experience in industries including FMCG, telecommunications, independent education, corporate finance and franchising.

CORPORATE GOVERNANCE

Calgro is committed to effective and transparent corporate governance to ensure that the interests of the company and its stakeholders are paramount. As a result the group subscribes to accountability and integrity in its dealings with all stakeholders.

The Code of Corporate Practices and Conduct, as contained in the King Committee Report on Corporate Governance (King II), is endorsed and supported by Calgro. Due to the late listing date of 16 November 2007 the group did not comply with all material aspects of King II until early in 2008.

The group has various bodies that are effectively tasked with the overall corporate citizenship of Calgro.

The board of directors

This consists of eight directors, four executive and four non-executive. Three of the non-executive directors, including the chairperson, are deemed to be independent. As recommended in King II the roles of chairperson and chief executive officer have been split, with separate roles and responsibilities as defined in the Board Charter.

The board is responsible for overall accountability, strategy, regulatory compliance, risk management and communication with all stakeholders. The board meets at least 4 times per annum and more often if the need arises.

The board and its committees are supplied with full and timely information which enables them to discharge their responsibilities and have unrestricted access to all company information, records, documents and property. Non-executive directors have access to management and may even meet separately with management, without the attendance of executive directors.

Directors, both executive and non-executive, are appointed for their skill and experience. The appointment of new directors requires the unanimous approval of the board.

All directors, in accordance with Calgro Articles of Association, are subject, by rotation, to retirement and re-election by shareholders at the AGM.

The board takes final responsibility for the overall strategy and business plan, acquisitions and disposals, approves capital expenditure and appraises proposals from the executive, remuneration and audit and risk committees.

The daily management of the company's affairs is delegated to the chief executive officer, who co-ordinates the implementation of board policy through the executive committee.

CORPORATE GOVERNANCE CONTINUED

Board meeting attendance

Director	Meeting 26/09/2007	Meeting 06/11/2007
P F Radebe (Chair)	•	•
P M Waweru (CEO)	•	•
C T Daly	•	•
B P Malherbe	•	•
F J Steyn	•	-
S E Funde	-	-
H Ntene	n/a	•
Q E Woods	•	•

• Indicates attendance
- Indicates absence with apologies
n/a indicates the individual was not a director at the time of the meeting

The executive committee

The executive committee (Exco) is responsible for the day to day running of Calgro and includes all the executive directors and other subsidiary executives. The CEO of the group heads Exco and is accountable to the board for its actions.

Exco initiative and progress are reported to the board via means of board packs in advance of the board meetings or whenever deemed necessary by Exco. This body meets at least weekly in a formal environment.

Remuneration and nominations committee

This committee is chaired by Pumla Radebe, an independent non-executive director. Eddie Funde and Quinton Woods, both non-executive directors are the other members of this committee.

It is the function of this committee to make recommendations to the board on participation of the executive directors and other key staff members in the group share appreciation rights scheme. The committee also makes recommendations on the structure and development of policy on executive and senior management remuneration, performance bonuses and service contracts.

The remuneration committee's overall strategy is to ensure that employees are rewarded for their contribution to the group's operating and financial performance at levels which take account of market and industry benchmarks.

The committee is mandated by the board to identify suitable candidates for directorship and to make recommendations to the board in this regard. It will also advise on the composition of the board and the balance between categories of directors.

The CEO may attend committee meetings by invitation but may not vote on any issues.

Remuneration and nominations committee attendance

Member	Meeting 10/12/2007	Meeting 01/02/2008
P F Radebe (Chair)	•	•
S E Funde	-	-
Q E Woods	•	•

• Indicates attendance
- Indicates absence with apologies

CORPORATE GOVERNANCE CONTINUED

Audit and risk committee

Eddie Funde is the chairman of this committee and Quinton Woods is the other member – both are non-executive directors. In accordance with JSE regulations, the designated advisor also attends all meetings of this committee. This committee was formed at the time of listing on the JSE, however, due to the listing date of 16 November 2007 being so late in the calendar year this committee only took form early in 2008. In accordance with the provisions of King II an experienced external person is now assisting and advising the committee.

The committee is responsible for reviewing:

- the functioning of the internal control system;
- major risk areas across the group's operations;
- reviewing the accuracy of the financial information supplied the board;
- appointment of the external auditors;
- any accounting or auditing concerns identified in the annual external audit;
- the group's legal and regulatory compliance; and
- the Articles of Association and the rules established by the board.

A meeting with the external auditors and the independent advisor will assist in establishing a formal risk management process in August 2008.

The board is responsible for the total process of risk management which is based on the need to identify, assess, manage and monitor all known forms of risk across the group.

Audit and risk committee attendance

Member	Meeting 15/02/2008	Meeting 15/04/2008	Meeting 20/05/2008
S E Funde (Chair)	•	•	•
Q E Woods	•	•	•

- Indicates attendance

Share appreciation rights scheme

The group operates a share scheme for all executive directors, and key management and employees where applicable. Non-executive directors do not participate in the scheme. The remunerations committee, in its sole discretion, makes recommendations to the board in terms of individual participation in the scheme. It is a performance based scheme and rights vest in equal tranches over years three, four and five from date of acceptance.

Dealing in securities

Directors of Calgro as well as directors of the the major subsidiaries may only deal in securities provided pre-approval has been granted from the chair of the board and the CEO and the company is not in a "closed period" or "prohibited period" as defined by the JSE. Group directors have certain JSE regulated restrictions in terms of the quantum of securities they may sell, and all approved share dealings are submitted to the group designated adviser. All share trading is governed by a formal policy adopted in the Board Charter.

Communication with stakeholders

It is the policy of the group to pursue dialogue with institutional investors based on constructive engagement having regard to the statutory and regulatory environment regulating the dissemination of information by companies and their directors.

CORPORATE GOVERNANCE CONTINUED

The chief executive officer acts as chief spokesperson for the company.
PSG Capital (Pty) Ltd acts as Calgro's designated advisor in compliance with the JSE Listings Requirements.

Code of Ethics

It is a policy of Calgro to conduct its business with integrity and in accordance with the highest legal and ethical standards. The company has implemented a formal policy that governs the code of ethics in order to:

- distinguish between acceptable and unacceptable practice;
- provide a comprehensive set of ethical corporate standards;
- encourage ethical behaviour by the board, management and the employees of the group;
- guide ethical decision making; and
- assist in resolution of conflicts.

Corporate Code of Conduct

Calgro is committed to:

- the highest standards of integrity in its dealings with all stakeholders;
- operating its enterprise through fair commercial competitive practices;
- dealing with suppliers and customers who subscribe to ethical business practices; and
- being proactive toward environmental and social sustainability issues.

Accountability and audit

Going concern

The annual financial statements are prepared on the going concern basis in accordance with International Financial Reporting Standards. The appropriate principal accounting policies have consistently been applied. The directors have no reason to believe that the group will not be a going concern in the year ahead.

Auditing and accounting

The board is of the opinion that their auditors observe the highest level of business and professional ethics and that their independence is not in any way impaired. The external auditors have access to all information and personnel within the group on any matter necessary to fulfil their duties. The external auditors attend audit and risk committee meetings by invitation.

Internal control

The group maintains systems of internal control which include financial, operational and compliance controls. These controls are established to provide reasonable assurance of the effective operation of the group and its compliance with all relevant laws and regulations. The controls are reviewed and monitored by management and employees as well as by the external auditors.

Annual general meeting

The agenda for the annual general meeting is set by the company secretary and communicated to all shareholders in the notice of the annual general meeting, which accompanies the annual report. Details of all proposed resolutions for adoption by the shareholders are also included in the annual report.

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report.

It is their responsibility to ensure that the consolidated financial statements fairly present the state of affairs of the group 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 consolidated financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group 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 all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group.

While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated 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's cash flow forecast for the year to 28 February 2009 and, in the light of this review and the current financial position, they are satisfied that the group 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's consolidated financial statements. The consolidated financial statements have been examined by the group's external auditors and their report is presented on page 17.

The consolidated financial statements set out on pages 18 to 65, which have been prepared on the going concern basis, were approved by the board of directors on 22 May 2008 and were signed on its behalf by:

H Ntene
Director
22 May 2008

P Waweru
Director

CERTIFICATION OF COMPANY SECRETARY

We, Hofmeyr Tax and Secretarial Services (Pty) Ltd, being the company secretary of Calgro M3 Holdings Limited and its subsidiaries, certify that the company has, for the year under review, lodged all returns required of the public company with the Registrar of Companies and that all such returns are, to the best of our knowledge and belief, true, correct and up-to-date.

Hofmeyr Tax and Secretarial Services (Pty) Ltd
Company secretary
22 May 2008

REPORT OF THE INDEPENDENT AUDITORS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALGRO M3 HOLDINGS LIMITED

We have audited the annual financial statements and group annual financial statements of Calgro M3 Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 29 February 2008, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 18 to 65.

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

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

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

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

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

PricewaterhouseCoopers Inc

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

DIRECTORS' REPORT

The directors submit their report for the year ended 29 February 2008.

1. **NATURE OF THE BUSINESS**

Calgro is a mixed use housing development company, established in 1995. Our business model focuses on the acquisition of land, project management of civil infrastructure, services installation, town planning, marketing and construction of homes. The group's housing products target the specific markets of integrated housing and cluster housing, primarily in Gauteng.

Integrated housing comprises three components:

- RDP homes - costed at government subsidy scales currently R43 000 for 'give away' houses. In addition, there is a rental housing subsidy of R80 000 per rental house;
- "GAP" homes - valued at between R180 000 and R400 000, falling within the requirements of the financial services sector charter 2005;
- Affordable homes - valued at between R400 000 and R600 000.

Our business strategy supports government's proactive drive as expressed in the "Breaking New Ground" initiative aimed at ensuring the creation of sustainable human settlements. This is achieved through the integration of various income groups of buyers/beneficiaries as well as provision of socio-amenities such as schools and hospitals within a fully integrated community development.

Cluster developments:

These are homes valued at between R900 000 and R1.6 million.

2. **FINANCIAL POSITION**

The financial statements on pages 18 to 65 set out fully the financial positions, results of operations and cash flows of the group for the financial year-end 29 February 2008.

The group results split by segment are presented in note 5 of the financial statements. The group segments are split in line with the business sectors namely clusters and integrated housing.

3. **STATE OF AFFAIRS**

Financial overview

Group revenue for the year-end February 2008 grew by 155%, from R124 million to R317 million. This improvement in revenue has been complemented by an increase in margins to 24.3% from 15.8% in the prior year. The group overheads have been well contained at R29.4 million and the margin improvement has contributed to an overall 605% rise in operating profit and 657% increase in headline earnings to R31.4 million. Headline earnings per share have grown by 580% to 30.40 cents per share.

Achievements in the year under review:-

- The company listed on the Alt^X on 16 November 2007, and raised R55 million in a private placement to support the company's strategic focus, being the acquisition of land for future developments as well as fast tracking the delivery of the signature Pennyville landmark Integrated Development and the streamlining of existing funding arrangements.
- In the listing process Broad Based Economic Empowerment (BBEE) equity holding increased to 25.12% being held by various BEE groupings.
- Calgro completed the acquisition of 441ha of prime land for the Fleurhof Integrated Development, 12km south of Johannesburg CBD. This will accommodate 6 500 homes. Civil infrastructure will begin in September 2008. The estimated turnover from this project is R1.6 billion. The company has also completed the purchase of 391ha of prime land in Midrand for an integrated housing development with an option to acquire a further 280ha of adjacent land from the seller. The 391ha will accommodate 14 700 homes. The project is expected to commence in the first quarter of 2009. The expected turnover from the project is R2.6 billion and is expected to run over the next seven years.
- On 1 March 2007 Calgro acquired the minority share of its Pennyville Zamimpilo Relocation Project (PZR Project) in Pennyville, south of Johannesburg CBD. It purchased the 37.5% minority share on 1 March 2007 with cash and shares to be issued in the new Fleurhof project.
- During the financial year, Calgro acquired a town-planning business, CTE Town and Regional planners (Pty) Ltd. This acquisition enhances the company's capabilities in the control of the town planning process, thus achieving internal skills and capacity in dealing with municipalities and other government planning institutions.
- The increase in borrowings for the year is directly attributable to the acquisition of land for the future pipeline of the company. All interest-bearing borrowings are matched to the purchase of land and directly attributable to individual pieces of land. All finance costs related to land acquisitions are capitalised to inventory as a direct cost associated to the development. These costs are released to the income statement as and when the land is transferred to the buyer and the associated revenue is recognised.

Operations

Integrated Development segment

In the integrated market, the PZR Project continues to perform well. This project includes the development of 2 800 homes and is expected to be completed in the 2009 financial year. MS5, our subsidiary that focuses on the provision of affordable homes has been less impacted by general macroeconomic issues due to the overall shortage of houses in this segment of the market and continues to perform to expectation. Eskom's power availability has not affected this part of the business due to internal service agreements between City Power and City of Johannesburg our principal client. Most importantly, the national specification for RDP homes, which constitutes 33% of our business in the financial year under review, does not require power. In late April 2008, Housing Minister, Lindiwe Sisulu, confirmed that government has undertaken to supply all integrated developments with electricity.

DIRECTORS' REPORT CONTINUED

Cluster segment

The cluster segment of the business underperformed in the last year for three primary reasons: Firstly, macroeconomic factors including higher interest rates, the National Credit Act, inflation, negative business sentiment and consumer confidence have directly impacted cluster sales. As a result there has been a slowdown in both the willingness to purchase as well as availability of credit for such purchases. Secondly, there are delays in registering land and property transfers. This is due to the fact that such transfers are affected by planning approval by the municipalities concerned. Currently we are experiencing backlogs owing to the inability of the municipalities to achieve timely deadlines. Thirdly, Eskom's power availability has had an impact on the cluster segment of the business with Calgro being unable to timeously obtain development rights on select cluster projects. Furthermore, as these factors are expected to persist for the coming 12 to 18 months, the company has focused on immediate corrective actions aimed at ensuring that the business is not impacted negatively going forward. The company has decided to contain the contribution of the cluster division to 20% of the business going forward. This will be achieved through the following actions that are currently being implemented:

- Sale of select cluster land - The company has evaluated its cluster land and identified those projects that are impacted negatively and put these in the market for sale. This will greatly improve the gearing ratios and release capacity to leverage and originate projects in the booming Integrated Developments division of the company when opportunities arise.
- Fast tracking construction of current cluster projects ¬ The company will reallocate the skills that were to be utilised in the projects that are being disposed of in order to accelerate the completion of those developments currently under construction.
- Tight cost containment - The company has implemented stringent controls that are aimed at ensuring cost containment. From construction materials orders that are now centralised, to operational costs that are monitored closely by the group's executive committee (Exco). There has been a very positive improvement in the margins from the forecast 21% to the current 24.3%, resulting from cost containment as well as optimisation of the value chain.
- "Green" initiative - Electricity has become a significant issue in South Africa. Eskom has further issued a directive that residential developments will only be permitted if they consume less than 100 kilovolt-amperes (KVA) per project. Calgro has developed a proactive "green" initiative, which includes an electricity-saving component, which has resulted in the ground breaking model that allows Calgro to build cluster homes with an overall consumption of 2 KVA per house, as opposed to the accepted 8+KVA, thus meeting Eskom's requirements. Calgro will be implementing this initiative in select cluster projects which will result in a limited impact on future delivery of projects. This will have an enhanced appeal to the community in reducing electricity expenses.

Prospects

Industry overview

With the shortage of housing in South Africa estimated to be at 3 million homes, comprising 2.4 million RDP and 600 000 affordable homes, coupled with government's commitment to discharging the constitutional obligation contained in Section 26 of the constitution, to provide homes for all South Africans, the prospects for the company are extremely exciting. By leveraging off a solid performance, Calgro is well positioned to unlock the opportunity and has in this regard formed a well tested working relationship in a private-public partnership with the state to support this end result. Government has set aside R44 billion for housing projects over the next four years and aims to deliver 250 000 houses a year. This, together with government's concept of "Breaking New Ground" which focuses on integrated housing, supports Calgro's business model.

DIRECTORS' REPORT CONTINUED

As part of the Financial Services Sector Charter 2005, the major banks committed to the provision of R65 billion, by 2012 for the GAP market, which further supports government's drive for the development of integrated housing. Integrated housing is the model for the future and Calgro has the proven ability to support this outcome. In the affordable market, the continued supply shortage supports strong demand, even with the prevailing macroeconomic environment. This market shows price elasticity as individuals continue to purchase homes as they become available. As interest rates rise, individuals purchase smaller homes relative to their income and affordability in light of interest-rate movements. In the cluster market, Calgro expects the macroeconomic environment to continue to play a significant role. The impact will continue to be one of a slowdown for the next year in sales and declining prices.

Calgro delivery

With the delivery on the PZR Project and the new Fleurhof and Midrand projects finalised, a solid pipeline in integrated housing for the next 7 to 10 years has been established. This coupled with the remedial actions in the cluster division to a strategic fit of 20% cluster and 80% integrated business model, will underpin the group's ability to deliver profits and sustainability of earnings growth. Management is confident that it has the capability and capacity to handle all its chosen projects particularly through the now proven roll out of the successful PZR Project model. In addition, management still retains over 51% of the shares in the company and this provides a powerful incentive for all of the team members to create wealth through earnings growth for all shareholders. Going forward management remains focused on growing shareholder earnings through the delivery of the group's strategy highlighted above.

4. POST BALANCE SHEET EVENTS

No events took place between year-end period and the date of the report that would have a material effect on the financial statements as disclosed.

5. SUBSIDIARY COMPANIES

All subsidiaries direct and indirect are incorporated in South Africa. The nature of each subsidary's business is set out in note 1 on page 18.

Name of company	2008 issued share capital (Rand)	2007 issued share capital (Rand)	% holding 2008	% holding 2007	Carrying amount 2008	Carrying amount 2007	Loans to group companies 2008	Loans to group companies 2007
DIRECT								
Calgro M3 Land (Pty) Ltd	100	100	100	100	100	100	2 998 250	-
Calgro M3 Developments (Pty) Ltd	100	100	100	100	1 635 541	672 400	88 017 803	-
Argol Construction (Pty) Ltd	-	100	-	100	-	100	-	-
MS5 Projects (Pty) Ltd	100	100	100	100	100	100	271 782	-
MS5 Pennyville (Pty) Ltd	100	100	100	100	100	100	-	-
Calgro M3 Project Management (Pty) Ltd	100	-	100	-	100	-	-	-

DIRECTORS' REPORT CONTINUED

Name of company	2008 issued share capital (Rand)	2007 issued share capital (Rand)	% holding 2008	% holding 2007	Carrying amount 2008	Carrying amount 2007	Loans to group companies 2008	Loans to group companies 2007
INDIRECT								
CM3 Witkoppen Ext 87 (Pty) Ltd	100	100	100	100	-	-	-	-
CM3 Northriding Ext 86 – Mio Bella (Pty) Ltd	100	100	100	100	-	-	-	-
CM3 Northriding Ext 94 – Cherrywood Estate (Pty) Ltd	100	100	100	100	-	-	-	-
CM3 Randpark Ridge Ext 120 (Pty) Ltd	100	100	100	100	-	-	-	-
CM3 Witkoppen Ext 131 (Pty) Ltd	100	100	100	100	-	-	-	-
Hightrade-Invest 60 (Pty) Ltd	100	100	100	100	-	-	-	-
Calgro M3 Land 102 (Pty) Ltd	100	100	100	100	-	-	-	-
PZR Pennyville Zamimphilo Relocations (Pty) Ltd	100	100	100	63	-	-	271 782	-
Aquarella Investments 265 (Pty) Ltd	100	-	100	-	-	-	-	-
CTE Consulting (Pty) Ltd	100	-	100	-	-	-	4 500 000	-
Midfield Estate (Pty) Ltd	100	-	100	-	-	-	-	-
Baybridge Canal Development Company (Pty) Ltd	100	-	100	-	-	-	-	-
Tres Jolie Ext 24 (Pty) Ltd	100	-	100	-	-	-	-	-
Fleurhof Ext 2 (Pty) Ltd	100	-	100	-	-	-	-	-
Business Venture Investments No 1243 (Pty) Ltd	100	-	100	-	-	-	-	-
Business Venture Investments No 1244 (Pty) Ltd	100	-	100	-	-	-	-	-
Neoprop (Pty) Ltd	100	-	100	-	-	-	-	-
					1 635 941	672 800	96 059 617	-

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

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

R'000	February 2008	February 2007
Profit	39 196	5 382
Losses	(7 235)	(1 008)

6. DIRECTORS' INTEREST IN SHARES AND REMUNERATION

At the financial year-end the directors held the following direct and indirect interest in the company's shares:

	Direct 2008	Direct 2007	Indirect 2008	Indirect 2007
Ordinary shares				
PF Radebe	-	-	2 648 000	2 648 000
PM Waweru	-	-	3 252 000	3 252 000
SE Funde	-	-	2 648 000	2 648 000
QE Woods	-	-	2 601 000	2 601 000
H Ntene	-	-	7 650 000	-
CT Daly	-	-	3 252 000	3 252 000
BP Malherbe	-	-	12 017 334	11 984 000
FJ Steyn	-	-	11 984 000	11 984 000
	-	-	46 052 334	38 369 000

There has been no change in the directors' interest since 29 February 2008.

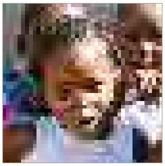
Directors' remuneration was as follows:

2008

	Directors' fees	Salary as a director	Expense alowances	Fringe benefits	Total
PF Radebe	135 000	-	-	-	135 000
PM Waweru	-	843 571	160 000	37 206	1 040 777
SE Funde	135 000	-	-	-	135 000
QE Woods	360 000	-	-	-	360 000
H Ntene	-	-	-	-	-
CT Daly	-	1 195 714	122 000	46 332	1 364 046
BP Malherbe	-	1 563 921	144 000	48 743	1 756 664
FJ Steyn	-	1 656 363	144 000	49 668	1 850 031
Total	630 000	5 259 569	570 000	181 949	6 641 518

2007

	Directors' fees	Salary as a director	Expense alowances	Fringe benefits	Total
PF Radebe	-	-	-	-	-
PM Waweru	-	-	-	-	-
SE Funde	-	-	-	-	-
QE Woods	-	-	-	-	-
H Ntene	-	-	-	-	-
CT Daly	-	-	-	-	-
BP Malherbe	-	1 189 529	-	-	1 189 529
FJ Steyn	-	988 968	-	-	988 968
Total	-	2 178 497	-	-	2 178 497



DIRECTORS' REPORT CONTINUED

Share appreciation rights

The following people identified were awarded Share Appreciation Rights (SAR) in accordance with the provisions of the SAR and upon the terms specified in the letter of grant and the rules of the SAR.

Name of employee	Number of SARs awarded on 1 December 2007 and at 29 February 2008
P M Waweru – CEO	1 428 000
C T Daly – FD	3 000 000
B P Malherbe – COO	1 400 000
F J Steyn – Marketing & strategic director	1 400 000
Divisional directors	2 808 000
Key employees	700 000
Total	10 736 000

The grant price of all the above SARs is R3.75 each, a 25% premium to the listing price of R3.00. One third of the SARs vest in three years, another third in four years and the final third in five years. There are HEPS and CPIX performance conditions for the SARs to become excercisable. SARs still available to be issued by the board 4 264 000.

7. ACCOUNTING POLICIES

The annual financial statements have been prepared based on International Financial Reporting Standards.

8. AUTHORISED AND ISSUED SHARE CAPITAL

	No. of shares	Date issued
Number of shares in issue at 28 February 2007	93 000 000	28/2/2007
Introduction of BEE partner	15 000 000	12/10/2007
Introduced at listing	12 000 000	16/11/2007
Issue of shares to facilitate settlement of debt	5 600 000	30/11/2007
CTE Consulting (Pty) Ltd – acquisition	1 500 000	8/1/2008
Total number of ordinary shares in issue at 29 February 2008	127 100 000	

9. PROPERTY, PLANT AND EQUIPMENT

There have been additions to property, plant and equipment during the period under review but no changes in the policy relating to their use. Property, plant and equipment to the amount of R7 195 609 was acquired, and disposals of R72 446 were made during the year.

10. DIVIDENDS

No dividends were declared or paid to shareholders during the 12 months.

DIRECTORS' REPORT CONTINUED

11. DIRECTORS

The directors of the company during the 12 months and to the date of the report are as follows:

Name	Position	Date appointed
Pumla Fundiswa Radebe	Independent chairperson	29/06/2007
Peter Muriuki Waweru	Chief executive officer	01/06/2007
Sonwabo Edwin Funde	Independent non-executive	29/06/2007
Quinton Encombe Woods	Non-executive	01/06/2007
Hatla Ntene	Independent non-executive	12/10/2007
Craig Terence Daly	Financial director	30/04/2007
Ben Pierre Malherbe	Operations director	05/08/2005
Frederick Johannes Steyn	Marketing & strategic planning director	05/08/2005

12. SECRETARY

The secretary of the company is Hofmeyr Tax and Secretarial Services (Pty) Ltd of:

Business address	6 Sandown Valley Crescent Sandown
Postal address	Private Bag X40 Benmore 2010

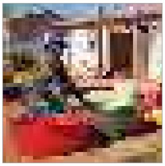
13. AUDITORS

PricewaterhouseCoopers Inc. will continue in office in accordance with section 270(2) of the Companies Act.

14. ANALYSIS OF SHAREHOLDERS

Shareholder spread analysis as at 29 February 2008:

Shareholder spread	No. of shareholders	%	No. of shares	%
1 – 1 000 shares	12	7.55	7 680	0.01
1 001 – 10 000 shares	75	47.17	423 170	0.33
10 001 – 100 000 shares	37	23.27	1 334 515	1.05
100 001 – 1 000 000 shares	14	8.81	5 004 917	3.94
1 000 001 shares and over	21	13.20	120 329 718	94.67
	159	100.00	127 100 000	100.00



DIRECTORS' REPORT CONTINUED

Shareholder spread	No. of shareholders	%
Distribution of shareholders		
Banks	-	-
Empowerment	21 600 000	17.00
Individuals	3 619 773	2.85
Nominees and trusts	6 228 607	4.90
Other corporations	12 714 407	10.00
Private and public companies	82 937 213	65.25
	127 100 000	100.00
Public/non-public shareholders		
Non-public shareholders	82 937 213	65.25
Directors and associates of the holding company	82 937 213	65.25
Public shareholders	44 162 787	34.75

Shareholders with an interest of 5% or more in shares

	Shares	%
Day Break Properties 42 (Pty) Ltd	6 600 000	5.193
BPM Familie Trust	11 984 000	9.429
DGS Trust	11 984 000	9.429
DNS Trust	11 984 000	9.429
FJS Trust	11 984 000	9.429
Hendrik Brand Trust	11 984 000	9.429
Planet Waves 266 (Pty) Ltd	15 000 000	11.802

BALANCE SHEETS

as at 29 February 2008

Figures in Rand	Note(s)	Group 2008	Group 2007	Company 2008	Company 2007 Restated
Assets					
Non-current assets					
Investment property	6	**1 393 171**	1 364 516	**-**	-
Property, plant and equipment	7	**7 782 200**	1 505 242	**-**	-
Goodwill	8	**26 018 584**	3 799 950	**-**	-
Intangible assets	9	**719 118**	-	**-**	-
Investments in subsidiaries	10	**-**	-	**1 635 941**	672 800
Loans to group companies	11	**-**	-	**96 059 617**	-
Deferred income tax assets/(liabilities)	12	**478 734**	731 210	**-**	-
		36 391 807	7 400 918	**97 695 558**	672 800
Current assets					
Inventories	13	**251 416 533**	34 433 326	**-**	-
Loans and receivables	14	**7 129 587**	6 639 625	**-**	-
Current tax receivable		**225 190**	-	**-**	-
Construction contracts	15	**90 999 810**	6 855 476	**-**	-
Trade and other receivables	16	**54 683 882**	12 092 812	**-**	-
Prepayments	17	**35 672 589**	59 933	**-**	-
Cash and cash equivalents	18	**3 111 129**	1 066 342	**330**	330
		443 238 720	61 147 514	**330**	330
Total assets		**479 630 527**	68 548 432	**97 695 888**	673 130
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Ordinary shares	19	**96 021 721**	930	**96 021 721**	930
Reserves		**963 141**	-	**1 635 341**	672 200
Retained income		**36 186 235**	4 776 791	**27 566**	-
Minority interest in equity		**-**	206 926	**-**	-
		133 171 097	4 984 647	**97 684 628**	673 130
Liabilities					
Non-current liabilities					
Borrowings	20	**165 268 692**	518 842	**-**	-
Finance lease obligation	21	**677 144**	-	**-**	-
Deferred income tax assets/(liabilities)	12	**13 089 097**	134 689	**-**	-
		179 034 933	653 531	**-**	-
Current liabilities					
Borrowings	20	**91 205 048**	32 760 342	**-**	-
Current income tax liabilities		**2 629 327**	2 943 980	**11 260**	-
Finance lease obligation	21	**375 490**	-	**-**	-
Trade and other payables	22	**67 906 881**	25 625 860	**-**	-
Bank overdraft	18	**5 307 751**	1 580 072	**-**	-
		167 424 497	62 910 254	**11 260**	-
Total liabilities		**346 459 430**	63 563 785	**11 260**	-
Total equity and liabilities		**479 630 527**	68 548 432	**97 695 888**	673 130

INCOME STATEMENTS

for the year ended 29 February 2008

		Group		Company	
Figures in Rand	Note(s)	**2008**	2007	**2008**	2007 Restated
Revenue	23	**316 676 698**	124 168 498	**-**	-
Cost of sales	24, 25	**(239 718 985)**	(104 577 612)	**-**	-
Gross profit		**76 957 713**	19 590 886	**-**	-
Other income		**24 032**	202 866	**815 345**	-
Administrative expenses	25	**(29 456 405)**	(13 050 764)	**(776 519)**	-
Operating profit		**47 525 340**	6 742 988	**38 826**	-
Finance income	26	**508 211**	66 154	**-**	-
Finance costs	27	**(2 901 115)**	(241 958)	**-**	-
Profit before taxation		**45 132 436**	6 567 184	**38 826**	-
Taxation	28	**(13 722 992)**	(2 193 410)	**(11 260)**	-
Profit after taxation		**31 409 444**	4 373 774	**27 566**	-
Attributable to:					
Equity holders of the company		**31 409 444**	4 166 848	**27 566**	-
Minority interest		**-**	206 926	**-**	-
Earnings per share for profit attributable to the equity holders of the company during the year					
(expressed in cents per share)					
- basic	38	**30.33**	4.48		
- headline	38	**30.40**	4.47		
- diluted	38	**28.32**	4.48		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 29 February 2008

Figures in Rand	Share capital	Share premium	Total share capital	Reserves for own shares/ Share repurchase reserve	Retained income acquired through reverse acquisition	Total reserves	Retained income	Total	Minority interest	Total equity
Group										
Balance at 01 March 2006	100	-	100	-	-	-	609 943	610 043	-	610 043
Profit for the year	-	-	-	-	-	-	4 166 848	4 166 848	206 926	4 373 774
Issue of shares	830	-	830	-	-	-	-	830	-	830
Total recognised income and expenses for 2007	830	-	830	-	-	-	4 166 848	4 167 678	206 926	4 374 604
Balance at 01 March 2007	930	-	930	-	-	-	4 776 791	4 777 721	206 926	4 984 647
Profit for the year	-	-	-	-	-	-	31 409 444	31 409 444	-	31 409 444
Issue of shares	341	96 020 450	96 020 791	-	-	-	-	96 020 791	-	96 020 791
Share appreciation scheme	-	-	-	963 141	-	963 141	-	963 141	-	963 141
Acquisition of minority interest	-	-	-	-	-	-	-	-	(206 926)	(206 926)
Total recognised income and expenses for 2008	341	96 020 450	96 020 791	963 141	-	963 141	31 409 444	128 393 376	(206 926)	128 186 450
Balance at 29 February 2008	**1 271**	**96 020 450**	**96 021 721**	**963 141**	**-**	**963 141**	**36 186 235**	**133 171 097**	**-**	**133 171 097**

Figures in Rand	Share capital	Share premium	Total share capital	Reserves for own shares/ Share repurchase reserve	Retained income acquired through reverse acquisition	Total reserves	Retained income	Total	Minority interest	Total equity
Company										
Balance at 01 March 2006	100	-	100	-	672 200	672 200	-	672 300	-	672 300
Issue of shares	830	-	830	-	-	-	-	830	-	830
Total recognised income and expenses for 2007	830	-	830	-	-	-	-	830	-	830
Opening balance as previously reported	930	-	930	-	672 200	672 200	4 375 292	5 048 422	-	5 048 422
Adjustments										
Change in accounting policy (note 39)	-	-	-	-	-	-	(4 375 292)	(4 375 292)	-	(4 375 292)
Balance at 01 March 2007 as restated	930	-	930	-	672 200	672 200	-	673 130	-	673 130
Profit for the year	-	-	-	-	-	-	27 566	27 566	-	27 566
Issue of shares	341	96 020 450	96 020 791	-	-	-	-	96 020 791	-	96 020 791
Share appreciation scheme	-	-	-	963 141	-	963 141	-	963 141	-	963 141
Total recognised income and expenses for 2008	341	96 020 450	96 020 791	963 141	-	963 141	27 566	97 011 498	-	97 011 498
Balance at 29 February 2008	**1 271**	**96 020 450**	**96 021 721**	**963 141**	**672 200**	**1 635 341**	**27 566**	**97 684 628**	**-**	**97 684 628**
Note(s)	*19*	*19*	*19*	*30*						

CASH FLOW STATEMENTS

for the year ended 29 February 2008

		Group		Company	
Figures in Rand	Note(s)	**2008**	2007	**2008**	2007
Cash flows from operating activities					
Cash receipts from customers		**279 316 110**	110 674 082	**-**	-
Cash paid to suppliers and employees		**(566 820 071)**	(131 162 843)	**38 826**	-
Cash generated from operations	31	**(287 503 961)**	(20 488 761)	**38 826**	-
Finance income		**508 211**	66 154	**-**	-
Finance costs		**(1 275 666)**	(241 958)	**-**	-
Tax paid	32	**(1 055 951)**	-	**-**	-
Net cash from operating activities		**(289 327 367)**	(20 664 565)	**38 826**	-
Cash flows from investing activities					
Purchase of property, plant and equipment	7	**(7 195 609)**	(1 614 787)	**-**	-
Sale of property, plant and equipment	7	**-**	32 883	**-**	-
Purchase of investment property	6	**(28 655)**	-	**-**	-
Purchase of intangible assets	9	**(858 271)**	-	**-**	-
Acquisition of businesses	33	**(4 155 000)**	(3 800 013)	**-**	-
Decrease in loans and receivables		**(489 962)**	(3 169 716)	**-**	-
Investment in subsidiaries		**-**	-	**-**	(500)
Net cash from investing activities		**(12 727 497)**	(8 551 633)	**-**	(500)
Cash flows from financing activities					
Proceeds on share issue	19	**341**	830	**341**	830
Share premium	19	**96 020 450**	-	**96 020 450**	-
Proceeds from borrowings		**203 298 647**	30 598 333	**-**	-
Increase in finance lease obligations		**1 052 634**	-	**-**	-
Loans advanced to group companies		**-**	-	**(96 059 617)**	-
Net cash from financing activities		**300 372 072**	30 599 163	**(38 826)**	830
Net (decrease)/increase in cash and cash equivalents and bank overdraft		**(1 682 792)**	1 382 965	**-**	330
Cash and cash equivalents and bank overdraft at the beginning of the year		**(513 830)**	(1 896 795)	**330**	-
Cash and cash equivalents and bank overdraft at the end of the year	18	**(2 196 622)**	(513 830)	**330**	330

NOTES TO THE
ANNUAL FINANCIAL STATEMENTS
for the year ended 29 February 2008

1 General information

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

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

The company has its primary listing on the JSE.

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

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

2 Summary of significant accounting policies

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

2.1. Basis of preparation

The consolidated financial statements of Calgro M3 Holdings Limited and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention.

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

(a) Standards, amendments and interpretations effective in 2008

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

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the group's financial instruments, or the disclosures relating to taxation and trade and other payables;
- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2; and
- IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

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

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

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

(c) Interpretations to existing standards that are not yet effective

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

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

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

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

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the group's operations as none of the group's companies provide public sector services;
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the group's operations because none of the group's companies operate any loyalty programmes; and
- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 from 1 January 2008, but this statement will not have any impact on the group's financial statements.

2.2 Consolidation

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement .

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions and minority interests

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Investments in subsidiaries

(a) Group consolidated financial statements

The group consolidated financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are included from the effective date of acquisition.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

(b) Company financial statements

In the company's separate financial statements, 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.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

2.4 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.5 Property, plant and equipment

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

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

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

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

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

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

2.6 Investment property

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

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interest result in gains and losses for the group and are recorded in the income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(b) Computer software

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

2.8 Impairment of non-financial assets

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

2.9 Impairment of assets

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

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

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

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

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

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

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

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

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

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

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

2.10 Financial assets

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (note 16 and 18).

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

(c) Available-for-sale financial assets

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

(d) Impairment

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.11 Inventories

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

2.12 Cost of sales

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

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

Contract costs comprise:

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

2.13 Construction contracts

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

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

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

2.14 Trade and other receivables

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

2.15 Cash and cash equivalents

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

2.16 Share capital and equity

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

2.17 Trade payables

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

2.18 Borrowings

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

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

2.19 Borrowing costs

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

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

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

The capitalisation of borrowing costs commences when:

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

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

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

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

2.20 Current and deferred income tax

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

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

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

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

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

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

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

2.21 Employee benefits

(a) Pension obligations

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

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

(b) Other post-employment obligations

The group has no post-employment obligations.

(c) Share-based compensation

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

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

(d) Bonus plans

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

2.22 Share-based payments

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

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

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

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

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

The group 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's activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Finance income

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

(b) Dividend income

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

(c) Sale of developed land

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

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group 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
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(d) Rendering of services

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

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

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

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

Contract revenue comprises:

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

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

2.24 Leased assets

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

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

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

2.25 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign currency and commodity price risks

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

(ii) Cash flow and fair value interest rate risk

As the group has no significant interest-bearing assets, the group's income is substantially independent of changes in market interest rates. The group's interest rate risk arises from non-current borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

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

Based on the simulations performed, the impact on post-tax profit of a 2% shift would be a maximum increase/decrease of R1.8 million.

(b) Credit risk

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

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

Figures in Rands	**29 February 2008**		28 February 2007	
Counterparty	**Credit limit**	**Balance**	Credit limit	Balance
Nedbank Ltd	**15 000 000**	**(5 307 751)**	3 000 000	(514 260)
FNB Ltd	**-**	**99 000**	-	-
Trade receivables	**-**	**29 084 957**	-	11 250 245
Attorney trust account:-				
Douglas Smart Attorneys	**-**	**3 000 000**	-	-

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

The Nedbank overdraft facility is unsecured.

(c) Liquidity risk

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

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

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

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

Figures in Rands **At 29 February 2008**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Borrowings	**91 205 048**	**41 158 437**	**107 563 999**	**16 546 256**
Bank	**5 307 751**	**-**	**-**	**-**
Trade and other payables	**63 032 277**	**-**	**-**	**-**
At 28 February 2007	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	32 760 342	518 842	-	-
Bank	1 580 172	-	-	-
Trade and other payables	11 232 953	-	-	-

3.2 Capital risk management

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

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

3.3 Fair value estimation

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

4 Critical accounting estimated and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimated and assumptions

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

(a) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7 (a). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

These calculations require the use of estimates (note 8).

(b) Share based payments

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

5 Segment information

Primary reporting format - business segments

At 29 February 2008, the group is organised on a national basis into two main business segments:

- construction of residential cluster housing with a wide range of variety; and
- construction of low cost and affordable residential housing with a wide range of variety.

The segment results for the year ended 29 February 2008 are as follows:

Figures in Rands	Clusters	Integrated housing	Group
Revenue	**72 629 372**	**244 047 326**	**316 676 698**
Operating (loss)/profit	**(7 654 674)**	**55 180 014**	**47 525 340**
Finance income	**-**	**-**	**508 211**
Finance costs	**-**	**-**	**(2 901 115)**
Profit before taxation	**-**	**-**	**45 132 436**
Taxation	**-**	**-**	**(13 722 992)**
Profit after taxation	**-**	**-**	**31 409 444**
The segment results for the year ended 28 February 2007 are as follows:			
Revenue	58 261 163	65 907 335	124 168 498
Operating profit	2 888 812	3 854 176	6 742 988
Finance income	-	-	66 154
Finance costs	-	-	(241 958)
Profit before taxation	-	-	6 567 184
Taxation	-	-	(2 193 410)
Profit after taxation	-	-	4 373 774

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables and cash and cash equivalents, construction contracts and receivables and prepayments.

Segment liabilities comprise operating liabilities, tax and finance leases.

The segment assets and liabilities at 29 February 2008 are as follows:

Figures in Rands	Clusters	Integrated housing	Group
Total assets	**234 291 802**	**245 338 725**	**479 630 527**
Total liabilities	**140 615 103**	**205 844 327**	**346 459 430**
The segment assets and liabilities at 28 February 2007 are as follows:			
Total assets	42 803 869	25 744 563	68 548 432
Total liabilities	40 147 338	23 416 447	63 563 785

Secondary reporting format - geographical segments

No secondary segmental information is disclosed, as there are no seperately defined segments that contibute more than 10% of revenue or accumulate to more than 10% of total asset value.

6 Investment property

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

Reconciliation of investment property - 2008

Group	Opening balance	Additions	Total
Investment property	**1 364 516**	**28 655**	**1 393 171**

Reconciliation of investment property - 2007

Group	Opening balance	Additions	Total
Investment property	-	1 364 516	1 364 516

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

	Group		Company	
Figures in Rand	**2008**	2007	**2008**	2007
Details of investment property				
Building situated on stand 2334				
Northriding Ext 82				
This property is valued at fair value, as the land has not yet transferred and the cost approximates fair value.				
Transfer from inventory	**684 176**	673 002	**-**	-
Building situated on stand 2336				
Northriding Ext 82				
This property is valued at fair value, as the land has not yet transferred and the cost approximates fair value.				
Transfer from inventory	**708 995**	691 514	**-**	-
	1 393 171	1 364 516	**-**	-

7 Property, plant and equipment

Group	2008			2007		
	Cost	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Plant and machinery	**1 313 009**	**(364 501)**	**948 508**	1 100 000	(94 934)	1 005 066
Furniture and fixtures	**3 594 288**	**(230 340)**	**3 363 948**	194 159	(27 375)	166 784
Motor vehicles	**1 234 096**	**(147 873)**	**1 086 223**	289 849	(34 687)	255 162
Office equipment	**34 273**	**(7 160)**	**27 113**	20 823	(3 649)	17 174
IT equipment	**1 134 664**	**(156 828)**	**977 836**	69 857	(8 801)	61 056
Leasehold improvements	**1 458 835**	**(80 263)**	**1 378 572**	-	-	-
Total	**8 769 165**	**(986 965)**	**7 782 200**	1 674 688	(169 446)	1 505 242

Reconciliation of property, plant and equipment - 2008

Figures in Rand Group	**Opening balance**	**Additions**	**Disposals**	**Depreciation**	**Total**
Plant and machinery	**1 005 066**	**213 011**	**-**	**(269 569)**	**948 508**
Furniture and fixtures	**166 784**	**3 467 626**	**(41 462)**	**(229 000)**	**3 363 948**
Motor vehicles	**255 162**	**943 820**	**-**	**(112 759)**	**1 086 223**
Office equipment	**17 174**	**13 450**	**-**	**(3 511)**	**27 113**
IT equipment	**61 056**	**1 098 868**	**(30 984)**	**(151 104)**	**977 836**
Leasehold improvements	**-**	**1 458 834**	**-**	**(80 262)**	**1 378 572**
	1 505 242	**7 195 609**	**(72 446)**	**(846 205)**	**7 782 200**

Reconciliation of property, plant and equipment - 2007

Figures in Rand Group	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	-	1 107 650	-	(102 584)	1 005 066
Furniture and fixtures	36 860	141 014	-	(11 090)	166 784
Motor vehicles	-	289 849	-	(34 687)	255 162
Office equipment	7 917	17 174	(6 454)	(1 463)	17 174
IT equipment	30 314	59 100	(18 483)	(9 875)	61 056
	75 091	**1 614 787**	**(24 937)**	**(159 699)**	**1 505 242**

	Group		Company	
Figures in Rand	**2008**	2007	**2008**	2007
Pledged as security				
Carrying value of assets pledged as security under the finance lease obligation:				
Plant and machinery	**948 508**	-	**-**	-

8 Goodwill

Figures in Rand	2008			2007		
Group	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Goodwill	26 018 584	-	26 018 584	3 799 950	-	3 799 950

Reconciliation of goodwill - 2008

Group	Opening balance	Additions through business combinations	Additions through minority acquisition	Total
Goodwill	3 799 950	4 155 000	18 063 634	26 018 584

Reconciliation of goodwill - 2007

Group	Opening balance	Additions through business combinations	Total
Goodwill	-	3 799 950	3 799 950

The recoverable amount of cash generated units is determined based on value-in-use calculations. These calculations use post-tax cash flow projections based on financial budgets approved by management covering a three-year period discounted using the risk free rate applicable. The growth rate does not exceed the short-term high risk rate for the property market.

Impairment tests for goodwill are performed annually.

Goodwill is allocated to the group's cash-generated units identified according to the business segment.

9 Intangible assets

Figures in Rand	2008			2007		
Group	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	858 271	(139 153)	719 118	-	-	-

Reconciliation of intangible assets - 2008

Group	Opening balance	Additions	Amortisation	Total
Computer software	-	858 271	(139 153)	719 118

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

10 Investments in subsidiaries

Company

Figures in Rand Name of company	% holding 2008	% holding 2007	Carrying amount 2008	Carrying amount 2007
Direct				
Calgro M3 Land (Pty) Ltd	**100**	100	**100**	100
Calgro M3 Developments (Pty) Ltd	**100**	100	**1 635 541**	672 400
Argol Construction (Pty) Ltd	**-**	100	**-**	100
MS5 Projects (Pty) Ltd	**100**	100	**100**	100
MS5 Pennyville (Pty) Ltd	**100**	100	**100**	100
Calgro M3 Project Management (Pty) Ltd	**100**	-	**100**	-
			1 635 941	672 800
In-direct				
CM3 Witkoppen Ext 87 (Pty) Ltd	**100**	100	**100**	100
CM3 Northriding Ext 86 - Mio Bella (Pty) Ltd	**100**	100	**100**	100
CM3 Northriding Ext 94 - Cherrywood Estate (Pty) Ltd	**100**	100	**100**	100
CM3 Randpark Ridge Ext 120 (Pty) Ltd	**100**	100	**100**	100
CM3 Witkoppen Ext 131 (Pty) ltd	**100**	100	**100**	100
Hightrade-Invest 60 (Pty) Ltd	**100**	100	**100**	100
Calgro M3 Land 102 (Pty) Ltd	**100**	100	**100**	100
PZR Pennyville Zamimphilo Relocations (Pty) Ltd	**100**	62	**100**	62
Aquarella Investments 265 (Pty) Ltd	**100**	-	**100**	-
CTE Consulting (Pty) Ltd	**100**	-	**100**	-
Midfield Estate (Pty) Ltd	**100**	-	**100**	-
Baybridge Canal Development Company (Pty) Ltd	**100**	-	**100**	-
Tres Jolie Ext 24 (Pty) Ltd	**100**	-	**100**	-
Ridgewood Estate (Pty) Ltd	**100**	-	**100**	-
Fleurhof Ext 2 (Pty) Ltd	**100**	-	**100**	-
Business Venture Investments No 1243 (Pty) Ltd	**100**	-	**100**	-
Business Venture Investments No 1244 (Pty) Ltd	**100**	-	**100**	-
Neoprop (Pty) Ltd	**100**	-	**100**	-

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

		Group		Company	
	Figures in Rand	**2008**	2007	**2008**	2007
11.	**Loans to group companies**				
	Subsidiaries				
	Calgro M3 Developments (Pty) Ltd	**-**	-	**88 017 803**	-
	The loan is unsecured, bears interest at a rate linked to prime and is repayable after 12 months following the year-end.				
	CTE Consulting (Pty) Ltd	**-**	-	**4 500 000**	-
	The loan is unsecured, bears interest at a rate linked to prime and is repayable after 12 months following the year-end.				
	Calgro M3 Land (Pty) Ltd	**-**	-	**2 998 250**	-
	The loan is unsecured, bears interest at a rate linked to prime and is repayable after 12 months following the year-end.				
	PZR Zamimphilo Relocation (Pty) Ltd	**-**	-	**271 782**	-
	The loan is unsecured, bears interest at a rate linked to prime and is repayable after 12 months following the year-end.				
	MS5 Projects (Pty) Ltd	**-**	-	**271 782**	-
	The loan is unsecured, bears interest at a rate linked to prime and is repayable after 12 months following the year-end.				
		-	-	**96 059 617**	-
12.	**Deferred income tax (liabilities)/assets**				
	Deferred tax (liabilities)/assets				
	Opening balance	**596 521**	46 445	**-**	-
	Accelerated capital allowances for tax purposes	**(13 795 488)**	550 076	**-**	-
	Tax losses available for set off against future taxable income	**613 424**	-	**-**	-
	Reduction due to rate change	**(24 820)**	-	**-**	-
		(12 610 363)	596 521	**-**	-
	Reconciliation of deferred tax (liabilities)/assets				
	Construction contracts	**(13 034 460)**	(134 689)	**-**	-
	Capital allowances	**(54 637)**	-	**-**	-
	Deferred tax liabilities	**(13 089 097)**	(134 689)	**-**	-
	Tax losses available for set off against future taxable income	**478 734**	731 210	**-**	-
	Deferred tax assets	**478 734**	731 210	**-**	-
		(12 610 363)	596 521	**-**	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

		Group		Company	
	Figures in Rand	**2008**	2007	**2008**	2007
13.	**Inventories**				
	Land under development held for sale	**251 416 533**	34 433 326	-	-
	Inventory pledged as security				
	All land under development is secured by mortgage bonds over properties as set out in note 20.				
14.	**Loans and receivables**				
	Ben Pierre Trust	-	715 619	-	-
	The loan is unsecured, interest-free and is repayable within 12 months following the year-end.				
	Hendrik Brand Trust	-	888 371	-	-
	The loan is unsecured, interest-free and is repayable within 12 months following the year-end.				
	The FJ Steyn Trust	-	699 698	-	-
	The loan is unsecured, interest-free and is repayable within 12 months following the year-end.				
	DN Steyn Trust	-	739 692	-	-
	The loan is unsecured, interest-free and is repayable within 12 months following the year-end.				
	The Douw Steyn Trust	-	1 019 245	-	-
	The loan is unsecured, interest-free and is repayable within 12 months following the year-end.				
	Presidor Twenty Four (Pty) Ltd	-	1 140 000	-	-
	The loan is unsecured, interest-free and is repayable within 12 months following the year-end.				
	RZT Zelpy 4228 (Pty) Ltd	-	1 437 000	-	-
	The loan is unsecured, interest-free and is repayable within 12 months following the year-end.				
	Other loans and receivables	**1 209 025**	-	-	-
	The loan is unsecured, interest-free and is repayable within 12 months following the year-end.				
	Autumn Star Trading 910 (Pty) Ltd	**5 920 562**	-	-	-
	The loan is unsecured, interest-free and is repayable within 12 months following the year-end.				
	Subtotal	**7 129 587**	6 639 625	-	-
	Current assets				
	Loans and receivables	**7 129 587**	6 639 625	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

		Group		Company	
	Figures in Rand	**2008**	2007	**2008**	2007
15.	**Construction contracts**				
	Contracts in progress at balance sheet date				
	Construction contracts and receivables	**90 999 810**	6 855 476	**-**	-
	Advances received in excess of work completed are included in trade and other payables.				
16.	**Trade and other receivables**				
	Trade receivables	**29 084 957**	11 250 245	**-**	-
	Deposits	**2 008 803**	2 794	**-**	-
	Value-added tax	**23 590 122**	839 773	**-**	-
		54 683 882	12 092 812	**-**	-
	All trade receivables are fully performing.				
	Trade receivables which are past due and exceed 365 days	**382 677**	-		
17.	**Prepayments**				
	Prepayments listed on the face of the balance sheet are expenses incurred on land under development that have not yet transferred into the group's name.	**35 672 589**	59 933	**-**	-
18.	**Cash and cash equivalents**				
	Cash and cash equivalents consist of:				
	Cash on hand	**100 729**	530	**330**	330
	Bank balances	**3 010 400**	1 065 812	**-**	-
	Bank overdraft	**(5 307 751)**	(1 580 172)	**-**	-
		(2 196 622)	(513 830)	**330**	330
	Current assets	**3 111 129**	1 066 342	**330**	330
	Current liabilities	**(5 307 751)**	(1 580 172)	**-**	-
		(2 196 622)	(513 830)	**330**	330

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

	Figures in Rand	Group 2008	Group 2007	Company 2008	Company 2007
19.	**Ordinary shares**				
	Authorised				
	500 000 000 ordinary shares of R0.00001 each (2007: 1 000 ordinary shares of R1 each)	**5 000**	1 000	**5 000**	1 000
	Reconciliation of number of shares issued:				
	Reported as at 01 March 2007	**930**	100	**930**	100
	Issue of shares - ordinary shares	**341**	830	**341**	830
		1 271	930	**1 271**	930
	Issued				
	127 100 000 ordinary shares of R0.00001 each (2007: 930 ordinary shares of R1 each)	**1 271**	930	**1 271**	930
	Share premium	**100 049 659**	-	**100 049 659**	-
	Share issue costs written off against share premium	**(4 029 209)**	-	**(4 029 209)**	-
		96 021 721	930	**96 021 721**	930
	All issued shares are fully paid.				
	Share-based payments (note 30).				
20.	**Borrowings**				
	Non-current				
	Rand Merchant Bank Limited	**6 789 369**	-	**-**	-
	The loan is secured over land under development included in inventory, bears interest at prime less 0.25% and is repayable by 31 July 2009.				
	Rand Merchant Bank Limited	**8 347 500**	-	**-**	-
	The loan is secured over land under development included in inventory and a suretyship by Calgro Holdings Limited, bears interest at prime plus 2% and is repayable by 31 May 2009.				
	Rand Merchant Bank Limited	**3 658 201**	-	**-**	-
	The loan is secured over land under development included in inventory, bears interest at prime and is repayable by 1 August 2009.				
	Rand Merchant Bank Limited	**4 713 302**	-	**-**	-
	The loan is secured over land under development included in inventory, bears interest at prime less 0.25% and is repayable by 1 May 2009.				

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

	Group		Company	
Figures in Rand	**2008**	2007	**2008**	2007
20. Borrowings (continued)				
First National Bank Limited	**90 744 997**	-	**-**	-
The loan is secured over the Fleurhof property included in inventory, and there is a pledge and cession of shares in Calgro M3 Land (Pty) Ltd. The loan bears interest at prime less 1.5% and is repayable by 18 June 2009.				
Salamax 1583 (Pty) Ltd	**28 306 805**	-	**-**	-
The loan is secured over land under development included in inventory and with a pledge and cession of shares in Hightrade-Invest 60 (Pty) Ltd, bears interest at 30% compounded annually and is repayable by 1 March 2009.				
TUM Investments (Pty) Ltd	**6 062 264**	-	**-**	-
The loan is unsecured, bears interest at 30% compounded annually and is repayable by 19 June 2009.				
32 Craigavon (Pty) Ltd	**100 000**	-	**-**	-
The loan is unsecured, interest-free and has no fixed terms of repayment.				
Put and Call option loan for acquisition of 37.5% of PZR	**16 546 254**	-	**-**	-
The put and call option expires on 31 December 2009 with a final option value of R20 million. This option arises from the acquisition of the minority share (37.5%) of PZR Pennyville Zamimphilo Relocation (Pty) Ltd. The liability was determined by discounting the final option value at a risk free rate.				
Nedbank Limited	**-**	518 842	**-**	-
The loan was secured over certain plant and machinery in note 7, bearing interest at a rate linked to prime and was repayable in monthly instalments of R27 034.				
	165 268 692	**518 842**	**-**	**-**

	Group		Company	
Figures in Rand	**2008**	2007	**2008**	2007
20. Borrowings (continued)				
Current				
Rand Merchant Bank Limited	**22 010 283**	-	**-**	-
The loan is secured over land under development included in inventory, bears interest at prime less 0.25% and is repayable by 31 May 2008.				
Rand Merchant Bank Limited	**4 513 643**	-	**-**	-
The loan is secured over land under development included in inventory, bears interest at prime less 0.25% and is repayable by 14 June 2008.				
Aquarella Investments 269 (Pty) Ltd	**16 390 185**	9 867 681	**-**	-
The loan is secured over land under development included in inventory and with a cession and pledge of shares in CM3 Witkoppen Ext 131 (Pty) Ltd, bears interest at 30% per annum and is repayable by 7 July 2008.				
Refihlile Consulting Services (Pty) Ltd	**722 637**	-	**-**	-
The loan is unsecured, interest-free and is repayable in the following 12 months.				
Thomas Henry Walter Priday	**6 268 351**	-	**-**	-
The loan is secured over land under development included in inventory, bears interest at 30% compounded monthly and is repayable by 24 September 2008.				
Saracens Capital Investments (Pty) Ltd	**7 246 867**	-	**-**	-
The loan is secured over land under development included in inventory, bears interest at 35% compounded monthly and is repayable by 24 September 2008.				
Hightrade 58 (Pty) Ltd	**9 008 716**	-	**-**	-
The loan is unsecured, bears interest at 40% per annum and is repayable on registration of the property to homeowners.				
Mettle Development Finance One (Pty) Ltd	**5 865 703**	-	**-**	-
The loan is secured over land under development included in inventory and with a surety provided by Calgro M3 Holdings Ltd, bears interest at prime compounded monthly, plus a profit share of 50% on the related project (57 Harveston) and is repayable on 30 April 2008.				
Mettle Development Finance One (Pty) Ltd	**4 950 343**	-	**-**	-
The loan is secured over land under development included in inventory, bears interest at prime compounded monthly, plus a profit share of 50% on the related project (6 Harveston) and is repayable on 30 August 2008.				
Calprop (Pty) Ltd	**11 349**	-	**-**	-
The loan is unsecured, interest-free and is repayable in the following 12 months.				

		Group		Company	
	Figures in Rand	**2008**	2007	**2008**	2007
20.	**Borrowings (continued)**				
	Flaming Moon Trading 309 (Pty) Ltd	**2 394 261**	-	**-**	-
	The loan is secured over land under development included in inventory, bears interest at 30% compounded annually and is repayable by 28 February 2009.				
	Business Venture Investments 880 (Pty) Ltd	**3 000 000**	-	**-**	-
	The loan is unsecured, bears interest at prime and is repayable by 30 June 2008.				
	Brett William Lankester	**1 829 471**	-	**-**	-
	The loan is secured over land under development included in inventory, bears interest at 30% compounded monthly and is repayable by 30 September 2008.				
	BOE Bank Limited	**3 690 802**	-	**-**	-
	The loan is secured over land under development included in inventory, bears interest at prime less 1% and is repayable by 15 August 2008.				
	Holdgro Projects (Pty) Ltd	**356 437**	1 137 158		
	The loan is unsecured, interest-free and is repayable in the following 12 months.				
	D Earle	**2 946 000**	3 136 000		
	The loan is unsecured, interest-free and was repayable in the following 12 months.				
	Nedbank limited	**-**	154 594		
	The loan was secured over certain motor vehicles in note 7, bearing interest at a rate linked to prime and is repayable in monthly instalments of R13 603.				
	Nedbank Limited	**-**	367 435	**-**	-
	The loan was secured over certain plant and machinery in note 7, bearing interest at a rate linked to prime and was repayable in monthly instalments of R27 034.				
	RZT Zelpy 4489 (Pty) Ltd	**-**	300 000	**-**	-
	The loan was unsecured, interest-free and was repayable in the following 12 months.				
	Rand Merchant Bank Limited	**-**	14 055 031	**-**	-
	The loan was secured over land included in inventory, bears interest at a rate linked to prime and was repayable within a 12 month period.				
	Salamax 1583 (Pty) Ltd	**-**	2 800 000	**-**	-
	The loan was unsecured, interest-free and was repayable in the following 12 months.				
	Barnards Attorneys. The loan was unsecured, interest-free and was repayable in the following 12 months.	**-**	942 443	**-**	-
		91 205 048	32 760 342	**-**	-
		256 473 740	33 279 184	**-**	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

		Group		Company	
	Figures in Rand	**2008**	2007	**2008**	2007
20.	**Borrowings (continued)**				
	Non-current liabilities				
	At amortised cost	**165 268 692**	518 842	**-**	-
	Current liabilities				
	At amortised cost	**91 205 048**	32 760 342	**-**	-
		256 473 740	33 279 184	**-**	-
	The directors have not breached the requirements of the Company's Memorandum and Articles of Association in terms of their borrowing powers.				
21.	**Finance lease obligation**				
	Minimum lease payments due				
	- within one year	**428 058**	-	**-**	-
	- in second to fifth year inclusive	**771 944**	-	**-**	-
	Present value of minimum lease payments	**1 200 002**	-	**-**	-
	Less: Future financial changes	**(147 368)**	-	**-**	-
		1 052 634			
	Present value of minimum lease payments due				
	- within one year	**375 490**	-	**-**	-
	- in second to fifth year inclusive	**677 144**	-	**-**	-
		1 052 634	-	**-**	-
	Non-current liabilities	**677 144**	-	**-**	-
	Current liabilities	**375 490**	-	**-**	-
		1 052 634	-	**-**	-
	It is group policy to lease certain equipment under finance leases. The average lease term is 3 - 5 years and the average effective borrowing rate is prime. The group's obligations under finance leases are secured by the lessor's charge over the leased assets with a net book value of R1 300 478.				
22.	**Trade and other payables**				
	Trade payables	**63 032 277**	11 232 953	**-**	-
	Amounts received in advance	**510 029**	11 076 658	**-**	-
	Value-added tax	**3 730 667**	3 306 249	**-**	-
	Accrual for leave pay	**623 908**	-	**-**	-
	Deposits received	**10 000**	10 000	**-**	-
		67 906 881	25 625 860	**-**	-

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

		Group		Company	
	Figures in Rand	**2008**	2007	**2008**	2007
23.	**Revenue**				
	Sale of developed land	**15 249 367**	34 234 334	**-**	-
	Rendering of services	**40 578 678**	15 217 350	**-**	-
	Construction contracts	**260 848 653**	74 716 814	**-**	-
		316 676 698	124 168 498	**-**	-
24.	**Cost of sales**				
	Sale of developed land				
	Development of land	**22 650 012**	65 241 907	**-**	-
	Rendering of services				
	Land infrastructure	**31 154 964**	-	**-**	-
	Construction contracts				
	Construction costs	**185 914 009**	39 335 705	**-**	-
		239 718 985	104 577 612	**-**	-
25.	**Expenses by nature**				
	Advertising	**1 628 306**	469 610	**-**	-
	Deficit on disposal of property, plant and equipment	**72 446**	-	**-**	-
	Depreciation on property, plant and equipment	**985 358**	159 698	**-**	-
	Employee benefit expenses excluding company contributions	**17 099 692**	8 534 433	**-**	-
	Employer pension fund contribution	**121 965**	755 021	**-**	-
	Lease rentals on operating leases	**2 132 353**	548 745	**-**	-
	Motor vehicle expenses	**199 918**	206 276	**-**	-
	Professional fees	**4 906 824**	294 122	**-**	-
	Changes in inventories and work in progress	**239 718 986**	104 577 612	**-**	-
	Other expenses	**2 309 542**	2 082 859	**776 519**	-
	Total cost of sales and administration expenses	**269 175 390**	117 628 376	**776 519**	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

		Group		Company	
	Figures in Rand	**2008**	2007	**2008**	2007
26.	**Finance income**				
	Interest revenue				
	Bank	**508 211**	66 154	**-**	-
27.	**Finance costs**				
	Trade and other payables	**18 976**	-	**-**	-
	Bank	**1 256 690**	241 958	**-**	-
	Discounting adjustment	**1 625 449**	-	**-**	-
		2 901 115	241 958	**-**	-
28.	**Taxation**				
	Major components of the tax expense				
	Current				
	Local income tax - current period	**516 108**	2 743 486	**11 260**	-
	Deferred				
	Current year	**13 182 064**	(550 076)	**-**	-
	Changes in tax rates	**24 820**	-	**-**	-
		13 206 884	(550 076)	**-**	-
		13 722 992	2 193 410	**11 260**	-
	Reconciliation of the tax expense				
	Reconciliation between applicable tax rate and average effective tax rate.	**%**	%	**%**	%
	Applicable tax rate	**29.00**	29.00	**29.00**	29.00
	Unprovided timing differences	**0.73**	0.58	**-**	-
	Decrease in tax rate for deferred tax movement	**(0.94)**	-	**-**	-
	Decrease in tax rate for deferred tax opening balance	**(0.08)**	-	**-**	-
	Disallowable charges	**1.70**	3.82	**-**	-
		30.41	33.40	**29.00**	29.00
	The statutory corporate tax rate for 2008 financial year was 29%. This rate has now been reduced to 28% for the 2009 financial year. A deferred tax rate adjustment has been taken into account for the tax rate adjustment.				
29.	**Auditors' remuneration**				
	Fees	**312 325**	14 500	**-**	-
	Prior year under provision	**316 605**	-	**-**	-
		628 930	14 500	**-**	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

30. Share-based payments

Figures in Rands Outstanding rights	Exercise date within one year	Exercise date from two to five years	Exercise date after five years	Total
Rights with exercise price of R3.75	-	10 736 000	-	10 736 000

Information on options granted during the year

Share rights are granted to directors and to selected employees. The exercise price of the granted options is equal to the market price of the shares 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 - R3.75,
- Expected volatility - 40%,
- Option life - 5 years,
- Expected dividend yield - 0%,
- The risk-free interest rate - 9.03%,
- Method of valuation - Black Scholes.

Total expenses of R963 141 related to equity-settled share-based payments transactions were recognised in 2008.

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

31. Cash (used in)/generated from operations

	Group		Company	
Figures in Rand	**2008**	2007	**2008**	2007
Profit before taxation	**45 132 436**	6 567 184	**38 826**	-
Adjustments for:				
Depreciation and amortisation	**846 205**	159 698	**-**	-
Loss/(profit) on sale of assets	**72 446**	(7 946)	**-**	-
Finance income	**(508 211)**	(66 154)	**-**	-
Finance costs	**2 901 115**	241 958	**-**	-
Amortisation of intangible assets	**139 153**	-	**-**	-
Share-based payments	**963 141**	-	**-**	-
Changes in working capital:				
Inventories	**(216 983 207)**	(35 857 774)	**-**	-
Trade and other receivables	**(42 591 070)**	(11 977 805)	**-**	-
Prepayments	**(35 612 656)**	-	**-**	-
Construction contracts	**(84 144 334)**	(1 401 605)	**-**	-
Trade and other payables	**42 281 021**	21 853 683	**-**	-
	(287 503 961)	(20 488 761)	**38 826**	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

	Figures in Rand	Group 2008	Group 2007	Company 2008	Company 2007
32.	**Tax paid**				
	Balance at beginning of the year	**(2 943 980)**	(200 494)	**-**	-
	Current tax for the year recognised in income statement	**(516 108)**	(2 743 486)	**(11 260)**	-
	Balance at end of the year	**2 404 137**	2 943 980	**11 260**	-
		(1 055 951)	-	**-**	-
33.	**Acquisition of business**				
	On 18 January 2008, the group acquired 100% of the share capital of CTE Consulting (Pty) Ltd, a town planning company operating in South Africa.				
	The acquisition of CTE Consulting (Pty) Ltd did not contribute to revenue or profits during the current financial year.				
	Details of net assets acquired and goodwill are as follows:				
	Fair value of assets acquired				
	Property, plant and equipment	**579 000**	-	**-**	-
	Goodwill	**4 155 000**	-	**-**	-
		4 734 000	-	**-**	-
	Consideration paid				
	Cash	**(234 000)**	-	**-**	-
	Equity - 1 500 000 ordinary shares of R3 each in Calgro Holdings Limited	**(4 500 000)**	-	**-**	-
		(4 734 000)	-	**-**	-
	Net cash outflow on acquistion				
	Cash consideration paid	**(234 000)**	-	**-**	-

Net assets acquired represent property, plant and equipment. No intangible assets existed or contingent liabilities were recognised on the date of acquisition.

The goodwill is attributable to the directors know how of integrated housing developments.

The fair value of the shares issued was based on the published share price as at the date of listing.

	Figures in Rand	Group 2008	Group 2007	Company 2008	Company 2007
34.	**Commitments**				
	Operating leases - as lessee (expense)				
	Minimum lease payments due				
	- within one year	**2 607 269**	-	**-**	-
	- in second to fifth year inclusive	**11 715 702**	-	**-**	-
		14 322 971	-	**-**	-

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

35. Related parties

The following entities are related parties of the company:

Direct subsidiaries:

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

Indirect subsidiaries:

- CM3 Witkoppen Ext 87 (Pty) Ltd
- CM3 Witkoppen Ext 131 (Pty) Ltd
- CM3 Northriding Ext 86 - Mio Bella (Pty) Ltd
- CM3 Northriding Ext 94 - Cherrywood Estate (Pty) Ltd
- CM3 Randpark Ridge Ext 120 (Pty) Ltd
- CM3 Hightrade-Invest 60 (Pty) Ltd
- Aquarella Invetsments 265 (Pty) Ltd
- Business Venture Investments No 1243 (Pty) Ltd
- Business Venture Investments No 1244 (Pty) Ltd
- Calgro M3 Land 102 (Pty) Ltd
- Baybridge Canal Development Company (Pty) Ltd
- CTE Consulting (Pty) Ltd
- Fleurhof Ext 2 (Pty) Ltd
- Midfield Estate (Pty) Ltd
- Neoprop (Pty) Ltd
- PZR Pennyville Zamimphilo Relocations (Pty) Ltd
- Ridgewood Estate (Pty) Ltd
- Tres Jolie Ext 24 (Pty) Ltd

Directors of holding company:

- CT Daly - Executive
- BP Malherbe - Executive
- PM Waweru - Executive
- FJ Steyn - Executive
- SE Funde - Independent non-executive
- PF Radebe - Independent non-executive
- H Ntene - Independent non-executive
- QE Woods - Non-executive

Directors and senior management of subsidiaries:

- TW Graaff
- A de Waal
- HB Malherbe
- J Roode
- DG Steyn
- DN Steyn

		Company	
	Figures in Rand	**2008**	2007
35.	**Related parties (continued)**		
	The directors as stated above exercise control over all of the subsidiaries of the group.		
	For intercompany balances with group companies refer to note 11.		
	Related party transactions		
	Administration fees paid to Calgro M3 Holdings Limited		
	Calgro M3 Developments (Pty) Ltd	**271 782**	-
	MS5 Projects (Pty) Ltd	**271 782**	-
	PZR Pennyville Zamimphilo Relocations (Pty) Ltd	**271 782**	-

36. Directors' emoluments

Group

Executive

2008	**Directors' fees**	**Emoluments**	**Other**	**Total**
For services as directors	**540 000**	**5 348 089**	**123 428**	**6 011 517**

2007	Emoluments	Total
For services as directors	2 178 497	2 178 497

Non-executive

2008	**Emoluments**	**Total**
For services as directors	**630 000**	**630 000**

Details of the individual directors' emoluments are set out in the directors' report.

37. Going concern

The consolidated 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

		2008	2007
38	**Earnings per share**		
	(a) Basic		
	Basic earnings per share is calculated by dividing the profit attributable to equity holders of the group by the weighted average number of ordinary shares in issue during the year.		
	Profit attributable to equity holders of the Company	**31 409 444**	4 166 848
	Weighted average number of ordinary shares in issue (2007 adjusted for share split)	**103 562 568**	93 000 000
	Basic earnings per share (cents)	**30.33**	4.48
	(b) Diluted		
	Profit attributable to equity holders of the company	**31 409 444**	4 166 848
	Share option expense	**963 141**	-
	Profit used to determine diluted earnings per share	**32 372 585**	4 166 848
	Weighted average number of ordinary shares in issue	**103 562 568**	93 000 000
	Adjustments for:		
	- Share options	**10 736 000**	-
	Weighted average number of ordinary shares for diluted earnings per share	**114 298 568**	93 000 000
	Diluted earnings per share (cents)	**28.32**	4.48
	(c) Headline		
	Profit attributable to equity holders of the company	**31 409 444**	4 166 848
	Loss/(profit) on disposal of property, plant and equipment	**72 446**	(7 946)
	Profit used to determine diluted earnings per share	**31 481 890**	4 158 902
	Weighted average number of ordinary shares in issue	**103 562 568**	93 000 000
	Headline earnings per share (cents)	**30.40**	4.47

39 Change in accounting policy

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

The above change resulted in a reductrion of net profit in 2007 in the company of R4 375 292 and a relating reduction of the carrying value of subsidiaries. The opening balance of retained earnings has been restated to take account of this change. There is no tax effect.

NOTICE OF ANNUAL GENERAL MEETING

for the year ended 29 February 2008

Calgro M3 Holdings Limited
(formerly: Double Ring Trading 332 (Proprietary) Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2005/027663/06)
("Calgro" or "the company")

Notice is hereby given to all members of Calgro M3 Holdings Limited ("the company") that the first annual general meeting ("AGM") of members will be held at 14:00 on Friday 29 August 2008 at the boardroom, Calgro, Cedarwood House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston to transact the following business:

to consider and, if thought fit, pass the following resolutions with or without modification as ordinary resolutions:

1. Ordinary resolution number one

To receive and adopt the annual financial statements for the year ended 29 February 2008, including the directors' report and the report of the auditors thereon.

2. Ordinary resolution number two

To resolve that the re-appointment of PF Radebe as the chairperson, who retires by rotation, but being eligible, offers herself for re-election in accordance with Article 31 of the Company's Articles of Association for a further term of office be authorised and confirmed.
(A brief CV appears on page 11 of the annual report.)

3. Ordinary resolution number three

(i) To resolve that the re-appointment of SE Funde as a non-executive director, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 31 of the Company's Articles of Association for a further term of office be authorised and confirmed.
(A brief CV appears on page 11 of the annual report.)

(ii) To resolve that the re-appointment of QE Woods as a non-executive director, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 31 of the Company's Articles of Association for a further term of office be authorised and confirmed.
(A brief CV appears on page 11 of the annual report.)

(iii) To resolve that the re-appointment of H Ntene as a non-executive director, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 31 of the Company's Articles of Association for a further term of office be authorised and confirmed.
(A brief CV appears on page 11 of the annual report.)

4. Ordinary resolution number four

To resolve that the re-appointment of PM Waweru as an executive director, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 31 of the Company's Articles of Association for a further term of office be authorised and confirmed.
(A brief CV appears on page 10 of the annual report.)

5. Ordinary resolution number five

To ratify the board appointment of WJ Lategan as an executive director with effect from 1 August 2008.
(A brief CV appears on page 10 of the annual report.)

6. Ordinary resolution number six

To resolve that the re-appointment of BP Malherbe as an executive director, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 31 of the Company's Articles of Association for a further term of office be authorised and confirmed.
(A brief CV appears on page 10 of the annual report.)

7. Ordinary resolution number seven

To resolve that the re-appointment of FJ Steyn as an executive director, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 31 of the Company's Articles of Association for a further term of office be authorised and confirmed.
(A brief CV appears on page 10 of the annual report.)

NOTICE OF ANNUAL GENERAL MEETING

8. **Ordinary resolution number eight**
   To resolve that the re-appointment of PricewaterhouseCoopers as auditors, until the conclusion of the next annual general meeting in accordance with S270 (1) of the Companies Act, 1973 (Act 61 of 1973), as amended, be authorised and confirmed.

9. **Ordinary resolution number nine**
   To resolve that the fees paid to the directors of the company in respect of the year ended 29 February 2008, as set out in the annual financial statements on page 23, be approved.

10. **Ordinary resolution number ten**
    General payments to shareholders
    To resolve that, in terms of Article 39 to 44 of the Company's Articles of Association and section 90 of the Companies Act, No. 61 1973 (as amended) and subject to the company obtaining a statement by the directors that after considering the effect of such maximum payment the:

    a. company and the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;
    b. assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements;
    c. share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
    d. working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.

    The directors of the company shall be entitled, from time to time, to pay by way of a reduction of share premium, capital distributions to shareholders of the company in lieu of a dividend. Such distributions shall be made pro rata to all shareholders and be amounts equal to the amounts which the directors would have declared and paid out of profits of the company as interim and final dividends in respect of the financial year ending 29 February 2008. This authority shall not extend beyond the date of the annual general meeting following the date of the annual general meeting at which this resolution is being proposed or 15 months from the date of the resolution whichever is shorter.

    In terms of the Listings Requirements of the JSE Limited ("Listings Requirements"), any general payment(s) may not exceed 20% of the company's issued share capital, including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE Limited ("JSE") prepared within the last six months, in any one financial year, measured as at the beginning of such financial year.

    General payments, from time to time, to pay by way of a reduction of share premium, capital distributions to shareholders of the company in lieu of a dividend, shall not be effected before the JSE has received written confirmation from the company's designated advisor to the effect that the directors have considered the solvency and liquidity of the company and the group as required in term of section 90 (2) of the Companies Act, 1973 (Act 61 of 1973), as amended.

    The company shall publish an announcement in terms of paragraph 11.31 of the Listings Requirements.

    Shareholders are referred to the explanatory notes set out under special resolution number one which apply mutatis mutandis to this resolution.

11. **Ordinary resolution number eleven**
    Control of authorised but unissued shares
    "To resolve that all the unissued shares in the authorised share capital of the company be and are hereby placed under the control of the directors of the company, who are authorised to allot and issue the same to such persons and on such terms and conditions as they may determine in their sole and absolute discretion, subject to the provisions of Section 221 and 228 of the Companies Act, No. 61 of 1973 (as amended) and the Listings Requirements".

12. **Ordinary resolution number twelve**
General authority to issue shares for cash

"Resolved that the directors be given the general authority to issue unissued shares of a class already in issue held under their control, for cash, when the directors consider it appropriate in the circumstances, subject to the provisions of the Companies Act, No. 61 of 1973 (as amended) the Listings Requirements and to the following limitations, that:

- the authority shall be valid until the next annual general meeting of the company (provided it shall not extend beyond 15 months from the date of this resolution);
- an announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to such issue;
- issues for cash in any one financial year may not exceed 50% of the company's issued share capital;
- the issues must be made to public shareholders and not to related parties as defined by the Listings Requirements; and
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the volume weighted average traded price as determined over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company".

The approval of this resolution is subject to achieving a 75% majority of the votes cast in favour by shareholders present or represented by proxy at this meeting excluding the designated advisor and the controlling shareholders together with their associates.

Shareholders are referred to the explanatory notes set out under special resolution number one which apply mutatis mutandis to this resolution.

13. **Special resolution number one**
General authority to repurchase shares

Resolved that the board of directors of the company be hereby authorised, by way of a general authority, to approve the purchase of its own ordinary shares or to approve the purchase of ordinary shares in the company by any subsidiary of the company, provided that:

a) any acquisition of shares shall be implemented through the order book operated by the JSE Limited's trading system and done without any prior understanding or arrangement between the company and/or its relevant subsidiaries and the counter party;

b) this authority shall be valid only until the next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of this resolution;

c) the general repurchase(s) shall in any one financial year be limited to a maximum of 20% of the company's issued share capital of that class at the time the authority is granted;

d) the acquisition of shares by a subsidiary of the company may not exceed 10% in aggregate of the number of issued shares of the company;

e) repurchases must not be made at a price more than 10 % above the weighted average of the market value for the securities for the 5 business days immediately preceding the date of repurchase;

f) a paid press announcement (complying with paragraph 11.27 of the Listings Requirements) will be published as soon as the company and/or its subsidiaries have acquired shares constituting, on a cumulative basis, 3% of the initial number of ordinary shares in issue at the time of the granting of this authority, giving full details of such acquisitions and for each 3% in aggregate of the initial number of ordinary shares acquired thereafter by the company and/or its subsidiaries;

g) the company will, at any point in time, appoint only one agent to effect any repurchase(s) on the company's behalf;

h) the company will only undertake a general repurchase of securities if, after such repurchase, at least 100 public shareholders, as defined in the Listings Requirements, continue to hold at least 10% of the company's issued ordinary shares;

NOTICE OF ANNUAL GENERAL MEETING

i) the company will not repurchase its shares during any prohibited period as defined in paragraph 3.67 of the Listings Requirements; and

j) such repurchase shall be subject to the Act, the Company's Articles of Association and the Listings Requirements.

A repurchase of shares is not contemplated at the date of this notice. However, the board believes it to be in the interest of the company that shareholders grant a general authority to provide the board with optimum flexibility to repurchase shares as and when an opportunity that is in the best interest of the company arises.

Further, the board is of the opinion that, even if the maximum amount of 20% of the current issued share capital of the company is repurchased using the mechanism of the general authority at the maximum price at which repurchases may take place:

- the issued share capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of the notice of the annual general meeting;
- the working capital available to the company and the group will be sufficient for the group's requirements for a period of 12 months after the date of the notice of the annual general meeting;
- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the company and the group for a period of 12 months after the date of the notice of the annual general meeting; and
- the company and the group will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting.

Shareholders are referred to the explanatory notes set out hereunder which apply mutatis mutandis to this resolution.

14. **To transact such other business as may be transacted at an annual general meeting.**

Explanatory notes

Disclosures in terms of paragraph 11.26 of the JSE Listings Requirements:

- Directors and management: pages 8 and 9 of the annual report
- Major shareholders: page 26 of the annual financial statements
- Directors' interests in securities: page 23 of the annual financial statements
- Share capital of the company: page 54 note 19 of the notes to the annual financial statements
- Litigation: Calgro was informed of pending litigation on 8 July 2008 in the amount of R5 454 166. Calgro was unaware of such litigation up to and including such date and will deal with the matter appropriately. There is no other material litigation.
- Directors' responsibility statement.
  The directors, whose names are given on page 8 of the annual report in which this notice was included collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and notice contains all information required by law and the Listings Requirements.
- Material changes
  There has been no material change in the financial or trading position of the company and its subsidiaries that has occurred since 29 February 2008.

The directors of the company hereby state:

1. That the intention of the company and/or any of its subsidiaries is to utilise the general authority to make a general payment to shareholders, if at some future date the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, inter alia, appropriate capitalisation structures for the company, the long-term cash needs of the company, and will ensure that any such payments are in the interests of shareholders;
2. That the method by which the company intends to make general payments to shareholders in terms of a general authority and the date on which such payments will take place has not yet been determined; and

NOTICE OF ANNUAL GENERAL MEETING

3. That after considering the effect of a maximum permitted general payment, the company and its subsidiaries are, as at the date of this notice convening the annual general meeting of the company, able to fully comply with the Listings Requirements. Nevertheless, at the time that the contemplated general payment is to take place, the directors of the company will ensure that:
   - the company and the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;
   - the assets of the company and the group will be in excess of the liabilities of the company and group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in these group annual financial statements;
   - the share capital and reserves of the company and group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of annual general meeting;
   - the working capital of the company and group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of annual general meeting; and
   - the company will provide its designated advisor and the JSE with all documentation as required in Schedule 25 of the Listings Requirements, and will not commence any general payment until the designated advisor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

Any shareholders wishing to attend the AGM who have already dematerialised their shares in Calgro, and such dematerialised shares are not recorded in the electronic sub-register of Calgro in their own names, should request letters of representation from their duly appointed Central Securities Depository Participant ("CSDP") or stockbroker, as the case may be, to authorises them to attend and vote at the AGM in person.

Any shareholders entitled to attend and vote at the AGM are entitled to appoint proxies to attend, speak and vote at the AGM in their stead. The proxies so appointed need not be members of the company.

If you have not yet dematerialised your shares in Calgro and are unable to attend the AGM, but wish to be represented thereat, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries of Calgro namely, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001, (PO Box 61051, Marshalltown 2107) to be received by no later than 14:00 on Wednesday, 27 August 2008.

If you have already dematerialised your shares in Calgro:

- and such dematerialised shares are recorded in the electronic sub-register of Calgro in your own name and are unable to attend the AGM, but wish to be represented thereat, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries of Calgro namely, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001, (PO Box 61051, Marshalltown 2107) to be received by no later than 14:00 on Wednesday, 27 August 2008; or
- where such dematerialised shares are not recorded in the electronic sub-register of Calgro in your own name, you should notify your duly appointed CSDP or stockbroker, as the case may be, in the manner and cut-off time stipulated in the agreement governing your relationship with your CSDP or broker of your instructions as regards voting your shares at the AGM.

By order of the board
Company secretary
Sandton 2196
22 May 2008

Designated advisor
PSG Capital (Pty) Limited

FORM OF PROXY

FOR USE AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 14:00 ON FRIDAY 29 AUGUST 2008 AT THE BOARDROOM, CALGRO, CEDARWOOD HOUSE, BALLYWOODS OFFICE PARK, 33 BALLYCLARE DRIVE, BRYANSTON AND AT ANY ADJOURNMENT THEREOF.

For use by the holders of the company's certificated ordinary shares ("certificated shareholder") and/or dematerialised ordinary shares held through a Central Securities Depository Participant ("CSDP") who have selected own-name registration ("own-name" dematerialised shareholders).

Not for the use by holders of the company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote thereat in accordance with their instructions.

I/We ____ (full name in block letters)

of ____ (please print address)

being a shareholder of Calgro M3 and holding ____________________ ordinary shares in the company, hereby appoint

1 ____of or failing him/her

2 ____of or failing him/her

3. the chairperson of the annual general meeting,

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary resolutions and/or abstain from voting in respect of the Calgro ordinary shares registered in my/our name(s), in accordance with the following instructions:

	FOR	AGAINST	ABSTAIN
Ordinary resolution number one Adopt the annual financial statements for the year ended 29 February 2008			
Ordinary resolution number two Re-appointment of PF Radebe as chairperson			
Ordinary resolution number three Re-appointment of the following non-executive directors:			
SE Funde			
QE Woods			
H Ntene			
Ordinary resolution number four Re-appointment of PM Waweru			
Ordinary resolution number five Ratification of appointment of WJ Lategan			
Ordinary resolution number six Re-appointment of BP Malherbe			
Ordinary resolution number seven Re-appointment of FJ Steyn			
Ordinary resolution number eight Re-appointment of PricewaterhouseCoopers Inc.			
Ordinary resolution number nine Directors' fees			
Ordinary resolution number ten General payments to shareholders			
Ordinary resolution number eleven Control of authorised but unissued shares			
Ordinary resolution number twelve General authority to issue shares for cash			
Special resolution number one General authority to repurchase shares			

*Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at ____________________(place) on____________________(date) 2008

Member's signature ____

Assisted by (if applicable) ____

Please read the notes on the reverse side.

NOTES TO PROXY

1. This form of proxy is to be completed only by those members who are:
   a. holding shares in a certificated form; or
   b. recorded in the sub-register in electronic form in their "own name".
2. Members who have dematerialised their shares other than own-name dematerialised shareholders, and who wish to attend the annual general meeting must contact their Central Securities Depository Participant ("CSDP") or broker who will furnish them with the necessary authority to attend the annual general meeting, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the members and their CSDP or broker.
3. Each member is entitled to appoint one or more proxies (who need not be a member(s) of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.
4. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairperson of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairperson of the annual general meeting, if the chairperson is the authorised proxy, to vote in favour of the ordinary resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the member's votes exercisable thereat.
6. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer office or waived by the chairperson of the annual general meeting.
8. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he/she is satisfied as to the manner in which a member wishes to vote.
9. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
10. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
11. A minor must be assisted by his/her parent on guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.
12. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.
13. Forms of proxy must be lodged with the transfer secretaries at the address given below by no later than 14:00 on Wednesday, 27 August 2008:

Transfer secretaries
Computershare Investor Services (Pty) Limited
Ground Floor, 70 Marshall Street
Johannesburg 2001
PO Box 61051, Marshalltown 2107
Telefax 011 688 5200

ADMINISTRATION

Calgro M3 Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 2005/027663/06
Share code: CGR
ISIN: ZAE000109203

Registered office
112 11th Street
Parkmore
Sandton
2196

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

Postal address
Private Bag X33
Craighall
2024

Website
www.calgrom3.com

Transfer secretaries
Computershare Investor Services (Pty) Ltd

Business address
70 Marshall Street
Johannesburg
2001

Postal address
PO Box 61051
Marshalltown
2107

Bankers
Nedbank Limited

Auditors
PricewaterhouseCoopers Inc.

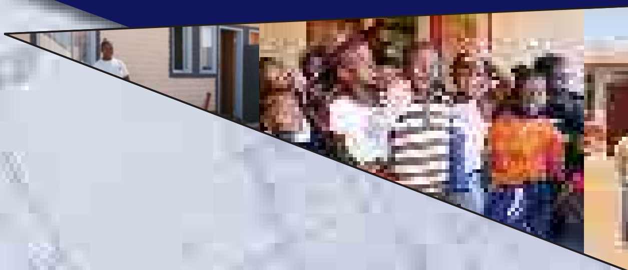
Designated advisors
PSG Capital (Pty) Ltd

Secretary
Hofmeyr Tax and Secretarial Services (Pty) Ltd

SHAREHOLDERS' DIARY

Annual general meeting	Friday, 29 August 2008
Interim report	November 2008
Financial year-end	February
Year-end results	May 2009

NORTHERN GRAPHICS



CALGRO M3

www.calgrom3.com