CALGRO M3
HOLDINGS

integrated annual report 2012

mission

Calgro M3 will be the housing developer of choice in select markets for all South Africans, by consistently delivering homes of the highest quality.

www.calgrom3.co.za

vision

Calgro M3 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 rewarding personnel
- Developing mutually beneficial relationships with government, financial institutions and suppliers

financial highlights

Earnings per share 285.61%
2012: 51.44 cents 2011: 13.34 cents

Headline earnings per share 281.6%
2012: 51.44 cents 2011: 13.48 cents

Profit before tax 409.03%
2012: R77.9 million 2011: R15.3 million

Gross profit percentage 3.01%
2012: 15.44% 2011: 12.43%

Administration expenses compared to a 82.69% increase in revenue 21.00%
2012: R36.6 million 2011: R30.2 million

contents

history

1995

Calgro Homes, the brainchild of Derek Steyn and his brothers Douw and Deon, has filled a prominent gap in the affordable housing market. The combined experience of the three brothers adds up to a total of about 40 years in the quantity surveying and project management fields. Their fighting spirit and honest and energetic approach to all their business dealings, is what brought the Steyn brothers Douw, Derek and Deon their success. Operating C.A.L.C. Quantity Surveyors part-time from Douw's Melville Johannesburg loft in 1994 developing medical clinics for Medicross. They soon branched out into project management in low-cost housing. This gave birth to Calgro Homes in 1995. All three brothers, previously employed as quantity surveyors, resigned their jobs in order to offer their clients unprecedented personal care and cost effective management. In this short space of time, C.A.L.C completed 36 medical clinics.

1996

By mid-1996, Calgro Homes had 60 houses under construction plus another 120 in various stages of the development process. By June '96 Calgro had already reached its 1996 target and would probably exceed its goal for the year by 100%.

2001

In 2001 the Malherbe brothers, Ben Pierre and Brand, M3 Developments, both quantity surveyors as well, joined forces with the Steyn brothers whilst tendering on a residential development on the East-Rand, Clearwater Estates, and the company, Calgro M3 Developments was formed. By 2002, Calgro M3 completed the first 1 000 houses. The company also diversified into the middle to high income residential market and successfully launched and developed the first of many cluster type developments, Firenza, in Randpark Ridge.

2002

Calgro M3 completed and handed over their 1 000th house.

2007

The company grew from strength to strength and officially listed on the Alt-^{X} board of the JSE on 8 November 2007. Calgro M3 embarked on its first venture developing an integrated residential project, Pennyville Ext 1, consisting of 2 800 units comprising of RDP "give away" units, social housing, subsidized rental units and open market rental units.

2008

In October 2008, Calgro M3 was the first company to list a R300 million Debt Programme on the Yield-X.

2009

Calgro M3 breaks ground in the R2.65 billion Fleurhof Integrated project consisting of 9 600 units. This project is a joint venture.

2010

Calgro M3 completes the Pennyville project and breaks ground in the R1.3 billion Jabulani project. The Jabulani Precinct will eventually deliver in excess of 6 000 units.

2011

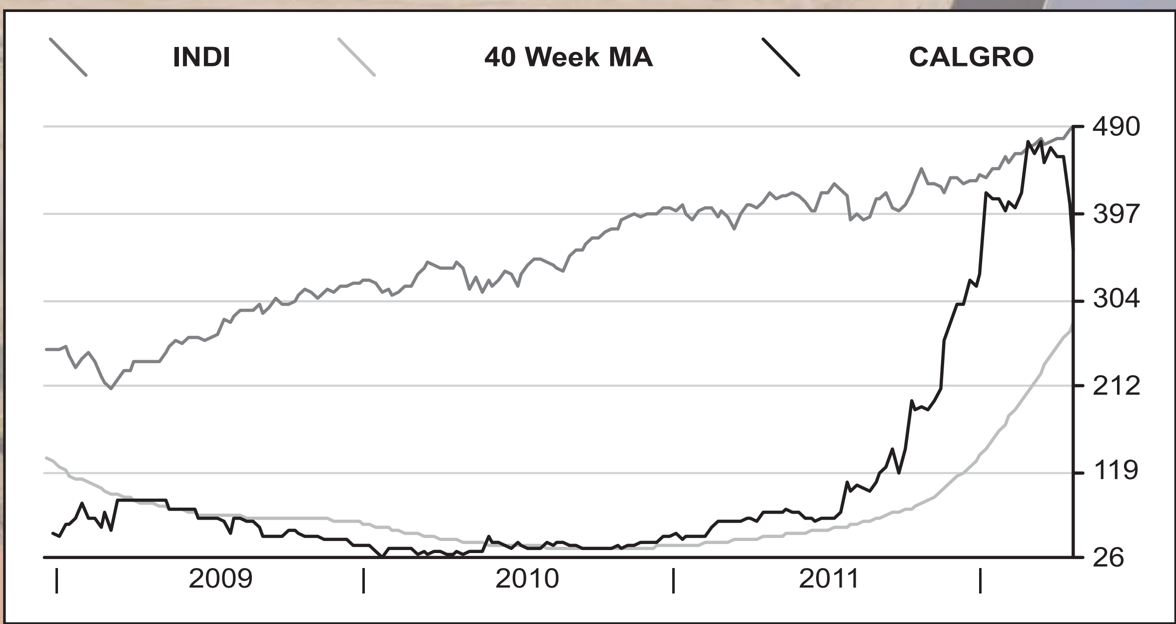
April 2011, Calgro M3 breaks ground on the Brandwag Social Housing project consisting of 1 050 units in Bloemfontein. This was the first project outside Gauteng.

November 2011, Calgro M3 officially opens Western Cape office. December 2011, Calgro M3 breaks ground on the R585 million Scottsdene Integrated project.

2012

Calgro M3 lists on the JSE's Main Board. Concludes an agreement to the value of R2.2 billion for the Clayville Integrated project in February 2012.

share performance



Three-year financial review

Figures in Rands	2012	2011	2010
GROUP INCOME STATEMENT			
Revenue	**514 913 160**	281 849 367	188 725 584
Gross profit	**79 514 647**	35 024 294	27 667 276
Gross profit (%)	**15.44**	12.43	14.66
Operating profit	**43 218 758**	(370 832)	17 203 237
Profit before tax	**77 935 723**	15 310 618	16 199 783
Basic earnings per share	**51.44**	13.34	12.19
Headline earnings per share	**51.44**	13.48	(7.64)
Net asset value per share	**185.72**	134.28	120.94
Tangible net asset value per share	**159.82**	108.57	95.18
GROUP BALANCE SHEET			
Inventories	**249 305 202**	234 945 651	266 392 715
Construction contracts	**85 459 296**	40 646 024	32 217 439
Net cash position	**103 690 964**	10 913 020	(11 202 838)
Retained income	**140 032 285**	74 652 237	57 696 796
Borrowings	**225 111 270**	154 261 721	167 569 520
Trade and other payables	**113 541 358**	44 329 083	39 862 596
GROUP CASH FLOWS			
Cash generated from operations	**69 829 415**	53 279 664	2 519 750
Tax paid	**(11 634 136)**	(11 764 586)	(557 317)
Net cash from operating activities	**39 276 482**	24 266 155	958 979
Net cash from investing activities	**(16 243 150)**	9 137 120	(4 128 137)
Net cash from financing activities	**69 744 612**	(11 287 417)	(22 785 044)
Net increase/(decrease) in cash and cash	**92 777 944**	22 115 858	(25 954 202)
Cash and cash equivalents and bank overdraft at the beginning of the year	**10 913 020**	(11 202 838)	14 751 364
Cash and cash equivalents and bank overdraft at the end of the year	**103 690 964**	10 913 020	(11 202 838)
FINANCIAL RATIOS			
Return on average shareholders' funds (%)	**32.14**	10.45	9.59
Return on net assets (%)	**27.70**	9.93	10.08
Return on net tangible assets (%)	**32.19**	12.29	12.80
Current ratio	**1.41**	1.49	1.44
Market capitalisation at year end – ordinary shares	**546 530 000**	82 615 000	48 298 000

directorate executive

Ben Pierre Malherbe (46)
BSc (QS) Hons, (B&A), MBA
Chief executive officer
Appointed: 5 August 2005

Frederik (Derek) Steyn (49)
BSc (QS)
Strategic planning director
Appointed: 5 August 2005

Willem (Wikus) Lategan (31)
CA(SA)
Financial director
Appointed: 5 August 2008

Deon Steyn (45)
BSc (QS)
Chief operating officer
Appointed: 14 December 2009

directorate non-executive

Pumla Radebe (56)**
BA
Non-executive chairperson
Appointed: 29 June 2007

Mdu Gama (43)^
PhD (Finance)
Independent non-executive
Appointed: 10 January 2012

John Gibbon (71)^ **
CA(SA)
Independent non-executive
Appointed: 1 November 2008

Hatla Ntene (57) **
BSc (Surv), Dip. Con. Econ, Dip. Civ.Eng, PRQS, PMAQS
Non-executive
Appointed: 12 October 2007

Ralph Patmore (60) ^
B.Com, MBL (SBL)
Independent non-executive
Appointed 18 January 2011

curriculum vitae of directors

Pumla Fundiswa Radebe (56)

BA

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 the University of Johannesburg and a certificate in project management from Pretoria Technikon. Pumla is currently managing partner of Bungane Development Consultants, a former chairperson of Johannesburg City Parks and Pikitup Johannesburg, president of the International Federation of Parks & Recreation Administration, a chief examiner and board member of the Films and Publications Board and chairperson of the Independent Development Trust. She also sits on the boards of Khuselo Investments and Khuselo Telcoms.

Ben Pierre Malherbe (46)

BSc (QS), MBA

Chief executive officer

Ben Pierre obtained a BSC (Quantity Surveying) from the University of the Orange Free State. He went on to obtain an honours degree in business administration and an MBA from the Stellenbosch School of Business. In 2001 he and his brother joined forces with the Steyn brothers to form Calgro M3, specialising in residential development.

Ben Pierre is responsible for the group's highly acclaimed Pennyville project, an integrated housing development. Ben Pierre was appointed Calgro M3's COO when the group was listed in 2007 and took over the function of CEO during January 2009.

Willem (Wikus) Jacobus Lategan (31)

CA(SA)

Financial Director

Until his departure to join Calgro M3 as a financial director, Wikus was employed as an audit manager at ARC Inc Auditors, where his portfolio comprised medium and large public companies.

He gained considerable experience in advising on group structures to ensure operation, tax and compliance optimisation, control, 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 was appointed financial director of Calgro M3 in August 2008.

Deon Steyn (45)

BSc (QS)

Chief operating officer

Deon obtained his BSc (Quantity Surveying) from the University of Orange Free State. He is a registered quantity surveyor (RQS) a member of the Association of South African Quantity Surveyors, as well as a member of the Council of South African Quantity Surveyors. Deon spent four years with Farrow Laing & Partners after which he started CALC Quantity Surveyors specialising in the development of medical centres and project management in the affordable housing market sector. Deon, together with his brother Derek founded Calgro M3 in 1995.

He was appointed COO during 2009 and is responsible for the group's construction sector.

Hatla Ntene (57)

BSc (QS)

Hatla obtained his BSc (Quantity Surveying) from the University of Dublin and is currently executive of Mvua Property Partners. He became the empowerment partner of Farrow Laing Ntene in 1996 where he served for five years. He was also the property executive manager of Propnet (property division of Transnet) for three years. He brings a wealth of experience dating back to 1977, to Calgro M3.

Frederik (Derek) Johannes Steyn (49)

BSc (QS)

Business development director, Derek obtained a BSc (Quantity Surveying) from the University of Orange Free State. He worked as a quantity surveyor for five years at Eskom, after which he became a project manager for Safrich, an established property development company specialising in the affordable housing market sector. Calgro M3 was started in 1995 by Derek and his brother Deon. Derek is a specialist in land acquisitions and is responsible for the group's marketing.

Mduduzi (Mdu) Edward Gama (43)

PhD (Finance)

Mdu holds a PhD (Finance) degree and various management qualifications from SA, US and UK universities. Mdu is currently CEO of Resultant Finance (Proprietary) Limited, a non-executive director of Comztek (Proprietary) Limited and non-executive director of Mustek Limited. He is a founder, director and a significant shareholder of various companies.

John Braidwood Gibbon (71)

CA (SA)

John is a chartered accountant by profession and a retired partner at PricewaterhouseCoopers. He was president of the Port Elizabeth Chamber of Commerce and had been active in various upliftment projects, in particular the acquisition of the Algoa Bus Company, for the benefit of the Port Elizabeth community trusts, which company is now trading successfully. He has held non-executive directorships on the boards of several companies, some of which were JSE listed and he chaired several of their audit and risk committees.

Ralph Patmore (60)

BCom, MBL (SBL)

Ralph brings a valuable 10 years of building materials distribution experience from his former position as CEO of Iliad. He also brings a wealth of industrial manufacturing experience from his time as director of Everite, and later as director of Group Five amongst other directorship positions in subsidiaries within the Unihold and Malbak Groups, prior to his appointment as CEO of Iliad in 1998.

Ralph serves on the boards of Sentula Mining Limited, ARB Holdings Limited and Mustek Limited as a non-executive director.

Robert Nicolaas Wesselo (48)

BA (LLB)

Resigned 4 May 2012

Rob's experience comprises ex business development director Group 5 Building, head of listed property funding RMB, commercial director Pangbourne Properties Limited. He also served on the executive committee of Absa Commercial Property Finance and was head of CPF Equity Investments. Rob is currently country director for International Housing Solutions (a shareholder of a major joint venture of Calgro M3).

The contribution the company is making can't be under estimated. With Deputy President Kgalema Motlanthe and Minister of Human Settlements, Tokyo Sexwale, launching the Jabulani Hostel redevelopment project, a clear message was sent that the delivery of housing projects is high on Government's agenda.

chairperson's report

INTRODUCTION

I am pleased to introduce a report that reflects a company that has achieved a visible turnaround in its business. There was a period in the last year or so when the difficulties experienced by the industry, were felt by the company. There has been great effort to ensure that the resurfacing is conspicuous for all to observe.

Let me hasten to state that the resurgence of Calgro M3 through the financial meltdown can be attributed not only to the changing financial climate, but also to the prudent management applications utilised by the executive directors in ensuring that there is value for the investments by the stakeholders.

BUSINESS OVERVIEW

Calgro M3, the JSE's top ranking share for 2011, behind the massive developments in Jabulani, Soweto turning it into a central business district, which property analysts believe is the future.

The contribution the company is making can't be under estimated. With Deputy President Kgalema Motlanthe and Minister of Human Settlements, Tokyo Sexwale, launching the Jabulani Hostel redevelopment project, a clear message was sent that the delivery of housing projects is high on Government's agenda.

The construction of the creche in Fleurhof is completed and will be operational once management agreements have been finalised with the operator.

Calgro reached a new milestone when listed on the JSE main board on the 23rd of March 2012. The JSE main board is an appropriate platform for growth for the company as the government is prioritising housing.

Unusual mass housing developments, mixed income housing are the face of the future to cope with the influx of South Africans to our cities.

Calgro has ventured out further afield and have opened an office in Cape Town.

Financial indicators again showed positive growth. Revenue was R515 million, indicating a growth of 82.69% from the prior year. A significantly improved headline profit of R65.4 millionwas recorded.

CORPORATE GOVERANCE

The board is vested with individuals who are constantly conscious of upholding the highest standards of corporate governance within Calgro M3. I am convinced that the level of leadership at board and the executive is indicative of the direction Calgro M3 will be taking into the future. Adequate time has been spent in incorporating the dictates of the board charter to make sure that responsible corporate citizenship is maintained.

There has been an injection of new board members, who bring with them the necessary experience and the independence of mind, which places Calgro M3 in a position to face the future with confidence.

FUTURE PROSPECTS

We are pleased with the successful venture outside Gauteng and delighted that the new office is already contributing towards revenue, but Gauteng will be our core business for some time to come.

There is every reason to be optimistic about the future of housing in South Africa. As part of its drive to provide affordable housing and address the disparities of SA's urban landscapes, the government allocated R50.5bn for low-income housing and the upgrading of informal settlements in secondary cities.

We entered into contracts to provide in access of 2 000 social housing units with 1000 units under construction.

APPRECIATION

I would like to thank the board members for their valued contribution to the success of Calgro M3. This does not exclude the hardworking and committed employees. The extraordinary effort and sense of duty of the people at Calgro M3 makes me very proud to have the financial statements as a testament to this. This appreciation also goes to our suppliers, clients, business partners, advisors and shareholders for their never-ending support.

PF Radebe (Mrs)
Chairperson

10 May 2012

The group is entering into a new exciting phase of growth in the relatively new market segment of integrated residential development, based on a solid pipeline of projects and a dedicated team of management and staff

chief executive's report

INTRODUCTION

As I stated in my previous report the time has come to get out of survival mode and I can report that the group entered into a new phase of converting the strong pipeline of projects into construction work as witnessed in the set of results presented this year. The group will not be deviating from its stated policy and will concentrate its efforts on delivering on integrated developments, with an established team, while keeping a presence in the mid to high segment of the market.

During the year under review Calgro M3 has again grown significantly and further established itself as the leader in the integrated residential market segment. The group will continuously aim to improve the range of products offered, making an even bigger difference for the benefit of our shareholders, partners and those residing in our projects. With new projects coming on line the risk profile of the group changed significantly with the spread of its funding exposure over more projects and financial institutions. The extention of the operation to two other provinces also contributed towards the spreading of risk.

During the year under review the group benefited from established relationships with funding partners and clients and used these relationships to grow the business. I am pleased to report that Calgro M3 has managed to grow its secured pipeline of projects to R8 billion from the reported pipeline of R5 billion a year ago, at the same time containing risk and managing resources. A continued focus on delivery of construction projects in Gauteng was complemented by the addition of the Scottsdene and Elsies River projects in the Western Cape.

Cash generated from operations and from structured debt raising enabled the group to provide bridging finance to projects to fast track the implementation.

The group's most significant achievements during the year include:

- Fleurhof project:
  - completing the installation of the infrastructure for another two Exts of the project Ext 4 and Ext 6 and commencing the installation of infrastructure for Ext 5, 7 and 11 of the project. This has brought the total number of residential opportunities serviced to 1 897 with the installation of services for another 675 in the progress;
  - completing construction and handing over 482 free standing residential units and 224 unit residential sectional title units built for the bonded segment of the market;
  - completing 286 sectional title units aimed at the social housing market segment and transferring these units to the Social Housing Institute;
  - commencing construction on a further 162 sectional title units aimed at open market rentals; and
  - receiving instruction to commence construction on 189 units aimed at the fully subsidised housing market on behalf of the City of Johannesburg and completing 81 of these units.

- Jabulani CBD project:
  - completing the installation of civil infrastructure for 1 611 residential opportunities for the first phase;
  - commencing construction on 488 units aimed at open market ownership;
  - completing construction on 180 units aimed at open market rental market;
  - commencing construction on 243 units aimed at open market rentals; and
  - commencing construction on 300 units aimed at Social Housing.

- Jabulani Hostels Redevelopment project:
  - completing the installation of civil infrastructure for 500 opportunities for the first phase;
  - commencing and completing construction on 400 units aimed at the fully subsidised market segment; and
  - commencing and completing construction on 100 CRU units aimed at the social housing market segment.

- Jukskei View project:
  - completing infrastructure for 422 units;
  - commencing construction on 170 units and completing and handing over the first 74 units to end users; and
  - calling for tenders for the installation of infrastructure on the next phase of the project after selling all available stands.

- Scottsdene project:
  - breaking ground with the installation of services for 2 200 units;
  - entering into a bulk sale agreement for the construction of 500 social housing units; and
  - launching a sales initiative to dispose of units aimed at open market ownership.

- Brandwag project:
  - completing infrastructure for 402 units in the Brandwag project; and
  - nearing completion of the first 264 social housing units on the project.

FINANCIAL RESULTS

As expected the Fleurhof, Jabulani CBD, Jabulani Hostel Redevelopment, Brandwag and Jukskei View projects all contributed towards revenue. The contribution by the Scottsdene project in the Western Cape, although small, was a welcome surprise as expectations were that a venture into a new province would take longer to contribute.

The continuing trend of converting the pipeline of projects into construction projects resulted in group revenue for the year increasing by 82.69% from R282 million to R515 million. Headline earnings per share increased by 281.60%.

Gross margin at 15.44%, is increasing as more construction of top-structures comes on line. The first phase of each project is the installation of the infrastructure which is subcontracted to civil engineers at lower margins for the group. Gross margin percentages are therefore lower in the initial stages of our projects, increasing with construction of the top structures, which are done in-house at higher margins. We therefore anticipate that margins will continue to grow once the infrastructure is complete and top structures are being built.

OPERATIONAL REVIEW

After almost five years of listing on the Alt^X, the group's move to the main board signalled another milestone on its growth path to bigger things.

Renewed government commitment to infrastructural spend remains a positive influence on the delivery of integrated housing as the success of these projects is based on private/public partnerships. Continued budget constraints within local governments, for the roll out of subsidised units has, however, resulted in the subsidised component of the projects falling behind the open market segment. These budget constraints and the limited availability of development finance for new projects requires private sector players to inject more and more equity thereby raising the entry level for new players into this market segment, to an unnaturally high level.

The group was able to further spread its risk associated with these integrated projects by diversifying construction exposure on the Gauteng and Free State projects by commencing construction in the Western Cape Province. The group's venture into the Western Cape was not as trying as expected and operations came online earlier than planned. This was made possible by strong administrative systems and logistics capibility created during the group's previous venture into the Free State Province. The installation of the infrastructure on the Scottsdene project is progressing well and the construction of units on the Elsies Rivier project neared completion towards the end of the year under review.

As a result of building construction capacity over the last few years and the success currently experienced with regard to construction quality the group will continue to make use of in-house capacity in order to ensure quality is maintained at the highest level and the group will not be looking at making use of external contractors in the immediate future.

The success of the integration of the residential market combining free standing and sectional title units for the bonded market, fully subsidised, social rental as well as the open market rental units has been demonstrated with the completion of:

(i) Exts 2, 3 and 6 of the Fleurhof Project. This project includes freestanding and sectional title units for the bonded market, fully subsidised units, social rental units as well as the open market rental units;
(ii) ownership and rental units on the Jabulani CBD project; and
(iii) fully subsidised units and CRU units completed on the Jabulani Hostel redevelopment project.

The lower segment of the residential market again proved to be stronger than the higher end. The challenge for the group this year will be to provide ourselves with more serviced stands at a pace dictated by market demand rather than the ability to raise development finance. We are grateful to those financial partners who realised the group's potential to successfully develop integrated housing settlements.

As expected the mid-to-high income housing segment of the market did not recover to the levels of 2007 and as a result the projects acquired for this market segment have not contributed to revenue or margins during the year. The company will therefore continue to "landbank" these properties while attempting to reduce our exposure to-the financial institutions.

I am pleased to report from an OHS perspective that, although the number of employees on the construction sites again increased dramatically during the financial year, the group was again not only fatality free, but also free of any serious injuries in the work place. This reflects our on-going and absolute commitment to ensuring the group sustains its target of zero harm.

CORPORATE SOCIAL INVESTMENT (CSI) AND GREENING

On a CSI front the group is proud to have been able to complete another crèche aimed at the communities we operate in while plans have been submitted for the construction of a second crèche in the Fleurhof project. The first crèche in Fleurhof will become operational during this year once agreements to appoint an operator are finalised. We are grateful to Bidvest Bank who will again be assisting with funding of operating expenses to run the crèche, ensuring sustainability during the first years of existence.

In line with our drive to build suburbs rather than townships, all projects undertaken by the group have also benefited from our "greening" of projects, as can be witnessed by the landscaping on the Fleurhof, Jukskei View, Jabulani Hostel redevelopment and Jabulani CBD projects.

ENTERPRISE DEVELOPMENT

During the year the group embarked on a skills training project, in partnership with SARS and various other bodies, assisting our sub-contractors to become compliant with regard to regulatory requirements. This is our drive to contribute to the empowerment and enrichment of small business owners.

OVERHEADS

In order to get out of survival mode and start doing business again, the executive team has realised the need to refocus on containing overhead structures. This process will be controlled alongside revenue growth and will be implemented on a variable cost basis where possible.

Uncontrolled growth is still perceived as the group's major risk and will continue to be an area of focus within our strategy. We however believe that our profitability is also dependent on containing overheads so we will also be monitoring these.

In the year under review new staff appointments to fill gaps at specific levels were made. Some other general overhead increases were also necessary. Office space constraints and a need to increase our marketing capacity will contribute to a rise in administrative expenses in the following financial year.

Strategic appointments and internal restructuring have taken place to strengthen the management team to steer the group through the next growth phase. Succession planning will continuously be addressed as the group grows. I am pleased to report that overheads increased by only 21.00% during the year compared with an increase in revenue of 82.69%.

BOARD OF DIRECTORS

The group was able to retain the services of all executive directors but saw a change in non-executive directors with the appointment of Dr Mdu Gama as independent non-executive director and Ralph Patmore as lead independent non-executive director. This was necessitated in order to comply with the requirements of the new Companies Act and King III as well as to add expertise to the board.

PROSPECTS

The recent budget announced by the Minister of Finance, Minister Pravin Gordhan, made provision for serious investment into infrastructure for South Africa. This will positively impact on the group's ability to deliver on its integrated developments as bulk is created in the process for local municipalities. Similar commitments made by the previous Minister of Finance, Minister Trevor Manual, are now allowing municipalities to deliver housing, as bulk created over the last few years has placed municipalities in a position to provide much needed services to communities.

With the Minister of Human Settlements, Minister Tokyo Sexwale, publicly questioning the sustainability of the government's fully subsidised housing policy, and the added shift in focus to the provision of 80 000 social housing units the group is poised, in partnership with government to reduce the increasing backlog.

The secured pipeline of integrated development projects will allow Calgro M3 in line with our evolving public-private partnership policy to assist government in their endeavour to eradicate the housing shortage.

As stated in my previous report the group undertook to venture into new provinces once operations were stabilised in Gauteng. We are currently targeting the Free State and Western Cape provinces. The group recognises the immense opportunity in other provinces and will again ensure controlled growth by only venturing into new provinces when we are comfortable that operations in those provinces in which we currently do business, are fully operational and self-sustaining. I am of the opinion that with unlimited opportunity within the borders of the country and a recovering market there is no need for the group to venture outside the country looking for foreign revenue streams at this exciting stage of our growth cycle.

As a group we see huge opportunity in the provision of quality housing for the integrated and GAP market segments with a shift in focus to the provision of social and rental units. We are learning every year and will strive to improve the quality of lives of those who reside in our developments.

APPRECIATION

Our venture into the lower market segment during the past years is starting to bear fruit, with management and staff constantly growing and strengthening. The turnaround experienced in the last two years would not have been possible without the support and dedication of our senior executive team, senior management and loyal staff. I would like to thank every Calgro M3 employee, whose continuous commitment and dedication contributed towards the success of Calgro M3.

In conclusion, I would like to express my deep appreciation to our board for their support and guidance. I would also like to thank our stakeholders, financial and development partners and government for their continued support.

The group, with some new appointments in key managerial positions, is well positioned for growth in this fairly new lower market segment and I look forward to the next exciting phase of creating job opportunities and changing for the better, the lives of those affected by our efforts.

Any reference to future financial performance included in this report has not been reviewed or reported on by the group's external auditors.

BP Malherbe
Chief Executive Officer

10 May 2012

The last couple of years have been the most exhilarating in the group's history. This year the group's listing moved to the main board on 23 February 2012, profits grew substantially and cash flows are healthy

financial director's report

The group is certainly poised for further growth in the coming years. To support this growth and ensure that accurate and relevant communication is provided to all stakeholders, Calgro M3 Holdings has consistently strived to improve the quality and standard of its financial reporting.

During 2012, the Calgro M3 finance team focused on securing additional development finance, converting profits into cash flow and raising additional working capital to support the group's expected growth in the years to come.

Management has enhanced its focus and strategy to only pursue commercially viable projects, and secure specifically tailored finance for these projects. It has become vitally important to fully understand that the Calgro M3 group operates in a unique legal and financial environment. This strategy has increased the group's pipeline to in excess of R8 billion estimated for the next six years.

In the past year we focused on ensuring that Calgro M3 has all the necessary policies and procedures in place to enable the group to operate seamlessly and with financial discipline, not only in Gauteng, but also in the rest of South Africa.

FINANCIAL RESULTS

The group has reported robust results with revenue increasing by 82.69% from R282 million to R515 million and gross profit margin increasing by 3.01% in comparison to the previous financial year. Joint venture projects earned additional revenues of R414 million.

With a 409.03% increase in profit before tax, the group also increased earnings by 281.55% from R17 million to R65.4 million. Overall operating margins increased due to our continuous focus on the containment of

costs. Despite the 82.69% increase in revenue, operating overheads increased by a modest 21.00%. This modest increase can be attributed to the existing capacity that was utilised to support the increase in operations. The group however, foresees that overheads will increase at a steeper pace in the next two years.

Cash on hand is at a healthy level of R103.7 million (2011: R10.9 million) due to the conversion of profits into cash and additional working capital raised. Cash generated by operations grew to R69.8 million from R53.3 million (31.0% increase). Management is still very aware of the current stressed economic environment and will continue to proactively raise capital for implementation of the pipeline. Speculation over possible interest rate increases in the next 24 months, bearing in mind government inflation and consumer price targets, will challenge us to raise adequate but not excessive capital.

Development land has been purchased by the group for the purposes of resale as part of its property development activities. Land may only be sold after rezoning and once bulk services and the internal infrastructure have been installed. Calgro M3 usually only acquires unzoned land which it then converts to a saleable format when the market is ready. These processes may take many years. As the group's business cycle is longer than one year all debt is reflected as current to better match operating assets and operating liabilities.

The increase in share price over the last year has resulted in 666% increase in wealth for shareholders.

DIVIDENDS

Although management believes that cash should be retained to fund the robust growth that the group is experiencing, funds may be set aside to declare dividends in future years.

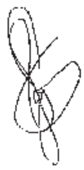
OUTLOOK

The outlook for the next six years is very positive, with an estimated pipeline of R8 billion. Management's challenge is to continue to grow the pipeline beyond the next six years and to contain increases in overheads as necessary so that the full benefits of the growth expected from the pipeline is realised.

CONCLUSION AND APPRECIATION

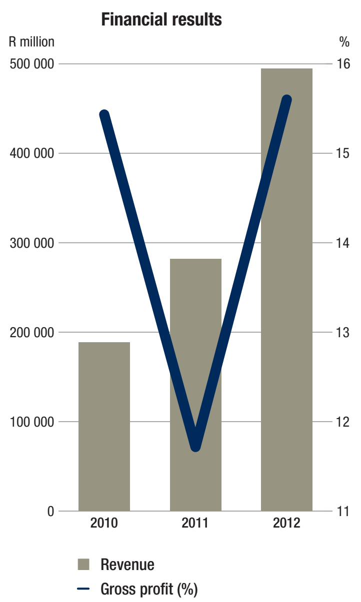
The group's finance team will endeavour to contain costs by enhancing systems and controls over site specific costs. It will also strive to maximise return on capital on individual projects and seek to find a balance between growing the balance sheet and providing returns to shareholders.

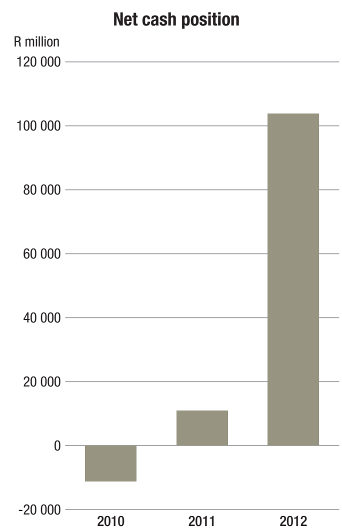
I would like to thank the board and the finance team for their continued dedication. A special word of thanks to the members of my team.

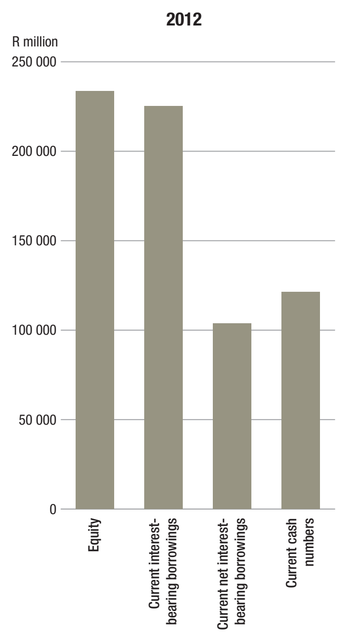


WJ Lategan

Financial director 10 May 2012







corporate governance

OUR COMMITMENT

Calgro M3 reaffirmed its commitment to compliance of sound corporate governance and sustainability principles and comply with all legislation, regulations and best practice relevant to its operations. The group accepts its position as a responsible corporate company.

STATEMENT OF COMPLIANCE

JSE Limited and King III Corporate Governance

The board has satisfied itself with the extent of the company's compliance with JSE Listings Requirements and with King III. The group commenced its King III journey in the 2011 reporting year with a gap analysis which assessed current practices in relation to recommended governance. In instances where the group has elected not to apply certain recommendations from King III, these have been explained.

The board is satisfied that there have been no material instances of non-compliance during the year under review.

Companies Act 71 2008, as amended

The Companies Act 71 of 2008, as amended (Act) came into effect on 1 May 2011 and accordingly the company was required to ensure compliance. The following actions, among others have been taken in order to ensure compliance

Loan and other financial assistance to subsidiaries

At the annual general meeting on the 29 July 2011 the shareholders passed a resolution permitting the company to provide direct or indirect assistance to entities within the group in terms of section 45 of the Act. Monthly liquidity and solvency assessments are performed to ensure compliance.

Amendment of memorandum of incorporation

Schedule 5(4) of the Act provides for existing companies to change their Articles of Association by filing an amended memorandum of incorporation with two years of the Act coming into effect. In compliance with this the group has replaced its Articles of Association on and will present the MOI for approval on 29 June 2012 at its annual general meeting.

Prescribed officers

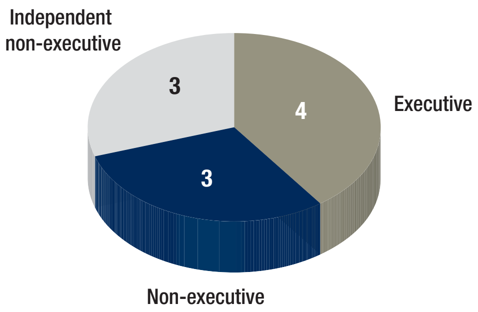
The Act defines prescribed officers, as those who exercise general executive control over, and management of the whole, or significant portion of, the business and activities of the company; or regularly participate to a material degree in the exercise of general executive control over and management of the whole, or a significant portion of, the business and activities of the company. In accordance with this the group has defined its prescribed officers.

Board composition

The board of directors of Calgro M3 Holdings is the highest governing body and is the ultimate guardian of corporate governance. The board is responsible to shareholders for the group's performance. It strives to instil leadership and integrity in carrying out its duties.

The board consists of ten directors, four executive and six non-executive. Three of the non-executive directors are deemed to be independent. The board welcomed Dr Mduduzi Gama to the group as the third independent non-executive director on 10 January 2012. Dr Gama will also serve on the audit and risk committee. The board will continue to consider future appointments at the appropriate time in the group's growth cycle.

BOARD COMPOSITION



As recommended in King III the roles of chairperson and chief executive officer have been separated, with clear division of roles and responsibilities as defined in the Board Charter. The board reviews its composition on an annual basis and determines the optimal number of directors.

Independence

On an annual basis the independence of non-executive directors is evaluated by the remuneration and nomination committee based on the Companies Act and King III. This is echoed across the board with regard to executive and non-executive directors so that no single director can exercise unfettered decision-making powers.

The chairperson provides leadership to the board in all deliberations and oversees its efficient operation while the CEO is responsible for the strategic direction of the company and day-to-day affairs. The CEO is assisted in these responsibilities by an Executive Committee ("EXCO").

All non-executive directors are high merit individuals who objectively contribute a wide range of industry skills, knowledge and experience to the board's decision-making process and are not involved in the daily operations of the company. No non-executive director has served on the board for longer than nine years to date.

The role of the board and board procedure

The role of the board is the establishment, review and monitoring of strategic objectives, the approval of disposals, capital expenditure, and overseeing the Calgro M3 group's systems of internal control, governance and risk management. The board meets at least three times per annum and more often if the need arises.

Board meetings attendance register

Board members	28/03/2011	12/05/2011	14/10/2011
PF Radebe	✓	✓	✓
BP Malherbe (CEO)	✓	✓	✓
DN Steyn (COO)	✓	✓	✓
FJ Steyn	✓	✓	✓
H Ntene	✓	✓	✓
WJ Lategan	✓	✓	✓
JB Gibbon	✓	✓	✓
RB Patmore	✓	✓	✓
RN Wesselo	✓	✓	✓
ME Gama	n/a	n/a	n/a
Advisors	✓	✓	✓

✓ Indicates attendance

× Indicates absences with apologies

n/a Indicates individual not a director at the time

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. A range of non-financial information is also provided to the board to enable it to consider qualitative performance that involves broader stakeholder interest.

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

Appraisals for the board and its committees have been concluded and were found to have operated and functioned effectively.

The board retains full and effective control over all operations.

Appointment and re-election of 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 M3's Articles of Association (MOI to still to be approved by shareholders) are subject, by rotation, to retirement and re-election by shareholders at the annual general meeting.

The board as a whole is responsible to approved directors for appointment, on the recommendation of the remuneration and nominations committee. The appointment of new directors is in terms of a formal and transparent procedure: prospective appointees are nominated by the remuneration and nominations committee and approved by the board, subject to shareholder confirmation at the following annual general meeting.

Induction of new directors

As board members are the decision-makers of the company, their individual competence is essential for effectiveness in this regard. Directors must exercise due care and skill in their fiduciary duties and are required to have a sound understanding of the business and knowledge of the markets within which the group operates. Directors are selected for their business skills and diversity of business and academic qualifications. Gender and race are also considered in order to accurately reflect the demographics of the country.

In order to ensure the requisite level of competence, an informal orientation programme for new directors is in place to give them the required knowledge of the group's structure, operations and policies to enable them to fulfil their fiduciary duties and responsibilities.

The executive committee

The executive committee (EXCO) is responsible for the day to day running of the Calgro M3 group and includes the executive directors and other subsidiary executives. The CEO of the group heads EXCO and is accountable to the board for its actions.

EXCO's initiatives 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 bi-weekly in a formal environment.

Access to company information and confidentiality

Through the chair and company secretary, procedures are in place enabling the directors to have access at reasonable times to relevant company information and to senior management. Directors are expected to strictly observe the provisions of the statutes applicable to the use and confidentiality of information.

Dealings in securities

Calgro M3 has adopted a closed-period policy, which precludes directors, officers, participants and staff who may have access to price-sensitive information from dealing in Calgro M3 shares prior to the release of the interim and final results as well as during price-sensitive periods.

All directors and directors of subsidiary companies are required to obtain written clearance from the chief executive officer or the chairperson before dealing in Calgro M3 securities. The chief executive requires prior clearance from the chairperson or company secretary. Identical rules and restraints apply where securities are held by immediate family members of directors or senior staff.

The chief executive maintains a record of all permissions, and dealings in Calgro M3 shares by directors.

Conflict of interest

Directors are required to inform the board of any conflicts of interest or potential conflicts of interest which they may have in relation to particular business items. Directors are required to recuse themselves from discussions or decisions on those matters where they have conflicts or potential conflicts of interest and the board may, if it deems appropriate, request a director to recuse himself/herself from the meeting for the duration of the matter under discussion.

BOARD COMITTEES

In order to discharge its duties the board has constituted the following committees:

- Remuneration and nomination committee
- Audit and risk committee
- Social and ethics committee

The membership and principal functions of the standing committees appear on the ensuing pages.

Specific responsibilities have been delegated to the board committees and they operate under terms of reference approved by the board. Each committee's terms of reference is reviewed annually by the board. Board committees are free to take independent professional advice as and when deemed necessary. There is transparency and full disclosure from board committees to the board. Notwithstanding the establishment of various board committees, the board reserves for itself a range of key matters to ensure that it retains proper direction and control of the group.

Remuneration and nomination committee

The information below constitutes the report on the remuneration committee in respect of the past financial year of the group. During the year under review the committee was chaired by Pumla Radebe, a non-executive director. The other members were Hatla Ntene, John Gibbon and Ralph Patmore all non-executive directors. To comply with the requirements of having independent non-executives on the committee, as of 10 January 2012, Ralph Patmore was appointed chairman and Mdu Gama replaces Hatla Ntene.

Calgro M3's remuneration philosophy is to set appropriate and market related remuneration levels to attract, motivate and retain top-grade, high calibre directors and executive managers required to run the company successfully while aligning their interests with those of the shareholders.

The group chief executive attends meetings by invitation but does not participate in discussion on his own remuneration. The duties of the committee have recently been expanded to include the duties of a nomination committee. The committee generally meets twice a year unless additional meetings are required.

The committee chairman reports formally to the board on its proceedings after each meeting and attends the annual general meeting to respond to any questions from shareholders regarding the committee's areas of responsibility.

The committee operates under a board-approved mandate and terms of reference aimed at:

- from a remuneration committee perspective, assisting the board to ensure that: the company remunerates directors and executives fairly and responsibly; the disclosure of directors' remuneration is accurate and transparent; performance reviews of senior management are conducted; and guidelines for general salary increases are issued; and
- from a nomination point of view, the committee assists the board to ensure that: the board has the appropriate composition for it to execute its duties effectively; directors are appointed through a formal process; induction and on-going training and development of directors take place; and formal succession plans for the board, chief executive and senior management appointments are considered.

During the year, the committee reviewed and approved senior executive remuneration and issued guidelines and limits for general salary adjustments. To this end, the committee relied on external market surveys and industry reward levels as benchmarks. It also considered and approved the disclosure of remuneration related matters in the annual report.

The committee approved senior appointments, including those of the new independent non-executive director this year and reviewed succession plans, performance and service agreements for members of the executive committee. The committee also annually assesses the independence of each of the independent non-executive directors.

Remuneration structure and executive directors' remuneration

The group's remuneration structure for senior management, including the executive directors, has three elements:

- fixed guaranteed remuneration on a cost to company basis;
- short-term performance-related remuneration, based on annual results; and
- long-term (three to five years) remuneration linked to share price appreciation.

Benefits within the total cost to company fixed remuneration package include a provident fund with risk benefits and a car allowance. The sustainable contribution of each executive is used as a basis for remuneration reviews.

At its meeting in October 2011, the committee reviewed the performance of executives and set targets for the incentive schemes for the next few years.

Service contracts

Executive directors are appointed subject to Calgro M3's standard terms and conditions of employment where notice periods are three months and contracts run indefinitely.

Non-executive directors' fees

Non-executive directors are remunerated for their membership of the board of Calgro M3 and board sub-committees.

Non-executive directors do not participate in any of Calgro M3's incentive arrangements or share appreciation bonus scheme.

At Calgro M3's annual general meeting, shareholders are requested to approve the directors' fees for the year, as recommended in the notice of the annual general meeting on page 102 of this annual report. The board has decided that, to comply with the requirements of King III, non-executive directors' fees in future will be split between an annual retainer and an attendance component.

Disclosure of directors' emoluments

The emoluments of the non-executive and executive directors are disclosed in note 39 of the annual financial statements.

Disclosure of the highest paid employees is disclosed on note 39 of the annual financial statements.

Audit and risk management committee

The group complies with the requirements of the Corporate Laws Amendment Act as it applies to audit and risk committees.

The audit and risk committee report is set out on page 41 of the annual financial statements.

Group secretary

The group secretary, who is subject to a fit and proper test, assists the board in fulfilling its functions and is empowered by the board to perform his duties. This role will be split during the next 18 months to create independence. The group secretary directly or indirectly:

- assists the chairman, chief executive and financial director with the induction of new directors;
- assists the board with director orientation, development and education;
- where practical, ensures the group complies with relevant legislation;
- monitors the legal and regulatory environment and communicates new legislation and any changes to existing legislation to the board and the divisions; and
- provides the board with a central source of guidance and assistance.

The group secretary also assists the chairman and chief executive in determining the annual board plan and board agendas and in formulating governance and board-related matters.

FINANCIAL CONTROL AND RISK MANAGEMENT

Risk management

The group does not have a formal internal audit function in light of its size. A formal function of this nature will be considered in the next financial year. Currently the directors are satisfied that the scope and nature of operations are such that the financial control function is adequately performed by the audit and risk committee and EXCO (the group financial director attends audit and risk committee meetings by invitation and is a member of EXCO), reporting to the board.

As concerns risk management, the board defines acceptable risk tolerance levels and tasks the audit and risk committee to continually identify key risks and ensure acceptable risk tolerances through the executive risk control processes across business-specific risk areas. This sets the matrix for regular and exception reporting by management to the audit and risk committee, and the subsequent reporting to the board.

Effectiveness of internal controls and risk management

The board receives inputs on the effectiveness of internal control mechanisms as follows:

- regular management reporting;
- certain board committees focus on specific risks such as human resources and provide assurance to the board on those matters;
- the executive finance provides quarterly confirmation that financial and accounting control frameworks have operated satisfactorily; and
- the board also receives assurance from the audit and risk committee.

The systems of internal control are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements, to safeguard and maintain accountability of the group's assets and to identify and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations. There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. The system is therefore designed to manage rather than eliminate risk.

The board is of the opinion that the systems of internal control are adequate to minimise the risk of material loss and to provide accurate and reliable monthly reporting. The directors are satisfied that nothing has come to their attention during the year to indicate a material breakdown in the systems of internal control. There were no identified instances of fraud.

Further details on financial risk management, including the group's exposure to interest rate risk, credit risk and liquidity risk, are set out in note 3 to the annual financial statements.

Risk

The board assesses the risks in the group's business environment with a view to eliminating or reducing them in the context of the group's strategies and operations. Management (EXCO) is responsible for managing risks on a daily and operational basis.

Litigation and legal

The board does not believe that there is any material pending or threatening legal action that may have a material effect on the group's financial position.

INFORMATION TECHNOLOGY

The management and maintenance to protect Calgro M3's electronic assets is outsourced. Ensuring proper system security, data integrity and business continuity is the responsibility of the board, but is overseen by the audit and risk committee.

The board is of the opinion that the systems of internal control over information technology are adequate and effective and is not aware of any material breakdown in the functioning of the internal control systems during the year.

CODE OF CONDUCT

It is the policy of the group 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 practices;
- 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.

COMMUNICATION WITH SHAREHOLDERS

The board is committed to transparency of disclosure in all relations with its stakeholders in practice.

Calgro M3 is committed to:

- transforming the South African society and economy to redress the inequities of the past;
- producing superior returns for our shareholders by building on the base of our existing businesses and by continuously looking for growth opportunities;
- continuing to earn our strong market shares by offering quality products and ready availability to our customers;
- establishing enduring partnerships with our suppliers and financiers;
- providing a decentralised, dynamic and challenging business environment in which its employees can thrive; and
- maintaining high standards of ethical conduct, sensitive to the needs of the communities in which our businesses operate whilst fully conscious of our responsibilities for safety.

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 of disseminating information.

The CEO and financial director act as chief spokespersons for the company and all investor related correspondence are handled by them.

Grindrod Bank Limited acted as Calgro M3's sponsor in compliance with the JSE Listings requirements.

Calgro M3 acknowledges the importance of its shareholders attending the company's annual general meetings as these meetings offer an opportunity for the shareholders to participate in discussions relating to general meeting agenda items and to raise additional issues. Explanatory notes setting out the effects of all proposed resolutions have been included in the notice of meeting. The company's transfer secretaries attend every meeting of shareholders to assist with the recording of shareholders' attendance and to tally the votes.

The chairmen of board appointed committees, as well as the executive directors, are required to attend annual general meetings or other general meetings to respond to questions from shareholders.

The sustainability report on page 28 of the annual report deals with Calgro M3's overall strategy on black economic empowerment, employment equity issues, training and development initiatives, occupational health and safety matters and Calgro M3's policy with regard to HIV/Aids as well as the environment.

Corporate governance structure

sustainability report

FOREWORD FROM THE CEO

Sustainable development forms a key role in the business strategy of Calgro M3. For that reason emphasis has been placed on our business model to ensure that the necessary needs of the present have been met without compromising the ability of future generations to meet their own needs.

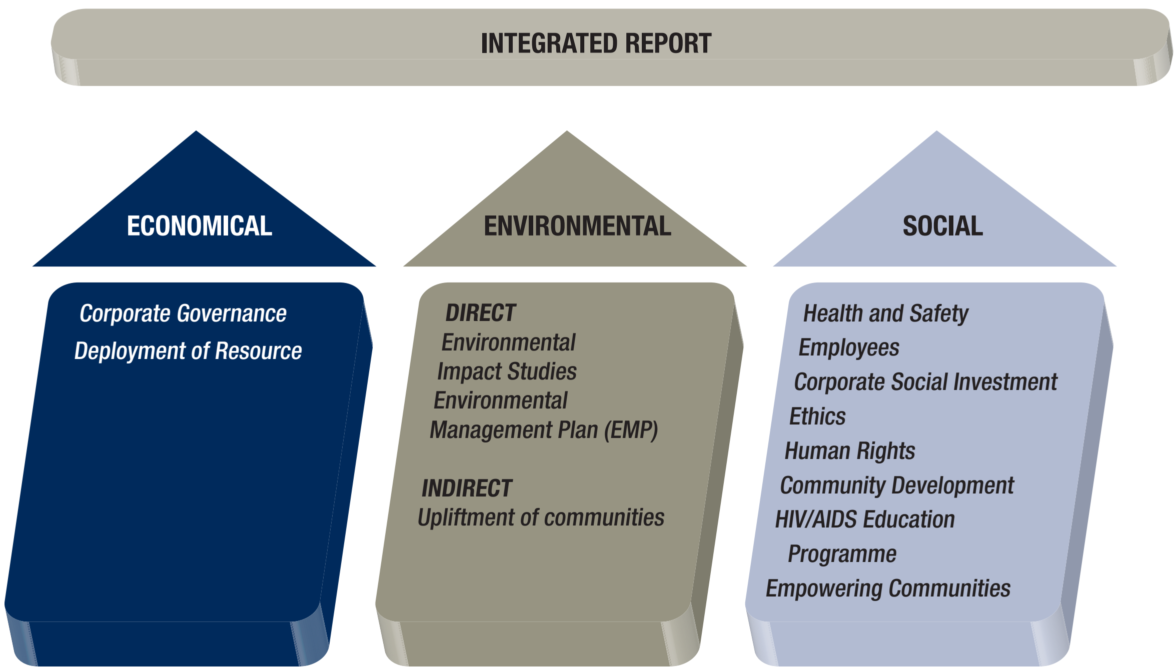
Calgro M3 sees the value of being transparent about the sustainability of the organisational activities as this is in the interest of a diverse range of investors, stakeholders and the general public. For that reason we ensure that our business activities are aligned to our financial, environmental and socio-economic targets.

In order for us to secure access to capital resources, it is crucial to maintain the trust of our stakeholders and thereby our licence to trade in this particular environment. This trust can only be ensured by maximising profit while minimising the negative impact on societies and the environment.

The challenges provided in the economic environment over the past years forced Calgro M3 to change its focus and investments towards sustainability. This has been achieved by:

- conducting business in an equitable way, focusing on fairness and equality in compliance with law;
- creating a healthy and safe work environment for employees;
- contributing to the local and national economy by providing formal housing to thousands of previously disadvantaged families as well as through the Corporate Responsibility Programme; and
- innovative implementation of programmes to minimise the negative impact on the environment.

SUSTAINABILITY FRAMEWORK



SUSTAINABILITY STRATEGY

Calgro M3's strategy on sustainability is motivated by our commitment to:

- earnings and shareholder value;
- appropriate deployment of resources;
- delivering quality product;
- empowerment of individuals, communities, and staff;
- corporate governance; and
- engaging with all stakeholders.

STAKEHOLDERS

The group has a variety of strategies and structures in place to promote constructive engagement with all stakeholders, for whom we believe we are creating long-term value.

Shareholders

- The group communicates with shareholders through SENS announcements, print, electronic and broadcast media, face-to-face meetings especially at the time of publication of interim and annual results, and at the annual general meeting. The group aims to improve returns to its shareholders in excess of the real growth in the economy and the property development sector in particular.

Employees

- Internal communication with employees is achieved through electronic media, employee feedback as well as forums on a formal and informal basis. Employees receive continuous skills training and education designed to ensure the sustainability of the group.

Clients

- Calgro M3 understands that repeated client satisfaction through consistent delivery of quality products and services is critical to the ongoing success of the group. We strive to strengthen existing relationships with clients as well as develop relationships with new clients through clear, honest and regular communication throughout all phases of the building process.

Suppliers and sub-contractors

- The ability of suppliers and sub-contractors to deliver quality products and services on a timely basis has a major effect on the progress of the group's projects. Regular quality reviews by the group assists suppliers in achieving desired levels of quality and timeous delivery.

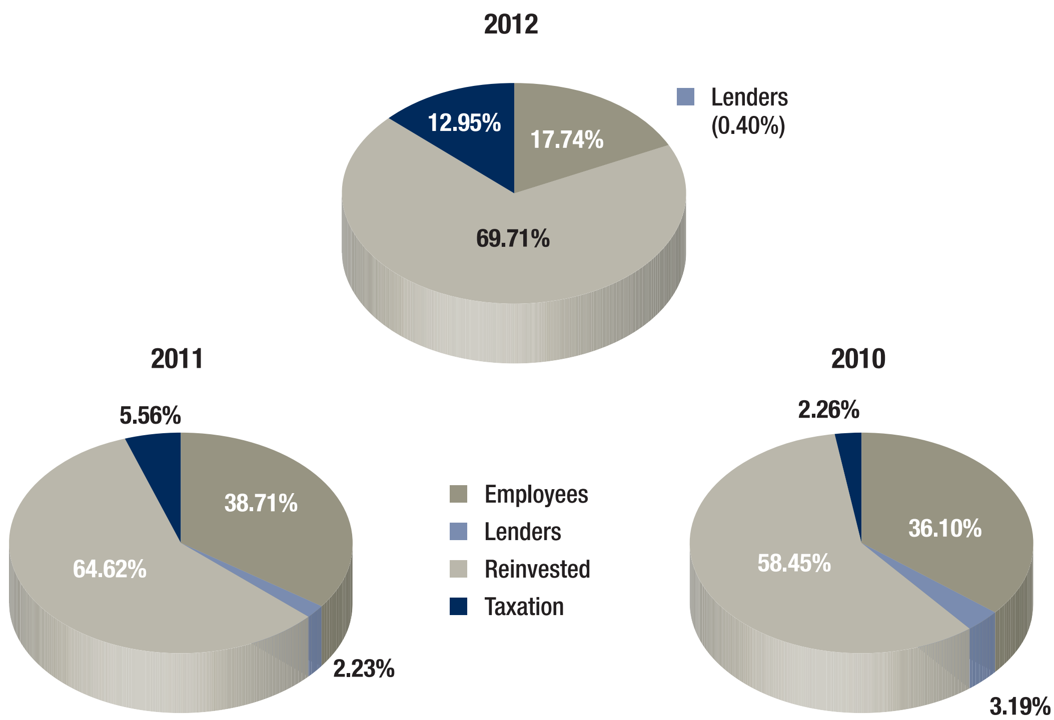
Communities

- We communicate with the respective communities in the projects area on issues such as environmental concerns as well as understanding their needs when determining a social investment. With regard to any large development, a community liaison officer from the local community is appointed to liaise with the community on a daily basis as well as to ensure the use of local labour as far as possible by suppliers and sub-contractors.

VALUE-ADDED STATEMENT

The group creates wealth through its operations by adding value to the cost of raw materials, products and services purchased. The statement below summarises the total wealth created and how it is distributed between stakeholders.

Group value-added statement (Figures in Rands)	**2012**	2011	2010
Revenue	**514 913 160**	281 849 367	188 725 584
Less: Cost of materials, facilities and services	**(452 868 279)**	(272 777 409)	(188 353 681)
Value added	**62 044 881**	9 071 958	371 903
Other income	**566 983**	4 153 152	31 088 474
Share of profit on joint ventures	**34 326 274**	16 342 776	–
Total wealth created	**96 938 138**	29 567 886	31 460 377
Distributed to:			
Employees – salaries, wages and other benefits	**17 195 268**	11 445 448	11 356 870
Government – company taxation	**12 555 675**	(1 644 823)	711 674
Net finance costs	**(390 691)**	661 326	1 003 454
Maintain and expand the group			
– profits retained	**65 380 048**	16 955 441	15 488 109
– depreciation, amortisation and impairment	**2 197 838**	2 150 494	2 900 270
Total wealth distributed	**96 938 138**	29 567 886	31 460 377



Human capital

AT A GLANCE

Our commitment to our employees remained in place during the financial year, through the group's vision of creating employment opportunities and rewarding personnel. The group saw an increase in individual productivity, an increase in recruitment and the creation of new positions in line with the group's operational needs.

OUR ACHIEVEMENTS

Rewarding employees

- The group successfully implemented a transparent performance management system which is linked to the performance of the company. Further to its implementation the group has conferred purpose and recognition on its employees. All individuals are made aware, through various training channels, of the impact that they have on the company. A sense of purpose is instilled in all individuals making them realise that they contribute to the profitability of the group.

Empowering the community

- 90% of the group's labour force at the various construction sites is employed from the neighbouring community. A "Labour desk" is set-up on each site and a community member is appointed by the group to ensure that the group and any sub-contractors use the labour force from the community. The unskilled labour force from this community is then trained in construction skills such as brick-laying, plastering and painting.
- This "up-skilling" assists the community members to start new businesses and create employment for themselves as well as others in the community. Our sub-contractor incubator programme which not only skills individuals in artisan skills, but also assists them in dealing with labour relations issues, SARS, WCA, cash flow management, marketing and running their businesses successfully. 15 individuals who have acquired the expertise to have successful businesses have graduated from this programme. Through the programme they are enabled to run successful sub-contracting for other property development and construction companies. These success stories are in line with the group's core vision of creating employment opportunities and broad based economic empowerment.

HIV and AIDS education programme

- The group is cognisant of the challenges that HIV and AIDS related illnesses pose both socially and economically, hence through our HIV and AIDS policy, we are committed to supporting our employees in a positive, supportive and non-discriminatory manner. The well-being of our employees is first and foremost to the group; informative educational programmes are conducted throughout the entire group on a regular basis. These programmes which include informative sessions on diet, health and well-being are given by trained professionals. Free protection is also made available on all our sites and is easily accessible to all our employees.

Skills development

- Our skills development programme focuses on mentorship and informal learning channels. We believe that skills are more easily transferred when the "teacher" shows the "student" how to do it "on the ground" as opposed to theoretical teaching. Individuals who are identified as having high potential are sent on formal courses and the costs of the courses are borne by the group through the skills development fund. The group has successfully implemented a succession plan where high performers are identified and mentored in this regard.

Transformation

- The group is committed to transformation and is a diverse company in all aspects of its operations. 2011 saw the group's first BEE rating being issued by Empowerlogic. It is important to note that employment remains on merit although emphasis is given to the acceleration of promotion of previously disadvantaged individuals. The leadership programme that is being introduced in 2012/13 will reflect this commitment.
- 75% of the group's procurement spend is transacted with suppliers having a Level 4 or better empowerment certificate in place. During the current year 50% of the group's spend was channelled to black owned businesses and this figure is set to rise in the next financial year.

Employee relations

- The group has work-place forums in place and we ensure that all these forums are fully functioning. This has proved to be an effective communication tool, as these forums assist in managing expectations and any deterioration in trust between management and the labour force. The company, Sinergy Human Capital Solutions, was appointed to gain cost effective access to labour law services. This has seen a 96% decrease in CCMA cases and disciplinary issues in the group.

OUR OBJECTIVES

Human resource strategic objectives for 2012 calendar year:

- Improve employee engagement;
- Succession review and planning using the results of the performance management system implemented;
- Leadership programme alignment to meet the needs of the order book pipeline and the succession strategy; and
- Align the current development programme with the talent management strategy, including design of a development programme for senior management and directors.

Review of HR strategy and direction

The Calgro M3 group relies on its employees to deliver exceptional customer service and build houses of superior quality. In our focus on human capital, our primary aim is to ensure that every position in the organisation is necessary and adds value through the achievement of business objectives, and ensuring that every position is filled with a performing employee.

Permanent employees comprise of core permanent staff and contract based employees. Core employees work full time whereas contract based employees work according to contract terms.

Total number of permanent employees

	2012	2011
Core salaried staff	74	62
Wages	150	174
	224	236

The number of wage employees decreased during the year because the company encourages and supports staff to set up their own sub-contracting businesses. A number of wage employees were also converted into core salaried employees as a result of developed expertise and dedication.

Strategic alignment

During the financial year the group continued with the implementation of the HR Strategic Intervention, designed to complement the group's strategic direction. The components of the project included the following human resources elements: job profiling, recruitment and selection, performance management, learning and development, succession planning, change management, employee engagement and employee relations.

Human capital strategy

Our human capital strategy focuses on attracting and retaining the key skills needed to achieve organisational objectives, improving individual capabilities, increasing the focus on achieving organisational goals through performance management, identifying a pipeline of leaders needed by the organisation now and in the future, fostering sound employee relations, organisational transformation and ensuring competitive rewards for employees.

Equity and practices

The group recognises the need in the workplace to reflect a transformed society without equity barriers and places careful consideration on policy implementation and decision-making.

The group acknowledges that effective human resource management is strategic to the group's performance. Employment equity practices focus on attracting competent employees, skills retention and staff performance development. The group's employment equity approach provides for equal opportunity and fair treatment in employment. While this enables compliance with South African employment equity legislation, the group emphasises diversity by continuing to maximise its talent pool, strengthen capacity and increasing innovation by introducing different ways of thinking.

Achieving organisational goals through performance management

We believe each employee is entitled to improve his/her personal potential. Training programmes are implemented to develop workforce competency levels and to ensure that these skills are available to the industry. The group offers, through internal and external means, health and safety training, plant and equipment operation training, specialised sales force development programmes and construction-related training courses.

Human capital is key to the group's sustainability. The group complies with prevailing skills development legislation and provides a range of training, learning and career development opportunities for its people as set out above. Timeous submission of workplace skills and training reports are presented to SETA in accordance with regulations.

Human rights and freedom of association

The Calgro M3 group recognises that we have a responsibility to ensure the effective management of human rights.

The group views all forms of discrimination in a very serious light and will not hesitate to take appropriate disciplinary action against offenders. No incidents of discrimination were reported for the period under review.

The group rejects child and forced labour practices. It respects national culture, local laws and traditions. As a responsible employer, the Calgro M3 Group complies with regulatory requirements and rules of the various acts and governing bodies, including the Constitution, the Labour Relations Act, the Employment Equity Act, the Skills Development Act, and the Basic Conditions of Employment Act.

Looking ahead

The group is encouraged by its human capital performance and strives to improve on foundations already put in place in 2012. We will strive to:

- improve on employee engagement;
- roll out the leadership programme aligned to the succession plan;
- align the current on-boarding programme to talent management;
- roll out the Learner Management Systems throughout the whole group;
- increase health and awareness programmes;
- identify and develop small and medium black owned enterprises; and
- be an employer of choice in the industry.

OCCUPATIONAL HEALTH AND SAFETY

The group has a moral duty to play a leading role in the communities and industry in which we operate. One of the ways we do this is through the sustainable management of the health and safety aspects of our business. We embrace good governance in our responsible management of health and safety concerns. Specifically, the group strives to achieve "zero injury", "zero fatalities" and "zero loss of time" to people through the effective management of health and safety in all our operations in our respective industries. Calgro M3 complies to the:

- Occupational Health and Safety Act 1993;
- Construction Regulations Act 2003;
- Compensation for Occupational Injuries and Diseases Act 1993; and
- National Environmental Management Act, Act 107 of 1998.

Client Health and Safety Specifications/plan

Effective management is established through the implementation of a robust OH&S (Operational Health and Safety) management system, based on a foundation of the following three principles:

1. A "zero injury" mind-set: We believe that all fatalities, injuries and occupational diseases are preventable. We fully embrace the vision of zero injury and will exercise zero tolerance for any breach of the company's OH&S standards and procedures. Each employee is responsible for correcting behaviour that could result in an injury and reporting such behaviour to the professional team.
2. No repeats: All health and safety incidents need to be investigated to ensure that root causes are identified, and corrective and preventative measures are implemented. We share information and learn from incidents to avoid recurrences wherever possible. Risks are identified, communicated and rectified. Training on OH&S related matters is of vital importance.
3. Simple, non-negotiable standards and procedures: We have adopted the principles of OHSAS 18001 as the foundation of our company's OH&S management system. OHSAS 18001 is an international OH&S management system that commits to the prevention of injuries and occupational diseases; as well as continual improvement of performance and compliance with applicable legal requirements.

Health and Safety Policy

- Calgro M3 is committed in providing a safe and healthy environment for all personnel on site, including visitors and suppliers.
- The Health and Safety Division of Calgro M3 will strive to continually improve the effectiveness of the health and safety system through the setting and measurement of health and safety objectives and by conforming to the current applicable occupational health and safety legislation.
- The importance of the health and safety of employees, contractors, visitors, clients, public and the professional team is hereby recognised. It is the responsibility of the Health and Safety Division, construction management and supervisors to ensure that the health and safety measures are implemented and adhered to. All employees have an equal responsibility to work safely using the knowledge of training received and equipment provided.

Calgro M3 Health and Safety Mission Statement

- All Calgro M3 employees working on a project are important.
- Every individual has the right to a safe and healthy working place and the right to return from work every day safe and injury free.
- This is the common goal to which we are committed and believe that it can only be achieved by dedication and a joint effort from all involved.
- As an employer, we undertake to provide a safe working environment and appropriate tools. We also acknowledge that safety takes precedence over programme and cost. The consequence of injuries is financial loss to both the individual and to the group.
- All employees have to undertake to act and work in a safe manner at all times.
- Every individual has the right and obligation to correct unsafe acts or situations when they occur.
- Protect the health and well-being of personnel during worksite activities and ensure that safety is the prime consideration during the project execution.

SMOKING AT WORK

There is an increasing recognition of the need to restrict smoking in the workplace for employees' well-being, medical, legal and financial reasons. This includes recognising the health effects of passive smoking, and the need to manage the risk of liability from diseases caused by smoking, as well as to encourage giving up smoking.

The secondary objectives of Calgro M3 group's Health and Smoking Policy are to protect non-smokers from exposure to second-hand smoke, to enhance the air quality of the work environment for all employees, including visitors, and to comply with all relevant legislation in this regard. Employees who smoke are therefore expected to respect the preferences and health of non-smokers while at work on Calgro M3 group's construction sites.

Smoking will only be allowed in a designated area with the least detrimental effect on the workplace and environment. The normal rules of cleanliness and housekeeping will apply to this area.

HIV and AIDS

The group has approved and implemented an HIV/AIDS Policy which has been adopted by all parties involved in any Calgro M3 projects. Calgro M3 recognises the reality of HIV/AIDS and that AIDS does not discriminate against culture, race or gender. Calgro M3 also recognises the serious implications of HIV infections and AIDS for the individuals, their families, their colleagues and Calgro M3 group.

The group is committed to addressing HIV and AIDS in a positive, supportive and non-discriminatory manner. All employees will be supported and expected to act in accordance with accepted best business practices and relevant Codes of Good Practice. The policy with regards to HIV/AIDS is viewed in the same light as other life-threatening diseases and ensures non-discrimination against HIV positive employees.

INCIDENTS

During this period there were zero fatalities, zero amputations and zero serious injuries whereby an employee could not carry on with his working duties. Calgro M3 is registered with the Workmen's Compensation Fund, thus ensuring that injured employees only receive the best medical care available after sustaining an injury.

CODE OF CONDUCT & ETHICS ("CODE")

It is the policy of the group, formalised in the Code, to encourage honesty and integrity in accordance with a high level of moral and ethical standards, in both business and interpersonal interactions.

The Code:

- distinguishes between acceptable and unacceptable practices;
- provides a comprehensive set of ethical standards for adherence by all employees;
- encourages ethical behaviour by the board, management and the employees of the group;
- guide ethical decision-making; and
- assists in resolution of conflicts.

Calgro M3's core values are inseparable from the Code. All employees are expected to know, understand and support these values as well as integrate them into all activities. These values include fairness, respect for the rights and dignity of others, tolerance of alternative views, protection from victimisation, healthy relationships, mutual support and loyalty.

Potential exposure to bribery and corruption is mitigated through internal checks and balances, by taking strong action against transgressors, closely scrutinising reports, and encouraging honesty and professionalism in the day-to-day activities of the businesses.

ENVIRONMENT

Calgro M3 recognises the environmental impact of our integrated residential property developments. As market leader in integrated development, Calgro M3 recognises the responsibility to manage environmental sensitivities. Due to the large nature of the land parcels as well as the number of residential opportunities Calgro M3 is often confronted with site specific environmental sensitivities such as the mining tailing dams on the Fleurhof Project, wetlands on the Fleurhof, Clayville and Broadacres projects and red data protection areas. Calgro M3 is proud to announce that we actively participate in the rehabilitation of the various wetlands and ensure that this environmental necessity is well maintained and rehabilitated to be a functional wetland system not only for the local community but also the larger wetland systems. Calgro M3 is proud to be associated with the very best environmental specialists from wetland and ecological sensitivities to heritage assessments. Together with our development partners Calgro M3 is committed to the development of functional green areas such as the R40 million park developments on the Fleurhof project.

Calgro M3 works together with local protection forums to preserve the environmental character of all development sites. The land use management applications together with the Environmental Impact Assessment Applications partakes in a very thorough public participation process to ensure that the direct needs and concerns of the surrounding local communities are accommodated in the development master plan for each development proposal.

Land development is regulated by the National Environmental Management Act, 1998 (Act 107 of 1998) (NEMA). Regulations 543 to 547 of NEMA require that all land development adheres to environmental authorisation before construction on any land parcel. Compliance with these regulations is an integral part of the town planning process and is well respected as an important responsibility by our internal town planning department. CTE Consulting is a subsidiary company of Calgro M3 group, whose core responsibility is to attend to all town planning applications and to ensure that all land development sites comply with the Land Use Management regulations and various town planning schemes and environmental authorisations. The Land Use Management applications are made in terms of the Town Planning and Townships Ordinance of 1986 (Ordinance 15 of 1986) or any other legal requirement imposed by the local/provincial authority.

All group construction activities and land development applications are fully compliant with environmental regulations. Calgro M3 has appointed registered environmental practitioners to perform independent environmental impact assessments on each land development site. A site specific Environmental Management Plan (EMP) is submitted to the Provincial Environmental Authorities and is monitored by an independent environmental control officer (ECO) to ensure compliance on an on-going basis throughout the construction stage of the development.

QUALITY MANAGEMENT

We understand that client satisfaction through the consistent delivery of quality products and services is critical to the ongoing success of the group and provides a competitive advantage. Further, sub-standard products present threats to the safety of our employees and the end-users of our houses.

To this end, quality standards have been developed and implemented throughout the group based on two primary quality objectives, namely:

- to create a culture of quality within the group, and
- to deliver to our clients the standards of quality specified in the building contracts.

In order to achieve these objectives the EXCO reviews the following on an ongoing basis:

- quality control measures;
- legal requirements;
- concerning trends within the business and suitable remedies; and
- appropriate training for staff, contractors, and sub-contractors.

Numerous factory inspections on manufactured products are also conducted to ensure that products conform to specifications.

CORPORATE SOCIAL INVESTMENT

As a responsible corporate citizen, Calgro M3 recognises its obligation to support under-privileged communities, initiatives and projects.

We often work in outlying areas where we are able to make tangible differences to the communities. Our employees are encouraged to support projects in the areas in which they operate. As a result the group is involved in construction of various crèches, clinics, parks and community centres throughout all our developments. Financial assistance to crèches on an on-going basis to support their educational programmes as well as interim maintenance on special developed parks is a priority to Calgro M3 and its strategic partners. In the Fleurhof Project there are currently two crèches under construction with the first nearing completion as well as the development of various professionally designed parks situated in strategic positions. Calgro M3 is also now in the process of arranging management agents to run and implement educational programmes for the various crèches.

Training colleges are being set up for local communities in some of our larger developments. Fleurhof and Jabulani Hostels projects placed an emphasis on training unskilled workers to become skilled construction workers in various industry trades. 80% of the labour in the Jabulani Hostel Project came from the existing hostel community. Skills development and training is an important focus point in terms of the socio-economic contribution that Calgro M3 is making.

king III gap analysis

ACCOUNTABILITY

Sub-category	Exceptions where the group is not compliant	Management Plan
Integrated reporting and disclosure	The integrated report does not disclose the scope and methodology of independent assurance of the sustainability report.	The audit and risk committee which comprises a majority of independent non-executive directors is responsible for overseeing and reporting on sustainability and for reviewing the integrated report. The board has further adopted a combined assurance model with certain aspects of the group's reporting being independently assured by PricewaterhouseCoopers, the external auditors, while other aspects are internally assessed and reported on.
	The remuneration report does not disclose both the nature and period of restraint provided for in executive service contracts.	The executive directors are not restrained and therefore no disclosure is required.
	The group does not have an internal audit function.	The board has appointed a manager for the internal audit function subsequent to year-end. The internal audit manager will report directly to the independent chairman of the audit and risk committee. The audit and risk committee will recommend an internal audit charter once this function is operational.
Stakeholder relations	The board has not adopted stakeholder communication guidelines that support a responsible communication programme.	Although communication with stakeholders is done on a regular basis it is not formally noted. This together with a new communication policy will be addressed in the next year.
Nominations committee	The nomination committee has been combined with the remuneration committee which oversees succession planning on behalf of the board.	No action required.
	The executive directors' contracts are in excess of three years.	The board does not consider this to be a major risk as all the directors have very specific knowledge.
Company secretary	The company secretary is also a director of the company.	This role will be split in the next 18 months by the board.
Financial statements	The group has not prepared a summarised integrated report.	Management does not consider this crucial for the business.

annual consolidated financial statements

for the year ended 29 February 2012

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

certification of the company secretary

for the year ended 29 February 2012

I, Willem Jakobus Lategan, being the company secretary of Calgro M3 Holdings Limited, 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 my knowledge and belief, true, correct and up to date in respect of the year ended 29 February 2012.

Willem Jakobus Lategan
Company secretary

10 May 2012

directors' responsibilities and approval

for the year ended 29 February 2012

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

The group and company's audit and risk committee plays an integral role in risk management as well as overseeing the group and company's integrated reporting.

The Code of Corporate Practices and Conduct has been integrated into the group's and company's strategies and operations.

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

The directors have reviewed the group's and company's cash flow forecast for the year to 28 February 2013 and, in the light of this review and the current financial position, they are satisfied that the group and company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's and company's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the group's and company's external auditors and their report is presented on page 43.

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

The consolidated and separate financial statements set out on pages 44 to 100, which have been prepared on the going concern basis, were approved by the board of directors on 10 May 2012 and were signed on its behalf by:

BP Malherbe
Directror

WJ Lategan
Director

10 May 2012

report of the
audit and risk committee

The audit and risk committee has pleasure in submitting this report, as required by section 94 of the South African Companies Act No 71 of 2008 ("the Act").

The group complies with the requirements of the Corporate Laws Amendment Act as it applies to audit and risk committees.

The board has approved the recommendation that the audit and risk committee of the holding company act also as the audit committee of each of the group's subsidiaries. The subsidiaries have passed the necessary resolutions to confirm this arrangement.

The board determines whether the committee members have the appropriate and adequate skills and experience to contribute meaningfully to deliberations and to fulfil their responsibilities. In addition, the committee chairman has requisite experience in accounting and financial management (a chartered accountant). The committee presently comprises JB Gibbon (chairman), RB Patmore and ME Gama who are all independent.

FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

From an audit oversight perspective, the committee is primarily responsible for:

- considering and monitoring the independence of the external auditors and the appropriate rotation of the lead audit partner and to make recommendations to the board on the appointment and dismissal of the external auditor;
- overseeing the effectiveness of the group's internal control systems, ensuring that they are designed in response to identified key business and control risks, and have been effective throughout the year;
- reviewing the scope and effectiveness of the external audit functions;
- ensuring that adequate books and records have been maintained;
- monitoring proposed changes in accounting policy;
- considering the accounting and taxation implications of major transactions;
- viewing and reporting on compliance with IFRS, King III and the JSE Listings Requirements;
- testing that the group's going-concern assertion remains appropriate;
- reviewing the interim and annual financial statements to ensure that they give fair presentation, consistent with information known to the committee, before submission to the board; and
- considering the appropriateness of the expertise and experience of the financial director on an annual basis.

The Companies Act imposes further duties and responsibilities upon the committee, including the following:

- nominate for appointment a registered auditor who is independent of the company;
- determine the fees to be paid to the auditor and the auditor's terms of engagement;
- ensure that the appointment of the auditor complies with the provisions of the Act and any other legislation relating to the appointment of auditors;
- determine the nature and extent of any non-audit services which the auditor may provide to the company;
- pre-approve any proposed agreement with the auditor for the provision of non-audit services to the company;
- prepare a report to be included in the financial statements for the year;
- receive and deal appropriately with any concerns or complaints relating to the accounting practices and internal audit of the company, the content or auditing of the financial statements or any other related matter;
- make submissions to the board on any matter concerning the group and company's accounting policies, financial controls, records and reporting; and
- to perform other functions as determined by the board, including development and implementation of policy and a plan for a systematic disciplined approach to evaluate and improve effectiveness of risk management control and governance.

The audit and risk committee operates under approved terms of reference, which are encapsulated in a formal charter and annually updated.

The audit and risk committee is of the opinion that the systems of internal control have operated effectively during the year under review.

The audit and risk committee has recommended the integrated report to the board for approval.

The committee is satisfied that the external auditors were and remain independent. As such it has confirmed the nomination of the external auditors for the 2013 financial year ahead and determined their fees.

The audit and risk committee has further established a procedure for the approval of any non-audit services and the pre-approval of any proposed contract with the auditors in this regard.

The committee has resolved to undertake a self-assessment every year.

MEMBERS OF THE AUDIT AND RISK COMMITTEE AND ATTENDANCE AT MEETINGS

The audit and risk committee consists of the non-executive directors listed below and meets at least two times per annum. All members act independently as described in section 94 of the South African Companies Act No 71 of 2008 ("the Act"). During the year under review, three meetings were held.

Name of committee member	Qualifications	Period served on committee
JB Gibbon	CA(SA)	3 years
RB Patmore	BCom, MBL (SBL)	1 year
ME Gama	PhD (Finance)	new

INTERNAL AUDIT

As the group and company does not have a formal internal audit function in the light of its size, from a risk management perspective, the committee's main responsibilities include overseeing the group's risk management programme. The responsibility for identifying, evaluating and managing risk resides with management.

RISK MANAGEMENT

The risk management process involves a formalised system to identify and assess risk, both at strategic and operational level. The process includes the evaluation of mitigating controls and other assurances in identifying and assessing the risks.

Risks are continually being identified and mitigated in terms of a process that involves allocating responsibility, developing action plans and monitoring compliance with these action plans.

During the year under review the committee discharged all of its duties in respect of risk management.

Specifically it:

- ensured that appropriate systems were in place to identify and monitor risks affecting the group and company;
- evaluated the adequacy of the effectiveness of the risk management process;
- kept an updated risk register;
- reviewed and assessed issues such as compliance with legislation and corporate governance matters, the impact that significant litigation could have on the group and company, the adequacy of the insurance cover as well as the effectiveness of controls over areas of risks;
- provided board level oversight of the management of processes to ensure that the operations remain viable and sustainable; and
- assessed that there were no deviations from the group's risk tolerance during the year under review.

ATTENDANCE

The external auditors, in their capacity as auditors to the group and company, attended and reported at the audit and risk committee meetings they were invited to. The group and company risk management function was also represented. Executive directors and relevant senior managers attended meetings by invitation.

Audit and risk committee attendance register

Member name	07.05.2011	13.06.2011	13.10.2011
JB Gibbon	✓	✓	✓
RB Patmore	✓	✓	✓
ME Gama	n/a	n/a	n/a
WJ Lategan	×	×	×
BP Malherbe	×	×	×
PwC	×	◆	×
Advisor/Sponsor	×	×	×

✓ – indicates attendance

× – indicates attendance by invitation

◆ – not invited

n/a – indicates the individual was not a director at the time

INDEPENDENCE OF THE EXTERNAL AUDITOR

During the year the audit and risk committee reviewed a representation by the external auditor and, after conducting its own review, confirmed the independence of the auditor.

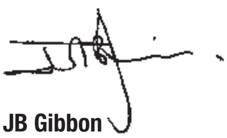
EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR AND THE FINANCE FUNCTION

As required by the JSE Listings Requirement 3.84(h), the audit and risk committee has satisfied itself that the financial director has appropriate expertise and experience.

In addition, the committee satisfied itself that the composition, experience and skills set of the finance function met the group's and company's requirements.

DISCHARGE OF RESPONSIBILITIES

The committee determined that during the financial year under review it had discharged its legal and other responsibilities. The board concurred with this assessment.



JB Gibbon
Chairman: Audit committee

10 May 2012

independent auditors' report

TO THE SHAREHOLDERS OF Calgro M3 HOLDINGS LIMITED

We have audited the consolidated annual financial statements and annual financial statements of Calgro M3 Holdings Limited, which comprise the consolidated and separate statements of financial position as at 29 February 2012, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 44 to 100.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Calgro M3 Holdings Limited as at 29 February 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: L Loots
Registered Auditor

Johannesburg
10 May 2012

directors' report

for the year ended 29 February 2012

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

1. NATURE OF BUSINESS

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

In summary, the group's offering comprises three core business operations: land development; residential construction across the range of economic sectors; and professional services.

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

Registered office
Cedarwood House
Ballyclare Office Park
33 Ballyclare Drive
Bryanston 2196

Postal address
Private Bag X33
Craighall
2024

2. FINANCIAL POSITION

The financial statements on pages 48 to 100 set out fully the financial position, results of operations and cash flows of the group and company for the year ended 29 February 2012 and do not, in our opinion, require any further comment.

Segmental reporting is set out in note 5 of the financial statements. The segments follow the three core business operations: land development; construction; and professional services. The three key residential products offered are: integrated housing; affordable housing; and mid-to-high income housing.

3. EVENTS AFTER REPORTING PERIOD

There were no events after the year ended 29 February 2012 that warrant disclosure in this report.

4. TYPE OF COMPANY

Calgro M3 Holdings Limited is registered as a public company in terms of the Companies Act No. 71 of 2008. Calgro M3 Holdings Limited was listed on the Alternative Exchange of the JSE Limited. On 23 February 2012 Calgro M3 Holdings Limited listed on the Main Board of the JSE Limited.

5. SUBSIDIARY COMPANIES

All direct and indirect subsidiaries are South African-based and are engaged in the three core business operations of the group.

Particulars of the principal subsidiaries are set out in note 9 of the financial statements.

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

R'000	29 February 2012	28 February 2011
Profit	**46 155**	17 885
Losses	**(9 295)**	(27 208)

6. DIRECTORS' INTEREST IN SHARES AND REMUNERATION

At the date of this report the directors held the following direct and indirect interests in the company:

Ordinary shares	Direct 2012	Direct 2011	Indirect 2012	Indirect 2011
H Ntene	**63 500**	63 500	**15 000 000**	15 000 000
PF Radebe	**–**	–	**1 000 000**	1 787 400
WJ Lategan	**4 357 970**	3 903 666	**–**	100 000
BP Malherbe	**–**	–	**14 777 908**	14 316 000
FJ Steyn	**–**	–	**10 966 559**	11 066 559
DN Steyn	**–**	–	**12 792 228**	12 792 228

Refer to note 39 for details of the directors' remuneration.

7. SHARE APPRECIATION RIGHTS

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

Name of employee	Number of SARs awarded
BP Malherbe – Chief executive officer	1 400 000
FJ Steyn – Business development director	1 400 000
DN Steyn – Chief operating director	702 000
Divisional directors – 1	702 000
Key employees – 5	500 000

The grant price of the above SAR is R3.75 each, a 25% premium to the listing price of R3.00. One third of all SAR vest on the third anniversary of the grant, another third on the fourth anniversary and the final third on the fifth anniversary. In order for the awardees to exercise the SAR on the respective anniversary dates, performance (headline earnings per share) and CPIX indicators must have been met.

The options were to expire in November 2012. The scheme was however cancelled on 14 January 2012. A bonus of R4 488 730 was paid to employees as compensation therefore.

8. ACCOUNTING POLICIES

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

9. AUTHORISED AND ISSUED SHARE CAPITAL

Total number of ordinary shares authorised 29 February 2012	500 000 000
Total number of ordinary shares in issue at 29 February 2012	127 100 000

The company's authorised and issued share capital remained unchanged during the year.

10. CAPITAL EXPENDITURE

Details on capital expenditure are set out in note 7 and 8 of the financial statements.

11. DIVIDENDS

No dividends were declared or paid to the shareholders during the year under review.

12. GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The board is not aware of any new material changes that may adversely impact the group. The board is not aware of any material non-compliance with statutory or regularity requirements. The board is not aware of any pending changes in litigation that may affect the group.

13. DIRECTORS

Name	Position	Date appointed	Contract expiry	Date resigned
John Braidwood Gibbon	Independent non-executive director	01.11.2008		
Willem Jacobus Lategan	Financial director	05.08.2008	3 months notice	
Ben Pierre Malherbe	Chief executive officer	05.08.2005	3 months notice	
Hatla Ntene	Non-executive director	12.10.2007		
Ralph Bruce Patmore	Independent non-executive director	18.01.2011		
Pumla Fundiswa Radebe	Chairperson	29.06.2007		
Frederik Johannes Steyn	Strategic planning director	05.08.2005	3 months notice	
Deon Noel Steyn	Chief operating officer	14.12.2009	3 months notice	
Robert Nicolaas Wesselo	Non-executive director	18.01.2011		04.05.2012
Mduduzi Edward Gama	Independent non-executive director	10.01.2012		

14. SECRETARY

The secretary of the group and company is WJ Lategan. The address of the company secretary is set out below.

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

Postal address
Private Bag X33
Craighall
2024

15. AUDITORS

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

16. PREPARER

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

17. LIQUIDITY AND SOLVENCY

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

18. LEVEL OF ASSURANCE

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

19. SPECIAL RESOLUTION

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

20. ANALYSIS OF SHAREHOLDERS

Shareholders' spread analysis as at 29 February 2012

	Number of shareholders	%	Number of shares	%
Shareholders' spread				
1 – 1 000 shares	79	17.17	38 905	0.03
1 001 – 10 000 shares	212	46.09	1 017 503	0.8
10 001 – 100 000 shares	124	26.96	3 909 857	3.08
100 001 – 1 000 000 shares	30	6.52	7 722 221	6.08
1 000 001 shares and over	15	3.26	114 411 514	90.02
	460	100.00	127 100 000	100.00

Distribution of shareholders		
Empowerment	44 646 010	35.13
Individuals	17 897 753	14.08
Nominee and trusts	62 877 861	49.47
Financial institions and other corporations	615 400	0.48
Private and public companies	1 062 976	0.84
	127 100 000	100.00
Public/non-public shareholders		
Non-public shareholders	–	–
Directors and associate of the holding company	68 682 940	54.04
Public shareholders	58 417 060	45.96
	127 100 000	100.00
Shareholders with an interest of 3% or more in shares		
WJ Lategan	4 357 970	3.43
LCH Chou	6 200 000	4.88
Day Break Properties 42 (Pty) Ltd	6 600 000	5.19
Snowball Wealth (Pty) Ltd	13 702 304	10.78
Hendrik Brand Trust	10 764 000	8.47
DGS Trust	8 718 225	6.86
FJS Trust	10 966 559	8.63
DNS Trust	12 792 228	10.06
BPM Family Trust	14 000 000	11.01
Planet Waves 266 (Pty) Ltd	15 000 000	11.80
	103 101 286	81.11

consolidated statements of

financial position

for the year ended 29 February 2012

Figures in Rands	Notes	Group 2012	Group 2011	Company 2012	Company 2011
ASSETS					
Non-current assets		**116 100 360**	82 155 861	**103 272 814**	96 732 216
Investment property	6	**5 743 370**	5 743 370	**–**	–
Property, plant and equipment	7	**3 877 702**	4 765 098	**–**	–
Intangible assets	8	**32 921 397**	32 685 371	**–**	–
Investment in subsidiaries	9	**–**	–	**103 272 814**	96 732 216
Investment in joint ventures	10	**44 943 947**	16 343 536	**–**	–
Loans to joint ventures	11	**15 724 760**	10 994 221	**–**	–
Deferred income tax asset	12	**12 889 184**	11 624 265	**–**	–
Current assets		**479 783 120**	311 265 907	**208 420 264**	143 360 125
Loans to joint ventures	11	**15 443 586**	–	**–**	–
Loan receivable	13	**5 756 677**	5 756 677	**–**	–
Loans to group companies	14	**–**	–	**201 996 393**	143 332 530
Inventories	15	**249 305 202**	234 945 651	**–**	–
Current tax receivable		**2 245 654**	361 893	**11 229**	17 382
Construction contracts	16	**85 459 296**	40 646 024	**–**	–
Work in progress	17	**2 054 354**	–	**–**	–
Trade and other receivables	18	**15 827 387**	14 601 552	**–**	9 883
Cash and cash equivalents	19	**103 690 964**	14 954 110	**6 412 642**	330
Total assets		**595 883 480**	393 421 768	**311 693 078**	240 092 341
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the parent		**236 054 006**	170 673 958	**104 940 448**	97 960 259
Share capital	20	**96 021 721**	96 021 721	**96 021 721**	96 021 721
Reserves		**–**	–	**7 212 798**	672 200
Retained income		**140 032 285**	74 652 237	**1 705 929**	1 266 338
Liabilities					
Non-current liabilities		**19 560 116**	13 176 180	**–**	–
Finance lease obligations	21	**244 644**	984 111	**–**	–
Loans from joint ventures	11	**–**	2 695 646	**–**	–
Deferred income tax liability	12	**19 315 472**	9 496 423	**–**	–
Current liabilities		**340 269 358**	209 571 630	**206 752 630**	142 132 082
Loans from group companies	14	**–**	–	**206 630 431**	137 909 716
Borrowings	22	**225 111 270**	154 261 721	**–**	–
Current income tax liabilities		**154 636**	5 903 465	**–**	–
Finance lease obligations	21	**1 461 964**	1 036 271	**–**	–
Trade and other payables	23	**113 541 488**	44 329 083	**122 199**	182 723
Bank overdraft	19	**–**	4 041 090	**–**	4 039 643
Total liabilities		**359 829 474**	222 747 810	**206 752 630**	142 132 082
Total equity and liabilities		**595 883 480**	393 421 768	**311 693 078**	240 092 341

consolidated statements of
comprehensive income

for the year ended 29 February 2012

Figures in Rands	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Revenue	24	**514 913 160**	281 849 367	**–**	–
Cost of sales	25/27	**(435 398 513)**	(246 825 073)	**–**	–
Gross profit		**79 514 647**	35 024 294	**–**	–
Other income	26	**566 983**	4 153 152	**2 900 000**	1 320 000
Administrative expenses	27	**(36 579 132)**	(30 238 995)	**(1 771 773)**	(1 414 946)
Other expenses	27	**(283 740)**	(9 309 283)	**–**	–
Operating profit/(loss)		**43 218 758**	(370 832)	**1 128 227**	(94 946)
Finance income	28	**2 406 916**	3 013 594	**22 125 158**	20 410 240
Finance costs	29	**(2 016 225)**	(3 674 920)	**(22 642 842)**	(20 176 239)
Share of profit of joint ventures – net of tax	10	**34 326 274**	16 342 776	**–**	–
Profit before tax		**77 935 723**	15 310 618	**610 543**	139 055
Taxation	30	**(12 555 675)**	1 644 823	**(170 952)**	(38 935)
Profit after taxation		**65 380 048**	16 955 441	**439 591**	100 120
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income		**65 380 048**	16 955 441	**439 591**	100 120
Profit after taxation and other comprehensive income attributable to:					
Owners of the parent		**65 380 048**	16 955 441		
Earnings per share for profit attributable to the equity holders of the company during the year (expressed in cents per share)					
– basic	40	**51.44**	13.34		
– diluted	40	**51.44**	13.34		

consolidated statements of
changes in equity

for the year ended 29 February 2012

Figures in Rands	Share capital	Share premium	Retained income acquired through reverse acquisition	Share-based payment reserve	Retained income	Total equity
Group						
Balance at 01 March 2010	1 271	96 020 450	–	–	57 696 796	153 718 517
Comprehensive income						
Profit for the year	–	–	–	–	16 955 441	16 955 441
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	16 955 441	16 955 441
Balance at 01 March 2011	**1 271**	**96 020 450**	**–**	**–**	**74 652 237**	**170 673 958**
Share option scheme cancelled	**–**	**–**	**–**	**4 488 750**	**–**	**4 488 750**
Bonus paid as consideration for cancellation of share option scheme	**–**	**–**	**–**	**(4 488 750)**	**–**	**(4 488 750)**
Share based payment reserve	**–**	**–**	**–**	**–**	**–**	**–**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**65 380 048**	**65 380 048**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**	**65 380 048**	**65 380 048**
Balance at 29 February 2012	**1 271**	**96 020 450**	**–**	**–**	**140 032 285**	**236 054 006**
Note	20	20				
Company						
Balance at 01 March 2010	1 271	96 020 450	672 200	–	1 166 218	97 860 139
Comprehensive income						
Profit for the year	–	–	–	–	100 120	100 120
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	–		100 120	100 120
Balance at 01 March 2011	**1 271**	**96 020 450**	**672 200**		**1 266 338**	**97 960 259**
Share option scheme cancelled	**–**	**–**	**–**	**6 540 598**	**–**	**6 540 598**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**439 591**	**439 591**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**	**439 591**	**439 591**
Balance at 29 February 2012	**1 271**	**96 020 450**	**672 200**	**6 540 598**	**1 705 929**	**104 940 448**
Note	20	20				

consolidated statements of cash flows

for the year ended 29 February 2012

Figures in Rands	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Cash generated from operations					
Cash generated from operations	32	**69 829 415**	53 279 664	**11 134 438**	(140 184)
Interest received		**699 636**	3 013 594	**22 125 158**	20 410 240
Interest paid		**(19 618 433)**	(20 262 518)	**(22 642 842)**	(20 176 239)
Tax paid	33	**(11 634 136)**	(11 764 586)	**(164 799)**	(140 677)
Net cash (in)/from operating activities		**39 276 482**	24 266 154	**10 451 955**	(46 860)
Cash flows from investing activities					
Purchase of property plant and equipment		**(419 974)**	(41 750)	**–**	–
Proceeds from sale of property plant and equipment		**2 960**	–	**–**	–
Purchase of investment property		**–**	(84 654)	**–**	–
Purchase of intangible assets		**(335 330)**	–	**–**	–
Acquisition of joint ventures		**–**	(676)	**–**	–
Loans advanced to joint ventures		**(17 042 700)**	(10 994 221)	**–**	–
Proceeds of loans repaid by joint ventures		**1 551 894**	18 120 091	**–**	–
Proceeds of loans repaid		**–**	2 138 330	**–**	–
Net cash (invested in)/from investing activities		**(16 243 150)**	9 137 120	**–**	–
Cash flows from financing activities					
Proceeds of borrowings		**220 261 016**	20 331 483	**–**	–
Repayment of borrowings		**(150 516 403)**	(31 618 900)	**–**	–
Loans advanced to group companies		**–**	–	**–**	12 540 659
Net cash from financing activities		**69 744 612**	(11 287 417)	**–**	12 540 659
Net increase in cash and cash equivalents and bank overdraft		**92 777 944**	22 115 858	**10 451 955**	12 493 799
Cash and cash equivalents and bank overdraft at the beginning of the year		**10 913 020**	(11 202 838)	**(4 039 313)**	(16 533 112)
Cash and cash equivalents and bank overdraft at end of the year	19	**103 690 964**	10 913 020	**6 412 642**	(4 039 313)

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, construction and professional services.

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

The company has its primary listing on the Johannesburg Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

(a) New standards and interpretations

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

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

  The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities. In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.

  The effective date of the standard is for years beginning on or after 1 January 2011.

  It does not have a material impact on the group's financial statements.

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

  Additional clarification is provided on the requirements for risk disclosures.

  The effective date of the standard is for years beginning on or after 1 January 2011.

  It does not have a material impact on the group's financial statements.

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

  The amendment now requires that an entity must present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item.

  The effective date of the standard is for years beginning on or after 1 January 2011.

  It does not have a material impact on the group's financial statements.

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

  The amendment provides transitional provisions as a result of changes to IAS 27 Consolidated and Separate Financial Statements.

  The effective date of the standard is for years beginning on or after 1 July 2010.

  It does not have a material impact on the group's financial statements.

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

  The amendment provides additional examples of events and transactions which would be considered significant and therefore required to be disclosed in the interim financial report. In addition, the amendment removes references to only reporting certain items when they are material.

  Therefore, the list of items to be presented in addition to significant transactions and events are required irrespective of whether they are material.

  The effective date of the standard is for years beginning on or after 1 January 2011.

  It does not have a material impact on the group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New standards and interpretations (continued)

(ii) Standards and interpretations applicable not yet effective:

- **IFRS 10 – Consolidated financial statements**

  This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

  The effective date of the standard is for years beginning on or after 1 January 2013.

  It is not expected to have a material impact on the group's financial statements.

- **IFRS 9 – Financial Instruments**

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

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

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

  It is not expected to have a material impact on the group's financial statements.

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

  Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

  The effective date of the standard is for years beginning on or after 1 January 2012.

  It is not expected to have a material impact on the group's financial statements.

- **IFRS 11 – Joint arrangements**

  This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

  The effective date of the standard is for years beginning on or after 1 January 2013.

  It is not expected to have a material impact on the group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New standards and interpretations (continued)

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

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

  This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles.

  The effective date of the standard is for years beginning on or after 1 January 2013.

  It is not expected to have a material impact on the group's financial statements.

- **IFRS 13 – Fair value measurement**

  This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.

  The effective date of the standard is for years beginning on or after 1 January 2013.

  It is not expected to have a material impact on the group's financial statements.

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

  This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

  The effective date of the standard is for years beginning on or after 1 January 2013.

  It is not expected to have a material impact on the company's financial statements.

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

  This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

  The effective date of the standard is for years beginning on or after 1 January 2013.

  It is not expected to have a material impact on the group's financial statements.

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

  The amendment requires additional disclosure on the transition from IAS 39 to IFRS 9. This additional disclosure is only required when an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2013. If an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2012 and before 1 January 2013, the entity can either provide the additional disclosure or restate prior periods. The additional disclosure highlights the changes in classification of financial assets and financial liabilities upon the adoption of IFRS 9.

  The effective date of the standard is for years beginning on or after 1 January 2015.

  It is not expected to have a material impact on the group's financial statements.

2.2 Consolidation

Basis of consolidation

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

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

(a) Subsidiaries

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(c) Joint ventures

A joint venture is a contractual agreement whereby the group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in joint ventures includes goodwill identified on acquisition, net of accumulated impairment loss.

The group's share of its joint ventures' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in a joint venture equals or exceeds its interest in the joint ventures, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in joint ventures are recognised in the statement of comprehensive income.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

2.4 Investment in subsidiaries

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

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

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

2.5 Investment in joint ventures

Investments in joint ventures are carried at cost less any accumulated impairment.

The cost of an investment in a joint ventures 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 joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

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

Item	Average useful life
– Plant and machinery	5 years
– Furniture and fixtures	6 years
– Motor vehicles	5 years
– Office equipment	6 years
– IT equipment	3 years
– Leasehold improvements	5 years

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

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

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

2.7 Investment property

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

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

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

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

Item	Useful life
– Land	Indefinite
– Buildings	20 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation on computer software is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Item	Average useful life
Computer software	2 years

2.9 Impairment of non-financial assets

The group assesses at each end of the reporting period 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.

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

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

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments

2.10.1 Classification

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

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

2.10.2 Initial recognition and measurement

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

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

2.10.3 Subsequent measurement

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

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

2.10.4 Impairment of financial assets

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

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

Impairment losses are recognised in profit and loss.

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

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within administrative expenses.

When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against administrative expenses.

2.11 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. The land under development held for sale, is expected to be realised in the normal operating cycle which is longer than 12 months, due to external factors, for example delay of title deed transfers.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Construction contracts

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

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

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

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

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

The group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, depending on their nature.

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

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

2.13 Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired, with the exception of retention debtors, which is payable once the retention period has lapsed. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

2.14 Cash and cash equivalents

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

2.15 Bank overdraft

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of overdrafts is recognised over the term of the overdraft in accordance with the group's accounting policy for borrowing costs.

Bank overdrafts are classified as current liabilities in terms of the operating cycle of the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued.

Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.17 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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 statement of comprehensive income over the period of the borrowings using the effective interest method.

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

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

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.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing cost incurred.

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

The capitalisation of borrowing costs commences when:

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

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

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

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

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

2.20 Current and deferred income tax

Current income tax assets and liabilities

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

Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Current and deferred income tax (continued)

Deferred income tax assets and liabilities (continued)

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

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

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries and interests in joint ventures, to the extent that it is probable that:

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

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

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

Income tax expenses

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

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

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

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

Secondary tax on companies (STC)

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

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

STC tax has been replaced with dividend witholding tax and is applicable from 1 April 2012.

2.21 Employee benefits

(a) Defined contribution plans

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee benefits

(b) Short-term benefits

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

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

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

(c) Bonus plans

The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the group'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

The group operated an equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

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

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution.

The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.23 Loans to/(from) group companies and joint ventures

These include loans to and from subsidiaries and joint ventures and are recognised initially at fair value plus direct transaction costs.

Loans to group companies and joint ventures are classified as loans and receivables.

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

2.24 Provisions and contingencies

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

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

Contingent assets and contingent liabilities are not recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 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 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) 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.

(b) Rendering of services

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

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

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

(c) Construction contracts

Contract revenue comprises:

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

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

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

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

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

(d) Finance income

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

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

(e) Dividend income

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

(f) Rental income

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

(g) Management fees

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Leases

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

Finance leases – lessee

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

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

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

Operating leases – lessor

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

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

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

Operating leases – lessee

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

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

2.27 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

The group's overall risk management program 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 under policies approved by management.

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

The group has interest-bearing assets through loans to joint ventures. The loans issued at variable rates expose the group to cash flow interest rate risk.

As the company has interest-bearing assets through loans to group companies.The loans issued at variable rates expose the company to cash flow interest rate risk.

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

The company's interest rate risk arises from loans from group companies. Loans from group companies issued at variable rates expose the company to cash flow interest rate risk.

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

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

The interest rate exposure is monitored and managed by the executive committee of the group and will not be hedged to limit interest rate risk. The group and company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the group and company calculates the impact on profit and loss of a defined interest rate shift.

The scenarios are run for asests and liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax profit of a 2% shift would be a maximum increase/decrease of:

	Group		Company	
	2012	2011	**2012**	2011
2% increase/decrease on interest bearing borrowings	**(3 266 177)**	(2 250 462)	**(2 975 478)**	(1 985 900)
2% increase/decrease on interest bearing assets	**448 824**	158 317	**2 908 748**	2 063 988

The simulation is done on a yearly basis to verify that the maximum loss potential is within the limit given by the management.

The group and company does not have any fixed rate borrowings and is not exposed to fair value interest rate risk.

(b) Credit risk

Credit risk consists mainly of loans to joint ventures, cash deposits, cash equivalents and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis but credit risk is limited due to the nature of trade debtors which consist of outstanding draw downs from banks, government and municipal institutions. In cases where management deems the risk level to be unacceptable, payment guarantees are insisted upon.

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

Details of financial assets are set out in note 41.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities.

Due to the dynamic nature of the underlying businesses, the executive committee maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) **Liquidity risk** (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 29 February 2012					
Borrowings	**150 536 947**	**12 126 040**	**155 627 788**	**–**	**318 290 775**
Finance lease obligations	**1 629 641**	**223 128**	**–**	**–**	**1 852 769**
Trade and other payables	**95 761 337**	**–**	**–**	**–**	**95 761 337**
	247 927 925	**12 349 168**	**155 627 788**	**–**	**415 904 881**

The group has overdraft facilities with major banks to the value of R15 000 000.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 28 February 2011					
Borrowings	156 142 879	–	5 800 000	–	161 942 879
Loans from joint ventures	2 695 646	–	–	–	2 695 646
Bank overdraft	4 041 090	–	–	–	4 041 090
Finance lease obligations	1 170 202	1 003 521	–	–	2 173 723
Trade and other payables	38 913 678	–	–	–	38 913 678
	202 963 495	1 003 521	5 800 000	–	209 767 016

The group has facilities with major banks to the value of R20 000 000.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Company					
At 29 February 2012					
Loans from group companies	**206 630 431**	**–**	**–**	**–**	**206 630 431**
Trade and other payables	**76 168**	**–**	**–**	**–**	**76 168**
	206 706 599	**–**	**–**	**–**	**206 706 599**
At 28 February 2011					
Loans from group companies	137 909 716	–	–	–	137 909 716
Bank overdraft	4 039 643	–	–	–	4 039 643
Trade and other payables	182 723	–	–	–	182 723
	142 132 082	–	–	–	142 132 082

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.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents disclosed in note 19, and equity as disclosed in the statement of financial position.

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.

There are no externally imposed capital requirements.

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

3.3 Fair value estimation

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment testing

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

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

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

(b) Share based payments

Management used the Black Scholes Valuation method to determine the value of the options at issue date. Additional details regarding the estimates are included in note 35 share-based payments.

(c) Construction contracts revenue recognition and profit taking

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

(d) Trade receivables and loans and receivables

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

(e) Land under development held for sale

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

5. SEGMENT INFORMATION

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

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

The executive committee assesses the performance of the operating segments based on a measure of adjusted operating profit/(loss) before tax..

This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

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

- construction of residential housing with a wide range of variety;
- land development for a wide range of economic sectors; and
- professional services of a wide range.

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

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

The segment information provided to the executive committee for the operating segments for the year ended 29 February 2012 is as follows:

	Construction	Land development	Professional services	Total
Segment revenue	**508 370 257**	**3 731 754**	**5 635 641**	**517 737 652**
Inter-segment revenue	**–**	**–**	**(2 824 492)**	**(2 824 492)**
Revenue from external customers	**508 370 257**	**3 731 754**	**2 811 149**	**514 913 160**
Operating profit/(loss)	**46 804 472**	**(3 944 691)**	**2 130 750**	**44 990 531**
Finance costs	**(1 463 141)**	**88**	**(4)**	**(1 463 057)**
Adjusted profit/(loss) before tax for reportable segments	**45 341 331**	**(3 944 603)**	**2 130 746**	**43 527 474**
Assets				
Goodwill	**28 514 552**	**–**	**4 155 000**	**32 669 552**
Inventories	**22 130 569**	**227 174 633**	**–**	**249 305 202**
Construction contracts	**85 459 296**	**–**	**–**	**85 459 296**
Total assets	**136 104 417**	**227 174 632**	**4 155 000**	**367 434 050**
Liabilities				
Borrowings	**(147 221 371)**	**(77 889 899)**	**–**	**(225 111 270)**

5. **SEGMENT INFORMATION** (continued)

The segment information provided to the executive committee for the operating segments for the year ended 28 February 2011 is as follows:

	Construction	Land development	Professional services	Total
Segment revenue	239 889 699	37 328 947	4 630 721	281 849 367
Inter-segment revenue	–	–	–	–
Revenue from external customers	239 889 699	37 328 947	4 630 721	281 849 367
Operating profit/(loss)	2 052 790	(1 765 858)	393 841	680 773
Finance costs	(862 399)	(1 165 028)	(21)	(2 027 448)
Adjusted profit/(loss) before tax for reportable segments	1 190 391	(2 930 886)	393 820	(1 346 675)
Assets				
Goodwill	28 514 552	–	4 155 000	32 669 552
Inventories	20 212 738	214 732 913	–	234 945 651
Construction contracts	39 613 721	–	1 032 303	40 646 024
Total assets	88 341 011	214 732 913	5 187 303	308 261 227
Liabilities				
Borrowings	(62 369 102)	(91 892 619)	–	(154 261 721)

The revenue from external parties reported to the executive committee is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of adjusted operating profit/(loss) to profit before tax is provided as follows:

	2012	2011
Adjusted profit/(loss) before tax for reportable segments	**43 527 474**	(1 346 675)
Group overhead costs	**(1 771 774)**	(1 051 604)
Share of profit of joint ventures – net of tax	**34 326 274**	16 342 776
Total segments	**76 081 974**	13 944 496
Finance income – net	**1 853 749**	1 366 122
Profit before tax	**77 935 723**	15 310 618

5. SEGMENT INFORMATION (continued)

The amounts provided to the executive committee with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

Reportable segment assets are reconcilable to total assets as follows:

	2012	2011
Segment assets for reportable segments	367 434 050	308 261 227
Unallocated:		
Deferred tax	12 889 184	11 624 265
Investment property	5 743 370	5 743 370
Property, plant and equipment	3 877 702	4 765 098
Intangible assets excluding goodwill	251 845	15 819
Investment in joint ventures	44 943 947	16 343 536
Work in progress	2 054 354	–
Loans to joint ventures	31 168 346	10 994 221
Loan receivable	5 756 677	5 756 677
Current tax receivable	2 245 654	361 893
Trade and other receivables	15 827 387	14 601 552
Cash and cash equivalents	103 690 964	14 954 110
Total asset per the consolidated statement of financial position	595 883 480	393 421 768

The amounts provided to the executive committee with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2012	2011
Segment liabilities for reportable segments	225 111 270	154 261 721
Unallocated:		
Deferred tax	19 315 472	9 496 423
Current tax	154 636	5 903 465
Loans from joint ventures	–	2 695 646
Finance lease obligations	1 706 608	2 020 382
Trade and other payables	113 541 488	44 329 083
Bank overdraft	–	4 041 090
Total liabilities per the consolidated statement of financial position	359 829 474	222 747 810

6. INVESTMENT PROPERTY

Group	Cost 2012	Accumulated depreciation 2012	Carrying amount 2012	Cost 2011	Accumulated depreciation 2011	Carrying amount 2011
Investment property	**5 777 257**	**(33 887)**	**5 743 370**	5 777 257	(33 887)	5 743 370

Reconciliation of investment property	Opening balance	Additions	Depreciation	Total
Group – 2012				
Opening balance	**5 743 370**	**–**	**–**	**5 743 370**
Group – 2011				
Opening balance	5 492 558	84 654	166 158	5 743 370

	Group		Company	
	2012	2011	**2012**	2011
Details of properties				
Land and building situated on stand 2334 Northriding Ext 82				
Land – At cost	**307 018**	307 018	**–**	–
Building	**1 769 869**	1 769 869	**–**	–
	2 076 887	2 076 887	**–**	–
Land and building situated on stand 2336 Northriding Ext 82				
Land – At cost	**307 018**	307 018	**–**	–
Building	**1 855 400**	1 855 400	**–**	–
	2 162 418	2 162 418	**–**	–
Land and building situated on stand 1810 Witkoppen Ext 131				
Land – At cost	**798 606**	798 606	**–**	–
Building	**739 346**	739 346	**–**	–
	1 537 952	1 537 952	**–**	–
	5 777 257	5 777 257	**–**	–

Land and buildings under investment property have a fair value of R6 700 000 (2011: R6 050 000). The fair value is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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

Investment properties with a carrying value of R5 743 372 (2011: R5 743 372) are secured by mortgage bonds to Rand Merchant Bank Limited as set out in note 22.

Repairs and maintenance expended on investment property amount to Rnil (2011: Rnil). Refer to note 27.

Rental income received in respect of investment property amounts to R366 280 (2011: R469 998). Refer to note 26.

7. PROPERTY, PLANT AND EQUIPMENT

Group	2012 Cost	2012 Accumulated depreciation	2012 Net book amount	2011 Cost	2011 Accumulated depreciation	2011 Net book amount
Plant and machinery	**3 883 330**	**(3 123 717)**	**759 613**	3 792 175	(2 424 364)	1 367 812
Furniture and fixtures	**3 768 319**	**(2 659 856)**	**1 108 463**	3 664 845	(2 045 059)	1 619 786
Motor vehicles	**1 602 474**	**(867 587)**	**734 887**	1 602 474	(587 811)	1 014 663
Office equipment	**860 186**	**(89 867)**	**770 319**	60 425	(35 660)	24 765
IT equipment	**1 699 056**	**(1 460 609)**	**238 447**	1 482 309	(1 333 204)	149 105
Leasehold improvements	**1 632 941**	**(1 366 968)**	**265 973**	1 632 941	(1 043 974)	588 967
Total	**13 446 306**	**(9 568 604)**	**3 877 702**	12 235 169	(7 470 070)	4 765 098

Reconciliation of property, plant and equipment

	Opening balance	Additions	Disposals	Depreciation	Closing net book amount
Group – 2012					
Plant and machinery	**1 367 812**	**91 155**	**–**	**(699 354)**	**759 613**
Furniture and fixtures	**1 619 786**	**103 474**	**–**	**(614 797)**	**1 108 463**
Motor vehicles	**1 014 663**	**–**	**–**	**(279 777)**	**734 887**
Office equipment	**24 765**	**799 761**	**–**	**(54 207)**	**770 319**
IT equipment	**149 105**	**216 747**	**–**	**(127 405)**	**238 447**
Leasehold Improvements	**588 967**	**–**	**–**	**(322 994)**	**265 973**
	4 765 098	**1 211 137**	**–**	**(2 098 534)**	**3 877 702**
Group – 2011					
Plant and machinery	2 127 211	6 750	–	(766 149)	1 367 812
Furniture and fixtures	2 230 716	–	–	(610 930)	1 619 786
Motor vehicles	1 366 551	–	(170 943)	(180 943)	1 014 663
Office equipment	34 838	–	–	(10 073)	24 765
IT equipment	475 503	35 000	–	(361 398)	149 105
Leasehold Improvements	915 556	–	–	(326 589)	588 967
	7 150 375	41 750	(170 943)	(2 256 089)	4 765 098

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

Refer to note 21 for details of finance lease obligations.

Depreciation expense of R2 098 534 (2011: R2 256 089) has been charged in 'administrative expenses' in the statement of comprehensive income.

8. INTANGIBLE ASSETS

Group	2012 Cost	2012 Accumulated amortisation/ impairment	2012 Carrying amount	2011 Cost	2011 Accumulated amortisation/ impairment	2011 Carrying amount
Goodwill	**47 383 530**	**(14 713 978)**	**32 669 552**	47 383 530	(14 713 978)	32 669 552
Computer software	**610 678**	**(358 833)**	**251 845**	275 348	(259 529)	15 819
	47 994 208	**(15 072 811)**	**32 921 397**	47 658 878	(14 973 507)	32 685 371

Reconciliation of intangible assets

	Opening balance	Additions	Amortisation	Total
Group				
2012				
Goodwill	**32 669 552**	**–**	**–**	**32 669 552**
Computer software	**15 819**	**335 330**	**(99 304)**	**251 845**
	32 685 371	**335 330**	**(99 304)**	**32 921 397**
Group				
2011				
Goodwill	32 669 552	–	–	32 669 552
Computer software	76 387	–	(60 568)	15 819
	32 745 939	–	(60 568)	32 685 371

Amortisation expenses of R99 304 (2011: R60 568) has been charged in 'administration expenses' in the statement of comprehensive income.

Impairment tests for goodwill

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

	Group 2012	Group 2011
Professional services	**4 155 000**	4 155 000
Construction	**28 514 552**	28 514 552
	32 669 552	32 669 552

The recoverable amounts of the Construction and Professional Services CGU's have been determined based on value-in-use calculations.

These calculations use real pre-tax cash flow projections based on financial budgets approved by management covering six and five year periods respectively. A six year period is considered relevant for purposes of the value-in-use calculation of the Construction CGU as it is representative of project timelines, while the five year period is considered relevant for purposes of the value-in-use calculation of the Professional Services CGU and it is representative of project timelines.

	Construction	Professional Services
The key assumptions used for value-in-use calculations in 2012 are as follows:		
Gross margin	13.80%	71.00%
Pre-tax discount rate (real)	17.08%	12.78%
The key assumptions used for value-in-use calculations in 2011 are as follows:		
Gross margin	13.80%	71.00%
Post-tax discount rate (real)	12.30%	9.20%

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

8. INTANGIBLE ASSETS (continued)

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

The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. Management determined budgeted gross margin based on past performance and its expectations of market development and availability of cash for the end user.

If the budgeted gross margin used in the value-in-use calculations had been lower by 5% (construction) and 5% (professional services) the management estimates at 29 February 2012, the group would still not recognise an impairment of goodwill.

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

Impairment tests for goodwill are performed annually.

	% voting power		% holding		Carrying amount	
	2012	2011	**2012**	2011	**2012**	2011
9. INVESTMENT IN SUBSIDIARIES						
Company						
Name of company						
Direct						
Calgro M3 Developments (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**95 774 364**	89 233 766
Calgro M3 Land (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**2 998 350**	2 998 350
Calgro M3 Project Management (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**4 500 100**	4 500 100
					103 272 814	96 732 216
Indirect						
MS5 Pennyville (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
MS5 Projects (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
PZR Pennyville Zamamphilo Relocation (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
CTE Consulting (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Hightrade-Invest 60 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
CM3 Witkoppen Ext 131 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Tres Jolie Ext 24 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Ridgewood Estate (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
CM3 Randpark Ridge Ext 120 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Business Venture Investment No 1244 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
Business Venture Investment No 1221 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		
PZR Fleurhof (Pty) Ltd	**100.00**	100.00	**100.00**	100.00		

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

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

Refer to note 34 for shares ceded as security for borrowings.

The group voluntarily decided to deregister the following companies in the February 2011 year due to the fact that they were dormant entities and were no longer required:

Calgro M3 Land 102 (Pty) Ltd

CM3 Northriding Ext 94 – Cherrywood Estate (Pty) Ltd

CM3 Northriding Ext 86 – Mio Bella (Pty) Ltd

Midfield Estate (Pty) Ltd

29 of 459 Baybridge Canal (Pty) Ltd

10. INVESTMENT IN JOINT VENTURES

	% voting power		% holding		Carrying amount	
	2012	2011	**2012**	2011	**2012**	2011
Group						
Name of company						
Fleurhof Ext 2 (Pty) Ltd	**50.00**	50.00	**70.00**	70.00	**44 943 257**	16 342 846
Aquarella Investments 265 (Pty) Ltd	**50.00**	50.00	**14.00**	14.00	**14**	14
Clidet No 1014 (Pty) Ltd	**50.00**	50.00	**76.00**	76.00	**76**	76
Sabre Homes Projects (Pty) Ltd	**50.00**	50.00	**60.00**	60.00	**600**	600
					44 943 947	16 343 536

All joint ventures are incorporated in South Africa. All the year ends of joint ventures are consistent with those of the group.

The carrying amounts of joint ventures are shown net of impairment losses.

In the February 2011 year, 76% of Clidet No 1014 (Pty) Ltd was purchased. South African Workforce Housing Fund (SA GP) (Pty) Ltd, holds a 24% holding. The board of Clidet No 1014 (Pty) Ltd comprises an equal number of representatives from both parties with equal voting rights. The investment has therefore been accounted for as an investment in joint ventures.

In the February 2011 year, 60% of Sabre Homes Projects (Pty) Ltd was acquired from South African Workforce Housing Fund (SA GP) (Pty) Ltd. The board of Sabre Homes Projects (Pty) Ltd comprises an equal number of representatives from both parties with equal voting rights. The investment has therefore been accounted for as an investment in joint ventures.

Although the group has majority shareholding in Fleurhof Ext 2 (Pty) Ltd, it does not have control as the board comprises an equal number of representatives from both the group as well as the minority shareholder. Both parties have equal voting rights. The investment is therefore accounted for as an investment in joint ventures.

Although the group has minority shareholding in Aquarella Investments 265 (Pty) Ltd, the majority shareholder does not have control as the board comprises an equal number of representatives from both the group as well as the majority shareholder. Both parties have equal voting rights. The investment is therefore accounted for as an investment in joint ventures.

Reconciliation of investment in joint ventures is as follows:

	Group		Company	
	2012	2011	**2012**	2011
Fleurhof Ext 2 (Pty) Ltd				
At 1 March	**16 342 846**	70	**–**	–
Share of profit	**34 326 274**	16 342 776	**–**	–
At 29/28 February	**50 669 120**	16 342 846	**–**	–
Aquarella Investments 265 (Pty) Ltd				
At 1 March	**14**	14	**–**	–
Share of profit	**–**	–	**–**	–
At 29/28 February	**14**	14	**–**	–
Clidet No 1014 (Pty) Ltd				
At 1 March	**76**	–	**–**	–
Purchase of shares in joint ventures	**–**	76	**–**	–
Share of profit	**–**	–	**–**	–
At 29/28 February	**76**	76	**–**	–
Sabre Homes Projects (Pty) Ltd				
At 1 March	**600**	–	**–**	–
Purchase of shares in joint ventures	**–**	600	**–**	–
Share of profit	**–**	–	**–**	–
At 29/28 February	**600**	600	**–**	–

	Group 2012	Group 2011	Company 2012	Company 2011
10. INVESTMENT IN JOINT VENTURES (continued)				
Reconciliation of investment in joint ventures is as follows (continued)**:**				
Summary				
At 1 March	**16 343 536**	84	**–**	–
Purchase of shares in joint ventures	**–**	676	**–**	–
Share of profit	**34 326 274**	16 342 776	**–**	–
At 29/28 February	**50 669 810**	16 343 536	**–**	–

No share of profits in Aquarella Investments 265 (Pty) Ltd and Sabre Homes Projects (Pty) Ltd have been accounted for in the current year. In terms of the shareholders agreements the other shareholders of these two joint ventures have a preferential right to a share of the profits before any distributions may be made to the group. The group will commence accounting for its share of profits once the other shareholders preferred rights have been met.

	Group 2012	Group 2011	Company 2012	Company 2011
Reconciliation of investments in joint ventures				
Principle Investment amount	**760**	760	**–**	–
Share of profit	**50 669 050**	16 342 776		
Unrealised profits eliminated	**(5 725 863)**	–	**–**	–
	44 943 947	16 343 536	**–**	–

The summarised financial information of its joint ventures, all of which are unlisted, is as follows:

	Group 2012	Group 2011	Company 2012	Company 2011
Fleurhof Ext 2 (Pty) Ltd				
Assets				
Non-current assets	**–**	–	**–**	–
Current assets	**387 570 421**	289 071 763	**–**	–
	387 570 421	289 071 763	**–**	–
Liabilities				
Non-current liabilities	**(27 019 836)**	(9 107 320)	**–**	–
Current liabilities	**(288 200 766)**	(256 052 159)	**–**	–
	(315 220 602)	(265 159 479)	**–**	–
Net assets	**72 349 819**	23 912 284	**–**	–
Income	**(297 461 134)**	(222 078 219)	**–**	–
Expenses	**248 423 599**	198 764 967	**–**	–
Profit after tax	**(49 037 535)**	(23 313 252)	**–**	–
Aquarella Investments 265 (Pty) Ltd				
Assets				
Non-current assets	**–**	–	**–**	–
Current assets	**224 758 304**	103 668 195	**–**	–
	224 758 304	103 668 195	**–**	–
Liabilities				
Non-current liabilities	**(1 328 857)**	–	**–**	–
Current liabilities	**(220 060 830)**	(103 668 095)	**–**	–
	(221 389 687)	(103 668 095)	**–**	–
Net assets	**3 368 617**	100	**–**	–
Income	**(66 218 239)**	–	**–**	–
Expenses	**62 849 722**	–	**–**	–
Profit after tax	**(3 368 517)**	–	**–**	–

	Group 2012	Group 2011	Company 2012	Company 2011
10. INVESTMENT IN JOINT VENTURES (continued)				
Clidet No 1014 (Pty) Ltd				
Assets				
Non-current assets	**–**	–	**–**	–
Current assets	**38 743 161**	34 872 115	**–**	–
	38 743 161	34 872 115	**–**	–
Liabilities				
Non-current liabilities	**–**	–	**–**	–
Current liabilities	**(38 743 061)**	(34 872 015)	**–**	–
	(38 743 061)	(34 872 015)	**–**	–
Net assets	**100**	100	**–**	–
Income	**–**	–	**–**	–
Expenses	**–**	–	**–**	–
Profit after tax	**–**	–	**–**	–
Sabre Homes Projects (Pty) Ltd				
Assets				
Non-current assets	**1 245 823**	–	**–**	–
Current assets	**50 630 565**	65 379 127	**–**	–
	51 876 388	65 379 127	**–**	–
Liabilities				
Non-current liabilities	**–**	–	**–**	–
Current liabilities	**(53 753 374)**	(64 059 550)	**–**	–
	(53 753 374)	(64 059 550)	**–**	–
Net assets	**(1 876 986)**	1 319 577	**–**	–
Income	**(50 723 492)**	(992 302)	**–**	–
Expenses	**45 696 962**	997 847	**–**	–
Profit after tax	**(5 026 530)**	5 545	**–**	–
Summary				
Assets				
Non-current assets	**1 245 823**	–	**–**	–
Current assets	**701 702 451**	492 991 200	**–**	–
	702 948 274	492 991 200	**–**	–
Liabilities				
Non-current liabilities	**(28 348 693)**	(9 107 320)	**–**	–
Current liabilities	**(600 758 031)**	(458 651 819)	**–**	–
	(629 106 724)	(467 759 139)	**–**	–
Net assets	**73 841 550**	25 232 061	**–**	–
Income	**(414 402 865)**	(221 085 917)	**–**	–
Expenses	**356 970 283**	197 767 120	**–**	–
Profit after tax	**(57 432 582)**	(23 318 797)	**–**	–

Refer to note 34 for shares ceded as security for borrowings.

There are no contingent liabilities relating to the group's interest in the joint ventures, and no contingent liabilities of the ventures itself.

	Group 2012	Group 2011	Company 2012	Company 2011
11. LOANS TO/(FROM) JOINT VENTURES				
Fleurhof Ext 2 (Pty) Ltd	**13 275 818**	(2 695 046)	**–**	–
The loan is unsecured, bears interest at prime plus 2% and is repayable in terms of a waterfall agreement based on the shareholders agreement with an expected repayment date of 30 April 2014.				
Clidet No 1014 (Pty) Ltd	**12 448 733**	10 994 221	**–**	–
The loan is unsecured, bears interest at prime plus 2% and is repayable in terms of a waterfall agreement based on the shareholders agreement with an expected repayment date of 28 February 2014.				
Sabre Homes Projects (Pty) Ltd	**210**	(600)	**–**	–
The loan is unsecured, bears no interest and is repayable on demand.				
Aquarella Investments 265 (Pty) Ltd	**5 443 586**	–	**–**	–
The loan is unsecured, bears interest at prime plus 2% and is repayable in terms of a waterfall agreement based on the shareholders agreement with an expected repayment date of 31 May 2012.				
Loans to joint ventures	**31 168 346**	10 994 221	**–**	–
Loans from joint ventures	**–**	(2 695 646)	**–**	–
Net loans to/(from) joint ventures	**31 168 346**	8 298 575	**–**	–
Non-current assets	**15 724 760**	10 994 221	**–**	–
Current assets	**15 443 586**	–	**–**	–
Total assets	**31 168 346**	10 994 221	**–**	–
Non-current liabilities	**–**	(2 695 646)	**–**	–
Current liabilities	**–**	–	**–**	–
Total liabilities	**–**	(2 695 646)	**–**	–
Reconciliation of loans to joint ventures				
Principle loan amount	**33 586 336**	15 636 012	**–**	–
Unrealised profits eliminated	**(2 417 990)**	(7 337 437)	**–**	–
	31 168 346	8 298 575	**–**	–

The carrying value of loans to/(from) joint ventures approximates their fair values.

	Group 2012	Group 2011	Company 2012	Company 2011
12. DEFERRED INCOME TAX ASSETS/(LIABILITIES)				
Reconciliation of deferred tax (liability)/asset				
Opening balance	**2 127 842**	(2 570 167)	**–**	–
Accelerated capital allowances for tax purposes	**137 234**	(32 466)	**–**	–
Construction contracts	**(10 992 930)**	(2 253 370)	**–**	–
Inventories	**2 625 826**	5 702 993	**–**	–
Unrealised profits – joint ventures	**225 796**	2 054 483	**–**	–
Tax losses available for set off against future taxable income	**(191 711)**	(773 631)	**–**	–
Accruals	**27 008**	–	**–**	–
Operating leases	**81 466**	–	**–**	–
Provisions	**135 580**	–	**–**	–
Work in progress	**(602 399)**	–	**–**	–
	(6 426 288)	2 127 842	**–**	–
Deferred tax liabilities				
Construction contracts	**(18 001 713)**	(6 679 724)	**–**	–
Capital allowances	**(174 232)**	(311 466)	**–**	–
Inventories	**(754 174)**	(2 505 233)	**–**	–
Operating leases	**81 466**	–	**–**	–
Provisions	**135 580**	–	**–**	–
Work in progress	**(602 399)**	–	**–**	–
Deferred tax liabilities	**(19 315 472)**	(9 496 423)	**–**	–
Deferred tax assets				
Inventories	**9 082 993**	8 208 226	**–**	–
Unrealised profits – joint ventures	**2 280 279**	2 054 483	**–**	–
Tax losses available for set off against future taxable income	**1 169 845**	1 361 556	**–**	–
Construction contracts	**329 059**	–	**–**	–
Accruals	**27 008**	–	**–**	–
Deferred tax assets	**12 889 184**	11 624 265	**–**	–
	(6 426 288)	2 127 842	**–**	–
Deferred tax liabilities				
Deferred tax asset to be recovered within 12 months	**(18 387 067)**	(6 679 724)	**–**	–
Deferred tax asset to be recovered after more than 12 months	**(928 405)**	(2 816 699)	**–**	–
	(19 315 472)	(9 496 423)	**–**	–
Deferred tax assets				
Deferred tax liability to be recovered within 12 months	**2 737 642**	–	**–**	–
Deferred tax asset to be recovered after more than 12 months	**10 151 542**	11 624 265	**–**	–
	12 889 184	11 624 265	**–**	–

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The group did not recognise deferred income tax assets of R669 303 (2011: R168 986) in respect of losses amounting to R2 390 368 (2011: R603 521) that can be carried forward against future taxable income.

	Group 2012	Group 2011	Company 2012	Company 2011
13. LOAN RECEIVABLE				
Autumn Star Trading 910 (Pty) Ltd	**5 756 677**	5 756 677	**–**	–
The loan is unsecured and is interest free.				
	5 756 677	5 756 677	**–**	–
Current assets	**5 756 677**	5 756 677	**–**	–

The Autumn Star Trading 910 (Pty) Ltd loan is subject to litigation.

Management estimates that this claim will be settled prior to or by the courts in November 2012 and have therefore classified it as current.

	Group 2012	Group 2011	Company 2012	Company 2011
14. LOANS TO/(FROM) GROUP COMPANIES				
Subsidiaries				
Calgro M3 Developments (Pty) Ltd			**(203 404 381)**	(136 730 816)
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand.				
CTE Consulting (Pty) Ltd			**(3 226 050)**	(1 178 900)
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand.				
Calgro M3 Land (Pty) Ltd			**201 996 393**	143 332 530
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand.				
Loans to group companies			**201 996 393**	143 332 530
Loans from group companies			**(206 630 431)**	(137 909 716)
			(4 634 038)	5 422 814

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

	Group 2012	Group 2011	Company 2012	Company 2011
15. INVENTORIES				
Land under development held for sale	**249 305 202**	234 945 651	**–**	–
	249 305 202	234 945 651	**–**	–
Inventories to be sold within 12 months	**22 573 110**	4 381 147	**–**	–
Inventories to be sold after more than 12 months	**226 732 092**	230 564 504	**–**	–
	249 305 202	234 945 651	**–**	–

Borrowing costs to the value of R17 101 815 (2011: R16 125 871) have been capitalised. (Note 2.19 and 29)

Please refer to note 27 for inventories written down.

Inventory pledged as security

Land under development is secured by mortgage bonds over the properties with a carrying value of R248 305 202 (2011: R234 945 651) as set out in note 22.

Inventories to the value of R21 608 152 (2011: R20 997 689) are stated at net realisable value.

	Group 2012	Group 2011	Company 2012	Company 2011
16. CONSTRUCTION CONTRACTS				
Contracts in progress at statement of financial position date				
The aggregate costs incurred and recognised profits to date	**527 244 996**	296 805 483	**–**	–
Less: Progress billings	**(457 098 779)**	(256 159 459)	**–**	–
Net statement of financial position balance for ongoing contracts	**70 146 217**	40 646 024	**–**	–
Excess billings over work done classified under trade and other payables	**15 313 079**	–	**–**	–
Statement of financial position balance for ongoing contracts	**85 459 296**	40 646 024	**–**	–
Construction contracts to be realised within 12 months	**65 148 428**	19 992 315	**–**	–
Construction contracts to be realised after 12 months	**20 310 868**	20 653 709	**–**	–
	85 459 296	40 646 024	**–**	–
17. WORK IN PROGRESS				
Work in progress at statement of financial position date				
The aggregate costs incurred and recognised profits to date	**2 054 354**	–	**–**	–
Less: Progress billings	**–**	–	**–**	–
Net statement of financial position balance for ongoing work in progress	**2 054 354**	–	**–**	–
18. TRADE AND OTHER RECEIVABLES				
Trade receivables	**5 672 737**	8 005 040	**–**	–
Trade receivables – related parties	**3 097 028**	960 390	**–**	–
Retention debtors – related parties	**5 273 335**	2 061 185	**–**	–
Retention debtors	**426 872**	–	**–**	–
Other receivables	**32 445**	39 749	**–**	–
Securing deposits	**151 854**	1 139 054	**–**	–
Value added tax	**1 173 116**	2 396 134	**–**	9 883
	15 827 387	14 601 552	**–**	9 883
Financial instruments	**14 654 271**	12 205 418	**–**	–
Non-financial instruments	**1 173 116**	2 396 134	**–**	9 883
	15 827 387	14 601 552	**–**	9 883

Fair value of trade and other receivables

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

Trade receivables and retention debtors fully performing

At 29 February 2012, trade receivables of R13 202 064 (2011: R2 145 221) were fully performing.

Trade receivables past due but not impaired

As at 29 February 2012, trade receivables of R1 267 908 (2011: R6 927 091) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

	Group 2012	Group 2011	Company 2012	Company 2011
18. TRADE AND OTHER RECEIVABLES (continued)				
The ageing of amounts past due but not impaired is as follows:				
Up to 3 months	**–**	293 183	**–**	–
3 to 6 months	**–**	6 633 908	**–**	–
6 months and older	**1 267 908**	–	**–**	–
	1 267 908	6 927 091	**–**	–
Trade receivables impaired				
As of 29 February 2012, trade receivables of Rnil (2011: R106 881) were impaired and provided for. The amount of the provision was Rnil (2011: R106 881)				
The ageing of these amounts is as follows:				
Over 6 months	**–**	106 881	**–**	–
Reconciliation of provision for impairment of trade receivables				
As at 1 March	**106 881**	–	**–**	–
Provision for receivables impairment	**–**	106 881	**–**	–
Reversal of provision for receivables impaired	**(106 881)**	–	**–**	–
As at 29/28 February	**–**	106 881	**–**	–

The creation and release of the provision for impaired receivables have been included in administrative expenses in the statement of comprehensive income (note 27). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

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

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

	Group 2012	Group 2011	Company 2012	Company 2011
19. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents include the following for the purposes of the statement of cash flows				
Cash on hand	**915**	840	**330**	330
Bank balances	**103 690 049**	14 953 270	**6 412 312**	–
Bank overdraft	**–**	(4 041 090)	**–**	(4 039 643)
	103 690 964	10 913 020	**6 412 642**	(4 039 313)
Current assets	**103 690 964**	14 954 110	**6 412 642**	330
Current liabilities	**–**	(4 041 090)	**–**	(4 039 643)
	103 690 964	10 913 020	**6 412 642**	(4 039 313)

Guarantees and suretyships

The bank holds guarantees and suretyships on the overdraft facilities of the group to the value of R506 340 (2011: R500 000).

	Group 2012	Group 2011	Company 2012	Company 2011
20. SHARE CAPITAL				
Authorised				
500 000 000 Ordinary shares of R0.00001 each	**5 000**	5 000	**5 000**	5 000
Issued				
127 100 000 Ordinary shares of R0.00001 each	**1 271**	1 271	**1 271**	1 271
Share premium	**100 049 659**	100 049 659	**100 049 659**	100 049 659
Share issue costs written off against share premium	**(4 029 209)**	(4 029 209)	**(4 029 209)**	(4 029 209)
	96 021 721	96 021 721	**96 021 721**	96 021 721

All issued shares are fully paid.

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

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

It is group policy to lease certain plant and machinery, IT equipment and motor vehicles under finance leases.

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

Refer to note 7 for the carrying value of assets under finance lease.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets.

	Group 2012	Group 2011	Company 2012	Company 2011
22. BORROWINGS				
Current borrowings				
Nedbank Limited	**12 221 371**	9 800 689	**–**	–
The loan is secured over the work in progress on the Jabulani Hostel Project situated on the land registered in the name of City of Johannesburg, bears interest at prime plus 1% and is repayable on receipt of payment from the Gauteng Department of Housing at the expected date of 28 February 2013.				
Rand Merchant Bank Limited	**77 404 212**	82 769 606	**–**	–
The loan is secured over land under development included in inventory and investment properties, bears interest at prime and is repayable by 30 September 2012.				
Bond exchange	**135 000 000**	50 000 000	**–**	–

This liability consist of 5 listed instruments, a R50 million 60-month instrument, which is unsecured, bears interest at JIBAR plus 5.3%, and expires on 8 December 2016. A R22.5 million 36 months instrument, which is unsecured, bears interest at JIBAR plus 8% and expires on 25 July 2014.

A R22.5 million 48 month instrument, which is unsecured, bears interest at JIBAR plus 10% and expires on 25 July 2015. A R5 million 24 months instrument, which is unsecured, bears interest at JIBAR plus 6.5% and expires on 18 February 2013.

A R35 million 12 month instrument, which is unsecured, bears interest at JIBAR plus 2.95% and expires on 15 November 2012.

	Group 2012	Group 2011	Company 2012	Company 2011
National Housing Finance Corporation	**485 687**	4 952 608	**–**	–
The loan is secured over land under development included in inventory, bears interest at prime plus 1% and is repayable 24 months from the first advance and was settled subsequent to year-end.				
Barnards Incorporated	**–**	42 404	**–**	–
The loan has been repaid.				
Barnards Incorporated	**–**	2 526 009	**–**	–
The loan has been repaid.				
Russell Lund	**–**	4 000 000	**–**	–
The loan has been repaid.				
ABSA Limited	**–**	170 404		
The loan has been repaid.				
Total current borrowings	**225 111 270**	154 261 721	**–**	–
Total borrowings	**225 111 270**	154 261 721	**–**	–
Current liabilities				
Financial instruments	**225 111 270**	154 261 721	**–**	–
	225 111 270	154 261 721	**–**	–
Borrowings to be settled within 12 months	**130 111 270**	139 461 032	**–**	–
Borrowings to be settled after more than 12 months	**95 000 000**	14 800 689	**–**	–
	225 111 270	154 261 721	**–**	–

22. BORROWINGS (continued)

Group securities

Rand Merchant Bank Limited

The loan is secured by a first mortgage bond over various properties classified as inventories and investment properties limited to R236 500 000 (2011: R196 500 000).

The insurance policy from SASRIA was provided as cession and pledges.

The group has ceded its right, title and interests in and to the sale agreements entered into or to be entered into with the end users in respect of any of the portions/stands referred to in the release schedule by the respective registered owner.

The group's shareholding in Clidet No 1014 (Pty) Ltd is provided as security for the Rand Merchant Bank Limited Loan in Clidet No 1014 (Pty) Ltd.

National Housing Finance Corporation

The group guarantees the shortfall or cost overrun incurred relating to the loan.

General

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

All borrowings are denominated in South Africa Rands.

The fair value of the borrowings approximates their carrying value, with the exception of the Bond exchange borrowing.

The fair value of the Bond Exchange borrowings at the end of the period under review is R140 168 695. The fair value is based on cash-flows discounted using a rate for similar instruments on the reporting period date.

	Group		Company	
	2012	2011	**2012**	2011
23. TRADE AND OTHER PAYABLES				
Trade payables	**76 230 159**	35 234 125	**76 168**	182 723
Trade payables – related parties	**798 532**	–	**–**	–
Retention creditors	**3 259 979**	850 819	**–**	–
Accrued expenses	**15 321 667**	2 669 734	**–**	–
Value-added tax	**2 082 858**	5 177 609	**46 031**	–
Accrual for leave pay	**384 214**	237 796	**–**	–
Deposits received	**151 000**	159 000	**–**	–
Excess billing over work done	**15 313 079**	–	**–**	–
	113 541 488	44 329 083	**122 199**	182 723
Financial instruments	**95 761 337**	38 913 678	**76 168**	182 723
Non-financial instruments	**17 780 151**	5 415 405	**46 031**	–
	113 541 488	44 329 083	**122 199**	182 723

Trade and other payables are unsecured, and are repayable within a period of twelve months. The carrying amounts of trade and other payables approximate their fair value, due to the short term nature of these financial instruments.

	Group 2012	Group 2011	Company 2012	Company 2011
24. REVENUE				
Sale of developed land	**5 047 544**	38 973 684	**–**	–
Rendering of services	**18 498 552**	9 578 042	**–**	–
Construction contracts	**491 367 064**	233 297 641	**–**	–
	514 913 160	281 849 367	**–**	–
25. COST OF SALES				
Sale of developed land				
Development of land	**6 555 900**	40 514 338	**–**	–
Rendering of services				
Professional fees	**6 569 947**	7 250 032	**–**	–
Construction contracts				
Construction costs	**422 272 666**	199 060 704	**–**	–
	435 398 513	246 825 073	**–**	–
26. OTHER INCOME				
Bond commissions	**117 366**	41 894	**–**	–
Insurance refunds	**–**	694 606	**–**	–
Management fees	**–**	1 000 002	**2 900 000**	1 320 000
Rental income	**366 280**	469 998	**–**	–
Reversal of write-down of inventory	**–**	1 542 969	**–**	–
Other income	**83 337**	403 683	**–**	–
	566 983	4 153 152	**2 900 000**	1 320 000

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

	Group 2012	Group 2011	Company 2012	Company 2011
27. EXPENSE BY NATURE				
Advertising	**696 161**	2 317 633	**121 836**	534 889
Auditors' remuneration	**1 636 610**	1 703 536	**280 690**	–
Bad debts	**1 749 568**	1 789 653	**–**	–
Computer expenses	**892 028**	633 457	**–**	–
Construction costs	**451 772 859**	207 489 289	**–**	–
Deficit on disposal of property, plant and equipment	**(2 960)**	180 549	**–**	–
Depreciation on property, plant and equipment and amortisation on computer software	**2 197 838**	2 150 494	**–**	–
Directors' fees – non-executive	**799 358**	500 000	**799 358**	500 000
Donations	**20 083**	20 743	**–**	–
Fines, penalties and interest	**737 115**	1 282 359	**–**	–
Impairment of staff loans	**–**	66 751	**–**	–
Insurance	**486 985**	622 663	**–**	–
Land development costs	**20 915 451**	9 067 274	**–**	–
Land infrastructure costs	**6 569 947**	7 250 032	**–**	–
Lease rentals on operating leases	**2 458 460**	2 873 379	**–**	–
Legal fees	**853 217**	242 176	**–**	–
Motor vehicle expenses	**719 362**	469 755	**–**	–
Movement in construction contracts	**(29 500 193)**	(8 428 585)	**–**	–
Movement in inventory	**(14 359 551)**	31 447 064	**–**	–
Printing and stationery	**651 128**	470 211	**–**	3 668
Professional fees	**257 006**	440 709	**–**	161 505
Salaries and wages	**17 195 268**	11 445 448	**–**	–
Social corporate responsibilities	**56 200**	1 373 173	**–**	–
Sundry expenses	**3 891 209**	1 628 939	**569 889**	214 884
Telephone and fax	**1 284 495**	1 467 291	**–**	–
Write-down of inventory	**283 740**	145 904	**–**	–
Write-down of prepayments	**–**	7 723 455	**–**	–
Total cost of sales, administration expenses and other expenses	**472 261 385**	286 373 351	**1 771 773**	1 414 946
28. FINANCE INCOME				
Interest revenue				
Bank	**606 192**	335 711	**–**	–
Related parties	**1 800 724**	2 677 883	**22 125 158**	20 410 240
	2 406 916	3 013 594	**22 125 158**	20 410 240

	Group 2012	Group 2011	Company 2012	Company 2011
29. FINANCE COST				
Bank	**1 555 298**	3 110 802	**553 168**	1 647 473
Trade payables	**1 565**	–	**–**	–
Interest-bearing borrowings	**20 253 629**	17 151 716	**–**	–
Related parties	**–**	–	**22 089 674**	18 528 766
Finance cost	**21 810 492**	20 262 518	**22 642 842**	20 176 239
Less: amounts capitalised on qualifying assets (inventory)	**(17 101 815)**	(16 125 871)	**–**	–
Less: amounts capitalised on qualifying assets (construction contracts)	**(2 692 452)**	(461 727)	**–**	–
	2 016 225	3 674 920	**22 642 842**	20 176 239
30. TAXATION				
Major components of the income tax expense				
Current				
Local income tax – current period	**4 532 410**	3 061 219	**170 952**	38 935
Local income tax – recognised in current tax for prior periods	**(530 864)**	(8 034)	**–**	–
	4 001 546	3 053 185	**170 952**	38 935
Deferred				
Current year	**7 742 212**	(4 698 008)	**–**	–
Under provision of prior year	**811 917**	–	**–**	–
	8 554 129	(4 698 008)	**–**	–
	12 555 675	(1 644 823)	**170 952**	38 935
Reconciliation of the income tax expense	**%**	%	**%**	%
Applicable tax rate	**28.00**	28.00	**28.00**	28.00
Disallowable charges	**0.22**	2.17	**–**	–
Exempt income	**–**	(3.60)	**–**	–
Share of profit/(loss) of joint ventures – net of tax	**(12.46)**	(29.89)	**–**	–
Utilisation of previously unrecognised tax losses	**–**	(5.39)	**–**	–
Tax deductable allowances	**–**	(3.15)	**–**	–
Tax losses for which no deferred income tax asset was recognised	**0.51**	1.10	**–**	–
Under provision for tax prior year	**(0.16)**	–	**–**	–
Effective tax rate	**16.11**	(10.75)	**28.00**	28.00

The estimated tax loss for the group available for set off against future taxable income is R6 567 523 (2011: R2 132 587).

	Group 2012	Group 2011	Company 2012	Company 2011
31. AUDITORS' REMUNERATION				
Fees	**1 636 610**	1 703 536	**–**	–
	1 636 610	1 703 536	**–**	–
32. CASH GENERATED FROM/(USED IN) OPERATIONS				
Profit before taxation	**77 935 723**	15 310 618	**610 543**	139 055
Adjustments for:				
Bad debts	**1 749 568**	1 789 653	**–**	–
Depreciation	**2 098 534**	2 089 926	**–**	–
Write-down of inventory	**283 740**	–	**–**	–
Profit on sale of assets	**(2 960)**	178 978	**–**	–
Finance income	**(2 406 916)**	(3 013 594)	**(22 125 158)**	(20 410 240)
Finance cost	**2 016 225**	3 674 920	**22 642 842**	20 176 239
Amortisation of intangible assets	**99 304**	60 568	**–**	–
Write-down of prepayments	**–**	7 723 455	**–**	–
Share of profit of joint venture – net of tax	**(34 326 274)**	(16 342 776)	**–**	–
Reversal of construction profit from joint venture	**806 414**	–	**–**	–
Changes in working capital:				
Inventories	**2 458 524**	47 572 934	**–**	–
Trade and other receivables	**(3 727 639)**	(1 962 937)	**9 883**	30 291
Prepayments	**–**	(301 707)	**–**	–
Construction contracts	**(42 120 820)**	(7 966 858)	**–**	–
Loans to/from group companies	**–**	–	**10 056 852**	–
Trade and other payables	**67 020 346**	4 466 485	**(60 524)**	(75 529)
Work in progress	**(2 054 354)**	–	**–**	–
	69 829 415	53 279 664	**11 134 438**	(140 184)
33. TAX PAID				
Balance at beginning of the year	**(5 541 572)**	(14 244 940)	**17 382**	(84 360)
Current tax for the year	**(4 001 546)**	(3 061 219)	**(170 952)**	(38 935)
Balance at end of the year	**(2 091 017)**	5 541 572	**(11 229)**	(17 382)
	(11 634 136)	(11 764 587)	**(164 799)**	(140 677)

	Group 2012	Group 2011	Company 2012	Company 2011
34. COMMITMENTS				
Operating leases – as lessor (income)				
Minimum lease payments due				
– within one year	**701 064**	1 088 760	**–**	–
– in second to fifth year inclusive	**–**	701 064	**–**	–
	701 064	1 789 824	**–**	–
Operating leases – as lessee (expense)				
Minimum lease payments due				
– within one year	**2 109 320**	3 573 259	**–**	–
– in second to fifth year inclusive	**431 395**	2 150 501	**–**	–
	2 540 715	5 723 760	**–**	–

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

Group

First National Bank – Fleurhof Ext 2 (Pty) Ltd

The group binds itself in favour of the bank as surety and principal debtor for the due performance by Fleurhof Ext 2 (Pty) Ltd of its obligations to the bank.

The group's shareholding in Fleurhof Ext 2 (Pty) Ltd is provided as security for this loan in Fleurhof Ext 2 (Pty) Ltd.

Nedbank Limited – Sabre Homes Projects (Pty) Ltd

The group binds itself in favour of the bank as surety and co-principal debtor jointly and severally with Sabre Homes Projects (Pty) Ltd's obligations to Nedbank Limited.

The Standard Bank of South Africa Limited – Aquarella Investments 265 (Pty) Ltd

A joint and several deed of suretyship for the obligation and indebtedness of Aquarella Investments 265 (Pty) Ltd was provided to the bank.

The indirect shareholding in Aquarella Investments 265 (Pty) Ltd is provided as security for this loan in Aquarella Investments 265 (Pty) Ltd.

Company

The Standard Bank of South Africa Limited – Aquarella Investments 265 (Pty) Ltd

A joint and several deed of suretyship for the obligation and indebtedness of Aquarella Investments 265 (Pty) Ltd was provided to the bank.

The indirect shareholding in Aquarella Investments 265 (pty) Ltd is provided as security for this loan.

First National Bank – Fleurhof Ext 2 (Pty) Ltd

The company binds itself in favour of the bank as surety and co-principal (other co-principal is a subsidiary of the company) debtor for the due performance by the Fleurhof Ext 2 (Pty) Ltd and its obligations to the bank.

The indirect shareholding in Fleurhof Ext 2 (Pty) Ltd is provided as security for this loan.

34. COMMITMENTS (continued)

Company (continued)

Rand Merchant Bank Limited

Suretyship is provided for the Rand Merchant Bank Limited loan by Calgro M3 Land (Pty) Ltd (Subsidiary) to a maximum value of R236 500 000 (2011: R196 500 000).

The following indirect and direct shareholdings are provided as securities for the Rand Merchant Bank Limited loan in Calgro M3 Land (Pty) Ltd:

- Hightrade-Invest 60 (Pty) Ltd
- Ridgewood Estate (Pty) Ltd
- Tres Jolie Ext 24 (Pty) Ltd
- CM3 Witkoppen Ext 131 (Pty) Ltd
- Business Venture Investments No 1221 (Pty) Ltd
- Clidet No 1014 (Pty) Ltd

National Housing Finance Corporation

The company guarantees the shortfalls or cost overruns incurred.

Bond exchange

The company provided guarantees for the repayment of this loan.

35. SHARE-BASED PAYMENTS

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

Information on options granted during the year

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

- Exercise price – 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

	Group		Company	
	2012	2011	**2012**	2011
Expense – equity settled arrangements				
Arising on cancellation of scheme	4 488 750	–	6 540 598	–

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

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

	Group 2012	Group 2011	Company 2012	Company 2011
36. EMPLOYEE COSTS				
Salary and wages	**43 308 167**	33 786 322	**–**	–
Share option expense on cancellation of options granted to directors and employees	**4 488 750**	–	**–**	–
Salary and wages	**47 796 917**	33 786 322	**–**	–
Less: amounts capitalised on qualifying assets (construction contracts)	**(30 601 649)**	(22 340 874)	**–**	–
Total employee costs	**17 195 268**	11 445 448	**–**	–

37. RELATED PARTIES

The following entities are related parties of the company:

Direct subsidiaries

– Calgro M3 Land (Pty) Ltd
– Calgro M3 Developments (Pty) Ltd
– Calgro M3 Project Management (Pty) Ltd

Indirect subsidiaries

– MS5 Projects (Pty) Ltd
– MS5 Pennyville (Pty) Ltd
– CM3 Witkoppen Ext 131 (Pty) Ltd
– CM3 Randpark Ridge Ext 120 (Pty) Ltd
– Hightrade–Invest 60 (Pty) Ltd
– Business Venture Investments No 1221 (Pty) Ltd
– Business Venture Investments No 1244 (Pty) Ltd
– CTE Consulting (Pty) Ltd
– PZR Pennyville Zamimphilo Relocations (Pty) Ltd
– Ridgewood Estate (Pty) Ltd
– Tres Jolie Ext 24 (Pty) Ltd
– PZR Fleurhof (Pty) Ltd

The following entities are related parties to the group:

Joint ventures

– Fleurhof Ext 2 (Pty) Ltd
– Aquarella Investments 265 (Pty) Ltd
– Clidet No 1014 (Pty) Ltd
– Sabre Homes Projects (Pty) Ltd

Directors of holding company

– BP Malherbe – Executive
– FJ Steyn – Executive
– WJ Lategan – Executive
– DN Steyn – Executive

– PF Radebe – Non-executive
– RN Wesselo – Non-executive (Resigned 4 May 2012)
– H Ntene – Non-executive
– JB Gibbon – Independent non-executive
– RB Patmore – Lead independent non-executive
– ME Gama – Independent non-executive

Directors and senior management of subsidiaries

– HB Malherbe
– CTE Le Roux
– B Blieden
– WP Steenkamp

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

	Group 2012	Group 2011	Company 2012	Company 2011
37. RELATED PARTIES (continued)				
Related party balances				
Loans to group companies				
Calgro M3 Land (Pty) Ltd	**–**	–	**201 996 393**	143 332 530
	–	–	**201 996 393**	143 332 530
Loans from group companies				
Calgro M3 Developments (Pty) Ltd	**–**	–	**(203 404 381)**	(136 730 816)
CTE Consulting (Pty) Ltd	**–**	–	**(3 226 050)**	(1 178 900)
	–	–	**(206 630 431)**	(137 909 716)
Loans to joint ventures				
Fleurhof Ext 2 (Pty) Ltd	**13 275 818**	–	**–**	–
Clidet No 1014 (Pty) Ltd	**14 060 308**	10 994 221	**–**	–
Sabre Homes Projects (Pty) Ltd	**210**	–	**–**	–
Aquarella Investments 265 (Pty) Ltd	**6 250 000**	–	**–**	–
	33 586 336	10 994 221	**–**	–
Loans from joint ventures				
Fleurhof Ext 2 (Pty) Ltd	**–**	(2 695 046)	**–**	–
Sabre Homes Projects (Pty) Ltd	**–**	(600)	**–**	–
	–	(2 695 646)	**–**	–
Receivables from joint ventures				
Fleurhof Ext 2 (Pty) Ltd	**7 817 826**	1 606 784	**–**	–
Aquarella Investments 265 (Pty) Ltd	**466 712**	59 713	**–**	–
Clidet No 1014 (Pty) Ltd	**–**	52 192	**–**	–
Sabre Homes Projects (Pty) Ltd	**85 825**	849 025	**–**	–
	8 370 363	2 567 714	**–**	–
Payables to joint ventures				
Aquarella Investments 265 (Pty) Ltd	**798 532**	–	**–**	–
	798 532	–	**–**	–

	Group 2012	Group 2011	Company 2012	Company 2011
37. RELATED PARTIES (continued)				
Related party transactions				
Compensation paid to key employees and personnel				
Short term employee benefits	**25 501 512**	10 988 736	**799 358**	500 000
	25 501 512	10 988 736	**799 358**	500 000
Administration fees received from related parties				
Calgro M3 Developments (Pty) Ltd	**–**	–	**2 900 000**	1 320 000
	–	–	**2 900 000**	1 320 000
Finance income received from related parties				
Calgro M3 Land (Pty) Ltd	**–**	–	**22 125 158**	20 410 240
Fleurhof Ext 2 (Pty) Ltd	**338 447**	1 880 509	**–**	–
Clidet No 1014 (Pty) Ltd	**1 462 277**	793 707	**–**	–
Aquarella Investments 265 (Pty) Ltd	**–**	3 667	**–**	–
	1 800 724	2 677 883	**22 125 158**	20 410 240
Finance costs paid to related parties				
Calgro M3 Developments (Pty) Ltd	**–**	–	**21 797 710**	18 399 813
CTE Consulting (Pty) Ltd	**–**	–	**291 964**	128 953
	–	–	**22 089 674**	18 528 766
Contract revenue received from joint ventures				
Fleurhof Ext 2 (Pty) Ltd	**164 949 302**	118 215 981	**–**	–
Aquarella Investments 265 (Pty) Ltd	**105 618 712**	281 000	**–**	–
Clidet No 1014 (Pty) Ltd	**47 030**	543 058	**–**	–
Sabre Homes Projects (Pty) Ltd	**17 057 190**	83 000	**–**	–
	287 672 234	119 123 039	**–**	–
Rendering of service fees received from joint ventures				
Fleurhof Ext 2 (Pty) Ltd	**9 307 322**	–	**–**	–
Aquarella Investments 265 (Pty) Ltd	**4 271 113**	–	**–**	–
Sabre Homes Projects (Pty) Ltd	**5 560 118**	–	**–**	–
	19 138 553	–	**–**	–
Sale of developed land revenue received from joint ventures				
Clidet No 1014 (Pty) Ltd	**–**	30 000 000	**–**	–
	–	30 000 000	**–**	–
Other income received from joint ventures				
Sabre Homes Projects (Pty) Ltd	**–**	1 000 002	**–**	–
	–	1 000 002	**–**	–

38. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities in the current year.

39. DIRECTORS' EMOLUMENTS

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

	Remuneration and other benefits				Pension	
	Fees for services rendered	Salary as a director	Expense allowance	Performance related	On behalf of the director to a pension scheme	Total
2012						
Executive directors – Group						
WJ Lategan						
For services rendered in connection with the carrying on of affairs of the business within the same group of companies and joint ventures	**–**	**1 451 010**	**144 000**	**2 272 375**	**72 058**	**3 939 443**
BP Malherbe						
For services rendered in connection with the carrying on of affairs of the business within the same group of companies and joint ventures	**–**	**1 592 752**	**144 000**	**2 338 000**	**3 000**	**4 077 752**
FJ Steyn						
For services rendered in connection with the carrying on of affairs of the business within the same group of companies and joint ventures	**–**	**1 473 928**	**144 000**	**2 294 250**	**73 013**	**3 985 191**
DN Steyn						
For services rendered in connection with the carrying on of affairs of the business within the same group of companies and joint ventures	**–**	**1 520 573**	**144 000**	**2 272 375**	**3 000**	**3 939 948**
Total executive directors	**–**	**6 038 263**	**576 000**	**9 177 000**	**151 071**	**15 942 334**
Non-executive directors – Group and Company						
H Ntene						
For services as directors in the company	**131 579**	**–**	**–**	**–**	**–**	**131 579**
PF Radebe						
For services as directors in the company	**304 482**	**–**	**–**	**–**	**–**	**304 482**
RN Wesselo						
For services as directors in the company	**–**	**–**	**–**	**–**	**–**	**–**
Independent non-executive directors – Group and Company						
ME Gama						
For services as directors in the company	**–**	**–**	**–**	**–**	**–**	**–**
JB Gibbon						
For services as directors in the company	**183 297**	**–**	**–**	**–**	**–**	**183 297**
RB Patmore						
For services as directors in the company	**180 000**	**–**	**–**	**–**	**–**	**180 000**
Total non-executive directors	**799 358**	**–**	**–**	**–**	**–**	**799 358**
Total directors	**799 358**	**6 038 263**	**576 000**	**9 177 000**	**151 071**	**16 741 692**

39. DIRECTORS' EMOLUMENTS (continued)

	Remuneration and other benefits				Pension	
	Fees for services rendered	Salary as a director	Expense allowance	Performance related	On behalf of the director to a pension scheme	Total
2011						
Executive directors – Group						
WJ Lategan						
For services rendered in connection with the carrying on of affairs of the business within the same group of companies and joint ventures	–	1 396 000	144 000	125 000	66 630	1 731 630
BP Malherbe						
For services rendered in connection with the carrying on of affairs of the business within the same group of companies and joint ventures	–	1 396 000	144 000	125 000	52 725	1 717 725
FJ Steyn						
For services rendered in connection with the carrying on of affairs of the business within the same group of companies and joint ventures	–	1 396 000	144 000	125 000	66 630	1 731 630
DN Steyn						
For services rendered in connection with the carrying on of affairs of the business within the same group of companies and joint ventures	–	1 396 000	144 000	125 000	52 725	1 717 725
Total executive directors	–	5 584 000	576 000	500 000	238 710	6 898 710
Non-executive directors – Group and Company						
H Ntene						
For services as directors in the company	–	–	–	–	–	–
PF Radebe						
For services as directors in the company	300 000	–	–	–	–	300 000
RN Wesselo						
For services as directors in the company	–	–	–	–	–	–
Independent non-executive directors – Group and Company						
ME Gama						
For services as directors in the company	–	–	–	–	–	–
JB Gibbon						
For services as directors in the company	200 000	–	–	–	–	200 000
RB Patmore						
For services as directors in the company	–	–	–	–	–	–
Total non-executive directors	500 000	–	–	–	–	500 000
Total directors	500 000	5 584 000	576 000	500 000	238 710	7 398 710

39. DIRECTORS' EMOLUMENTS (continued)

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

	Date appointed	Contract expiry
Prescribed officer 1	05.08.2005	1 month notice
Prescribed officer 2	05.08.2005	1 month notice
Prescribed officer 3	26.11.2007	1 month notice
Prescribed officer 4	01.07.2011	1 month notice

	Short term employee benefits: Remuneration and benefits received	Short term employee benefits: On behalf of the prescribed officer to a pension scheme	Total remuneration/ benefits
2012			
Prescribed officer 1			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	**3 867 385**	**72 058**	**3 939 443**
Prescribed officer 2			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	**1 628 373**	**56 328**	**1 684 701**
Prescribed officer 3			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	**1 465 431**	**38 105**	**1 503 536**
Prescribed officer 4			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	**660 467**	**11 673**	**672 140**
	7 621 656	**178 164**	**7 799 820**
2011			
Prescribed officer 1			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	1 610 328	66 630	1 676 958
Prescribed officer 2			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	1 236 885	51 954	1 288 839
Prescribed officer 3			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	731 797	29 787	761 584
Prescribed officer 4			
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group	–	–	–
	3 579 010	148 371	3 727 381

	Group 2012	2011
40. 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 shareholders	**65 380 048**	16 955 441
Weighted average number of ordinary shares in issue	**127 100 000**	127 100 000
Basic earnings per share (cents per share)	**51.44**	13.34
(b) Diluted		
Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all diluted potential ordinary shares.		
Profit attributable to shareholders	**65 380 048**	16 955 441
Weighted average number of ordinary shares in issue	**127 100 000**	127 100 000
Diluted earning per share (cents per share)	**51.44**	13.34
(c) Headline		
Headline earnings is calculated by starting with the basic earnings numbers in terms of IAS 33 and excluding all remeasurements that have been identified.		
Profit attributable to shareholders	**65 380 048**	16 955 441
Profit on disposal of property, plant and equipment	**(2 690)**	178 978
Profit used to determine headline earnings per share	**65 377 088**	17 134 419
Weighted average number of ordinary shares in issue	**127 100 000**	127 100 000
Headline/diluted headline earnings per share (cents per share)	**51.44**	13.48
(d) Net asset value per share		
Net asset value per share is calculated by dividing the resulting net asset value, calculated by reducing the totals assets by total liabilities, by the weighted average number of share in issue.		
Total assets	**595 883 480**	393 421 768
Less: Total liabilities	**(359 829 474)**	(222 747 810)
Net assets	**236 054 006**	170 673 958
Weighted average number of ordinary shares in issue	**127 100 000**	127 100 000
Net asset value per share (cents per share)	**185.72**	134.28

	Loans and receivables	Total
41. FINANCIAL ASSETS BY CATEGORY		
The accounting policies for financial instruments have been applied to the line items below:		
Group – 2012		
Loans to joint ventures	**31 168 346**	**31 168 346**
Loan receivable	**5 756 677**	**5 756 677**
Trade and other receivables	**14 654 271**	**14 654 271**
Cash and cash equivalents	**103 690 964**	**103 690 964**
	155 270 258	**155 270 258**
Group – 2011		
Loans to joint ventures	10 994 221	10 994 221
Loan receivable	5 756 677	5 756 677
Trade and other receivables	12 205 418	12 205 418
Cash and cash equivalents	14 954 110	14 954 110
	43 910 426	43 910 426
Company – 2012		
Loans to group companies	**201 996 393**	**201 996 393**
Cash and cash equivalents	**6 412 642**	**6 412 642**
	208 409 035	**208 409 035**
Company – 2011		
Loans to group companies	143 332 530	143 332 530
Cash and cash equivalents	330	330
	143 332 860	143 332 860

	Financial liabilities at amortised cost	Total
42. FINANCIAL LIABILITIES BY CATEGORY		
The accounting policies for financial instruments have been applied to the line items below:		
Group – 2012		
Borrowings	**225 111 270**	**225 111 270**
Finance lease obligations	**1 706 608**	**1 706 608**
Trade and other payables	**95 761 337**	**95 761 337**
	322 579 215	**322 579 215**
Group – 2011		
Borrowings	154 261 721	154 261 721
Loans from joint ventures	2 695 646	2 695 646
Finance lease obligations	2 020 382	2 020 382
Trade and other payables	38 913 678	38 913 678
Bank overdraft	4 041 090	4 041 090
	201 932 517	201 932 517
Company – 2012		
Loans from group companies	**206 630 431**	**206 630 431**
Trade and other payables	**76 168**	**76 168**
	206 706 599	**206 706 599**
Company – 2011		
Loans from group companies	137 909 716	137 909 716
Trade and other payables	182 723	182 723
Bank overdraft	4 039 643	4 039 643
	142 132 082	142 132 082

Calgro M3 Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/027663/06)
("Calgro M3" or "the company")

This document is important and requires your immediate attention

If you are in any doubt about what action you should take, consult your broker, Central Securities Depository Participant ("CSDP"), legal adviser, banker, financial adviser, accountant or other professional adviser immediately.

If you have disposed of all your shares in the company, please forward this document, together with the enclosed form of proxy, to the purchaser of such shares or the broker, banker or other agent through whom you disposed of such shares.

Included in this document are:

- a notice of annual meeting, setting out the resolutions to be proposed thereat, together with explanatory notes. There are also guidance notes if you wish to attend the meeting or to vote by proxy; and
- a proxy form for use by shareholders holding ordinary shares in certificated form or recorded in sub-registered electronic form in "own name".

Shareholders on the company shares register who have dematerialised their ordinary shares through STRATE, other than those whose shareholding is recorded in their "own name" in the sub-register maintained by their CSDP, and who wish to attend the meeting in person, will need to request their CSDP or broker to provide them with the necessary authority to do so in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

A shareholder (including certificated shareholders and dematerialised shareholders who hold their shares with "own name" registration) entitled to attend and vote at the meeting, may appoint one or more proxies to attend, participate and vote in his/her/its stead. A proxy does not have to be a shareholder of the company but must be an individual.

The appointment of a proxy will not preclude the shareholder who appointed that proxy from attending the annual general meeting and participating and voting in person thereat to the exclusion of any such proxy. A form of proxy for use at the meeting is attached.

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(Registration number 2005/027663/06)
("Calgro M3" or "the company")

Notice is hereby given to all members of the company as at the record date of 31 May 2012, being the record date to receive notice of the annual general meeting in terms of section 59(1) of the Companies Act, 71 of 2008, as amended ("Companies Act"), that the fifth annual general meeting ("Annual general meeting") of members will be held at 10:00 on Friday, 29 June 2012 at the boardroom, Calgro M3, Cedarwood House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, to (i) deal with such other business as may lawfully be dealt with at the meeting and (ii) consider and, if deemed fit to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited Listings Requirements ("JSE Listings Requirements"), which meeting is to be participated in and voted at by shareholders as at 29 June 2012 being the record date to participate and vote in the annual general meeting in terms of section 62(3)(a), read with section 59(1)(b), of the Companies Act.

NB: Section 63(1) of the Companies Act – Identification of meeting participants

Kindly note that, meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licenses and passports.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the company for the year ended 29 February 2012 (as approved by the board of directors of the company), including the directors' report and the report of the auditors thereon, have been distributed as required and will be presented to the shareholders.

The complete annual financial statements are set out on pages 48 to 100 of the integrated annual report.

ADVISORY ENDORSEMENT OF THE REMUNERATION PHILOSOPHY (POLICY)

To endorse, through a non-binding advisory vote, the company's remuneration policy, as set out in the remuneration report/policy contained in the annual report on page 25.

1. Ordinary resolution number one – Re-election of director

To resolve that the re-appointment of RB Patmore as an independent non-executive and lead independent directorof the board of directors of the company, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 31 of the company's memorandum of incorporation for a further term of office be authorised and confirmed.

(A brief CV appears on page 13 of the annual report.)

2. Ordinary resolution number two – Re-election of director

To resolve that the re-appointment of JB Gibbon as an independent non-executive director and chairperson of the audit and risk committeee of the company, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 31 of the company's memorandum of incorporation for a further term of office be authorised and confirmed.

(A brief CV appears on page 13 of the annual report.)

3. Ordinary resolution number three – Election of director

To resolve that the appointment of ME Gama as an independent non-executive director of the company, with effect from 11 January 2012, be hereby ratified.

(A brief CV appears on page 12 of the annual report.)

4. Ordinary resolution number four – Re-appointment of auditors

To resolve that the re-appointment of PricewaterhouseCoopers Inc. as auditors, and Lynne Loots being a member of PriceWaterhouseCoopers Inc., as the individual designated auditor who will undertake the audit of the company for the ensuing year, until the conclusion of the next annual general meeting in accordance with the Companies Act, as amended, be authorised and confirmed.

5. Ordinary resolution number five – General payments to shareholders

To resolve that, in terms of Article 39 to 44 of the company's memorandum of incorporation and subject to the Companies Act and to the directors being satisfied that after considering the effect of such maximum payment, the:

a) company and the group will in the ordinary course of business be able 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 month 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 to the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of 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 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 28 February 2012. 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 date of the resolution whichever is shorter.

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

6. Ordinary resolution number six – 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, until the next annual general meeting of the company, subject to the provisions of the Companies Act and the JSE Listings Requirements.

7. Ordinary resolution number seven – General authority to issue shares for cash

To resolve 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, the JSE 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 number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date the company agrees to issue the shares and the impact on net asset value, net tangible asset value, earnings and (if applicable) diluted 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 15% of the shares in issue of that class;
- the issues for cash must be made to public shareholders and not to related parties as defined by the JSE 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 of those shares 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.

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

8. Ordinary Resolution number eight – Appointment of Audit and Risk Committee Member

To resolve that the appointment of RN Patmore as a member of the audit and risk committee, with effect from the end of this meeting, in terms of section 94(2) of the Companies Act, [subject to his re-election as a director pursuant to ordinary resolution number 1] be authorised and confirmed.

9. Ordinary Resolution number nine – Appointment of Audit and Risk Member

To resolve that the appointment of JB Gibbon as a member of the audit and risk committee, with effect from the end of this meeting, in terms of section 94(2) of the Companies Act, [subject to his re-election as a director pursuant to ordinary resolution number 2] be authorised and confirmed.

10. Ordinary Resolution number ten – Appointment of Audit and Risk Committee Member

To resolve that the appointment of ME Gama as a member of the audit and risk committee, with effect from the end of this meeting, in terms of section 94(2) of the Companies Act, subject to his election as a director pursuant to ordinary resolution number 3 be authorised and confirmed.

11. Special resolution number one – General authority to repurchase shares

To resolve that the board of directors of the company be hereby authorised, by way of a general authority, to approve the purchase of the company's 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) a resolution by the board of directors is passed which authorises the repurchase, confirms that the company passes the solvency and liquidity test in terms of section 48 of the Act and that from the time that the test was performed there were no material changes to the financial position of the company;
e) 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;
f) repurchases must not be made at a price more than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date of repurchase;
g) a paid press announcement (complying with paragraph 11.27 of the JSE 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;
h) the company will, at any point in time, appoint only one agent to effect any repurchase(s) on the company's behalf;
i) the company will not repurchase its shares during any prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
j) such repurchase shall be subject to the Act, the company's memorandum of incorporation and the JSE Listings Requirements.

Reason and effect of special resolution number one

The reason for special resolution number one is to grant the company a general authority in terms of the Companies Act for the acquisition by the company or any of its subsidiaries of shares issued by the company or its holding company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting. The passing and registration of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company or its holding company.

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.

12. Special resolution number two

To resolve that the fees paid to the non-executive directors of the company set out below, be approved up and to the date of the next annual general meeting. (Refer to note 5)

Director	Annual retainer fee 2012	Meeting chaired	Meeting attendance fee 2012
PF Radebe (Board chairperson)	180 000	25 000	15 000
JB Gibbon	120 000	20 000	15 000
H Ntene	–		15 000
RN Patmore (Lead independent)	144 000	20 000	15 000
ME Gama	120 000		15 000

Reason for Special Resolution two

Special resolution number two is proposed in order to comply with the requirements of the Companies Act and the company's memorandum of incorporation. The above rates have been selected to ensure that the remuneration of non-executive directors remains competitive in order to enable the company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required in order to make meaningful contributions to the company.

13. Special Resolution three – Financial assistance

To resolve that, to the extent required by the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

- any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company for any purpose or in connection with any matter, including, but not limited to, acquisition of or subscription for any option or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company; and
- any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of the company's or group of companies' share or other employee incentive schemes, for the purpose of, or in connection with, the acquisition of or subscription for any option or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act,

such authority to endure until the annual general meeting of the company for the year ended February 2013 .

Reasons for Special Resolution three

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and corporations, including, inter alia, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the acquisition or subscription for any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

Both sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous 2 years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for the company to provide financial assistance to related or inter-related companies and corporations to acquire or subscribe for options or securities or purchase securities of the company or another company related or inter-related to it. Under the Companies Act, the company will however require the special resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number three.

Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the company's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in sections 44 and 45) to be provided under such schemes will, inter alia, also require approval by special resolution. Accordingly, special resolution number three authorises financial assistance to any of the company's directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is a participant in any of the company's share or other employee incentive schemes, in order to facilitate their participation in any such schemes that do not satisfy the requirements of section 97 of the Companies Act.

14. Special Resolution four – Adoption of Memorandum of Incorporation

To resolve that, in terms of section 16(1)(c)(ii) of the Companies Act, and Item 4(2) of Schedule 5 to the Companies Act, the existing memorandum and articles of association of the company be and are hereby substituted in their entirety by the new memorandum of incorporation as tabled at the annual general meeting and signed by the chairperson of the annual general meeting on the first page thereof for identification purposes, with effect from the date of filing and acceptance of the required notice of amendment with the Companies and Intellectual Property Commission.

Reasons for Special Resolution four

Special resolution 4 is proposed in order to adopt a new memorandum of incorporation in substitution for the existing memorandum and articles of association of the company, which new memorandum of incorporation is in compliance with the provisions of the Companies Act.

A summary of the new memorandum of incorporation appears on page 109 of the annual report attached to this notice and copies will be posted on the company's website (www.calgrom3.co.za) and will also be available for inspection by any person who has a beneficial interest in any securities of the company, during normal office hours from the date of issue of this notice of annual general meeting up to and including the date of the annual general meeting or any adjourned meeting.

15. 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: page 10 and 11 of the annual report
- Major shareholders: page 47 of the annual financial statements
- Directors' interests in securities: page 45 of the annual financial statements
- Share capital of the company: page 83 note 20 of the notes to the annual financial statements
- Litigation: Calgro M3 is currently in litigation with a counter claim against Mettle Development Finance One (Pty) Ltd in the amount of R7 322 962 for Project Annlin. There is no other material litigation.

- **Directors' responsibility statement**

  The directors, whose names are given on page 10 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 contain all information required by law and the JSE 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 28 February 2012.

  Any shareholders wishing to attend the annual general meeting who have already dematerialised their shares in Calgro M3, and such dematerialised shares are not recorded in the electronic sub-register of Calgro M3 in their own names, should request letters of representation from their duly appointed CSDP or stockbroker, as the case may be, to authorise them to attend and vote at the annual general meeting in person.

  Any shareholders entitled to attend and vote at the annual general meeting are entitled to appoint proxies to attend, speak and vote at the annual general meeting in their stead. The proxies so appointed need not be members of the company but must be individuals.

If you have not yet dematerialised your shares in Calgro M3 and are unable to attend the annual general meeting, 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 M3 namely, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001, (PO Box 61051, Marshalltown 2107) to be received by no later than 09:00 on Friday, 29 June 2012.

If you have already dematerialised your shares in Calgro M3:

- and such dematerialised shares are recorded in the electronic sub-register of Calgro M3 in your own name and you are unable to attend the annual general meeting, 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 M3 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 Thursday, 21 June 2012; or
- and such dematerialised shares are not recorded in the electronic sub-register of Calgro M3 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 annual general meeting.

If any Calgro M3 shareholders, who reside outside of Johannesburg, wish to participate in the annual general meeting electronically they should contact the company secretary on 011 300 7500, five (5) business days prior to the annual general meeting.

By order of the board

Willem Jakobus Lategan

Company secretary

10 May 2012

Sandton 2196

SUMMARY OF APPLICABLE RIGHTS ESTABLISHED IN SECTION 58 OF THE COMPANIES ACT

For purposes of this summary, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders meeting on behalf of the shareholder.

2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.

3. Except to the extent that the memorandum of incorporation of a company provides otherwise:

3.1. a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and

3.2. a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

4. Irrespective of the form of instrument used to appoint a proxy –

4.1. the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and

4.2. should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:

5.1. stated in the revocation instrument, if any; or

5.2. upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.

6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to:

6.1. the shareholder, or

6.2. the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.

7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the relevant company or the instrument appointing the proxy provide otherwise.

8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:

8.1. such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;

8.2. the company must not require that the proxy appointment be made irrevocable; and

8.3. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

SUMMARY OF THE SALIENT TERMS OF THE NEW MEMORANDUM OF INCORPORATION TO BE ADOPTED BY Calgro M3 HOLDINGS LIMITED ("THE COMPANY")

1. Introduction

What is set out below is a summary of the salient points of the new Memorandum of Incorporation of the Company ("MOI") that is proposed to be adopted at the next annual general meeting of the company on 29 June 2012. The Memorandum of Incorporation incorporates changes necessitated by the coming into force of the new Companies Act, No. 71 of 2008 as amended ("the Act") and the Companies Regulations of 2011 promulgated in terms of the Act ("the Regulations"),which replaces the old Companies Act No. 61 of 1973. The amended MOI is also drafted in order to comply with the Listings Requirements of the JSE Limited ("the Listings Requirements") as well as taking into consideration the principles encompassed in terms of the King Code on Corporate Governance for 2009 ("the King Code"). Set out below is a summary of the salient terms of the MOI. Shareholders are advised that the full MOI will be posted on the company website and will be available at the annual general meeting.

2. Constitution of the Company

The MOI reflects the constitution of the company in terms of the Act, in particular in relation to the company being constituted in accordance with:

2.1 the unalterable and alterable provisions of the Act which are not amended by the MOI;

2.2 the unalterable and alterable provisions of the Act subject to the limitations, extensions, variations or substitutions with respect to such alterable provisions set out in the MOI; and

2.3 the provisions of the MOI.

3. Amendment of the MOI

3.1 The MOI may only be amended by a special resolution of each class of shareholders, subject to the approval to such amendments being obtained from the JSE.

3.2 If any proposed amendment to the MOI relates to the variation of any preferences, rights, limitations and/or other share terms attaching to any class of shares other than the ordinary shares, such amendment must also be approved by a special resolution of holders of shares in that class at a separate meeting of such holders of shares.

4. Company records and accounting records

The MOI includes provisions incorporating the principles of section 24, section 26 and the relevant provisions of the Regulations relating to access to the company's accounting and other records by, inter alia, shareholders. These provisions should be reviewed by shareholders in respect of their rights in relation to information relating to the company and the procedure that must be followed in respect of accessing same.

5. Extended accountability requirements in Chapter 3 of the Act

The provisions of Chapter 3 of the Act, which apply to the company, are set out in the MOI and encompass the obligations to:

5.1 appoint a company secretary in accordance with the Act;

5.2 appoint an auditor in accordance with the Act and to have its annual financial statements audited;

5.3 appoint an audit and risk committee in accordance with the Act;

5.4 appoint a Social and Ethics Committee in compliance with the Act read with the Regulations.

6. Authority to alter the authorised shares

The MOI restricts the board's powers contained in section 36(3) of the Act, relating to, inter alia, adjusting the number of authorised shares in the capital of the company and varying the rights attaching to such shares. The MOI also makes the ability to engage in certain transactions involving the share capital of the company subject to the approval of a Special Resolution of shareholders.

7. The issue of securities

In terms of the MOI, any issue of shares, securities convertible into shares, or rights exercisable for shares to a:

7.1 director, future director, prescribed officer or future prescribed officer of the company;

7.2 person related or inter-related to the company, or to a director or prescribed officer of the company,

shall require the approval of the shareholders by special resolution in terms of section 41(3) of the Act.

8. Right of pre-emption on the issue of shares

The MOI incorporates provisions relating to a right of pre-emption of shareholders on the issue of shares, and it regulates the manner and the time periods in which these rights can be exercised subject to the Listings Requirements.

9. Odd-lot offers

The MOI includes provisions in accordance with the Listings Requirements relating to the right of the company to implement odd-lot offers.

10. Capitalisation shares

In respect of the MOI, the board is authorised to issue capitalisation shares in accordance with section 47 of the Act, subject to being authorised by shareholders by special resolution.

11. Financial assistance

11.1 In terms of the MOI the board may authorise the company to provide financial assistance for the purpose of or in connection with the subscription for any option or securities as contemplated in section 44 of the Act subject to and in accordance with section 44.

11.2 Further, the board may authorise the company to provide loans or other financial assistance to persons contemplated in section 45 of the Act subject to and in accordance with the requirements in terms of section 45 of the Act.

11.3 At the same time, the company may provide any financial assistance whatsoever to any person without restriction subject to the requirements of sections 44 and 45 of the Act on such terms and subject to such conditions as the board in its discretion may from to time determine.

12. Securities other than shares (debt instruments)

In terms of the MOI, the board shall not authorise or issue any securities which are not shares including debt instruments except on terms and subject to conditions as the shareholders of each separate class of shares have approved by special resolution of such shareholders in accordance with section 43 of the Act. Further debt instruments shall not be issued with special privileges, including the attending and voting at general meeting and the appointment of directors, save as the shareholders of each separate class of issued shares have approved separately by resolution of 75% of the holders of each separate class of shares.

13. Distributions

13.1 The MOI regulates the declaration and/or payment of a distribution by the company, subject to section 46 of the Act.

13.2 In this regard all distributions must comply with section 46 of the Act and the Listings Requirements.

13.3 Payments to securities holders must be made in accordance with the Listings Requirements and must not provide that capital shall be repaid on the basis that it may be called up again.

13.4 The board or on recommendation of the board the ordinary shareholders by ordinary resolution, may at any time authorise and/or declare a distribution which for the avoidance of doubt includes a dividend, subject to compliance of section 46 of the Act to be paid to shareholders of any class in proportion to the number of shares held by them in that class.

13.5 No distribution which for the avoidance of doubt shall include a dividend shall be declared by the shareholders in general meeting that is more than the amount recommended by the directors.

14. Shareholders' meetings

14.1 The MOI includes provisions that regulate shareholders' meetings and shareholders' interactions with the company and seek to ensure compliance with the Act relating to corporate action involving shareholders.

14.2 The material changes relate to the notice period for shareholders' meetings and the procedure for exercising voting rights (including the determination of record dates in respect thereof). Shareholders are advised to please consult the MOI in respect of their rights in relation to shareholders' meetings and the procedure to be followed in respect thereof.

15. Directors' proceedings

15.1 The MOI includes provisions that regulate directors' proceedings and seek to ensure compliance with the Act.

15.2 The material changes related to the notice period for directors' meetings and the procedure for exercising voting rights, the retirement of directors and their remuneration.

16. Board committees

16.1 The MOI regulates the establishment of various committees of the board subject to the Act

16.2 It also includes provisions regulating the mandatory committees that must be established by the company in terms of the Act read with the Regulations, for example the audit and risk committee and the social and ethics committee.

17. Indemnification and directors' insurance

The MOI authorises and regulates the provision of insurance and indemnification for directors' conduct in accordance with the provisions of the Act.

18. Business rescue

The MOI includes provisions relating to the situation where the company has commenced business rescue proceedings and outlines the procedures to be followed in such situations as envisaged in the Act.

19. Notices

The MOI includes provisions relating to the giving of notices for meetings in accordance with the Act. The required time periods, the manner in which notice may be given and other requirements that must be met are set the notice period for shareholders' meetings and the procedure for exercising voting rights (including the determination of record dates in respect thereof)out in the MOI.

form of proxy

Calgro M3 Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/027663/06)
("Calgro M3" or "the company")

FOR USE AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 10:00 ON FRIDAY, 29 JUNE 2012 AT THE BOARDROOM, CALGRO M3, 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

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 M3 ordinary shares registered in my/our name(s), in accordance with the following instructions:

	FOR	AGAINST	ABSTAIN
Ordinary resolution number one Re-appointment of RB Patmore as director			
Ordinary resolution number two Re-appointment of JB Gibbon as director			
Ordinary resolution number three Re-appointment of ME Gama as director			
Ordinary resolution number four Re-appointment of PricewaterhouseCoopers Inc.			
Ordinary resolution number five General payments of shareholders			
Ordinary resolution number six Control of authorised but unissued shares			
Ordinary resolution number seven General authority to issue shares for cash			
Ordinary resolution number eight Appointment of audit and risk committee member			
Ordinary resolution number nine Appointment of audit and risk committee member			
Ordinary resolution number ten Appointment of audit and risk committee member			
Special resolution number one General authority to repurchase shares			
Special resolution number two Payment to non-executive directors			
Special resolution number three Financial assistance			

*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) 2011

Member's signature

Assisted by (if applicable)

Please read the notes on the reverse side

notes to the

form of 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 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 initialed by the signatory (ies).

10. The completion and lodging of this form of proxy will not preclude the relevant member for 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 09:00 on Friday, 29 June 2012.

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
Cedarwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196

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

Postal address
Private Bag X33
Craighall
2024

Transfer secretaries
Computershare Investor Services

Business address
70 Marshall Street
Johannesburg
2001

Postal address
PO Box 61051
Marshalltown
2107

Bankers
First National Bank

Auditors
PricewaterhouseCoopers Inc.

Sponsors
Grindrod Bank Limited

Secretary
WJ Lategan

shareholders' diary

Annual general meeting	29 June 2012
Interim report	November 2012
Financial year-end	February 2013
Year end results	May 2012