integrated annual report 2013

CALGRO M3
HOLDINGS
www.calgrom3.com

CALGRO M3
HOLDINGS

Contents

sappi triple green This integrated annual report is printed on environmentally friendly paper

Administration

General information

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

Published
7 May 2013

Transfer Secretaries
Computershare Investor Services

Bankers
First National Bank

Auditors
PricewaterhouseCoopers Inc.

Sponsors
Grindrod Bank Limited

Secretary
W Williams

Directors

PF Radebe	Non-Executive
RB Patmore	Independent Non-Executive
BP Malherbe	Executive
WJ Lategan	Executive
FJ Steyn	Executive
DN Steyn	Executive
JB Gibbon	Independent Non-Executive
ME Gama	Independent Non-Executive
H Ntene	Non-Executive

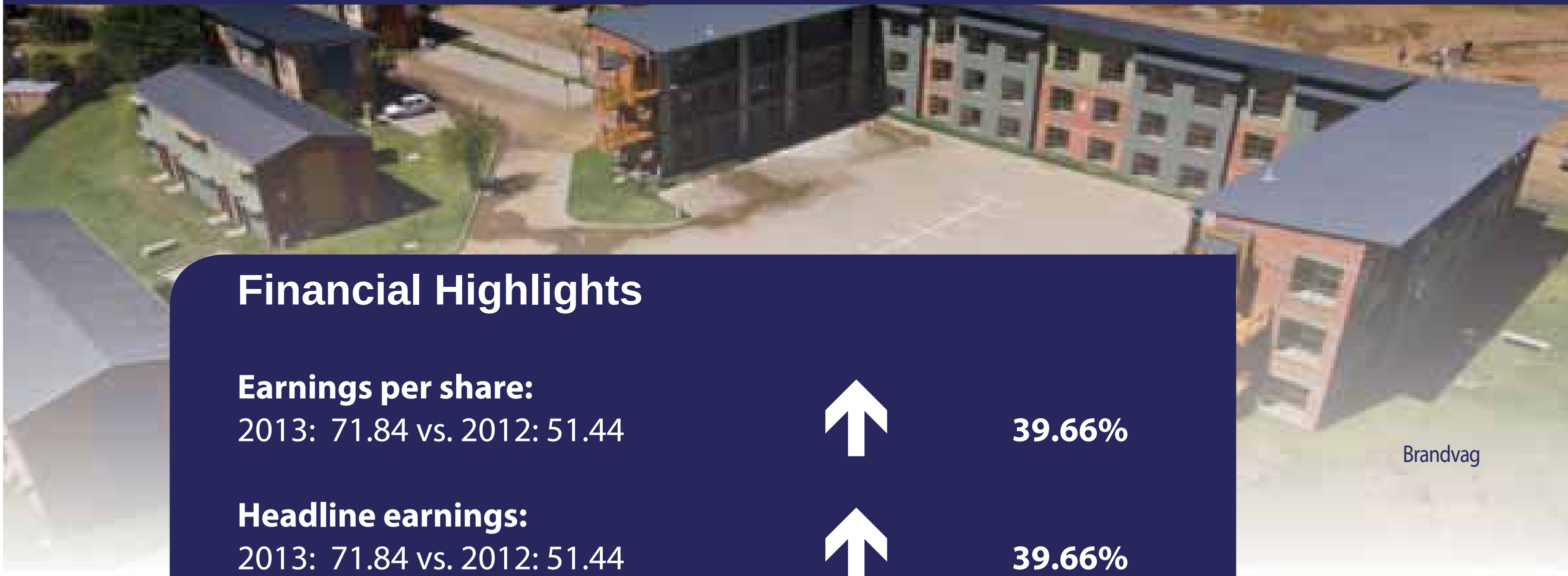
Preparer
The financial statements were internally compiled by WA Joubert CA (SA) under the supervision of WJ Lategan CA (SA).

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

Shareholders' Diary

Financial year-end	28 February 2013
Interim report	November 2013
Year-end results	May 2013
Annual general meeting	Tuesday 25 June 2013

Performance Highlights



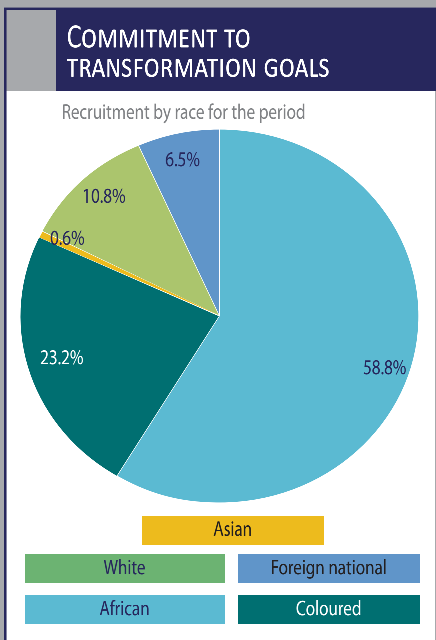
Financial Highlights

Earnings per share: 2013: 71.84 vs. 2012: 51.44	↑	**39.66%**
Headline earnings: 2013: 71.84 vs. 2012: 51.44	↑	**39.66%**
Profit before tax: 2013: R117.2 vs. 2012: R77.9	↑	**50.44%**

Non-Financial Highlights

Occupational Health & Safety
Accidents: Fatalities - Zero
Serious injuries - Zero
Accidents down: 2013 - 2 vs 2012 - 5

Transformation
New recruits in line with transformation agenda



Green homes*
Number of energy conserving homes built: 2013 - 300 vs 2012 - 0

Social investment
Corporate Social Investment (CSI) spend: 2013 - R1.5 million vs 2012 - R920 600

Development and empowerment
Numbers of subcontractors through business development/mentoring programme: 2013 - 107 vs 2012 - 15

5 000 jobs created

** 'Green' defined as including: LED lighting, solar powered geysers, gas appliances, fully insulated ceilings, aerated shower heads, grey water recycling, rain water harvesting and/or recycling systems*

CALGRO M3 HOLDINGS

Introduction

Introduction
We are pleased to publish the second Calgro M3 Holdings integrated annual report, compiled and presented in line with the requirements of the King Code and Report on Governance for South Africa ('King III').

Calgro M3 Holdings – Who we are
Calgro M3 Holdings ('Calgro M3') is a South African based black-empowered residential developer, with a successful track record of more than 17 years in residential property and community developments.

Calgro Homes, the brainchild of Derek, joined by brothers Deon and Douw all quantity surveyors, filled a prominent gap in the affordable housing market. Their fighting spirit and honest and energetic approach is what brought the Steyn brothers their success. They formed Calgro Homes in 1995 and focused on project management in low cost housing. By 1996 Calgro Homes had 60 houses under construction plus another 120 in various stages of the development process.

In 2001 the Malherbe brothers Ben Pierre and Brand (M3 Developments), both quantity surveyors, joined forces with the Steyn brothers whilst tendering on a residential development on the East Rand, Clearwater Estates, and Calgro M3 Developments was born.

Calgro M3 Developments completed the first 1 000 houses by 2002. The company diversified into the mid to high income residential market and successfully launched and developed the first of many cluster type of developments, Firenza, in Randpark Ridge.

On 16 November 2007 Calgro M3 was listed on the Alt^{X} board of the JSE and embarked on its venture of developing its first integrated residential project, Pennyville Ext 1, consisting of 2 800 units comprising of RDP "give away" units, social housing, subsidised rental units and open market rental units.

2009 saw Calgro M3 breaking ground on the R2.65 billion Fleurhof Integrated project, consisting of 9 600 units.

In 2010 Calgro M3 completed the Pennyville project and commenced development on the R1.3 billion Jabulani project, which will ultimately deliver in excess of 6 000 units.

In April 2011 the company broke ground on the Brandwag social housing project in Bloemfontein, the first project outside Gauteng, consisting of 1 050 units. In November of the same year, Calgro M3 officially opened offices in the Western Cape and broke ground on the R585 million Scottsdene integrated project comprising 2 895 units.

2012 saw Calgro M3 list on the JSE Main Board.

About this report
Throughout this report, unless otherwise noted, 'Calgro M3', the 'company' and the 'group' refers to Calgro M3 Holdings.

Fleurhof Créche

Regular and continued communication and engagement with our various stakeholders enabled us to ascertain their most pressing information requirements. We aim to provide to all of our stakeholders, a balanced, clear and transparent understanding of our business and of how we sustainably create value. Our hope is that this report addresses their interests and key areas of concern, and that it serves to strengthen our current and future relationships with all of the stakeholders who play an important part in seeing Calgro M3 succeed into the future. Stakeholders are invited to actively participate by sending their questions, comments and concerns to: info@calgrom3.com.

Calgro M3 sees the value in being transparent about the sustainability of the organisational activities as this is in the interests of a diverse range of investors, stakeholders and the general public. For that reason we ensure that

Group Structure

- **CALGRO M3 HOLDINGS LIMITED 2005/027663/06**
  - Calgro M3 Developments (Pty) Ltd 1996/017246/07
    - CM3 Randpark Ridge Ext 120 (Pty) Ltd 2005/018284/07
    - MS5 Project (Pty) Ltd 2004/01469/07
    - MS5 Pennyville (Pty) Ltd 2005/024397/07
      - PZR Pennyville Zamimphilo Relocation (Pty) Ltd 2005/027240/07
    - Calgro M3 Rectification Company (Pty) Ltd 2012/157763/07
  - Calgro M3 Land (Pty) Ltd 2005/027072/07
    - Hightrade-Invest 60 (Pty) Ltd 2005/027489/07
    - Business Venture Investments No 1221 (Pty) Ltd 2007/023449/07
    - Tres Jolie Ext 24 (Pty) Ltd 2007/019498/07
    - CM3 Witkoppen Ext 131 (Pty) Ltd 2005/017717/07
    - Business Venture Investments No 1244 (Pty) Ltd 2007/025990/07
    - Ridgewood Estate (Pty) Ltd 2007/018365/07
    - Belhar Calgro M3 Development Company (Pty) Ltd 2007/0355790/7
    - Sabre Homes Project (Pty) Ltd 2002/004007/07 (JV) - JUKSKEI VIEW
    - Aquarella Investments 265 (Pty) Ltd 2005/035305/07 (JV) - JABULANI
    - Clidet No 1014 (Pty) Ltd 2009/021563/07 (JV) - Summerset
    - Fleurhof Ext 2 (Pty) Ltd 2005/027248/07 (JV)
    - Witpoortjie Calgro M3 Development Company (Pty) Ltd 2012/126989/07 (JV)
  - Calgro M3 Project Management (Pty) Ltd 2007/030313/07
    - CTE Consulting (Pty) Ltd 2007/030310/07

Jukskei View

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.

Materiality (material issues) for the period has been derived by filtering input from on-going stakeholder engagement (Ref page 24) as well as the key strategic risks and issues (Ref page 20) pertaining to the sustained success of Calgro M3, as determined by the board and its various board committees (audit and risk, remuneration and nominations, as well as social and ethics committees).

Our reporting is prepared in line with the GRI G3.1 Sustainability Reporting Guidelines, where possible, including the Construction and Real Estate Sector Supplement.

The GRI guidelines encourage companies to report on practices and performance that relate to sustainability in a manner that is clear and open and uses a globally shared framework of indicators. In this report, we aim to report in line with a C Application Level.

The GRI index is on page 141, to assist the reader in locating information relating to the GRI indicators. The principles of the United Nations Global Compact ('UNGC'), of which Calgro M3 Land is a signatory can be found on page 22.

Scope, Boundary and Assurance

This report covers the strategic objectives, financial performance, operational highlights and sustainability endeavours of Calgro M3 Holdings and its subsidiaries.

The scope of reporting on sustainability issues and performance is specific to Calgro M3 only and does not refer to any subcontractor or joint venture or partnership, unless specifically stated.

This report covers the period of the Calgro M3 financial year ended 28 February 2013.

Calgro M3 has acted in good faith and has made every reasonable effort to ensure the accuracy and completeness of the information contained in this report, including all information that may be defined as 'forward-looking statements'.

Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the group or its sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements.

Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the group's present and future business strategies and the environments in which it operates now and in the future. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

Calgro M3 does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage whatsoever and howsoever arising as a result of the reliance by any party thereon.

The integrated annual report in its entirety is found in electronic form our website at: www.calgrom3.com

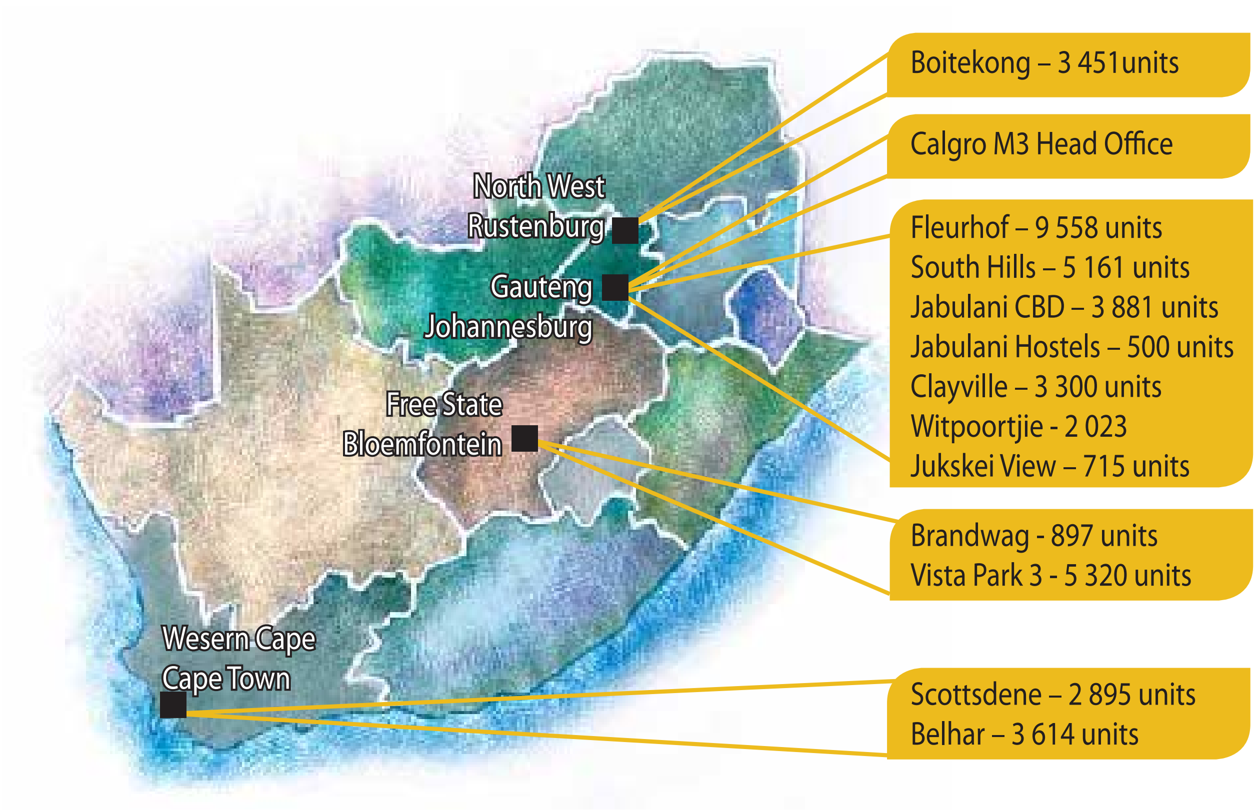
The integrity of the integrated annual report was overseen by the board in conjunction with the audit committee. This was achieved by setting up appropriate teams, structures and processes to undertake the integrated reporting process and then performing a thorough review of the resulting document.

A combined assurance approach is in the process of being refined and improved, using both internal and external assurance and audit functions.

External assurance for the current year is limited to the audit opinion on the financial statements only.

Calgro M3 Integrated Annual Reporting approach and the Global Reporting Initiative
Calgro M3 Holdings is a registered Organisational Stakeholder of the Global Reporting Initiative (GRI), which works towards a sustainable global economy by providing organisational reporting guidelines.

Geographic Footprint



MISSION

Calgro M3 is committed to:

- Superior building quality and highest service standards;
- Exceptional, sustainable returns to our shareholders;
- Broad Based Black Economic Empowerment;
- Creating employment opportunities and rewarding personnel; and
- Developing mutually beneficial relationships with all our stakeholders.

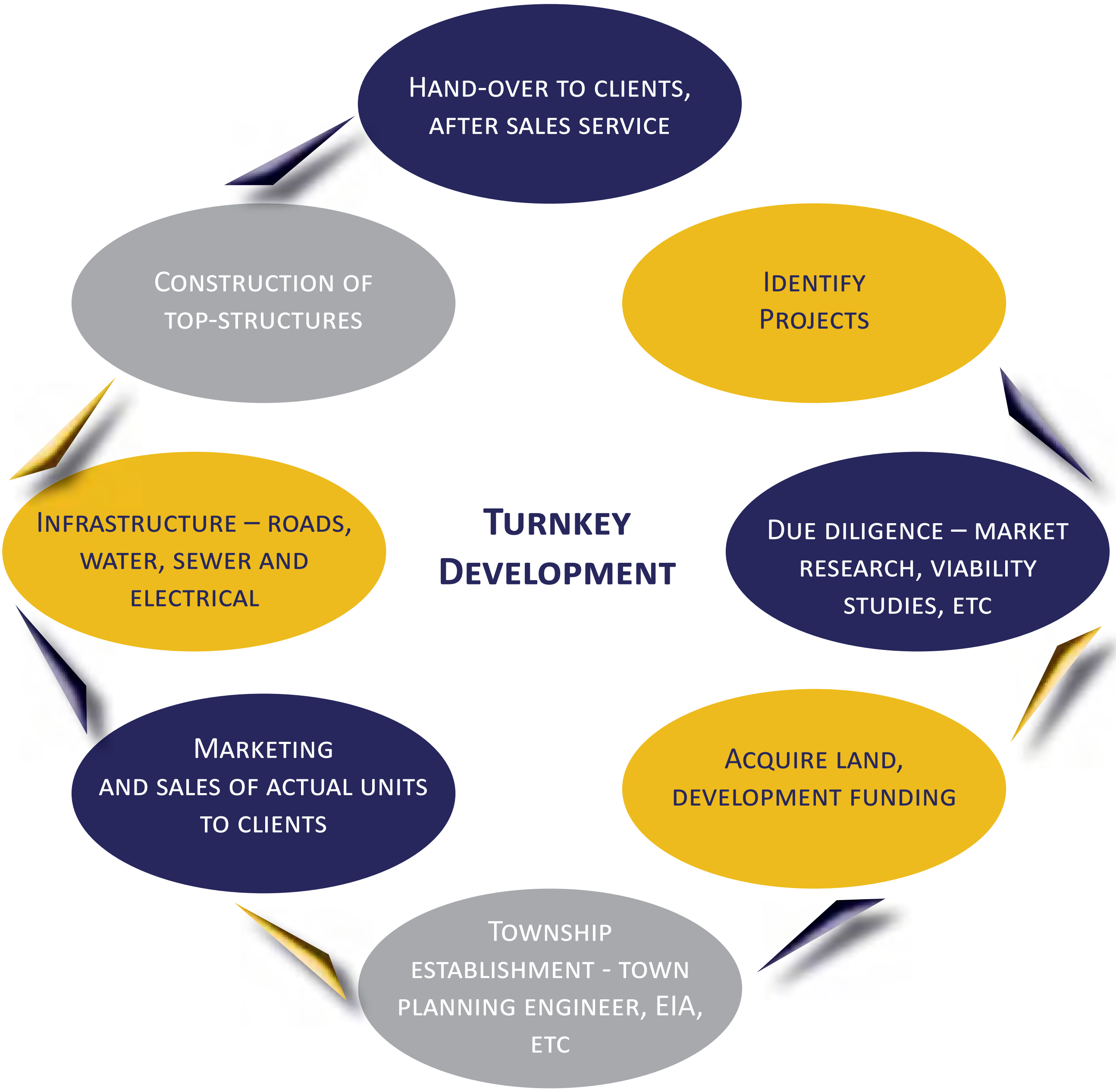
Fleurhof

VISION

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

Business Model

Fleurhof Park



Overview - Products and Market Definition

Currently 5% exposure (20% maximum)

R800 000 up to R1 800 000+

Mid - High income housing

Up to R550 000

Affordable (bonded) housing, CRU and rental housing

Currently 95% exposure (80% minimum)

Up to R300 000

FLISP, social and gap housing

Subsidy of the day

BNG – subsidised housing

Integrated Development

Full title and sectional developments

CALGRO M3 HOLDINGS

Calgro M3 Projects

Scottsdene

- COCT tender awarded to CM3
- Public Private Partnership
- Situated on the northern outskirts of Cape Town in the Kraaifontein area
- Fully Integrated Housing Development
- Infrastructure project with the upgrade off all major engineering services including the Kraaifontein/ Wallacedene Attenuation dam
- Based on government's BNG principles
- Combing social & economic opportunities within same environment
- RDP, Social, CRU and Bonded housing
- 2 885 residential units
- Progress:
  - Fully serviced electricity, water, sewer, storm water & roads
  - 555 units under construction
  - 565 units to start with construction in first half of 2013

La Vie Nouvelle

- Retirement Estate
- Adjacent to Dainfern within affluent Broadacres neighbourhood
- Sectional title development
- 401 units
  - 131 2 & 3 beds freestanding units
  - 219 1 & 2 beds apartment units
  - 51 assisted living units
- Includes a 31 bed frail care facility, wound clinic and sub-acute medical services
- Rain water harvesting
- Gas reticulation (renewable energy)
- Fibre optic network
- Progress:
  - Town planning application approved
  - Environmental authorisation received
  - Boundary wall constructed
  - Gatehouse constructed
  - Phase 1 fully serviced (water, sewer, storm water, roads & electricity)
  - Wetland fully rehabilitated

Jukskei View

- Located on Allandale Road close to Midrand Gautrain station
- 5km from N1 highway
- 716 full title leasehold bonded units
- Upper end affordable housing market
- Fully secure estate with access control
- Progress:
  Phase 1 & 2 fully serviced (water, sewer, storm water, roads & electricity)
  - All units sold
  - 95% of houses under construction or completed and transferred

Jabulani CBD

- Jabulani CBD redevelopment project tender awarded to Inkanyeli Projects
- JV between Inkanyeli Project, CM3 and I.H.S. to develop residential component
- Situated in Jabulani, next to the Jabulani Mall and Soweto theatre
- COJ Rea Vaya Bus Rapid Transport System to link Jabulani CBD with Joburg CBD
- 3 881 high rise residential units
- Progress:
  Phase 1 & 2 (1 581 units) fully serviced electricity, water, sewer, storm water & roads
  - 460 units completed
  - 746 units under construction

Fleurhof

- Public Private Partnership
- Integrating Florida and Meadowlands (Soweto)
- Located on Main Reef Road
- 13km from Joburg CBD
- Fully Integrated Housing Development
- Based on government's BNG principles
- Combing social & economic opportunities within same environment
- RDP, Social, Rental and Bonded housing
- 9 558 units
- 60% of development will be Public Open Space (Park)
- Progress:
  6 Phases
  Phase 1 (1 941 units)
  - Fully serviced (water, sewer, storm water, roads & electricity)
  - 1 371 units constructed/transferred
  - 232 units under construction

  Phase 2 (1781 units)
  - 699 units fully serviced (water, sewer, storm water, roads & electricity)
  - 681 units serviced with water, sewer, storm water & roads
  - Electrical services for 681 units in progress
  - Helpmekaar Bridge constructed linking phase 1 & 2
  - 846 units under construction

  Phase 3 & 4 (2 164 units)
  - services for all 2 164 units for water, sewer, storm water & roads already started and will be completed in phases by Dec 2013
  - electrical services to start in July 2013

South Hills

- COJ tender awarded to Standard Bank
- CM3 appointed as turn-key developer
- Public Private Partnership
- 6km from Joburg CBD
- 2km from R59 and N12 highway
- Fully Integrated Housing Development
- Based on government's BNG principles
- Combing social & economic opportunities within same environment
- RDP, Social and Bonded housing
- 5 161 units
- 60% of development will be Public Open Space (Park)
- Progress:
  - Town Planning application submitted
  - Environmental authorisation application submitted

Boitekong Extension 16

- Mayoral Project
- 3km from Rustenburg CBD
- Close to Boitekong Shopping Centre
- Rustenburg Rapid Transit Bus System to be implemented soon and will provide access to CBD
- Fully Integrated Housing Development
- Based on government's BNG principles
- Combing social & economic opportunities within same environment
- RDP, Social, CRU and Bonded housing
- 3 451 units
- Progress:
  - Town Planning application submitted
  - Environmental authorisation received

Belhar CBD

- COCT tender awarded to Belhar CBD (Pty) Ltd
- Public Private Partnership
- Situated on Symphony Way south east of the University of the Western Cape and south of the Cape Peninsula University of Technology.
- Fully Integrated Housing Development
- Based on government's BNG principles
- Combing social & economic opportunities within same environment
- Social, rental and Bonded housing
- 3 614 high density residential units
- Progress:
  Phase 1
  - serviced water, sewer, storm water & roads
  - Site development plan approved.
  - 629 units to start with construction in first half of 2013

  Phase 2
  - Environmental application submitted
  - Rezoning & Subdivision application submitted
  - Bulk infrastructure design in progress

Directorate

Pumla Fundiswa Radebe (57)**

BA

Chairperson

In addition to a BA degree in Social Sciences, Pumla holds a certificate in Municipal Management from the University of Johannesburg. She is currently a 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, chairperson of the Universal Services and Access Agency of South Africa and chairperson of the Independent Development Trust. She has more than 20 years experience at local and regional government level. Pumla was appointed as non-executive chairman to the Calgro M3 board in June 2007.

Ben Pierre Malherbe (47)

BSc (QS), MBA

Chief Executive Officer

Ben Pierre obtained a BSc (Quantity Surveying) from the University of the Free State and went on to obtain an honours degree in business administration and an MBA from the Stellenbosch School of Business. In 2001, together with his brother, Brand and the Steyn brothers they formed Calgro M3. In 2005 Ben Pierre was appointed as a director of Calgro M3. He was appointed COO of Calgro M3 in 2007 and appointed CEO in January 2009.

Mduduzi (Mdu) Edward Gama (44)^**

PhD (Finance)

Non-executive Director

Mdu holds a PhD (Finance) and various management qualifications from SA, US and UK universities. Mdu is CEO of Resultant Finance (Proprietary) Limited, a non-executive director of Comztek (Proprietary) Limited and Mustek Limited. He is a founder, director and significant shareholder of various companies. Mdu was appointed to the board of Calgro M3 on 10 January 2012.

John Braidwood Gibbon (72)^ **

CA(SA)

Non-executive Director

John is a chartered accountant by profession and a retired partner of PricewaterhouseCoopers. A past president of the Port Elizabeth Chamber of Commerce, 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. John was appointed as a non-executive director to the board of Calgro M3 on 1 November 2008.

Willem Jakobus (Wikus) Lategan 32

CA(SA)

Financial Director

Formerly Audit Manager at ARC, Wikus joined Calgro M3 as Financial Director in August 2008. He has considerable experience in group structures to ensure operation, tax and compliance optimisation, control, reviews and reports, VAT and PAYE audits and the technical treatment of public companies' financial statements, corporate governance and SENS reports.

Hatla Ntene (58)**

BSc (QS)

Currently an executive of Mvua Property Partners, Hatla obtained his BSc (Quantity Surveying) from the University of Dublin. He became the empowerment partner of Farrow Laing Ntene in 2006, where he served for five years. He was also the property executive manager of Propnet (Transnet's property division) for three years. He was appointed as a non-executive director to the board of Calgro M3 in 2007.

Ralph Bruce Patmore (61)^**

BCom, MBL (SBL)

Non-executive Director, Lead Independent Director

Ralph brings a valuable 10 years of building materials distribution experience from his former position as CEO of Iliad. He also has a wealth of industrial manufacturing experience from his time as a director of Everite and later as a director of Group Five. He has held several other directorships, including those in subsidiaries within the Unihold and Malbak groups, prior to his appointment as CEO of Iliad. Ralph is a non-executive director of Sentula Mining Limited, ARB Holdings LImited and Mustek Limited. Ralph was appointed as non-executive director to the Calgro M3 board on 18 January 2011.

Deon Noel 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. After four years at Farrow Laing & Partners he started CALC Quantity surveyors and specialised in the development of medical centres and project management in the affordable housing market sector. Together with his brother Derek, he founded Calgro Homes in 1995. He was appointed COO to Calgro M3 in December 2009.

Frederik (Derek) Johannes Steyn (50)

BSc (QS)

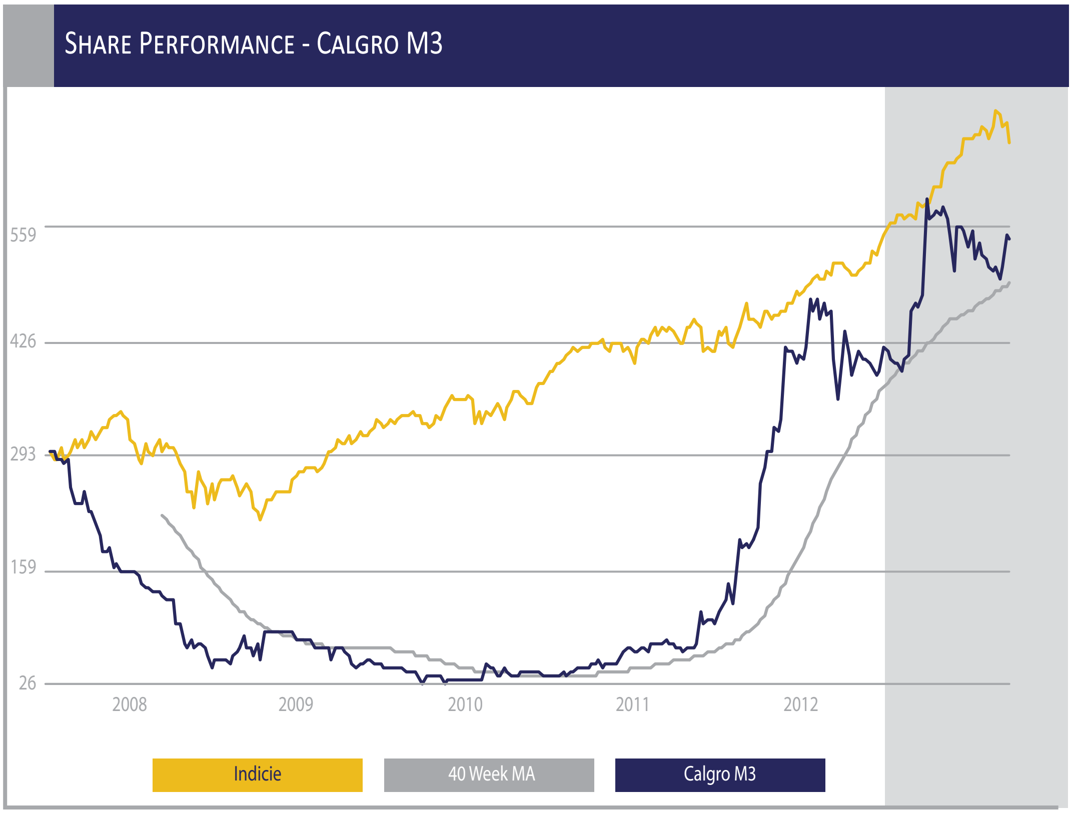
Business Development Director

Derek obtained his BSc (Quantity Surveying) from the University of the Orange Free State. After five years at Eskom, he became project manager for Safrich, specialising in the affordable housing market sector. He joined his brothers to form Calgro Homes in 1995. Derek is a specialist in land acquisitions and is responsible for the group's marketing. He was appointed to the Calgro M3 board on 5 August 2005.

^ Audit and risk committee

** Remuneration committee

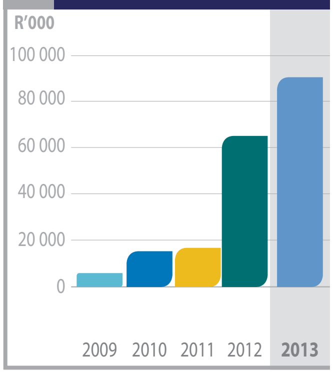
Share Performance



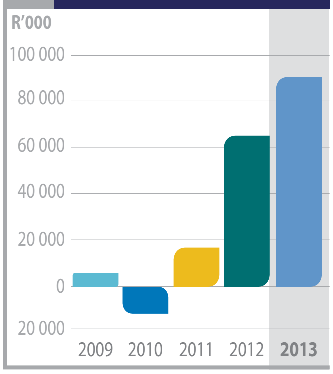
Five Year Financial Review

Rands	2013	2012	2011	2010	2009
GROUP INCOME STATEMENT					
Revenue	**798 394 052**	514 913 160	281 849 367	188 725 584	233 054 190
Gross profit	**147 958 530**	79 514 647	35 024 294	27 667 276	50 849 201
Gross profit %	**18.53**	15.44	12.43	14.66	21.82
Operating profit	**89 373 753**	43 218 758	(370 832)	17 203 237	8 392 101
Profit before tax	**117 240 277**	77 935 723	15 310 618	16 199 783	7 886 397
Basic earnings per share	**71.84**	51.44	13.34	12.19	4.74
Headline earnings per share	**71.84**	51.44	13.48	(7.64)	16.32
Net asset value per share	**257.56**	185.72	134.28	120.94	108.76
Tangible net asset value per share	**231.86**	159.82	108.57	95.18	82.74
GROUP BALANCE SHEET					
Inventories	**264 579 692**	249 305 202	234 945 651	266 392 715	260 115 196
Construction contracts	**139 250 724**	85 459 296	40 646 024	32 217 439	64 389 035
Net cash position	**198 342 958**	103 690 964	10 913 020	(11 202 838)	14 751 364
Retained income	**231 335 823**	140 032 285	74 652 237	57 696 796	42 208 687
Borrowings	**299 889 542**	225 111 270	154 261 721	164 029 568	187 307 050
Trade and other payables	**153 155 913**	113 541 488	44 329 083	39 862 596	64 779 323
GROUP CASH FLOWS					
Cash generated from operations	**49 486 223**	69 829 415	68 474 479	(140 184)	68 474 479
Tax paid	**(16 553 902)**	(11 634 136)	(11 764 586)	(557 317)	(217 696)
Net cash from operating activities	**12 585 354**	39 276 482	24 266 155	958 979	68 239 760
Net cash from investing activities	**8 268 506**	(16 243 150)	9 137 120	(4 128 137)	(30 666 214)
Net cash from financing activities	**73 798 134**	69 744 612	(11 287 417)	(22 785 044)	(20 625 560)
Net increase/(decrease) in cash and cash equivalents	**94 651 994**	92 777 944	22 115 858	(25 954 202)	16 947 986
Cash and cash equivalents at the beginning of the year	**103 690 964**	10 913 020	(11 202 838)	14 751 364	(2 196 622)
Cash and cash equivalents and bank overdraft	**198 342 958**	103 690 964	10 913 020	(11 202 838)	14 751 364
FINANCIAL RATIOS					
Return on average shareholders' funds (%)	**32.44**	31.00	10.45	9.59	1.11
Return on net assets (%)	**44.45**	26.83	9.93	10.08	2.76
Return on net tangible assets (%)	**31.00**	31.25	12.29	12.81	5.73
Current ratio	**1.44**	1.41	1.49	1.44	1.74
Market capitalisation at year-end – Ordinary shares (Rands)	**653 294 000**	546 530 000	82 615 000	48 298 000	97 867 000

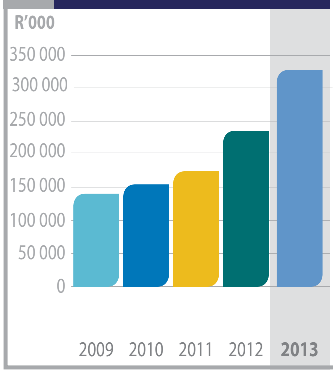
Earnings



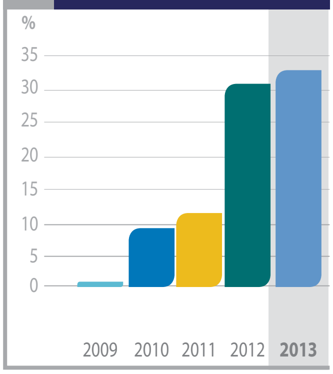
Headline Earnings



Net Asset Value



Return on average shareholders' funds



As chairperson of Calgro M3 for the last six years, I am delighted to have been both witness to and part of its continued journey onwards and upwards.

It is my pleasure to introduce this year's report, reflecting yet again, a company which has achieved continued success in a challenging macro-economic environment and in the face of a global financial crisis.

Delivering on a strategy which works, due to careful planning, a robust integrated model, consistent risk monitoring and unwavering commitment to our goals by all of our employees, we have managed to post positive results and land quality projects.

Our collaborations with provincial and local government, financial institutions and BEE partnerships are integral to our ability to operate successfully and sustainably. The strength of these public-private partnerships lays the foundation for not only the future of this company and the accompanying wealth to its shareholders, but also for the future of South African talent whose homes and clinics, schools and playgrounds are being built as I write this. It is this model which builds the future for all and we are excited to be leading the way.

During the period, the Fleurhof Integrated Human Settlement Development in Florida, Gauteng, one of South Africa's top integrated housing developments, has been recognised as a prime example of the positive social impact that successful collaboration between private and public partners can make, while simultaneously attracting the attention of the international investment community. The successes of this and our other projects will undoubtedly continue to attract further attention from global institutional investors seeking a well-positioned niche market, offering strong returns at lower risk, with a positive track record of past successes.

Our Jabulani Hostels project is yet another milestone en route to becoming the public sector's preferred partner in the 'Breaking New Ground' (BNG) policy on integrated housing developments.

The posting of our positive financial results, subsequent to the listing of Calgro M3 Holdings on the Johannesburg Stock Exchange, has astounded the investor community and media alike, but has also posed the challenge for us, of not being tempted to grow too quickly. Our strategy has stood us in good stead, to consistently remain on course with constant rather than peak and trough revenue flow and to grow long-term confidence and credibility as we have done in the past.

The board members' commitment to sound corporate governance and integrated sustainability, in both its operating models as well as its reporting approaches is now finding its foothold in this year's integrated annual report. We are pleased to report that Calgro M3 Land is now a signatory of the UN Global Compact. We anticipate further development and growth to come from embarking on this journey and, along with our stakeholders, look forward to learning as we go.

I acknowledge and appreciate the tireless efforts of each board member and employee of Calgro M3 towards the ultimate success of the company. Their work is reflected not only in the financial results, but in the quality output and projects for which we are building a positive international reputation.

Appreciation goes also to our suppliers, clients, business and industry partners, advisors, government and community forum members and shareholders for their continued support and partnership.

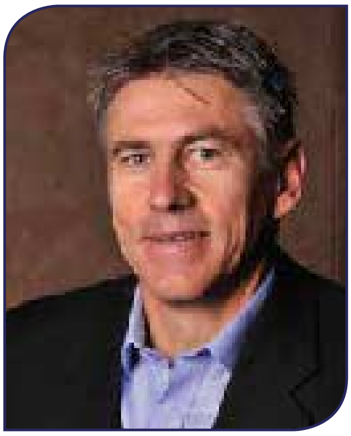
PF Radebe
Chairperson

7 May 2013

Calgro M3 Holdings is a turnkey integrated residential developer, that develops land, installs services, constructs top structure homes, and hands over the final product to the clients. Our impact however, goes way beyond that.

Fleurhof

Chief Executive's Report



Introduction and strategic overview

I can state with confidence that the group is well underway to converting the pipeline of projects into construction projects, as witnessed in this set of results. The company is committed during this expansionary phase, to ensure controlled growth and the controlled increase in overheads. The focus will remain on stabilising operations and building capacity to ensuring effective implementation of pipeline projects before venturing into new provinces. The group will continue to closely monitor and maintain a healthy cash balance while balancing exposure between financial institutions.

The group will not deviate from its stated strategy to become the residential developer of choice for government, financial institutions and funding partners, equity and debt alike, and will concentrate its efforts on sustainably delivering quality integrated developments while re-entering the mid to high segment of the market, with the launch of the La Vie Nouvelle retirement project in Gauteng.

We are confident that our focus on key strategic areas will sustainably keep us in business for years to come.

By remaining agile and adaptable where possible and by sticking to our strategy which has proven itself, we are confident that Calgro M3 will stand the test of time. We commit to research, development and implementation of alternative energy sources and to engage in initiatives to conserve natural non-renewable and scarce resources where possible. Remaining competitive in all we do is part of our culture, as is building solid relationships with all our stakeholders.

In this reporting period, we focused on the improvement of our stakeholder engagements. As the concept of sustainability becomes entrenched to the wider group, management is focusing on a more formalised stakeholder identification and engagement process, to ensure continuity, trust building and ease of follow-up and reporting. We have learned some lessons over the period and acknowledged that operating in new and challenging environments is something we need to continuously work at.

The group was able to maintain its growth in line with the three year strategy set during 2011. Cash generated from operations and from structured debt-raising, enabled the group to fast track the implementation of projects.

With the Fleurhof integrated development now functioning as a community rather than merely a construction project, the principle of integrated developments is now firmly established and demonstrating benefits to role-players in the market segment. We are proud of the results thus far and of the accolades Fleurhof has been receiving.

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 in excess of R10 billion from the reported pipeline of R8 billion a year ago. Risk was contained throughout and resources grown and effectively managed. Continued focus on delivery of construction projects in Gauteng, Free State and the Western Cape was complemented by the award of a project in the North West Province in line with the group's strategy of increasing its exposure in the province.

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

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

- the awarding of the Boitekong project in the North West Province in line with the strategic thrust to obtain a footprint in the province thereby benefiting from the new Mining Charter becoming effective 2014;
- the awarding of the Vista View project in the Free State, increasing the group's footprint in the province;
- creating in excess of 5 000 job opportunities in line with government's drive for job creation;
- reporting zero fatalities and zero serious injuries in the work place;
- construction of the first top structures commenced in the Western Cape;

The new Mining Charter, coming into effect during 2014, will provide further opportunities for growth and will extend the solid pipeline of projects to include new developments in the North West Province.

- the handover of the first fully subsidised units in the Fleurhof project;
- completion of the first phase of the Jabulani Hostel re-development project;
- receiving environmental approval to proceed with the South Hills project;
- transferring the first sectional title units and handing over to end-users and body corporates in the Jabulani project;
- installing infrastructure on the La Vie Nouvelle retirement village project to enable the group to launch in the new financial year; and
- nearing completion of the Jukskei View project by selling out all units.

"We have been in association with Calgro M3 for the past 4 years. From only 3 trucks and 5 staff in 2009, we now have 15 trucks and 22 staff due to the fact that Calgro M3 pay us on time every month. We would like to thank Calgro M3 for our growth and wish them to grow further so we can have a long working relationship with them."

MANAGING DIRECTOR/SUB-CONTRACTOR

Operational review

In line with the National Development Plan, government's 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. With the public and private sector both actively involved in the provision of housing, the group was able to partner both sector role-players and refine the integrated model by optimising the product offering to the benefit of the communities residing in the projects.

Through the policy of utilising local labour and skills training on site, the group was able to create in excess of 5 000 direct new job opportunities in a sustainable way as the average duration of these projects exceeds a three year construction period. The effect of job creation is multiplied when one takes into account the number of indirect jobs which were created as a knock-on effect in the manufacturing of building materials, which in turn led to the creation of numerous additional job opportunities downstream.

In a macro-economic environment which is constantly challenged with plentiful examples of unemployment and of skills shortages, it is always satisfying when success stories come to light, such as the appointment of an individual residing in one of the projects to the planning department at head office. This is one of many examples which demonstrate Calgro M3's drive to empower and uplift people in our communities and to give opportunities to those who have the foresight to take advantage of them. As is the case on many of our developments local subcontractors, establishing themselves in business, are re-deployed on other projects and have the opportunity to grow their business and diversify into other service offerings. This was the case with a previously disadvantaged contractor, who started as a carpenter on our Jabulani Hostel re-development project and is currently the biggest roofing contractor employed by the group. Similarly, a contractor removing rubble from site resulted in his operation owning a fleet of trucks and is still employed by the group.

Jukskie View

During the period the group was again able to spread its risk on its integrated projects by diversifying exposure in Gauteng, Free State and the Western Cape, through securing a project in the North West Province.

The year was however, not without challenges. Comments in the previous integrated report that "the group's venture into the Western Cape was not as trying as expected" turned out to be premature. Labour unrest in the province made it difficult to operate at full capacity during the construction of top structures phase of the project, affecting both revenue and profitability. Although labour action and transport strikes now form part of the South African trading environment and should arguably be planned for and mitigated where possible, the violent nature of intimidation on these strikes caused the project to be delayed beyond expectations. Working in a labour intensive environment, planning for the years ahead will inevitably have to allow for these eventualities. Although the majority of labour is appointed on a sub-contractor basis, the growth in staff complement together with increased numbers in labour employed by sub-contractors, brought to the foreground collective bargaining agreements and the potential challenge for us in effectively managing these interactions. We are confident that our continued commitment to building solid relationships and regularly engaging these stakeholders will result in improved communications and outcomes for the company, the labour force and the bodies which represent them.

On the back of construction capacity, build-up during the last few years and the success experienced with regard to construction quality, the group continued to make use of in-house capacity in order to ensure quality is maintained at the highest level. The group will look at making use of external contractors only to complement capacity if and when needed.

The success of our integrated approach to developments was demonstrated on the Fleurhof project when the demand created before the completion of the first phase of units, spurred on the marketing efforts to the extent that the installation of services in the third phase had to commence in order to provide us with more serviced stands. The pace of installing services was again this year dictated by the ability to raise development finance rather than by market demand. Cash raised to fast track delivery resulted in the group setting itself up to reach the set targets with regard to delivery.

The group further commenced the installation of services on the La Vie Nouvelle project to be launched in the new financial year. The company will continue to "landbank" the balance of properties while attempting to reduce exposure to financial institutions and monitor the recovery of the market.

On the environmental front, although the South Hills project was delayed as a result of a red data species found on the site, environmental approval was secured to proceed on the project. All measures will be taken to protect and ultimately relocate the plant to a more suitable place. The group continues to observe a healthy respect for the environment and endeavours to leave the areas in which we develop, greened and improved on project completion. We continually investigate and will report on new opportunities for conservation and improved usage of resources as we grow and learn with each new development.

From an occupational health and safety perspective I am delighted to report that, although the number of employees and subcontractors on the construction sites again increased dramatically during the period, the group was again not only fatality free, but also free of any serious injuries in the work place, reflecting our on-going and absolute commitment to ensuring the group maintains its target of zero harm.

Board of directors

Rob Wesselo resigned from the board during May 2012, due to a conflict of interest. The group was able to retain the services of all other executive and non-executive directors. In order to comply with the requirements of the new Companies Act and King III, the role of financial director and company secretary was split post year-end. Wayne Williams was appointed as company secretary effective 1 April 2013.

Prospects

The budgets for infrastructure spend announced by the Minister of Finance, Minister Pravin Gordhan and his predecessor Minister Trevor Manuel, created the availability of bulk services over the last few years and placed municipalities in a position to provide much needed services to communities and deliver on the provision of housing. The secured pipeline of integrated development projects will allow Calgro M3, in line with our evolving public-private partnership policy, to assist government in its endeavours to eradicate the housing shortage.

The group recognises the immense opportunities in other provinces but will ensure controlled growth, by venturing into new provinces only when we are certain that operations in the provinces in which we currently do business, are fully operational and self-sustaining. As a strategic thrust it was decided that the first venture will be into the North West Province to enable the group to benefit from the new Mining Charter coming into effect 2014. As a group we see huge opportunity in the provision of quality housing for the Integrated and GAP market segments in this and other provinces. We are learning every year and will strive to improve the quality of lives of those who reside in our developments.

The Finance Linked Individual Subsidy Programme (FLISP) revised during the year, opened a new market segment, previously untapped, and the group constructed a pilot project to test market acceptance. The response confirmed that the demand for the units is even greater than anticipated and the subsidies allocated to projects will be utilised during the next financial years, adding to revenue and contributing towards fast-tracking the implementation of the project pipeline.

Statements contained in this integrated report regarding the prospects of the group have not been reviewed or reported on by the company's auditors.

Appreciation

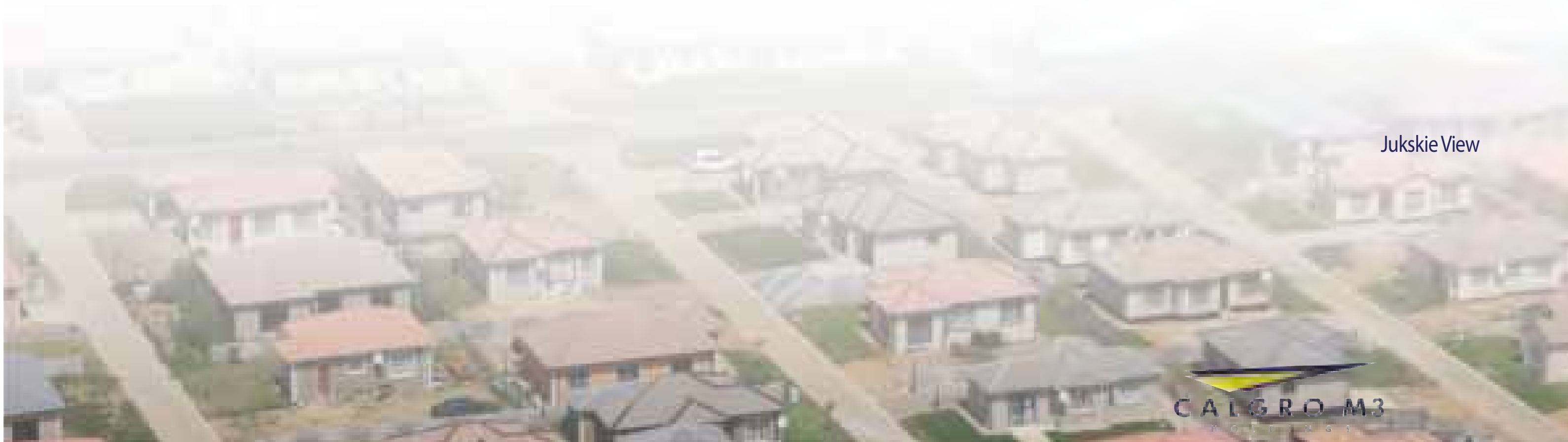
The sustained growth experienced in the year under review would not have been possible without the support and dedication of our loyal staff, senior management and executive team. I would like to thank every Calgro M3 employee, whose continuous commitment and enthusiasm has contributed towards the success of Calgro M3.

On behalf of my fellow executive directors, I would like to express my 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 is well positioned to sustain growth and I look forward to the next exciting phase of creating job opportunities and changing for the better, the lives and environments of those affected by our efforts.

BP Malherbe
Chief Executive Officer
7 May 2013

"I am writing this letter with happiness and dignity. I am a sub-contractor and I have been working for Calgro M3 for nearly 2 years. It is a very good and trustworthy company. They really treat us equally and respectfully. Since Calgro came to Fleurhof, they have really given us a lot of opportunity and job creation. We now live like other people because we put bread on the table for our family. They keep our life going and safety comes first. Well done Calgro. Keep it up." **SUB-CONTRACTOR**



Jukskie View

Sustainablility Framework

Plan to achieve Calgro M3 business goals and objectives

Calgro M3 Business Strategy

3 pillars supporting sustainable delivery of business strategy based on engagement with stakeholders and risk management

Economic	Environmental	Social
Economic performance Market presence Indirect economic aspects, impacts	Materials Energy Water Biodiversity Emission, effluent & waste Products & services Transport	Human Capital Management Employment Labour/Management Relations Occupational Health & Safety Training & Education Diversity & Equal Opportunity Community Human Rights

Stakeholder Engagement
Risk Management

Legislative and best practice guidelines underpinning all areas of business

Policies & Procedures

Governance & Compliance

Our Strategic Priorities are to:

- ensure we are and remain a strong company;
- reorientate the business to sustain growth;
- reduce and contain the environmental impact of our operations;
- continue building solid stakeholder relationships;
- keep people safe and healthy;
- ensure operational stability and economic performance; and
- strengthen our One Team approach.

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

- creating earnings and shareholder value;
- effective integrated Human Capital management;
- delivering quality product;
- empowerment of individuals, communities and staff;
- corporate governance; and
- engaging with all stakeholders.

Business Strategy for Sustainability

Medium-term Strategy (3-5 yrs)

The strategic plan (as per mid 2011) will remain unchanged

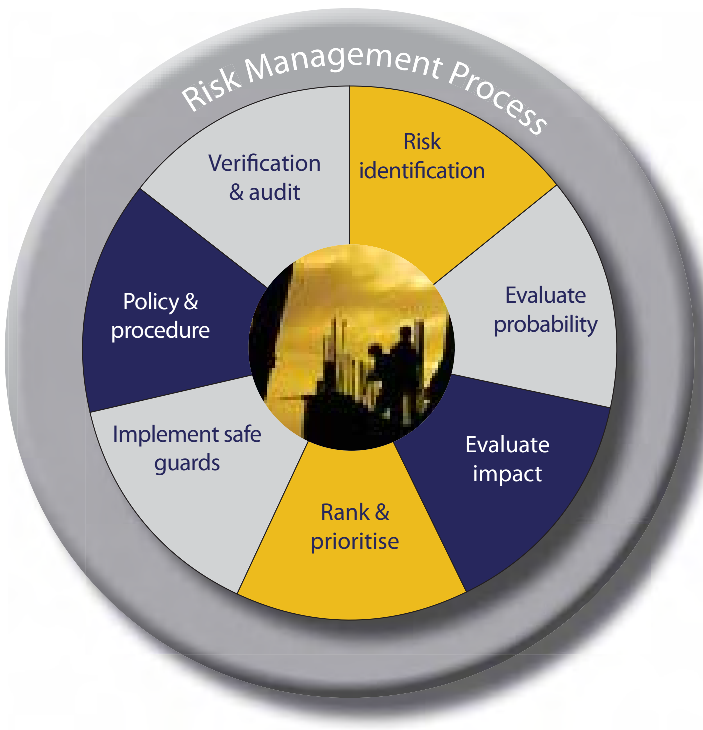
- Minimum 80% exposure in integrated developments, maximum 20% exposure in mid to high segment of the market;
- Principle of landowner retained with land availability agreements where terms can be negotiated on our terms;
- Shareholding in projects maximised, while taking associated risks into account;
- Marketing capacity up-scaled to keep pace with the group's ability to deliver serviced stands;
- Construction of the majority of units done "in-house" to ensure quality maintained;
- Improving product offering and refining the integrated development principles;
- Balance exposure to financial institutions and closely monitor debt ratios;
- Retain existing management team; and
- Sustain growth for medium term.

Long-term Strategy (6yrs+)

- Establish Calgro M3 as the preferred partner to private sector and public sector with regard to integrated developments;
- Differentiate on quality and strong proven brand; and
- Assist government in eradicating the housing backlog and improve the general quality of life for all South Africans.

Strategic and Operational Risk Management

Our robust strategic and operational risk management processes ensure we have the best chance at pre-empting and mitigating current and future risks to the company.



Our Key Focus Areas:

- controlled growth;
- availability of end user finance;
- availability of bulk services - water and electricity; and
- labour and grievance management.

UN Global Compact Principles

During the period, Calgro M3 Land became a signatory of the UN Global Compact (UNGC) which requires companies and their subsidiaries to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

Human Rights
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: ensure that they are not complicit in human rights abuses.
Labour
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment
Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Sustainability

Sustainability is one of the cornerstones of our approach and the very foundation of our business strategy. We believe in building things that last – not least in terms of relationships. The sustainability of the communities we develop and the empowerment of people, both within our employ as well as those whose lives we impact through our developments, are considered by us to be critical success factors. Without the successful partnering of our stakeholders, we cannot hope to achieve our goals. We are building the future together.

The journey we have embarked upon has thus far been an evolutionary one. In this growth phase, we are in the process of growing the maturity of our organisation by formalising, improving and putting in place relevant processes, policies and procedures to better manage and govern our business as well as to improve the many interactions we have with our stakeholders. Our management approach remains hands-on and unpretentious. We know where we are going and we are sure that we have the right skilled and committed people to get us there.

Our belief in genuine partnering means we welcome the role of unions and representative committees in our operations and constantly seek to improve our methods and depth of engagement with them. We believe this strengthens our 'pact with labour'.

Engaging stakeholders, building the future together

A stakeholder may be defined as any individual or group that is interested in, impacted by or is involved in some way with a company – anyone who literally has a 'stake' or concern in any of its activities or concerns. They may include some or all of the following: financial shareholders, investors, employees and subcontractors, suppliers, consumers, communities, joint venture or partnering organisations, government departments, governing bodies, trade unions, NGOs, industry and related industry specialists, academic institutions and media institutions.

Calgro M3 engages with a wide variety of stakeholder groups who are impacted by the company's operations or who may affect the delivery of our products and services. The company adopts the precautionary approach through planning and thorough analysis before embarking on any development projects or external initiatives. Our social and environmental impact assessments as well as robust risk management processes and systems have stood us in good stead to ensure the sustainability of our developments.

Channels for engagement and dialogue are opened via formal and informal meetings, workers' forums, surveys, briefings and one-on-one reviews. Other internal and external communication channels create further opportunities for stakeholders to engage with the company and vice-versa.

Calgro M3's stakeholder engagement is centred around receiving feedback and input from interested and affected parties, so that it may be used to:

- highlight potential risks areas which may negatively affect the company;
- allow the company to remain competitive and aware of market trends and innovations;
- better understand the macro-economic climate, socio-political and cultural dynamics, and streamline or refine our strategy and plans where necessary to accommodate these factors;
- obtain valuable feedback on the delivery of our developments in terms of quality;
- act as input for continuous business improvement processes and promote continual learning;
- allow the general public opportunities to learn about integrated developments and improve partnerships, which may drive further participation;
- build trusting, committed and solid relationships;
- proactively manage the Calgro M3 brand and improve its visibility in the industry;
- ensure governance, compliance and best practice processes are in place to stabilise the company and to support further controlled and sustained growth;
- ensure the company's growth, development, short and medium-term success and long-term sustainability; and
- give community members, trade unions and employees a voice and ensure their concerns are taken into account in the decision-making process.

In all our stakeholder engagements we seek to create common understandings, partnerships and encourage constructive dialogue between all parties to the benefit of all parties.

Understanding our stakeholders

Stakeholder group	Channel for engagement	What they expect from us	What potentially concerns them	How we address their interests/concerns
Employees, sub-contractors and trade unions Core and wage employees, permanent and temporary staff, at corporate head office and on sites	Staff alerts and communications; memos; informal socials; intranet; employee surveys; formal and informal work-place forums; health and safety and wellness forums; staff briefings; newsletters; management road shows; inductions; notice boards; suggestion boxes; performance reviews; project launches and other functions; union meetings; bargaining council membership meetings	Fair remuneration; safe working environment; development path; training; regular communication; fair work practice; strong and clear leadership	Issues with safety; lack of growth and development; transformation; incentives and bonuses; succession planning, HIV & Aids	We endeavour to pay market related or above rates; Be responsive to and look after the general needs of our staff and subcontractors; Build trust and confidence with open communication, fair management practices and open door policy; Follow strict OHS processes and procedures which are independently audited; Offer monthly sessions on HIV & Aids and offer support; Offer development opportunities (on-the-job coaching, training, mentoring); Offer opportunities to become independent business owners through incubator process for subcontractors; Partner unions to stabilise labour issues in the industry; Take active steps to become employer of choice.
Customers End-users of our products (residents), government (for RDP housing)	Meetings; site visits; project updates; letters; marketing campaigns; community forums; marketing surveys	Value for money; quality developments and timeous delivery; integrated well thought through, fit-for-purpose design taking into account the needs of the prospective residents, their community as well as the environment	Non-delivery or late delivery; issues around quality (should stand test of time), brand name in the industry; anti-competitive behaviour	We maintain tight customer relations through consistent engagement and marketing/ branding messages and give regular progress feedback.
Shareholders, investors, analysts and media	Regular presentations, meetings, investor relations, newsletters, road shows (twice a year), AGM, annual reports, press releases, published results, feedback emails, letters, adhoc telephonic dialogues	Growth and sustained returns on investment though stability of strategic direction; good business practices; sound governance; policies and procedures which do not hinder, but guide agility and adaptability to macro environment	Uncontrolled growth; unclear strategy; macro-economy and socio-economic environment resulting in labour unrest, dispute and violence; delivering sustainable returns; succession planning and talent retention; business dependency on natural resources; further recessions; possible land grabs; political uncertainty; capacity	We have aligned and refined our strategy to accommodate shareholder concerns around uncontrolled growth. In addressing these concerns, we have implemented specific and targeted changes within the business, such as: introduction of policies, procedures and structures, spread leadership succession planning risk by introducing MANCO structure, which is being developed to build internal capacity; created and rolling out HCM strategy to attract and retain talent. All our engagements are aimed at building trust and confidence in our strategy for sustained and controlled growth by providing a more holistic and transparent view of the company and its operations and by showing consistent ROI.
Local, provincial & national government, incl. government departments (on developments): Health, Education, Social Services	Written minuted communications, emails, on-site meetings, face to face meetings, steering committee meetings, co-facilitated public participation forums, partnering sessions for SARS WCA training for development of subcontractors, audits	Statutory and legal compliance, transformation, equity, health & safety and environmental compliance, local economic development, submission of plans according to process & procedures	Non-compliance, non-delivery of housing agenda, non-delivery on transformation and equity agenda, unemployment, limited or insufficient education and health facilities	Building, growing and maintaining valuable relationships with the respective local, provincial and national authorities; Ensuring transparency and compliance to various acts, policies, procedures and guidelines; Keeping communication channels open; Partnering in areas of concern to remedy or address issues, such as sustainable creation of employment opportunities, development, upliftment, social integration, transformation and equity, health and safety, HIV & Aids awareness and education.
Environmental organisations, public interest & peer groups Industry partners, Environmental bodies, interest groups	Face to face meetings; conferences; launches; public meetings	Environmental Management Plan; Waste Management Plan; Energy and Water Management Plan; transparency and disclosure of information; compliance to various acts and guidelines; protection of endangered or threatened species	Product stewardship; negative environmental impacts: carbon emissions; effluent, waste, pollution; lack of social integration between new developments and the existing cultural landscape	Ensure our ‘licence to operate’ remains intact through regular, transparent and proactive engagement which our branding supports; Adhere to all compliances which impact public perception and communicate compliance; Resolve issues as a priority and communicate outcomes.
Suppliers, service providers, specialists	Economic interest presentations; meetings; face to face engagements; emails; telephonic conversations; industry conferences and functions	Open and regular communication, providing growth opportunities in a mutually respectful and beneficial way; timeous payments and favourable contract terms; preferential procurement	Lack of strategic sourcing/ long-term procurement planning; unsigned contracts and/or late payments resulting in lack of security; lack of clear understanding where the company is going; BEE compliance as suppliers	We ensure engagement with the various professional teams to ensure synergy in implementation and problem resolution; We build relationships based on quality and trust and open communication; We consider our suppliers and service providers as partners in our One Team approach to delivery.

Stakeholder group	Channel for engagement	What they expect from us	What potentially concerns them	How we address their interests/concerns
JSE & other regulatory bodies	Meetings; written communications; presentations; audits; business associations	Statutory and legal compliance; full transparent disclosure; adherence to guidelines such as: King III, CSI, GRI,OSH Act and to be considered of 'good corporate citizenship'	Limited or partial disclosure; non-compliance; late submission of results	We aim to comply fully with regulations and engage with regulatory bodies should there be gaps in our compliance for any reason.
Communities in which we operate and general public Labour desks on each site	Public participation forums and presentations; community outreach forums; corporate social responsibility and investment projects and associated meetings; launches; Calgro M3 daily project site meetings and operations management meetings which include labour desks headed by community voted leaders; meetings with ward distributors and local councillors for areas in which development is planned; emails; letters	Clear, transparent 2-way communication and engagement; positive and tangible contribution to broader interests within the community and society as a whole; earning 'social license to operate'; sustainable socio-economic development; full disclosure on environmental and social interests and investments; skills transfer, upliftment; transformation and empowerment; social and cultural integration of new development into existing communities and areas; safety, health and environment	Land claims; destruction of cultural heritage sites, protected biospheres and endangered species; issues with delivery and quality of RDP housing; unemployment; non-delivery of municipal services; socio-economic and related issues (HIV & Aids, crime, gangsterism etc); lack of access to health and education facilities; corruption with regard to government tenders and awarded contracts; transformation	Community participation and locally-based enterprise development (using social and labour plans) is a critical component to our group. Various levels of participation take place to ensure that all affected parties are acknowledged in all related matters. 1) Public participation in the town planning process; 2) Public participation in the environmental authorisation process; 3) Local community involvement for labour requirements and management (labour desks); 4) Local councillor involvement throughout the pre-development and implementation processes, 5) Working with our CSI annual spend on crèches in communities to show that we are committed to sustainably growing the future of communities; 6) Creating quantifiable employment and opportunities for development and skills transfer; 7) Strictly following Environmental Management Plan; 7) Comply with related Acts; 8) Disclose information and engage around ideas for improvements and innovations in these areas.
Financial institutions, other lenders and auditors	Meetings; letters; emails; presentations	Sound financial management; compliance and access to – and disclosure of - financial and related information; liquidity; comprehensive risk management and exposure levels; interest cover and gearing ratio	Negative cash flows; uncontrolled growth; other debt obligations; ability to service debt; proactive risk management; threat to underlying assets and asset values; inappropriate costing model for market segments; SA macro-economic issues; issues impacting ability of end users to access finance; Company-owned land redistribution; stagnant growth levels with high rate of inflation ('stagflation') in SA economy; instability of labour market and impacts on delivery	Changed balance sheet structure of the group: Basel 3, and all new constraints on the banks; General debt providing market conditions; Calgro M3's operation is based on 3 main market segments where focus can be moved between the segments as required; We have strengthened our balance sheet and are committed to identifying and mitigating risks through our ERM (Enterprise Risk Management) systems and processes; We strategically retain substantial cash resources.
Joint ventures and other partners	Face to face meetings; progress reports; updates; launches; business partner forums; industry forums; co-facilitation sessions; emails; telephone calls	Long-term value maximisation; joint growth and development opportunities; mutual respect and open and clear communication; full understanding of business model and the role within it or association to it; understanding of national expansion strategy and opportunities around its delivery; long-term financial sustainability and security	Unclear lines of accountability and ownership; financial instability; limited reporting information; unclear strategic direction or strategic misalignment; lack of corporate cultural integration or culture clash; inequitable income distribution; work stoppages; labour unrest and strike action	To support sustained growth for each partner based on terms which are agreed to and adhered to, we ensure that accurate, relevant, proactive communications are provided to all partners and that mechanisms for on-going feedback and participation are in place; We ensure skills and knowledge are shared and transferred to the benefit of both parties; We co-manage risk using defined processes to ensure best possible outcomes; We encourage openness and transparency in our dealings and promote fair business practices.

"I have been very happy working for Calgro since 2010. They have been very good with job creation. I will work for them until they move out. I can even take my kids to school and manage to support my family. Thank you Calgro, you did a very good job to us. I am very proud to say well done, keep it up. God bless you."

DIRECTOR/SUB-CONTRACTOR

The use of our on-site labour desks – an innovative way on each project to ensure continual hands-on stakeholder engagement, community involvement and buy-in, to monitor and enforce compliance – has now broadened its scope to include on the job training, coaching and mentoring to further empower our growing list of subcontractors. At the year-end the group had 220 subcontractors, compared to 181 the previous year. We are proud to be partnering entrepreneurial every-day South Africans within their local communities, to build and grow their own small businesses. Every year we are happy to see the list of success stories, of subcontractors growing along with us, which proves that we are on the right track, doing the right thing.

To further assist subcontractors who are taking the lead and ownership of their businesses for the first time, the community chaired labour desks, in partnership with Calgro M3, the Department of Labour and SARS, have implemented an empowerment training programme to coach each subcontractor on effectively understanding and managing their obligations, requirements and rights as small business owners. The 2013 financial year saw another 34 subcontractors completing the programme compared to 15 in the previous year. The multi-faceted benefits of these programmes cannot be realised without the hard work and dedication of a few innovative individuals, both internal and external to Calgro M3, who spot gaps for social and economic upliftment, roll up their sleeves and get involved.

Economic Sustainability

Calgro M3's management approach towards economic sustainability is to practically translate strategy into actionable tasks/projects which:

- contain costs and maximise savings in all operational environments;
- build and multiply sustainable wealth and opportunities for ownership of wealth creation, to:
  - Calgro M3, its shareholders, investors, partners and employees;
  - community members in the developments where Calgro M3 is building, where we endeavour to:
    - grow quality and numbers of subcontractors from labourers to business owners and economically independent sub-contractors;
    - uplift community members of our integrated developments who have opportunities for employment and learning; and
    - build partnerships with other corporates to engage in corporate social responsibility initiatives where best practice models are applied, resulting in economic prosperity and benefits to the communities in which we are active;
  - international investors through building confidence by:
    - delivering on our set goals and plans;
    - providing clear and transparent reports, showing consistent and steady earnings growth and adhering to global standards for reporting;
    - taking on only appropriate, feasible and well planned projects, in which ROI is clear and risk is minimised;
    - consistently delivering success stories; and
    - having in place, the corporate governance processes and procedures to ensure financial, organisational and operational compliance and to prevent corruption and mismanagement of funds;

- create channels for future economic prosperity by:
  - regularly engaging with various stakeholders to share ideas, solve problems, and innovate;
  - having ready and streamlined internal functions, to assess ideas and innovations which come to light from these engagements, and to operationalise them where appropriate, to stay ahead of our competitors;
  - building an attractive growth path for our employees and sub-contractors, to attract and retain talent as a priority; and
  - partnering government in delivering on their goals to provide socio-economic stability and growth for the people of South Africa.

This year we have given particular focus to improving communications with unions and other representative bodies. This has shown positive results on the operations where meetings with representative bodies were held on a scheduled and systematic basis.

Economically sustainable goals

Operating in an uncertain and ever-changing macro-economic environment, Calgro M3 strives to be economically sustainable through adaptability, measured growth and the creation of greater value and returns for investors and shareholders. Key to this is building investor confidence through consistent delivery against agreed strategic imperatives and sustainable growth above market norm. Our solid relationships within the financial institution community, with proven track records of sound governance and top class financial management, coupled with comprehensive risk management and the ability to make the right decisions at the right time, will ensure that we are here for the long haul.

The general economic value-added goals we strive to achieve are set out below:

Direct and indirect economic value generated from our operations for local communities

The financial impact of property development and construction influences a wide variety of businesses and industries with down the line knock-on effects which are incalculable. These include lenders (development finance as well as end user finance), appraisers, insurance and real estate agents, moving and rental companies, suppliers of building materials, cleaners, appliance, furniture and hardware stores to name but a few.

In addition to the direct purchase of construction materials and payment of wages, the subcontractors and labourers themselves, who predominantly come from the local area due to our recruitment policy, further boost the local economy. Workers, generally living close to the construction sites spend a substantial part of their salaries and wages in the local community. Local businesses benefit from this increase in revenue from sales from residents of the new units thereby creating an upward spiral for growth and wealth creation.

Because we develop entire communities, rather than merely properties and because we spend considerable efforts in ensuring handovers are supported to encourage ownership once we move out, the opportunities for financial prosperity are there for all community members to take advantage of. The communities we develop and specifically the way we develop them, ensure a greater opportunity for wealth creation and sustained economic growth for all stakeholders.

Low cost housing impact

According to research findings released by University of Cape Town associate professor Francois Viruly, the housing construction sector in South Africa boasts one of the highest employment multipliers and has the potential to significantly address unemployment issues in the country.

Taking into account direct and indirect employment opportunities in line with the calculations contained in the research report, it is expected that Calgro M3's current pipeline in excess of R10 billion should create 15 000 jobs. An estimated additional 5 000 jobs will be created as a spin-off per annum in perpetuity, through the maintenance and management of housing units, the payment of rates and taxes and the expenditure on goods and services by households directly related to the housing units.




Quality management

We understand that client satisfaction through the consistent delivery of quality products and services is critical to the on-going 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 developments.

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, 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 site inspections on quality of workmanship are also conducted to ensure that our developments conform to specifications and plans.

Calgro M3 is the leading integrated residential property developer, providing a range of residential products to public and private sector clients, delivering on housing in line with the National Development Plan.

Fleurhof Project

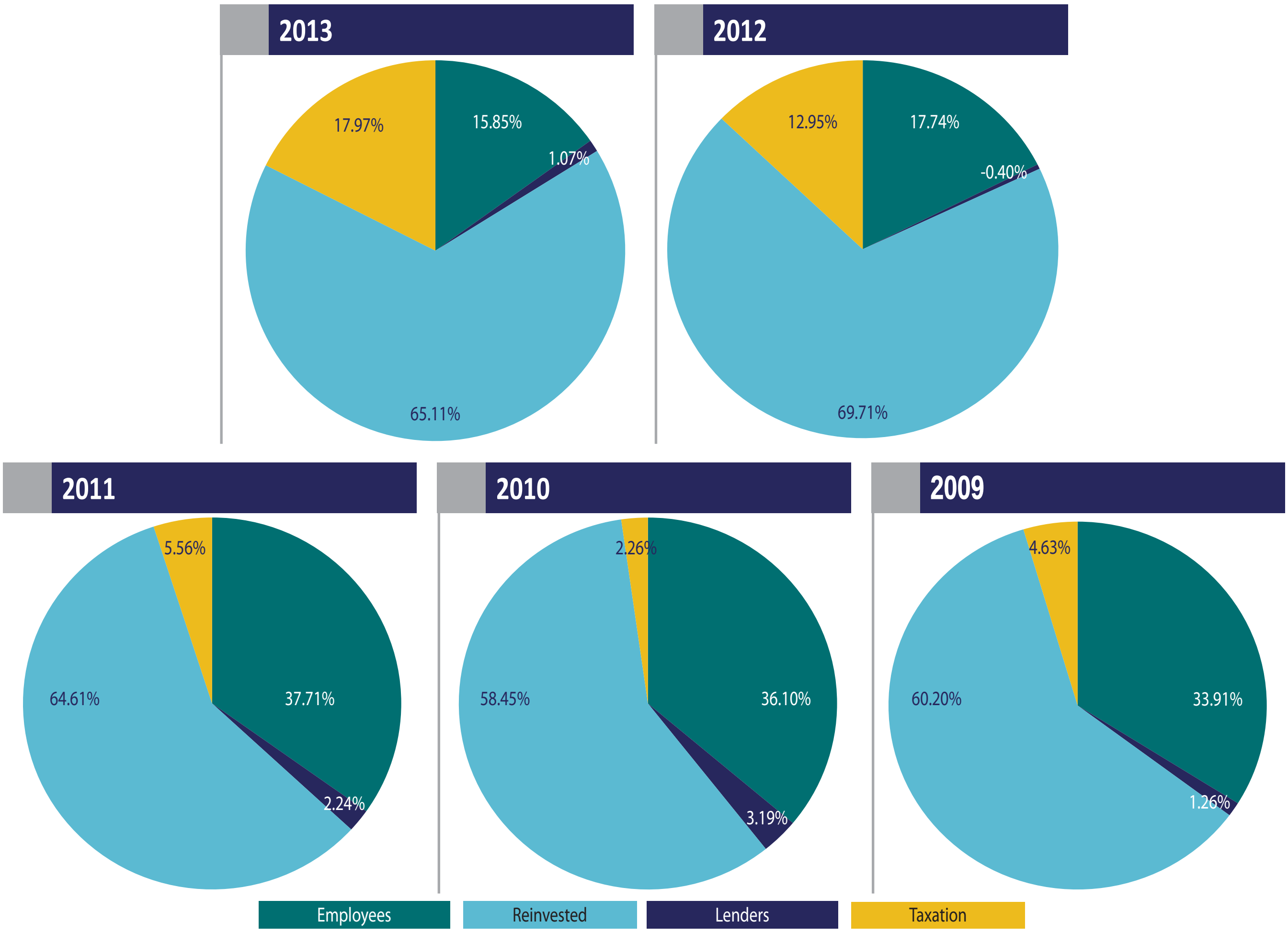
Group Value-Added Statement

Our Economic Performance

Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations, and other community investments, retained earnings, and payments made to capital providers and governments.

Group value-added statement

Rands	2013	2012	2011	2010	2009
Revenue	**798 394 052**	514 913 160	281 849 367	188 725 584	233 054 190
Less: Cost of materials, facilities and services	**(684 727 540)**	(452 868 279)	(272 777 409)	(188 353 681)	(210 304 715)
Value-added	**113 666 512**	62 044 881	9 071 958	371 903	22 749 475
Other income	**1 264 531**	566 983	4 153 152	31 088 474	17 508 301
Share of profit on joint ventures	**29 405 992**	34 326 274	16 342 776	-	-
Total wealth created	**144 337 035**	96 938 138	29 567 886	31 460 377	40 257 776
Distributed to					
Employees - salaries, wages and other benefits	**22 876 363**	17 195 268	11 445 448	11 356 870	13 652 006
Government - company taxation	**25 936 739**	12 555 675	(1 644 823)	711 674	1 863 945
Net finance cost/(income)	**1 539 468**	(390 691)	661 326	1 003 454	505 704
Maintain and expand the group					
- profits retained	**91 303 538**	65 380 048	16 955 441	15 488 109	21 657 102
- depreciation, amortisation and impairment	**2 680 927**	2 197 838	2 150 494	2 900 270	2 579 016
Total wealth distributed	**144 337 035**	96 938 138	29 567 886	31 460 377	40 257 776



Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation

Calgro M3's policy on recruitment requires that all efforts should be made to recruit, wherever possible, local labour, contractors and subcontractors in line with its drive to employ and develop local community members for the ultimate sustainable upliftment of the community. Community chaired labour desk's on all sites operate effectively as members of the operational management teams on site and actively participate in decision making regarding recruitment and in rolling-out of initiatives. All labour desk recruitment practices and procedures are further described in the HCM section of this report (page 41). At least 40% of all labour costs across all sites is spent on local labour and suppliers of labour.

Development and impact of infrastructure investments and services provided for public benefit through commercial, inkind, or pro bono engagement.

To date, Calgro M3 has built, and is supporting financially, two crèches on the Pennyville and Fleurhof developments. We see our corporate social investment in these crèches not only as our responsibility as 'good corporate citizens', but as living testimony to our philosophy, which is to grow and invest in the future generation of South African leaders. Planned for CSI is another crèche and the prospective building of a hospital.

Existing Project Pipeline* – Mid to High Income

Project name	Township	Status of project	Type of project	No of units	Revenue (Rands)
La Vie Nouvelle	Broadacres Ext 36, Fourways	Town planning completed Marketing to commence	Retirement and Lifestyle Estate	394	499 000 000
32-On-Pine	Witkoppen Ext 142, Fourways	Town planning completed	Full title cluster	65	107 000 000
Oakwood	Honeydew Manor Ext 57, Honeydew	Town planning completed	Full title cluster	48	64 800 000
Ridgewood	Honeydew Manor Ext 56, Honeydew	Town planning completed	Full title cluster	48	64 800 000
Parkview Estate	Honeydew Manor Ext 40, Honeydew	Town planning completed	Full title cluster	45	44 325 000
Westwood	Honeydew Manor Ext 45, Honeydew	Town planning completed	Full title cluster	38	43 700 000
32-On-Peter	Tresjolie Ext 24, Honeydew	Town planning in process	Student accommodation	180	76 500 000
Summerset Place	Summerset Ext 19, Midrand	Town planning completed	Sectional title	280	173 600 000
Needwood	Chartwell, Fourways	Town planning in process	Student accommodation	200	85 200 000
				1 298	**1 158 925 000**




**This pipeline of opportunity represents Calgro M3 Holdings' secured projects and is subject to and should be regarded as a forward-looking statement. It is not representative of the secure order book, nor does it represent projects/phases secured in their entirety.*

Existing Project Pipeline* – Low Income

Project	Total no of units in project	No of units under construction/ completed	Typology mix: RDP/ BNG housing	Social housing/ CRU	GAP, FLISP & rental housing	Affordable housing	Total estimated project revenue (Rands)
Fleurhof – Johannesburg	9 558	2 453	2 822	1 459	3 405	1 872	2 963 000 000
Jabulani CBD – Soweto	3 881	1 206	0	1 260	2 621	0	1 123 000 000
Mabopane – Tswane	202	95	0	0	202	0	70 700 000
Belhar – Cape Town	3 614	0	0	1 254	2 360	0	1 044 315 000
Scottsdene – Cape Town	2 885	901	549	1 351	724	261	774 312 000
South Hills – Johannesburg	5 161	0	1 750	915	915	1 581	1 336 000 000
Vista Park Ext 3 – Bloemfontein	5 320	0	1 596	1 500	1 045	1 179	1 649 211 132
Witpoortjie Ext 52 & 54 – Johannesburg	2 023	0	344	0	0	1 679	750 364 000
Boitakong Ext 16 – Rustenburg	3 451	0	600	1 780	800	271	746 021 000
Maitland – Cape Town	136	0	0	0	136	0	63 600 000
Clayville Ext 50 – Midrand	3 300	0	0	0	0	3 300	828 000 000
Brandwag – Bloemfontein	897	897	0	897	0	0	224 250 000
Total	**40 428**	**5 552**	**7 661**	**10 416**	**12 208**	**10 143**	**11 572 773 132**




**This pipeline of opportunity represents Calgro M3 Holdings' secured projects and is subject to and should be regarded as a forward-looking statement. It is not representative of the secure order book, nor does it represent projects/phases secured in their entirety.*

Environmental Sustainability

Calgro M3's management approach towards environmental sustainability is to ensure that we:

- positively impact the environment by 'leaving behind something better than we started with' and use our sphere of influence with our stakeholders to encourage the same principle;
- strive to capture, conserve and effectively manage water on all of our projects and within our operating environments;
- protect natural habitats bordering, surrounding or within our development areas;
- use our greening initiatives to proactively build up the environment and plant non-invasive trees on all of our sites which are suitable for and will enhance the local biosphere;
- harness natural energy and minimise the use of energy related to non-renewable resources wherever possible;
- independently monitor our impact on environments and take steps and recommendations to minimise our footprint and rectify our areas of non or partial compliance;
- stay abreast of latest trends and information in the global environmental sustainability landscape specifically regarding construction and real estate, and implement optimisation projects where relevant; and
- actively engage stakeholders, industry partners and environmental regulatory bodies to understand issues and seek to implement proactive solutions.

Energy

Energy saved due to conservation and efficiency improvements
With the green building design principles being applied in newly developed social housing multi-storey units there is a direct saving in cooling of the air in the summer months and heating in the winter months. This is achieved with proper orientation of the buildings and achieving the correct calculations for fenestrations and natural ventilation. These principles are applied in all integrated housing developments including the Fleurhof, Jabulani, South Hills and Belhar developments.

By ensuring proper insulation on plumbing to hot water supply there is a significant saving in energy. In addition proper insulation of walls and ceilings assist in natural heating and ensuring a more manageable room temperature throughout the year, thus resulting in saving in energy.

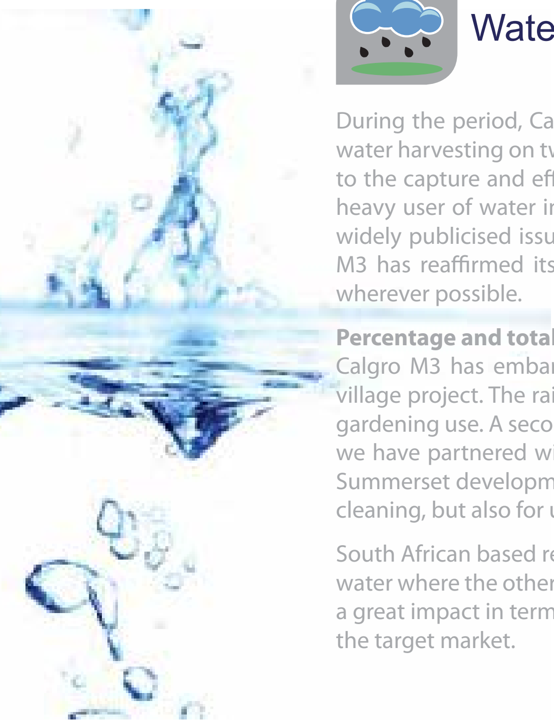
In terms of the new building regulations (SANS10400) it is required to apply alternative energy sources to developments, especially water heating.

CalgroM3 could be regarded as a leader in the supply of alternative energy to development. The cluster developments Manyaleti, Cedar Crest, 22 on Campbell as well as Silver Oaks in the Craigavon townships were developed with an internal gas reticulation serviced from central positioned gas banks strategically positioned within each development. Gas is being used for water heating and cooking. The requirement for electricity was reduced from 5 kva per residential opportunity to less than 2 kva per residential opportunity, thus a saving of more than 50% on electricity.

In terms of the integrated housing model the use of heat pumps are implemented to supply hot water to multi-storey developments. These heat pumps contribute to a 40% saving on electricity supply to each residential opportunity.

Initiatives to reduce indirect energy consumption and reductions achieved
Modern initiatives are implemented in developments to reduce energy consumption. These initiatives include energy saving light sources, prepaid metering of water and electricity supply. The saving is dependent on the size of the residential unit and is estimated to be a 10% saving on electricity.

Water

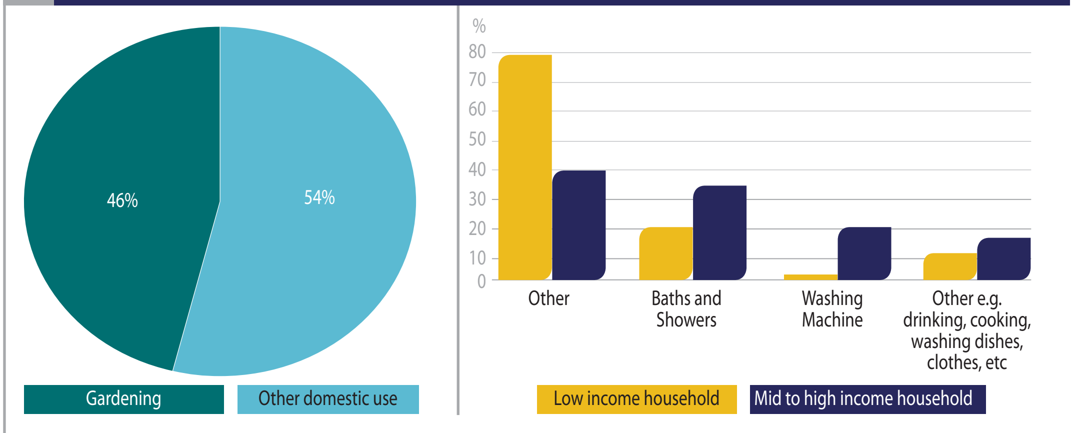


During the period, Calgro M3 further added to its list of innovative integrated solutions, by incorporating water harvesting on two of its projects. Each unit built is fitted with its own JoJo tank contributing positively to the capture and effective utilisation of rain water for and by community members. As construction is a heavy user of water in a country where the scarcity of water is already a matter of concern, coupled with widely publicised issues of poor water quality in Gauteng due to mining operations in the region, Calgro M3 has reaffirmed its commitment to implement effective water harvesting and management systems wherever possible.

Percentage and total volume of water recycled and reused.
Calgro M3 has embarked on implementing rain water harvesting systems in the Broadacres retirement village project. The rain water which is harvested in this initiative is aimed at providing water for extensive gardening use. A second development aimed at the affordable housing market has also been identified and we have partnered with large corporates to research and implement full-use rain water harvesting in the Summerset development. The intention is to utilise the captured water not only for gardening and general cleaning, but also for use in the unit ablutions.

South African based research reports show that households with gardens use on average, a massive 46% of water where the other 54% is used for domestic purposes. Targeting gardens for water savings therefore has a great impact in terms of water conservation, especially on developments where gardens are important to the target market.

WATER USE IN SOUTH AFRICA



*Source: Water – How is it used at home, HE Jacobs, LC Geustyn and BF Loubser, 2005

In low-income households, an average of 73% of total water usage is used for toilets where the mid to high income households use on average 37% for this purpose. We are therefore proud to implement rainwater harvesting systems targeting the 'big users' of municipal water, to conserve this precious natural resource.

Biodiversity

Biodiversity is the variety of all life and natural processes, including diversity within species, between species and of ecosystems. In the context of the projects we deliver, Calgro M3 strives at all times to fully consider, carefully plan and ultimately integrate its developments within the existing environments and communities.

Calgro M3 partners with specialist environmental impact assessors and landscaping companies who assess and analyse the local environment, and based on soil types, predominant weather and climate patterns, water availability, rainfall levels, etc., make recommendations for suitable and sustainable vegetation to be planted in line with their greening initiatives. On most of our projects, one tree will be planted per unit built.

Location and size of land owned, leased, managed in, or adjacent to, protected areas of high biodiversity value outside protected areas.
Calgro M3 is in the process of developing an integrated housing model on various land parcels affected by areas of high biodiversity. These areas pose a large risk but also produce various challenges in its responsibility to protect the environment. It is thus of great importance to Calgro M3 to appoint independent environmental consultants to make application for environmental authorisation. These authorisations are being managed and enforced by means of an environmental management plan by an independent Environmental Control Officer.

Examples are the Fleurhof development affected by a wetland and the Fleurhof Dam. 60% of the total land owned by Calgro M3 is being protected due to its high value in biodiversity. The South Hills development in the southern suburbs of Johannesburg has been designed to accommodate the ecological sensitivities of the Red Data species, a Class 2 inverted ridge and wetlands into the design. These sensitive elements which are being protected represent 55% of the land parcel identified for development. Based on detailed design and planning, grounded in thorough data analysis, provision is made for environmental sustainability and integration.

Number of IUCN Red list species.
Through the process of environmental impact assessments, sensitivities are identified and recommendations are made through an appointed specialist to protect, conserve or relocate elements of high biodiversity. In the South Hills development a specific Red Data plant was identified. This plant will be protected through the Environmental Authorisation and subsequent environmental management plan. All efforts are made to study the future relocation of the Red Data plants, thus ensuring their survival. A campaign to educate the local community on the nature of the plant will form part of the conservation of the environmentally sensitive areas within the development proposal.

The Clayville Ext 50 development is affected by the Giant Bull Frog which has been identified as a protected species. All efforts are being made to protect the future existence of the Giant Bull Frog by implementing the necessary buffer zones and movement corridors along wetlands for cross-breeding purposes. An estimated 30% of the land parcel is earmarked for conservation purposes.

Emmisions, Effluents and Waste

Waste Management
As part of our compliance committments, we use independent environmental control officers to conduct monthly audits on each of our sites to ensure our environmental management (including waste management) plan is adhered to. Calgro M3's integrated designs make provision for drop-off centres as a place, with proper infrastructure, where residents of the developments can easily deposit biodegradable waste, recyclables and bulk waste which is not collected as part of the household waste collection services provided by municipalities.

These recycling centres will be well positioned throughout all the integrated developments within walking distances for local communities. As the total weight of waste reduction through recycling is estimated at 50%, we ensure all our pipeline development sites and future developments are planned to feature these drop-off centres or similar for recycling.

Partnering local authorities in this initiative, all our new developments will have provision for recycling collection. The developments currently in design phase, namely South Hills, Pennyville Ext 5 (Hospital View), Boitekong, Kwanobuhle, Vista Park, and Belhar as well as phase 2 of Fleurhof, will be provided with these facilities.

We are currently in the process of awarding a recycle yard tender to the local community on the Fleurhof development for both recycling and job creation. In this way, the Calgro M3 Group shows its continued commitment to reducing waste and to providing mechanisms for down-the-line reduction of waste and promotion of recycling by end users of its products.

Products and Services

Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.
The environmental authorisation for each development requires the developer to compile an environmental management plan, based on environmental impact assessments, to ensure that the environment is protected during the construction phase of the development. An independent environmental control officer is appointed per development to ensure that all contractors and sub-contractors comply with the provisions of the environmental management plan. All partial and non-compliance is reported on monthly with red flags being raised for high priority issues, and follow-ups are made to ensure these issues are addressed. The environmental management plan not only deals with areas of high diversity in sensitive areas but also with construction related conditions, such as storage of hazardous materials, oil and gas. Good housekeeping regarding construction outputs, waste management as well as occupational health and safety is of key importance on all of our sites. We follow specific guidelines as set out by the National Environmental Management Act (NEMA) as well as the Department of Labour, to guide the various contractors in protecting the environment through the construction phase.

During 2012 new building regulations came into effect with which we have complied and incorporated into our plans. These building regulations are known as SANS 10400 together with Section XA, dealing specifically with safety. Through the dedication of our team of professionals, new housing typologies, in compliance with the new building regulations, have been developed for subsidised and partially subsidised housing, social and bonded opportunities.

The majority of the housing typologies are in the high density market comprising of 3 and 4 storey residential buildings.

Calgro M3 is proud to be the first company to develop multi-storey subsidised housing.

With the implementation of the new building regulations various challenges were faced to ensure the implementation of energy efficiency and safety requirements as set out in the regulations.

Development of housing typologies within the existing subsidy structures presented great difficulty. The implementation of cost effective high density subsidised housing was successfully achieved through proper consultation with our team of professionals and engagement with the various local authorities in Cape Town and Johannesburg. This process in the Jabulani, Fleurhof, and Scottsdene developments is currently underway.

Social Sustainability

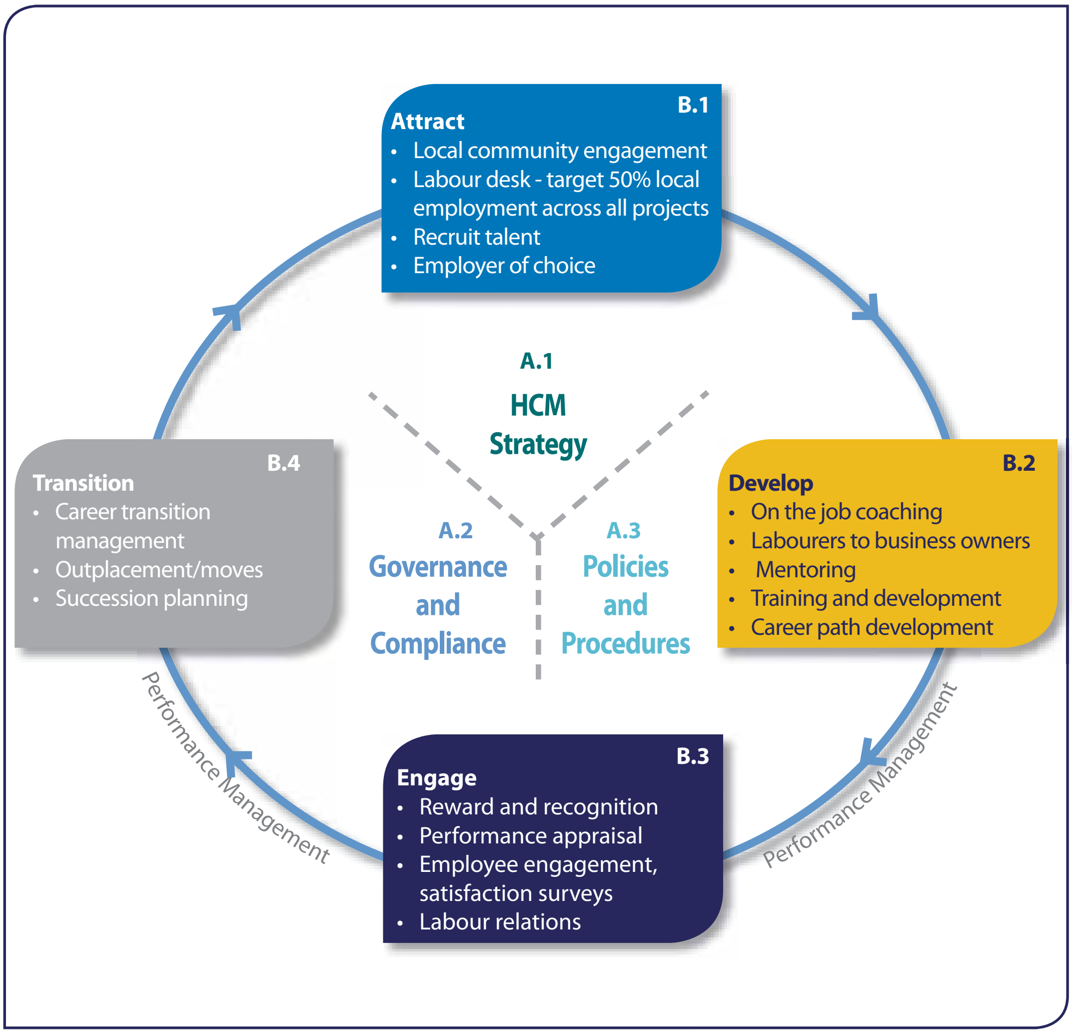
Calgro M3's management approach to social sustainability is to adopt a systems approach of management thinking, which emphasises and takes into account the interdependence and interactive nature of elements within and external to our organisation, enabling current and future success of the company and the various environments in which it operates. We do this by:

- engaging all stakeholders to fully understand the social setting, issues, challenges and needs of community members, before implementing, promising or endorsing any potential solutions. This promotes buy-in, builds pride and ultimate ownership by the members of their communities;
- promoting holistic and culturally integrated solutions (where new developments are adjacent to or integrated within existing communities);
- ensuring all our investments in areas of corporate social responsibility comply with our guidelines to empower, enable and support real sustainability;
- holistically building, growing and motivating our people, to make their working environments safe and healthy and to attract key skills and to retain talent;
- actively seeking to partner government, big and small business and other industry partners in initiatives which target current social problems and their root causes, such as crime, unemployment, inequality, HIV/Aids, poverty, skills shortages and corruption;
- building well planned, relevant and appropriate communities (homes, crèches, hospitals, schools, police stations, sports facilities, and community centres) building homes, not houses;
- ensuring the quality delivery of our projects meets the highest standard possible;
- committing to transformation and actively promoting the empowerment and development of previously disadvantaged individuals;
- building and maintaining solid relationships with trade unions and other representative bodies, and encouraging regular 2-way communications and engagements; and
- ensuring positive social impacts result from Calgro M3's developments, which are consistently designed to be healthy, integrated communities rather than mere dwellings.

The cornerstone of all our designs is proper integrated town planning and urban design which focuses not only on infrastructure design, but rather on the development of communities. We make the needs of community members the central theme of our development design. Healthy social interaction and building communities where residents want to take ownership and responsibility, is proof that our designs are well thought through, planned and implemented. This differentiates us from our competitors.

Associated Prof Francois Viruly, Department of Construction Economics and Management (University of Cape Town) and a leader in the industry, notes that residents surveyed on community developments built by Calgro M3 reported "an improvement in the quality of life for children, health and housing".

Calgro M3 Human Capital Management



HCM model

Our human capital management framework is designed to provide a sustainable workforce which has the skills, flexibility and diversity to meet the company's current and future business needs. Following a consistent approach across the geographic regions in which we operate, we attract the right people, develop and grow their capabilities, engage and motivate them and finally see them transform into independent, successful business people. We believe that people are our key resource.

> We strongly encourage a motivated, competent and productive workforce and see the provision of a healthy and safe workplace as a top priority.

By prioritising local recruitment and human capital management on our projects from those communities affected by our development projects, we gain an effective and valuable workforce, reduce skills shortages and unemployment while building positive links with those communities.

Strategic HR alignment

During this financial year the group continued with the implementation of the HR Strategic Intervention designed to complement and enable 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; employee engagement; and employee relations.

Human Capital Management Strategy (A.1)

The group acknowledges that effective human capital resource management is strategic to group performance. 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.

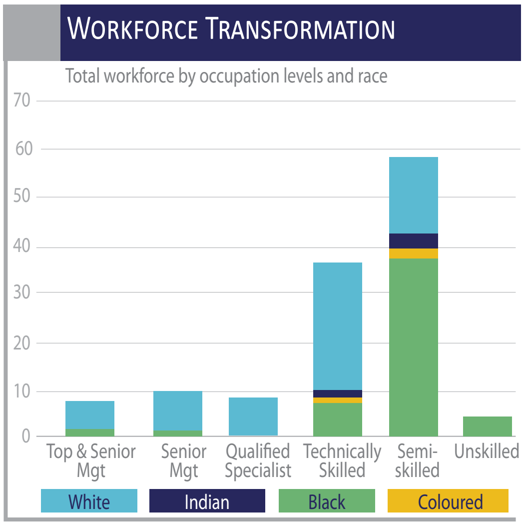
HR Governance and Compliance (A.2)

As a responsible employer, the Calgro M3 Group complies with and enforces regulatory requirements and rules of the various acts and governing bodies, including the South African Constitution, the Labour Relations Act, the Employment Equity Act, the Skills Development Act and the Basic Conditions of Employment Act.

Transformation

As with many companies in South Africa, Calgro M3 is committed to, but simultaneously challenged by intra-company transformation. After the strategic cut-backs in staff to sustain the company through the recession in the previous two financial periods, the group's growth phase has in this reporting period, allowed for the increase in numbers as well as opportunities to improve transformation efforts.

The group's BEE rating continues to remain at level 4 according to Empowerlogic. This however, is expected to change in the next reporting period, with changes to the industry charter where companies on average will automatically lose two points to their rating. More information will be made available to shareholders and stakeholders as and when it becomes available.

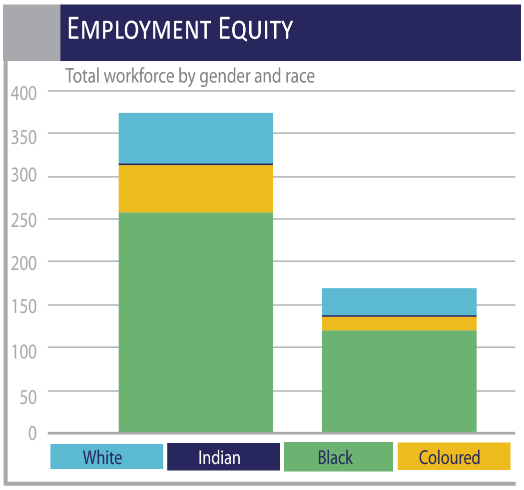


Employment Equity

The group recognises that the workplace needs to reflect a transformed society with equity barriers carefully considered in policy and decision-making.

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 employing equity legislation, the group emphasises diversity by continuing to maximise its talent pool, strengthening capacity and increasing innovation by introducing different ways of thinking.

We recognise that gender is a factor in recruiting a diverse and representative workforce. Employment equity in the historically male dominated construction industry is particularly challenging, specifically due to certain cultural trends within South African communities which discourage women from applying for jobs in this industry. Calgro M3 employs 175 females of a total of 440 employees (both permanent and temporary), or 39.7% of total employees.



Protection of rights

The rights of HIV positive employees and subcontractors are protected in terms of disclosure of their status.

The group rejects child and forced labour practices and it respects national culture, local laws and traditions.

Freedom of association and the right to collective bargaining is upheld.

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

Health and Safety

We embrace good governance in our responsible management of health and safety concerns on all our project sites and across the span of the organisation. The group strives to achieve and has successfully achieved in this reporting period, 'zero injury', 'zero fatalities" to employees and subcontractors through the effective management of health and safety in all our operations and the adherence to company policies and procedures regarding occupational health and safety.

Calgro M3 complies with the following:

- 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.

Calgro M3 is registered with the Workmen's Compensation Fund, thus ensuring that injured employees receive the best medical care available after sustaining an injury.

Calgro M3 Health and Safety Mission Statement

- Every Calgro M3 employee is important
- Every individual has the right to a safe and healthy working place
- Safety takes precedence over programme and cost
- Every individual is obligated to correct unsafe acts or situations

Corporate Social Investment

As a responsible corporate citizen, Calgro M3 recognises its ongoing obligation to support under-privileged communities, initiatives and projects and as such, has spent R1 516 241.16 (2012 - R920 588.19) on Corporate Social Investment (CSI) for the period.

We frequently 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 our developments. Financial assistance to crèches on an on-going basis to support their educational programmes, as well as interim maintenance on specially developed parks, is a priority to Calgro M3 and its strategic partners. In the Fleurhof projects one crèche has been completed and another is currently under construction and nearing completion. Currently 107 children are receiving quality education, care and love at the MES Kids Academy Crèche and Pre-school, which opened it's doors to the children of Fleurhof Ext 2 community. The facility has grown from strength to strength during the past quarter and progress has been made with the commencement of extramural classes for the children. 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 implement and run 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.

HR Policies and Procedures (A.3)

Non-discrimination

Calgro M3 practices a non-discrimination policy, as stipulated in the respective establishment agreements signed with trade unions on our operations. We strive to recruit and retain the best people both on our projects and within our corporate support operations and draw on talent from the populations of the areas we work in, wherever possible.

Preferential procurement and supply chain transformation

The group prides itself on reaching a target of 75% of its suppliers having a Level 4 or better empowerment certificate in place. During the current year the group maintained its 50% bench mark for spend to black business owners.

Empowerment of local communities

Calgro M3's policy to recruit members of local communities has provided us with rewards, in terms of multiple individual success stories, as well as challenges, in terms of labour relations on certain projects.

Code of Conduct & Ethics ("the 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;
- guides 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 and 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, whistle-blowing, taking strong action against transgressors, closely scrutinising reports, and encouraging honesty and professionalism in the day-to-day activities of the businesses.

Grievance Management

During the period, the group introduced new policies and procedures aimed at improving grievance management resolution times.

Where we felt it necessary and strategically important, we cancelled our contracts with external negotiators and have insourced key stakeholder engagements, such as labour negotiations and implemented effective grievance management mechanisms to streamline resolution and mitigate risk.

Recent costly strike action which negatively impacted our operations in the Western Cape has shown a need for improvement in relationship and trust building as well as the careful and timely resolution of issues. In our experience, prevention is better than cure. We are happy to report a subsequent improvement in our general conflict resolution times to reach our short-term target of 72hrs when compared to 96hrs for the previous year. The notable exception to this figure is the violent strike action in the Western Cape, which has required more lengthy, in-depth and repeated negotiation. In all our dealings with labour relations we endeavour to reduce our resolution times wherever possible and feasible.

> Our belief in genuine partnering means we welcome the role of unions and representative committees in our operations and constantly seek to improve our methods and depth of engagement with them. We believe this strengthens our 'pact with labour'.

Health and Safety Policy

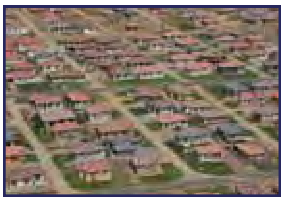
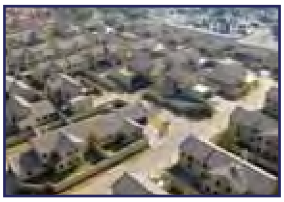
Via the policy, Calgro M3 is committed to providing a safe and healthy environment for all personnel on site, including visitors and suppliers.

The health and safety division of Calgro M3 strives to continually improve the effectiveness of the health and safety systems through the setting and measurement of health and safety objectives and by conforming to the current applicable occupational health and safety (OH&S) legislation.

Simple, non-negotiable standards and procedures guide behaviour of all employees, which are based on the principles of OHSAS 18001 and are the foundation of the 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.

It is the responsibility of the Health and Safety Division and their on-site officers, construction management and supervisors to ensure that the health and safety measures are implemented and adhered to.



On-site Health and Safety Specifications

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 management 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.

HCM Process

Attract (B.1)

Our policy on projects is to recruit members of local communities, to develop their potential through learning opportunities and monitor their performance through effective performance management. Our recruitment policy prioritises members of the local community and host country citizens. If the required skills are not locally available, we seek to fill positions from elsewhere within Africa if possible. We met (and on some sites exceeded) our target of 50% from local communities across the group.

Calgro M3 appoints local community liaison officers per project who been nominated by the community in conjunction with the local councillor for the area, to operate the labour desk.

Staff is appointed via the centralised labour desk on each site and identify each prospective subcontractor's core competency and abilities, to place them correctly, based on their skills and to ensure and enhance equal opportunities and fairness.

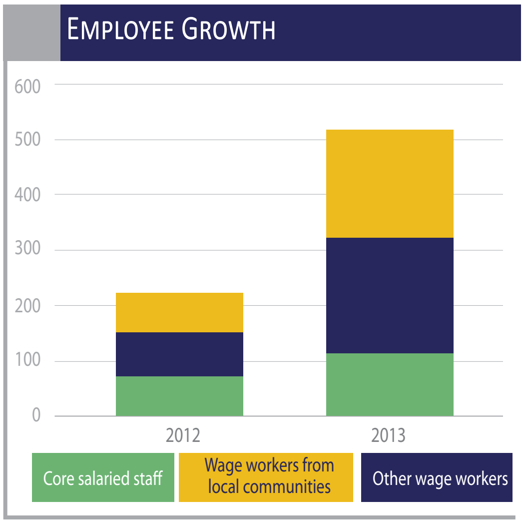
We do not use child labour, nor do we recruit illegal immigrant workers.

In our operations, we have implemented robust human capital management processes at all levels with the aim of attracting and retaining key skills and talent in a climate of skills shortage, to ensure Cagro M3's sustained success in the future. The introduction of the new MANCO structure saw the promotion of six managers to elevated positions.

Overall staff levels increased in the 2013 financial year, reflecting the increase of activity at the Gauteng and Western Cape sites and building capacity for growth.

As a result of our growth during the period under review, we increased our core salaried staff numbers by 50% to 111 employees (2012 - 74) and our wage staff by 173% to 410 (2012 - 150). Total staff and subcontractor complement continues to grow, showing Calgro M3's active participation in creating job opportunities.

The group is encouraged by the positive outcomes seen from the implementation of our HCM strategy to date. Our people and their growth, development and transformation is of critical importance to the ultimate sustainability and success of the company.



**Our permanent employees comprise core permanent staff and contract based employees. Core employees work full time whereas contract based employees work when needed on a project specific basis.*

Develop (B.2)

Skills development

The quality and the effective development and growth of human resources is key to the group's success and sustainability. The group complies with prevailing skills development legislation and provides a range of training, learning and career development opportunities for its people. Timeous submission of workplace skills and training reports are presented to SETA in accordance with regulations.

The group offers among others, through internal or external means: health and safety training; plant and equipment operation training; specialised sales force development programmes; and construction-related training courses.

MANCO members are specifically involved in mentoring and skills transfer from their executive team which is aimed at building capacity, empowering, decision-making at that level and mitigating potential risks around succession planning.

The success of our projects depends on the talent and competencies of the local workforce we actively recruit. We are often challenged by skills shortages, lack of formal training and limited industry experience of the people in the areas in which our projects are based. As emphasis is placed on hiring local people who are affected by our operations, we often have to spend considerable time and effort on development.

Skills development typically comprises some or all of the following:

- short-term 'shadow skills training',
- on the job coaching;
- transitional skills transfer and general up-skilling;
- medium-term technical, supervisory, and formal management training;
- longer-term, more in-depth mentoring; and
- expertise transfer by experienced long-term employees.

This skills training assists the community members to start new businesses and create employment not only for themselves but others in the community. Our subcontractor 'incubator programme' not only develops individuals in artisan skills, but also assists them in dealing with labour relations issues, SARS, Workmen's Compensation Act ('WCA') and informal mentoring on how to run their businesses successfully. This programme has graduated another 107 individuals who have gone on to have successful businesses and are subcontracting for other property development and construction companies.

Effective in-service training also took place during the period to develop five of our quantity surveyors, three of whom are black females.

This effort is ultimately aimed at developing people up the maturity curve to self-supporting small business owners who in turn can employ their own workforce, thereby uplifting the community and growing social sustainability.

Continual learning, both formal and informal, is inherent to Calgro M3's culture of sustainable growth and development. We encourage our professional, 'semi-skilled' and 'skilled' employees to engage where possible in formal training and informal on-site training. We see the development of skills as strategically important, because it speaks directly to Calgo M3's ability to succeed and grow through consistent, quality delivery now and in the future.

Engage (B.3)

Employee Relations

The group effectively uses work-place forums and meetings to improve engagement with employees and subcontractors. These in-house meetings act as an early warning system in managing labour relations proactively, managing expectations and highlighting any signs of deterioration in trust between management and labour. The group cancelled its contract with Sinergy Human Capital Solutions and insourced its grievance management function during the period as in order to improve reaction times.

Our operational management teams on each site further ensure that all people management issues are dealt with effectively and in accordance with company policies. They perform multiple roles on site, such as performance appraisals, employee communication and engagement and are vital in prevention and pre-emption of potential issues.

Rewarding Employees

The prior year's successfully implemented transparent performance management system which is linked to the performance of the company, was further rolled out with great success and effectively created wealth based on performance on all levels. Further to its implementation the group has transferred purpose and ownership to its employees, to raise levels of accountability. Each individual is made aware, through various training channels, of the impact that he/she has on the company. A sense of purpose is instilled in all individuals helping them to understand the direct and indirect contribution each one makes to the success of the group.

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 production skills are available outside the industry.

HIV & AIDS Education Programme

Apart from the induction training provided to all new employees and subcontractors, Calgro M3, through its HIV & AIDS education programme aims to educate and engage with all employees and subcontractors around the illness, the socio-economic impact and effects of the disease. Once a month during the contract period, comprehensive HIV/Aids education as well as informative health and safety sessions were held on all sites, supported by the department of Health and Social Services who provided 'booklets' and other materials. Calgro M3 is partnering government is its endeavour to raise awareness about TB through sessions with the employees and contractors on site.

All employees with the disease are positively supported and have their rights protected through the company's HIV & AIDS policy. Local government clinics are used for screening, counselling and administering of anti-retrovirals.

These programmes further include informative sessions on nutrition, health and well-being, given by trained professionals provided by the Department of Health and Social Services. Free protection is made available on all our sites and is easily accessible to all our employees.

Community gardens leading to healthier lifestyles are promoted and the Fleurhof project is a prime example thereof.

Transition (B.4)

Succession Planning

Succession plans are reviewed at MANCO level using the performance results of managers from the performance management system.

Leadership programmes for senior management were conducted on an adhoc basis during the period, to keep management growing and developing as well as providing Calgro M3 leadership with succession opportunities.

Heatpump system

Fleurhof community garden

Fleurhof

Financial Director's Report

The year under review was challenging, with trading conditions remaining difficult, project staff related issues increasing, and the challenge of carefully balancing capital availability with extraordinary growth, ever-present. The group has again focused on increasing its cash availability in order to position itself for the roll-out of its ambitious pipeline. To support this growth and ensure that accurate and relevant communications are provided to all stakeholders, Calgro M3 Holdings continues to strive towards consistently improving the quality and standard of its financial reporting.

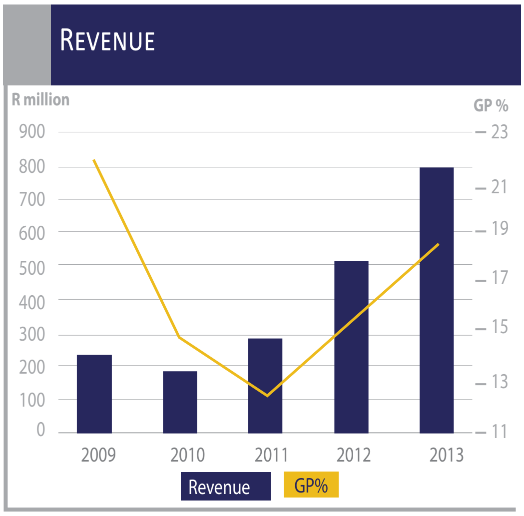
Our continued management approach and strategy to focus on and pursue only commercially viable projects, and to secure specifically tailored finance for these projects, is consistent and serves us well. The Calgro M3 Group operates in a unique legal and financial environment in which a large socio-economic impact in the building of sustainable integrated developments is made. The importance of our position, and fully understanding the ramifications of being the leader in this market, cannot be overstated.

Operating successfully within a period of increased strike action and labour unrest in many sectors within South Africa was challenging and impacted the group directly and indirectly. Despite extensive stakeholder engagement and risk mitigation, the strike action in the Western Cape on the Scottsdene project resulted in a loss.

Throughout the financial year, the group has focused on ensuring that all necessary policies and procedures are in place, in order to consistently and seamlessly govern work on our projects across the country and to instil financial discipline in our employees and subcontractors. This has set the necessary foundations for further and consistent growth by making our current and prospective projects sound and well managed investments for local and international investors.

Financial Results

When compared with the previous financial year, the group's revenue increased by 55.05% from R514 million to R798 million while the gross profit margin increased from 15.44% to 18.53%.

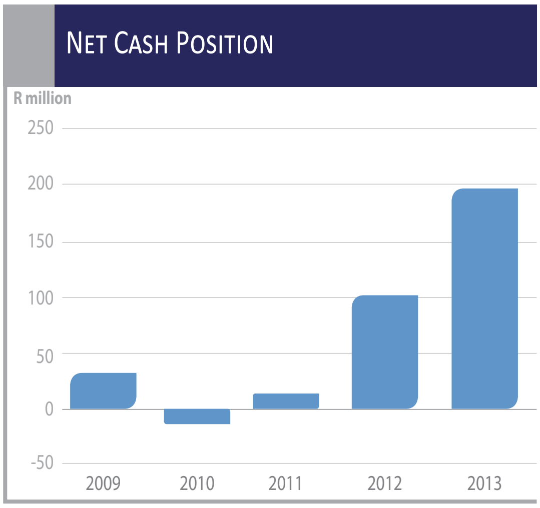


Operating profit increased 106.79% due to the material increase in group revenue and effective cost containment. Profit before tax increased by 50.43% due to challenges experienced on JV projects, and therefore lower than expected profit contributions. A higher tax rate resulted in a 39.65% increase in profit after tax.

Due to continuous focus on cost containment, which remains a high priority for Calgro M3, overall operating margins increased to 11.19% on the prior year. The comparative increase in operating overheads of 49.54% was anticipated due to the increase in activity.

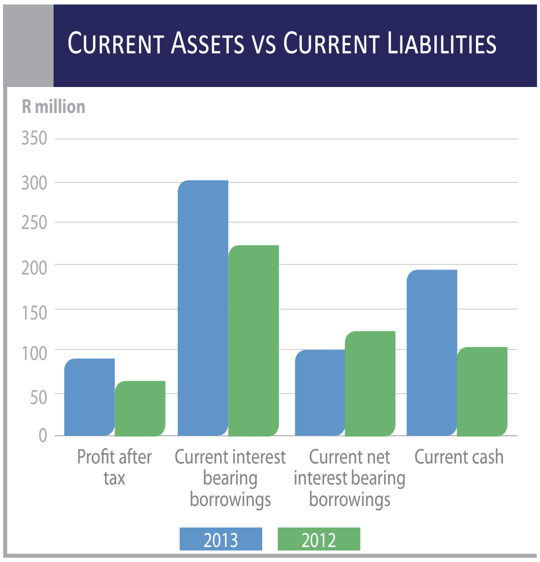
Cash on hand is at a healthy R198 million (2012 - R103 million). Cash generated from operations decreased from R69.8 million in 2012 to R49.4 million for the period under review. This is as a result of longer term construction time frames, on bigger than previous bulk deals. Another contributing factor was the upfront investments in projects (included in construction contracts) where professional fees and services on projects were installed prior to top structure construction. (Scottsdene – R29 million and La Vie Novelle – R13 million).

Taking the stressed economic environment into account management is focused on the continual proactive monitoring of capital and more specifically, cash liquidity.



Keeping government inflation, consumer price targets, the speculation over possible medium-term interest rate increases and currency pressure in mind, raising adequate but not excessive working capital could become a challenge, which is being monitored on an on-going basis.

As at year-end the group held in excess of 40% of its total liabilities in cash. Listed bonds to the value R40 million was repaid and R126 million was raised.



An inventory write-down of R5 146 385 to net releasable value was charged to the statement of comprehensive income during the financial year on the Mabopane project.

Construction activity increased during the year, attributable to various new projects commencing and the size of bulk construction deals. This is evident by our in excess of R10 billion project pipeline. As a result of upfront expenditure in new projects and quantum of construction, trade debtors and construction contracts increased.

Land has been purchased by the group for the purposes of resale as part of its property development activities. Land will only be sold after rezoning and once bulk services and the internal infrastructure have been installed. Calgro M3's adopted model for property purchasing is typically the acquisition of un-zoned land which, post conversion to zoned land, yields a higher sale return at market readiness. This model will take time to realise value, but through strategic decision making, careful planning, market analysis, and optimal timing, financial returns will ultimately be realised by the shareholders.

As the group's business cycle is greater than one year, all debt is reflected as 'current' in order to better balance operating assets and operating liabilities.

Share Appreciation Rights

During the year under review the group expensed R6.1 million pertaining to the new share appreciation rights scheme. The scheme was put in place as a long-term incentive to align middle and senior management focus, to that of the shareholders. Refer to note 34 of the financial statements for more information on this scheme.

Dividends

Management believes firmly that available cash should be retained in order to fund growth in the potential absence of available development funding. The board of directors has as a result, due to the challenging economic climate and tough trading conditions, resolved not to declare a dividend for this reporting period.

Outlook

With an estimated pipeline of R10 billion, the outlook for the short and medium-term is positive. It is management's challenge to continually grow the pipeline beyond the next five years while containing increases in overheads so that the full benefits of the growth expected from the pipeline are realised.

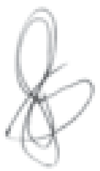
Conclusion and Appreciation

The 2013 financial year was challenging, as for most companies in the property development space. We continue to focus on delivering results and optimising cash resources to support growth, and to pre-empt new challenges.

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 to strike a balance between growing the balance sheet and providing returns to shareholders.

I would like to thank each and every member of my finance team, the management team and the board of directors for their unwavering commitment.

As we continually strive for improved stakeholder communication and disclosure, we welcome your participation, views and suggestions.



WJ Lategan

Financial Director
7 May 2013

Fleurhof

Governance Framework

Calgro M3 Holdings Limited ("Calgro M3") is listed on the main board of the Johannesburg Stock Exchange. Calgro M3 has reaffirmed its commitment to sound corporate governance, sustainability principles and compliance with the JSE Listings Requirements and the King III Report on Corporate Governance ("King III").

The board of directors ("the board") believes that sound corporate governance structures and processes are crucial to delivering responsible and sustained growth of the company to the benefit of all stakeholders. The company has implemented controls to provide reasonable assurance of its compliance with these requirements, insofar as they are applicable.

Statement of Compliance

JSE Limited and King III Corporate Governance

The board has satisfied itself with the extent of the company's compliance with the JSE Listings Requirements and King III. Following the commencement of the Calgro M3 Group's ("the group") King III journey in 2011 and 2012, the group has shown commitment to change where necessary. During the year under review ("the period") the group has shown proactive disclosure and increased transparency in line with the Global Reporting Initiative's G.3 and G.3.1 guidelines for reporting. Where there are instances of non or partial compliance, it is because the group has elected not to apply certain recommendations from King III for specific reasons as explained in the gap analysis on page 59.

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

Board Composition

The board operates as a unitary board, consisting of four executive directors and five non-executive directors, three of whom are independent. The board chairperson is an independent non-executive director.

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

In accordance with the King III recommendations, the roles of chairperson and CEO are separate, with a clear division of roles and responsibilities defined in the Board Charter.

In light of the recent changes to the Listings Requirements, and in accordance with section 3.59 of the said requirements, the board has appointed Mr Wayne Williams to replace Mr Wikus Lategan as company secretary with effect from 1 April 2013. Mr Lategan will continue in his role as chief financial officer.

The board will continue considering future appointments or changes when deemed necessary, in accordance with the growth cycle of the group.

The board reviews its composition and determines the optimal number and type of directors necessary to fulfil the role of board of directors effectively and efficiently, on an annual basis.

Independence

Based on the Companies Act No. 71 of 2008 and the guidelines of King III, the independence of non-executive directors is evaluated by the remuneration and nomination committee on an annual basis. Similar principles and processes are in place across the board to ensure that no single director may exercise unfettered decision-making powers.

Where the CEO is responsible for the implementation of strategic direction and daily operation of the company, the chairperson and the board provide guidance and leadership deliberations and oversee its efficient operation. The CEO is assisted in his responsibilities by an executive committee ("EXCO").

The board's decision making process is improved by the involvement and objective contributions of all non-executive directors who are experienced, high merit individuals possessing a wide range of industry skills and knowledge. They are not involved in the daily operations of the company. To date, all non-executive directors have served on the board for less than ten years.

The Role of the Board and Board Procedure

The role of the board is to establish, review and monitor strategic objectives, the approval of disposals, capital expenditure and to oversee the group's systems of internal control, governance and risk management. The board meets at least three times per year and more often if and when the need arises.

Register of attendance for board meetings in the period under review

Board Members	Audit 13 March 2012	Board 14 March 2012	Remco 3 May 2012	Audit 4 May 2012	Board 10 May 2012	Remco 18 July 2012	Board 19 July 2012	Audit 9 October 2012	Board 11 October 2012
PF Radebe		✔	✔		✔	✔	✔		Apologies
RB Patmore	✔	✔	✔	✔	✔	✔	✔	✔	✔
H Ntene		✔			✔		✔		✔
ME Gama		✔	✔	✔	✔	✔	✔	✔	✔
JB Gibbon	✔	✔	✔	✔	✔	Via telecom	Via telecom	✔	✔
BP Malherbe (CEO)	✔	✔	✔	✔	✔	✔	✔	✔	✔
WJ Lategan (CFO)	✔	✔	✔	✔	✔	✔	✔	✔	✔
FJ Steyn		✔			✔		✔		✔
DN Steyn (COO)		✔					✔		✔
R Wesselo		✔							
Sponsor	Dino Theodorou	Dino Theodorou		Dino Theodorou	Dino Theodorou		Dino Theodorou	Dino Theodorou	Dino Theodorou David Neal
PwC	Lynne Loots Joanne Lindsay			Ferdie Kerkhoff Lynne Loots				Lynne Loots Joanne Lindsay	

The board and its committees are supplied with full information timeously, which allows them to comply with their duties and carry out their responsibilities. The board also enjoys unrestricted access to all company information, records, documents and property. Non-executive directors in turn, also have access to management and may meet separately with management, without the attendance of executive directors. A range of non-financial information is provided to the board to enable its members to consider qualitative performance that involves broader stakeholder interest.

The daily management of the company's affairs has been delegated to the CEO and the financial director, who co-ordinate the implementation of board policies through EXCO and subsequently the management committee ("MANCO").

Through recently concluded appraisals, the board and its committees were found to have operated and functioned effectively during the period.

Full and effective control over all operations of the company is retained by the board at all times.

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 approval of the board.

In accordance with the Calgro M3 Memorandum of Incorporation, directors are subject by rotation to retirement and re-election by shareholders at the annual general meeting.

On the recommendation of the nomination committee, the board as a whole is responsible for approving directors for appointment. New directors are appointed in terms of a formal and transparent procedure. Prospective appointees are nominated by the nomination committee and approved by the board, subject to shareholder confirmation at the annual general meeting.

Induction of New Directors

Individual competence of board members is imperative as they are the decision-makers of the company and are ultimately responsible for its success.

Directors are required to have a sound understanding of the business and knowledge of the markets within which the group operates and must exercise due care and skill in their fiduciary duties. Directors are selected based on their experience, business skills, the diversity of their business backgrounds and for their academic qualifications. Race and gender are also taken into account in line with the transformation agenda of the South African Government and in order to accurately reflect the demographics of the country.

An informal orientation programme for new directors exists to ensure they acquire the requisite level of competence and knowledge of the group's structure, operations and policies to enable them to fulfil their fiduciary duties and responsibilities.

The Executive Committee

EXCO is responsible for the day to day running of the group and is comprised of the executive directors. The CEO is the head of the committee, who in turn, is accountable to the board for the actions taken by EXCO.

EXCO's initiatives and progress is reported to the board via board packs in advance of the board meetings or whenever deemed appropriate or necessary. EXCO meet at least once every two weeks.

Access to Company Information and Confidentiality

Via the chairperson and company secretary, policies and procedures are in place to enable the board 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 confidentiality and the use of information.

Dealings in Securities

Calgro M3's closed-period policy precludes directors, officers, participants, staff, advisors and consultants, who may have access to price-sensitive information, from dealing in Calgro M3 shares prior to the release of the interim and final results and during price-sensitive periods.

Before dealing in Calgro M3 securities, all directors and the directors of subsidiary companies are required to obtain written clearance from the CEO or the chairperson. Similarly, the CEO requires prior clearance from the chairperson or company secretary. The same rules and restraints apply where securities are held by immediate family members of directors or senior staff.

A record of all consents and dealings in Calgro M3 shares by directors is kept by the CEO.

Conflict of Interest

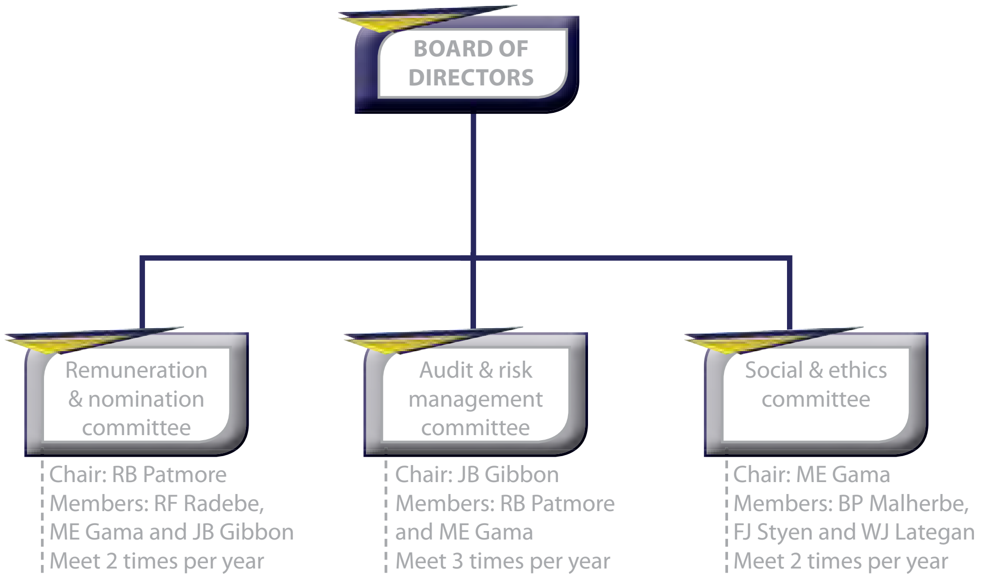
The disclosure to the board of all and any conflicts of interest or potential conflicts of interest, which directors may have in relation to the business of the company is required. Directors are further required to recuse themselves from discussions or decisions on those matters where conflicts or potential conflicts of interest may lie. The board may, if deemed appropriate, request a director to excuse himself/herself from the meeting for the duration of the matter under discussion should there be a conflict or potential conflict of interest.

Board Comittees

The following committees have been constituted by the board:

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

Board Committees Structure



Each of the board committees has specific responsibilities which have been delegated and sanctioned by the board. The board committees operate under board approved terms of reference which are reviewed annually by the board. Board committees are free to obtain independent professional advice as and when deemed necessary. There exists full transparency and disclosure from board committees to the board. Aside from the establishment of the board committees, the board has reserved a range of key matters for itself to ensure that it retains proper direction and full control of the group.

Remuneration and Nomination Committee

During the past financial year this committee was chaired by Ralph Patmore, an independent non-executive director. The majority of the other members of this committee, being John Gibbon and Mdu Gama are independent non-executive members, while the remaining member, Pumla Radebe is a non-executive member.

The role of the remuneration committee is to set appropriate and market related remuneration levels in order to attract, motivate and retain the best possible, high calibre directors and executive managers to manage the company successfully and to ensure sustainable growth. Their duty is to align their interests with those of the shareholders and take into account the interests of a broader grouping of stakeholders. The CEO attends meetings by invitation but does not participate in discussion on his own remuneration. The inclusion of the duties of a nomination committee with the remuneration committee has been successful.

Unless additional meetings are required, the committee meets twice a year.

After each meeting, the remuneration and nomination committee chairperson formally reports to the board on its proceedings 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:

- assisting the board from a remuneration committee perspective 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;
- assisting the board from a nomination committee perspective, 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 takes place; and
  - formal succession plans for the board, CEO and senior management appointments are considered.

During the period, 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 advised upon and approved the disclosure of remuneration related matters in the annual report.

The committee approved senior appointments this year and reviewed succession plans and performance and service agreements for members of EXCO. The committee also assesses the independence of each of the independent non-executive directors on an annual basis.

Remuneration Structure and Executive Directors' Remuneration

The remuneration structure for executive directors and senior management has three elements:

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

Benefits within the total cost to company fixed remuneration package include provident fund with risk benefits and a car allowance. Remuneration reviews are based on the value of sustained contribution of each executive director and senior manager.

The committee reviewed the performance of each executive director and senior manager at the July 2012 meeting and set targets for the members of the group's incentive scheme for the next two years. The incentive scheme will be re-evaluated in the 2014 financial year.

Service Contracts

Executive directors are appointed subject to the group's standard terms and conditions of employment. This implies a probationary period for permanent employees of three months and contracts which run indefinitely, unless stipulated otherwise.

Non-Executive Directors' Fees

Non-executive directors are remunerated for their membership of the board and of the various board sub-committees. The Calgro M3 incentive arrangements and share appreciation rights scheme does not apply to non-executive directors and they may not participate in or benefit from them.

As recommended in the notice of the annual general meeting on page 132 of this annual report, shareholders are requested, at Calgro M3's annual general meeting, to ratify the directors' fees for the year. To comply with the requirements of King III, the board has instituted rulings that non-executive directors' fees are split between an annual retainer and an attendance component.

Disclosure of Directors' Emoluments

Note 38 on page 126 of the annual financial statements discloses the emoluments of the non-executive and executive directors. A further disclosure of the highest paid employees is made in note 38 of the annual financial statements.

Audit and Risk Committee

During the period, this committee was chaired by John Gibbon, an independent non-executive director. In accordance with the statutory requirements, the other members of this committee, being Ralph Patmore and Mdu Gama, are both independent non-executive members.

As it applies to audit and risk committees, the group remains compliant with the requirements of the Corporate Laws Amendment Act.

From a risk management perspective the committee's main responsibilities include overseeing risk exposure and mitigation across the entire group via its risk management programme. The actual responsibility for identifying, evaluating and practically managing risk resides with management.

During the period, Calgro M3 formulated and initiated an internal audit function, as per the guidelines of King III. The internal audit function reports directly to the audit committee and has a direct line to the chairperson of the internal audit committee.

The full audit and risk committee report has been incorporated on page 63 of the annual financial statements.

The Social and Ethics Committee

The four directors of EXCO act as the social and ethics committee which monitors and ensures that the social and ethical requirement of the Companies Act No. 71 of 2008 and King III are implemented and complied with. Mdu Gama, an independent non-executive director has been appointed to fill the vacancy arising from the resignation of the previous non-executive chairman of committee.

The focus of the group regarding social and ethics responsibilities is set out under Social Sustainability on page 39 (Corporate Social Investment) and page 40 (Code of Conduct and Ethics).

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 has been split to create independence in light of changes to the Listings Requirements of the JSE. Wayne Williams was appointed as the group company secretary with effect from 1 April 2013. He is directly or indirectly responsible for:

- assisting the chairperson, CEO and financial director with the induction of new directors;
- assisting the board with director orientation, development, education and access to information;
- where practical, ensuring the group complies with relevant legislation;
- monitoring the legal and regulatory environment and communicating new legislation and any changes to existing legislation to the board and the different divisions of the company; and
- providing the board with a central source of guidance and assistance.

The group company secretary further assists the chairperson and CEO in determining the annual board plan and board agendas and in formulating governance and board-related matters.

Financial Control and Risk Management

Risk Management

As recorded above, the group has, subsequent to the last reporting period, introduced an internal audit function. The audit committee is responsible for ensuring that the group's internal audit function is independent and has the necessary resources, standing and authority within the group to enable it to discharge its responsibilities effectively. This function is still in its infancy, but good progress has been made. Furthermore, the audit committee oversees co-operation between the internal and external auditors, and serves as a link between the board and these functions.

The board defines acceptable risk tolerance levels and has tasked 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 extra-ordinary reporting, if required, 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 operational risk management and management reporting;
- assurance provided by the board committee to the board on certain or specific risks that may be raised;
- quarterly confirmation by executive finance that the financial and accounting control frameworks have operated satisfactorily; and
- 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 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 effectively manage rather than eliminate risk.

The board is of the opinion that the systems of internal control have improved during the period and are adequate to minimise the risk of material loss and to provide accurate and reliable 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 group's operational and tactical business risks with a view to eliminating, minimising or mitigating such risks and their effects in the context of the group's strategies and operations. EXCO, assisted by MANCO, is responsible for managing risk through the day-to-day rolling out of effective risk management processes.

Legal and Litigation

Wayne Williams, a qualified attorney, has been appointed as head of the legal department.

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 and non-financial position.

Information Technology

The management and maintenance of Calgro M3's information, information systems and the electronic assets which enable them, is outsourced to EOH. The responsibility of the board extends to ensuring that the information assets, in terms of system security, data integrity and resulting business continuity, are secure and robust. This function 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. The board is not aware of any material breakdown in the functioning of the internal control systems during the period.

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 and Engagement

Shareholders

The board is committed to appropriate transparency of disclosure in communications and engagements with its stakeholders.

It is the policy of the group to pursue dialogue with institutional investors based on constructive engagement, having regard to the statutory and regulatory environment of disseminating information.

The CEO and financial director act as chief spokespersons for the company and all investor related correspondence is dealt with by them.

Grindrod Bank Limited acts 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 fruitful discussions relating the company's agenda items and to raise potential issues and concerns.

Explanatory notes setting out the effects of all proposed resolutions have been included in the notice of the annual general meeting. The company's transfer secretaries attend all meetings with shareholders to assist with the recording of shareholders' attendance and to tally the votes.

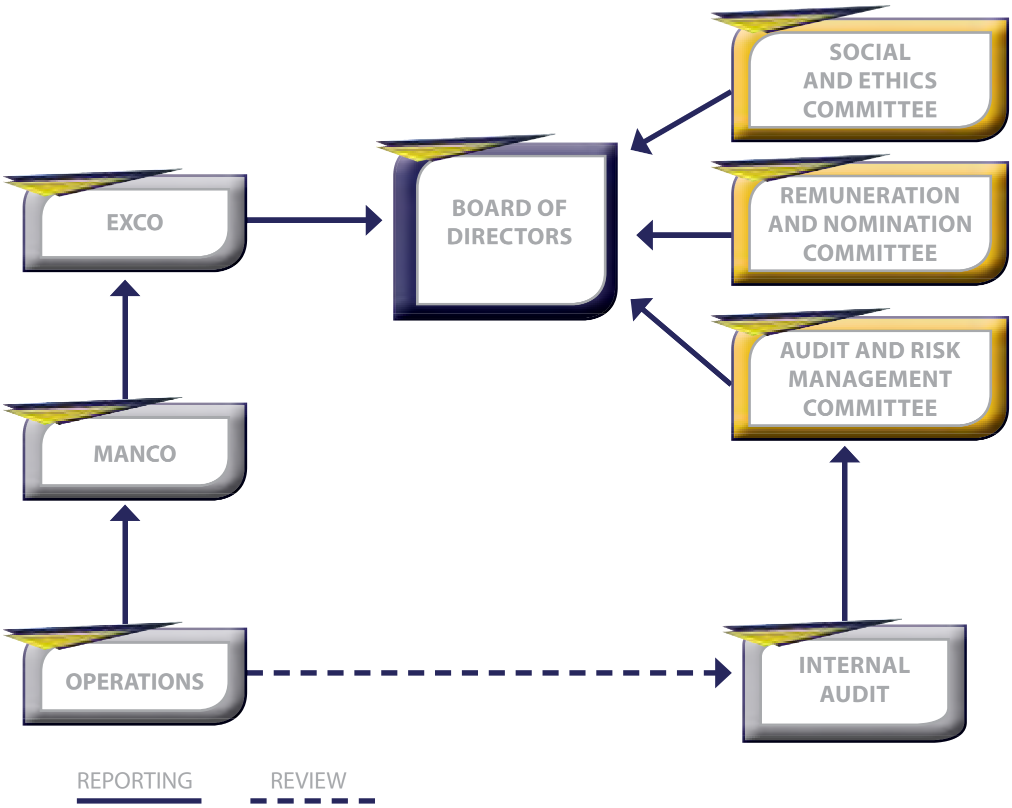
The chairpersons of board appointed committees and the executive directors are required to attend annual general meetings or other general meetings to respond to questions from and to communicate with shareholders.

Pages 23 to 25 detail the further communications and engagements between Calgro M3 and its broader community of key stakeholders who affect or are affected by the company.

The group's sustainability information begins on page 20 and further details the overall strategy and approach for themes such as transformation or broad based black economic empowerment, employment equity, skills transfer, training and development, succession planning, occupational health and safety, environmental matters, policies regarding HIV & Aids and other human rights issues.

For a full stakeholder analysis overview, please see pages 24 and 25.

Corporate Governance Structure



Calgo M3 is committed to:

- transforming South African society and the 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 share 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 business operates whilst being fully conscious of our responsibilities for safety.

King III Gap Analysis

Main category	Sub category	Exception where compliance is not met	Mitigating factors and management plan where applicable
Board role and duties	Risk	The group has not appointed a separate chief risk officer or chief compliance officer.	The group CEO BP Malherbe, financial director WJ Lategan and company secretary W Williams oversee all compliance and risk related matters.
Board role and duties	Internal audit	Internal audit function was implemented during the year under review. This function is still in its infancy and is not yet fully compliant.	Good progress has been made with regard to a three year plan to be implemented in order be fully compliant. The head of internal audit has a clear line directly to the audit committee and audit committee chairman John Gibbon
Accountability	Stakeholder relations	Although communication with stakeholders takes place on a regular basis this is not formally noted. A formal communication policy has been drafted.	A formal communication policy has been drafted for board approval at the AGM.
Accountability	Integrated reporting and disclosure	The remuneration report does not include details of limits for participation in incentive schemes; does not include reasoning for hurdle rates for the SAR scheme and details of the main performance parameters or targets for threshold, expected and beyond expectation performance of executive directors and other senior executives.	Limits do exist and disclosure will be addressed in the next report
Accountability	Integrated reporting and disclosure	The integrated report does not disclose the scope and methodology of independent assurance of the sustainability report, or the name of the assurer.	The group is still too small for an external assurance report. The board is taking responsibility to review any/all risk. An external consultant specialising in sustainability reporting has given her input
Board committees	Social and ethics committee	The social and ethics committee comprises of not less than three directors or prescribed officers of the company, but with no non-executive director members.	Exco has subsequently filled this role. Mdu Gama was appointed as chairperson post year-end.

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Index to the Annual Financial Statements

Certification of the Company Secretary

I , Wayne Williams, hereby confirm, in my capacity as company secretary of Calgro M3 Holdings Limited that for the year ended 28 February 2013, the company has filed all required returns and notices in terms of the Companies Act No. 71 of 2008 and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

Wayne Williams
Company Secretary
7 May 2013

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act No. 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 year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

The 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 and company's strategies and operations.

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

The directors have reviewed the group and company's cash flow forecast for the year to 28 February 2014 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 auditing and reporting on the company's annual financial statements. The consolidated and separate financial statements have been examined by the group and company's external auditors and their report is presented on page 67.

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 61 to 131, which have been prepared on the going concern basis, were approved by the board of directors on 7 May 2013 and were signed on its behalf by:

BP Malherbe
Director

WJ Lategan
Director

Report of the Audit and Risk Committee

This report is presented by the company's audit and risk committee appointed by the board and the shareholders in respect of the financial year ended 28 February 2013. It is prepared in accordance with the recommendations of King III and the requirements of the South African Companies Act No. 71 of 2008, as amended, and describes how the committee has discharged its statutory duties in terms of the Companies Act No. 71 of 2008 and its additional duties assigned to it by the board in respect of the financial year ended 28 February 2013.

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

The board determined that the committee members have appropriate and adequate skills and experience to contribute meaningfully to deliberations and to fulfil their responsibilities. In addition, the committee chairman has the 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

Audit Functions

The committee's role and responsibilities include its statutory duties as per the Companies Act No. 71 of 2008 and the responsibilities assigned to it by the board.

The committee has adopted formal Terms of Reference approved by the board of directors. The committee and the board reviewed the Terms of Reference during the year. The committee has conducted its affairs in compliance with these Terms of Reference and has discharged the responsibilities contained therein.

The Terms of Reference are available from the group company secretary on request.

The committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

From an audit oversight perspective, the audit and risk 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;
- determining the fees to be paid to the auditor and the auditor's terms of engagement;
- ensuring that the appointment of the auditor complies with the provisions of the Act and any other legislation relating to the appointment of auditors;
- determining the nature and extent of any non-audit services which the auditor may provide to the company;
- pre-approving any proposed agreement with the auditor for the provision of non-audit services to the company;
- preparing a report to be included in the annual financial statements for the year;
- ensuring that adequate books and records have been maintained;
- monitoring proposed changes in accounting policy;
- considering the accounting and taxation implications of major transactions;
- reviewing and reporting on compliance with IFRS, King III and the JSE Listings Requirements;
- reviewing of management's evaluation 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;
- considering the appropriateness of the expertise and experience of the financial director on an annual basis;
- nominating for appointment a registered auditor who is independent of the company;
- receiving and dealing 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;

- making submissions to the board on any matter concerning the company's accounting policies, financial controls, records and reporting; and
- performing 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 committee has resolved to undertake a self-assessment every year.

Risk Functions

The board of directors has assigned oversight of the group's risk management function to the audit and risk committee. The committee fulfils an oversight function regarding risks in the areas of operations, finance, reporting, fraud, information technology and ethics.

From a risk perspective, the audit and risk committee is primarily responsible for:

- ensuring that appropriate systems are in place to identify and monitor risks affecting the group;
- evaluating the adequacy of the effectiveness of the risk management process;
- keeping an updated risk register;
- reviewing and assessing issues such as compliance with legislation and corporate governance matters, the impact that significant litigation could have on the group, the adequacy of the insurance cover as well as the effectiveness of controls over areas of risks; and
- providing board level oversight of the management of processes to ensure that operations remain viable and sustainable.

An assessment of the effectiveness of the group's risk register was conducted by internal audit during the financial year. Based on this assessment and the on-going oversight of the committee, it could be concluded that nothing came to the attention of the committee and the board that would suggest that the prevailing system of risk management is not, in all material aspects, effective.

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.

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 twice per annum. All members are independent as prescribed in section 269A of the Companies Act No. 71 of 2008. During the year under review, three meetings were held.

Name of committee member	Qualifications	Period served on committee
JB Gibbon	CA(SA)	4 years
RB Patmore	BCom, MBL	2 years
ME Gama	PhD (Finance)	1 year

Internal Audit

The internal audit function for the group was implemented during the 2013 financial year.

The audit and risk committee is responsible for ensuring that the group's internal audit function is independent and has the necessary resources, standing and authority within the group to enable it to discharge its responsibilities effectively. This function is still in its infancy, but progress has been made. The audit and risk committee oversees co-operation between the internal and external auditors and serves as a link between the board of directors and these functions.

The internal audit function reports to the audit and risk committee and is responsible for reviewing and providing assurance on the adequacy of the internal control environments across all of the significant areas of the group's operations. The internal audit manager is responsible for reporting the progress and findings of internal audit's work conducted in terms of the group's approved audit plan, to the audit and risk committee.

Financial Controls

Internal audit has completed a preliminary assessment of the group's internal financial controls, which included information and explanations provided by management and discussions held with the external auditors on the results of the audit.

Based on this assessment, the audit and risk committee concluded and advised the board that nothing had come to its attention that would suggest that the group's system of internal financial controls is not effective, and is an appropriate basis for the preparation of reliable financial statements.

Integrated Reporting

The audit and risk committee has considered the sustainability information that forms part of the group's integrated report and has assessed its consistency with operational and other information known to the audit and risk committee members, as well as its consistency with the group's annual financial statements.

The committee considered the disclosures in the integrated annual report and performed an oversight function of the integrated reporting process and recommended it to the board for approval.

Going Concern

The audit and risk committee has reviewed a documented assessment, including key assumptions, prepared by management on the going concern status of the group.

The board's statement on the going concern status of the group, as supported by the audit and risk committee, is contained in the directors' report.

Attendance

The external auditors, in their capacity as auditors to the group, attended and reported at all meetings of the audit and risk committee. The group risk management function which is performed by executive directors, was also represented. Relevant senior managers attended meetings by invitation.

Audit and risk committee attendance register

Member Name	2012/03/13	2012/05/04	2012/10/09
JB Gibbon	✗	✗	✗
RB Patmore	✗	✗	✗
ME Gama	◎	✗	✗
WJ Lategan	⊠	⊠	⊠
BP Malherbe	⊠	⊠	⊠
PwC	⊠	⊠	⊠
Sponsors	⊠	⊠	⊠

✗ - Indicates attendance
⊠ - Indicates attendance by invitation
◎ - Apologies for not attending meeting

Independence of the External Auditor

The audit and risk committee has satisfied itself that the external auditor, PricewaterhouseCoopers Inc (PwC), conducted its duties independently and that no limitations were imposed by management on PwC whilst performing their duties during the year. The audit and risk committee, in consultation with the group's executive management, agreed to the terms of the PwC engagement letter, audit plan and budgeted audit fees in respect of the 2013 financial year.

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 audit and risk committee has nominated PwC for re-election at the annual general meeting (AGM) of Calgro M3 Holdings, and Mr J-P van Staden as the designated partner to perform the functions of external auditor until the 2014 AGM. The audit and risk committee has satisfied itself that both PwC and Mr van Staden are accredited with the JSE Limited as required.

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

Financial Statements

The committee reviewed the financial statements and the accounting policies and practices of the group and is satisfied that they comply with International Financial Reporting Standards. The committee recommended the financial statements to the board for approval. The board concurred with this assessment.

JB Gibbon
Chairman: Audit and Risk Committee
7 May 2013

Independent Auditors' Report to the Shareholders

of Calgro M3 Holdings Limited

We have audited the consolidated and separate financial statements of Calgro M3 Holdings Limited set out on pages 74 to 131, which comprise the statements of financial position as at 28 February 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act No. 71 of 2008 of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Financial Reporting 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 consolidated and separate 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Calgro M3 Holdings Limited as at 28 February 2013, 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 No. 71 of 2008 of South Africa.

Other Reports required by the Companies Act.

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2013, we have read the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Director: J-P van Staden
Registered Auditor
Johannesburg
7 May 2013

Fleurhof

The directors submit their report for the year ended 28 February 2013.

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, architecture, 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.

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, construction contracts and work in progress.

Registered Office:
Cedarwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2196

Postal Address:
Private Bag X33
Craighall
2024

2. **Financial Position**
The financial statements on pages 61 to 131 set out fully the financial position, results of operations and cash flows of the group and company for the year ended 28 February 2013 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 28 February 2013 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 listed on the main board of the JSE.

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, is as follows:

R'000	28 February 2013	29 February 2012
Profit	64 307	46 115
Losses	(2 972)	(9 295)

CALGRO M3
HOLDINGS

6. **Directors' Interest in Shares and Remuneration**
At the date of this report these directors held the following direct and indirect interests in the company:

Ordinary Shares	Direct 2013	Direct 2012	Indirect 2013	Indirect 2012
PF Radebe	**–**	–	**200 000**	1 000 000
BP Malherbe	**–**	–	**14 777 908**	14 777 908
WJ Lategan	**4 357 970**	4 357 970	**–**	–
FJ Steyn	**–**	–	**10 516 559**	10 966 559
DN Steyn	**–**	–	**12 492 228**	12 792 228
H Ntene	**63 500**	63 500	**11 000 000**	15 000 000

7. **Share Appreciation Rights**
9 650 000 share appreciation rights (SAR's) were granted to directors and selected employees. The scheme is divided into two categories. The first category (4 850 000 SAR's) will vest after 2, 3 and 4 years in equal tranches from the grant date. The second category (4 800 000 SAR's will vest after 3, 4, 5 and 6 years in equal tranches from the grant date. The rights will vest if the share price at each vesting date exceeds the hurdle price. The hurdle price is the strike (allocation) price grown by CPI plus 2% per year over the vesting period. In the situation that the hurdle price is not achieved at the vesting date, 25% of the possible vested SAR's will roll over to the next vesting date.

Out of the 9 650 000 outstanding SAR's, Nil SAR's (February 2012 - Nil) were exercisable as at 28 February 2013.

Refer to note 34 for details on the share appreciation rights scheme.

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 28 February 2013	500 000 000
Total number of ordinary shares in issue at 28 February 2013	127 100 000

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

10. **Capital Expenditure**
Details of capital expenditure are set out in notes 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 an going concern basis.

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

13. Directors

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

14. Secretary

WJ Lategan resigned as secretary of the company on 25 March 2013 and W Williams was appointed in his stead on 1 April 2013.

As required by the JSE Listings Requirements, the board has satisfied itself that the secretary has appropriate qualifications, expertise and experience. In addition, the board has satisified itself that there is an arms-length independent relationship with the secretary, due to the fact that the secretary is not a director of the company.

Wayne Williams was appointed company secretary to Calgro M3 Holdings on 1 April 2013. He is a qualified attorney. Wayne was employed with EG Cooper & Sons (now Cooper Majiedt) from 1992 to 2007 and was appointed partner of this firm in 1997. In 2008 he established Coertzen Williams Attorneys. At the end of August 2012 he joined Calgro M3 Holdings Ltd as head of the legal department. He specialises in commercial, property and company law and has been involved in various large commercial and residential property-based transactions throughout South Africa.

The address of the secretary is set out below:

Business Address:
Cedarwood House
Ballywoods 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 No 71 of 2008 of South Africa, subject to approval of shareholders at the upcoming annual general meeting. J-P van Staden will be the individual registered auditor who will undertake the audit.

16. Preparer
The financial statements were internally compiled by WA Joubert CA (SA) under the supervision of 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 28 February 2013:

Shareholders' spread	No. of shareholders	%	No. of shares	%
1 - 1 000 shares	253	20.13	105 629	0.08
1 001 - 10 000 shares	752	59.83	2 659 589	2.09
10 001 - 100 000 shares	198	15.75	6 188 333	4.87
100 001 - 1 000 000 shares	37	2.94	11 338 913	8.92
1 000 001 shares and over	17	1.35	106 807 536	84.04
	1 257	**100.00**	**127 100 000**	**100.00**

Distribution of shareholders	No. of shares	%
Nominee and Trusts	64 333 720	50.62
Empowerment	32 186 718	25.32
Individuals	18 602 365	14.64
Financial institutions and other corporations	7 920 935	6.23
Private and public companies	4 056 262	3.19
	127 100 000	**100.00**

Public/non-public shareholders	No. of shares	%
Directors and associates of the holding company	51 072 255	40.18
Public shareholders	76 027 745	59.82
Non-public shareholders	-	-
	127 100 000	**100.00**

Shareholders with an interest of 3% or more in shares	No. of shares	%
BPM Family Trust	14 000 000	11.01
Snowball Wealth (Pty) Ltd	13 702 304	10.78
DNS Trust	12 492 228	9.83
Planet Waves 266 (Pty) Ltd	11 000 000	8.65
FJS Trust	10 516 559	8.27
Hendrik Brand Trust	9 677 602	7.61
DGS Trust	6 536 547	5.14
LCH Chou	6 200 000	4.88
Pershing LLC	4 607 631	3.63
WJ Lategan	4 357 970	3.43
	93 090 841	**73.24**

21. Analysis of Bond Holders

Bond holders spread analysis as at 28 February 2013:	No. of bonds	%
Bond holders with a holding of 5% or more		
Atlantic Asset Managers	70 000 000	31.67
Prudential Portfolio Managers	56 000 000	25.34
Taquanta Asset Management	50 000 000	22.62
RMB Asset Management	45 000 000	20.37
	221 000 000	**100.00**

Consolidated Statement of Financial Position

as at 28 February 2013

Rands	Notes	Group 2013	Group 2012	Company 2013	Company 2012
ASSETS					
Non-current assets					
Investment property	6	**5 743 370**	5 743 370	**-**	-
Property, plant and equipment	7	**4 244 865**	3 877 702	**-**	-
Intangible assets	8	**32 808 103**	32 921 397	**-**	-
Investment in subsidiaries	9	**-**	-	**103 272 814**	103 272 814
Investment in joint ventures	10	**74 349 939**	44 943 947	**-**	-
Loans to joint ventures	11	**22 199 871**	15 724 760	**-**	-
Deferred income tax asset	12	**13 907 726**	12 889 184	**-**	-
		153 253 874	116 100 360	**103 272 814**	103 272 814
Current assets					
Loans to joint ventures	11	**-**	15 443 586	**-**	-
Loan receivable	13	**5 756 677**	5 756 677	**-**	-
Loans to group companies	14	**-**	-	**293 135 863**	201 996 393
Inventories	15	**264 579 692**	249 305 202	**-**	-
Current tax receivable		**364 926**	2 245 654	**103 101**	11 229
Construction contracts	16	**139 250 724**	85 459 296	**-**	-
Work in progress	17	**2 232 050**	2 054 354	**-**	-
Trade and other receivables	18	**45 339 328**	15 827 387	**-**	-
Cash and cash equivalents	19	**198 342 958**	103 690 964	**535 453**	6 412 642
		655 866 355	479 783 120	**293 774 417**	208 420 264
Total assets		**809 120 229**	595 883 480	**397 047 231**	311 693 078
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the parent					
Share capital	20	**96 021 721**	96 021 721	**96 021 721**	96 021 721
Reserves		**-**	-	**-**	7 212 798
Retained income		**231 335 823**	140 032 285	**9 343 464**	1 705 929
		327 357 544	236 054 006	**105 365 185**	104 940 448
Liabilities					
Non-current liabilities					
Finance lease obligations	21	**215 446**	244 644	**-**	-
Deferred income tax liability	12	**26 863 397**	19 315 472	**-**	-
		27 078 843	19 560 116	**-**	-
Current liabilities					
Loans from group companies	14	**-**	-	**290 952 444**	206 630 431
Borrowings	22	**299 889 542**	225 111 270	**-**	-
Current income tax liabilities		**1 127 363**	154 636	**-**	-
Finance lease obligations	21	**511 024**	1 461 964	**-**	-
Trade and other payables	23	**153 155 913**	113 541 488	**729 602**	122 199
		454 683 842	340 269 358	**291 682 046**	206 752 630
Total liabilities		**481 762 685**	359 829 474	**291 682 046**	206 752 630
Total equity and liabilities		**809 120 229**	595 883 480	**397 047 231**	311 693 078

Consolidated Statement of Comprehensive Income

for the year ended 28 February 2013

Rands		Group		Company	
	Notes	2013	2012	2013	2012
Revenue	24	**798 394 052**	514 913 160	**-**	-
Cost of sales	25/27	**(650 435 522)**	(435 398 513)	**-**	-
Gross profit		**147 958 530**	79 514 647	**-**	-
Other income	26	**1 264 531**	566 983	**2 740 000**	2 900 000
Administrative expenses	27	**(54 702 923)**	(36 579 132)	**(2 134 905)**	(1 771 773)
Other expenses	27	**(5 146 385)**	(283 740)	**-**	-
Operating profit/(loss)		**89 373 753**	43 218 758	**605 095**	1 128 227
Finance income	28	**8 455 484**	2 406 916	**34 585 803**	22 125 158
Finance costs	29	**(9 994 952)**	(2 016 225)	**(34 558 220)**	(22 642 842)
Share of profit of joint ventures - Net of tax	10	**29 405 992**	34 326 274	**-**	-
Profit before tax		**117 240 277**	77 935 723	**632 678**	610 543
Taxation	30	**(25 936 739)**	(12 555 675)	**(207 941)**	(170 952)
Profit after taxation		**91 303 538**	65 380 048	**424 737**	439 591
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income		**91 303 538**	65 380 048	**424 737**	439 591
Profit after taxation and other comprehensive income attributable to:					
Owners of the parent		**91 303 538**	65 380 048		
Earnings per share for profit attributable to the equity holders of the company during the year (expressed in cents per share)					
- basic	39	**71.84**	51.44		
- diluted	39	**71.84**	51.44		

Consolidated Statement of Changes in Equity

for the year ended 28 February 2013

Rands	Share capital	Share premium	Retained income acquired through reverse acquisition	Share-based payment reserve	Retained income	Total equity
Group						
Balance at 01 March 2011	1 271	96 020 450	-	-	74 652 237	170 673 958
Share options scheme cancelled		-	-	4 488 750	-	4 488 750
Bonus paid as consideration for cancellation of share option scheme		-	-	(4 488 750)	-	(4 488 750)
Share-based payment reserve		-	-	-	-	-
Comprehensive income						
Profit for the year	-	-	-	-	65 380 048	65 380 048
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	65 380 048	65 380 048
Balance at 01 March 2012	**1 271**	**96 020 450**	**-**	**-**	**140 032 285**	**236 054 006**
Comprehensive income						
Profit for the year	**-**	**-**	**-**	**-**	**91 303 538**	**91 303 538**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**91 303 538**	**91 303 538**
Balance at 28 February 2013	**1 271**	**96 020 450**	**-**	**-**	**231 335 823**	**327 357 544**
Note	20	20				
Company						
Balance at 01 March 2011	1 271	96 020 450	672 200	-	1 266 338	97 960 259
Share options scheme cancelled		-	-	6 540 598	-	6 540 598
Share-based payment reserve		-	-	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 01 March 2012	**1 271**	**96 020 450**	**672 200**	**6 540 598**	**1 705 929**	**104 940 448**
Comprehensive income						
Profit for the year	**-**	**-**	**-**	**-**	**424 737**	**424 737**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**424 737**	**424 737**
Share-based payment reserve						
Transfer to retained income	**-**	**-**	**-**	**(6 540 598)**	**6 540 598**	**-**
Share-based payment reserve	**-**	**-**	**-**	**(6 540 598)**	**6 540 598**	**-**
Transfer to retained income	**-**	**-**	**(672 200)**	**-**	**672 200**	**-**
Retained income acquired through reverse acquisition	**-**	**-**	**(672 200)**	**-**	**672 200**	**-**
Balance at 28 February 2013	**1 271**	**96 020 450**	**-**	**-**	**9 343 464**	**105 365 185**
Note	20	20				

Consolidated Statement of Cash Flows

for the year ended 28 February 2013

Rands		Group		Company	
	Notes	2013	2012	2013	2012
Cash generated from operations					
Cash generated from operations	31	**49 486 223**	69 829 415	**(5 569 180)**	11 134 438
Interest received		**2 550 477**	699 636	**16 352**	22 125 158
Interest paid		**(22 897 444)**	(19 618 433)	**(24 548)**	(22 642 842)
Tax paid	32	**(16 553 902)**	(11 634 136)	**(299 813)**	(164 799)
Net cash from/(utilised in) operating activities		**12 585 354**	39 276 482	**(5 877 189)**	10 451 955
Cash flows from investing activities					
Purchase of property, plant and equipment		**(2 863 987)**	(419 974)	**-**	-
Proceeds from the sale of property plant and equipment		**-**	2 960	**-**	-
Purchase of intangible assets		**(70 809)**	(335 330)	**-**	-
Loans advanced to joint ventures		**(17 533 511)**	(17 042 700)	**-**	-
Proceeds of loans repaid by joint ventures		**28 736 813**	1 551 894	**-**	-
Net cash from/(invested in) investing activities		**8 268 506**	(16 243 150)	**-**	-
Cash flows from financing activities					
Proceeds of borrowings		**256 622 215**	220 261 016	**-**	-
Repayment of borrowings		**(182 824 081)**	(150 516 404)	**-**	-
Net cash from financing activities		**73 798 134**	69 744 612	**-**	-
Net increase in cash and cash equivalents		**94 651 994**	92 777 944	**(5 877 189)**	10 451 955
Cash and cash equivalents at the beginning of the year		**103 690 964**	10 913 020	**6 412 642**	(4 039 313)
Cash and cash equivalents at end of the year	19	**198 342 958**	103 690 964	**535 453**	6 412 642

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, Ballywoods 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), the SAICA Financial Reporting Guides and the Companies Act No. 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, construction contracts and work in progress.

(a) New standards and interpretations

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

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

(ii) Standards and interpretations issued not yet effective:

- **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;

2. **Summary of significant accounting policies (continued)**

- Under certain circumstances, financial assets may be designated 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; and
- 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.

- **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 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 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.

- **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.

2. Summary of significant accounting policies (continued)

- **IAS 27 (revised 2011) - Separate financial statements**
  This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
  The effective date of the standard is for years beginning on or after 1 January 2013.
  It is not expected to have a material impact on the group'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 - Financial instruments: Disclosure - Assets and Liability offsetting**
  The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with 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 32 - Financial instruments - Amendment - Offsetting Financial Assets and Financial Liabilities**
  The application guidance of IAS 32 has been amended to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments do not change the current offsetting model in IAS 32, but clarify that the right of set-off must be available today - that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that gross settlement mechanisms (such as through a clearing house) with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances. Master netting agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements.
  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 1 - Presentation of financial statements: on the presentation of items of OCI**
  The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
  The effective date of the standard is for years beginning on or after 1 July 2012.
  It is not expected to have a material impact on the group's financial statements.

- **IFRS 10 - Consolidated financial statements, IFRS 11 - Joint arrangements, IFRS 12 - Disclosures of interests in other entities**
  Amendment to the transition requirements
  The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted - for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.
  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)**

- **IFRS 10 - Consolidated financial statements, IFRS 11 - Joint arrangements, IFRS 12 - Disclosures of interests in other entities**
  Amendment to the transition requirements
  The amendments apply to particular classes of businesses that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information. In response to this, the Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.
  The effective date of the standard is for years beginning on or after 1 January 2014.
  It is not expected to have a material impact on the group's financial statements.

- **Annual improvement process - Amendments to IAS 1 - Presentation of financial statements**
  The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.
  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.

- **Annual improvement process - Amendments to IAS 16 - Property, plant and equipment**
  The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
  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.

- **Annual improvement process - Amendments to IAS 32 - Financial instruments: Presentation**
  The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.
  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.

- **Annual improvement process - Amendments to IAS 34 - Interim financial reporting**
  The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.
  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 32 - Financial instruments: Presentation - Amendment**
  The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.
  The effective date of the standard is for years beginning on or after 1 January 2014.
  It is not expected to have a material impact on the group's financial statements.

2. **Summary of significant accounting policies (continued)**

- **IFRS 9 (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, including special purpose 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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

(i) Transactions and non-controlling interests

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.

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Business combinations

The company accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

2. **Summary of significant accounting policies (continued)**

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal company) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the company assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification which is inappropriate for company purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the company held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

(c) Investment in 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 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.

2. **Summary of significant accounting policies (continued)**

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 is reviewed, and adjusted if appropriate, at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

2.5 Investment property

The group 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 a property.

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

Item	Useful life
- Land	Unlimited
- Buildings	20 years

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. **Summary of significant accounting policies (continued)**

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

(b) Computer software

Computer software is initially recorded at cost.

Computer software is carried at cost less accumulated amortisation and any impairment losses.

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

The amortisation period and amortisation method for computer software is reviewed every year.

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

Item	Average useful life
- Computer software	2 years

2.7 Impairment of non-financial assets

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

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.

The group 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)**

2.8 Financial instruments

2.8.1 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.

2.8.2 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.

Transaction costs are recognised as part of the financial instrument on initial recognition, unless the financial instrument are classified as at Fair Value through profit and loss.

2.8.3 Subsequent measurement

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

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

2.8.4 Impairment of financial assets

At each reporting date the group assesses all financial assets, 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 or loss.

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

Reversals of impairment losses are recognised in profit or loss.

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

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.

2.8.5 Investment in subsidiaries

In the unconsolidated financial statements investments in subsidiaries are carried at cost less any accumulated impairment.

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

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

2.8.6 Investment in joint ventures

In the unconsolidated financial statements 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)

2.8.7 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.

2.8.8 Cash and cash equivalent

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.8.9 Trade payables

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

2.8.10 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.

2.8.11 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.

2.9 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.

2. **Summary of significant accounting policies (continued)**

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).

2.10 Inventories

Inventories are stated at the lower of cost or 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 which 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.

2.11 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.

2.12 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; and
- 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.

2. Summary of significant accounting policies (continued)

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.

2.13 Income tax

Current income tax assets and liabilities

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

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

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

Deferred income tax assets and liabilities

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

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

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

- 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.

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.

2. Summary of significant accounting policies (continued)

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 to equity.

Dividend tax
The new dividends tax became effective on 1 April 2012. This tax is levied on the shareholders (provided they are not exempt) rather than on the company itself. The company is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service (SARS). As the tax is levied on the shareholders and not the company, the dividends tax does not form part of the tax expense recognised in profit or loss or in other comprehensive income, instead the liability to shareholders on the declaration of a dividend is reduced and a liability for the amount payable to the SARS is recognised.

2.14 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.

(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.

2.15 Share-based payment

Goods or services settled in cash

Goods or services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

2. Summary of significant accounting policies (continued)

2.16 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.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the rendering of 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.

2. Summary of significant accounting policies (continued)

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 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.

2.18 Other income

(a) 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.

(b) Dividend income

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

(c) Rental income

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

(d) Management fees

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

2.19 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 an amount 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.

2. Summary of significant accounting policies (continued)

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 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 or liability. This asset or liability is not discounted.

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

2.20 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.

2.21 Financial guarantee contracts

Financial guarantee contracts are recognised as financial liabilities at the date the guarantee is issued. Liabilities arising from financial guarantee contracts, including company guarantees of subsidiaries through cross guarantees, are initially recognised at fair value and subsequently at the higher of:

- the amount determined in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets' (refer to accounting policy (2.16)); and
- the amount initially recognised (fair value) less, when appropriate, cumulative amortisation of the initial amount recognised is accordance with IAS 18 'Revenue'.

The fair value of the financial guarantee is determined as the group and companies exposure with regards to the net realisable value of the inventories pledged as security and the outstanding debt on the mortgage bonds thereof.

3. Risk management

3.1 Financial risk management

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 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

3. Risk management (continued)

risks in close-co-operation with the groups operating units.

The board of directors is responsible for overall risk management, as well as guidance covering specific areas, such as interest rate risk and credit risk 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 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.

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 1% (2012 - 2%) shift would be a maximum increase/decrease of:

	Group		Company	
Rands	2013	2012	2013	2012
1% (2012 - 2%) increase/decrease on interest bearing borrowings	**(2 164 435)**	(3 266 177)	**(2 094 858)**	(2 975 478)
1% (2012 - 2%) increase/decrease on interest bearing assets	**159 839**	448 824	**2 110 578**	2 908 748

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 do 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, financial guarantees to third parties, 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.

3. Risk management (continued)

The maximum exposure to credit risk has been assessed as follows:

Rands at 28 February 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
Financial instruments not recognised on the statement of financial position					
Financial guarantee - related parties	**208 354 456**	**-**	**-**	**-**	**208 354 456**
	208 354 456	**-**	**-**	**-**	**208 354 456**
at 29 February 2012					
Financial instruments not recognised on the statement of financial position					
Financial guarantee - related parties	80 743 232	131 836 764	-	-	212 579 996
	80 743 232	131 836 764	-	-	212 579 996

The credit risk of the above guarantees (registered bonds over the properties) are mitigated through land owned by the related party, which is held as security to the value of R800 800 000. (2012 - R539 960 000)

Rands at 28 February 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Company					
Financial instruments recognised on the statement of financial position					
Financial guarantee - related parties	**203 846 005**	**-**	**-**	**-**	**208 354 456**
	203 846 005	**-**	**-**	**-**	**208 354 456**
at 29 February 2012					
Financial instruments not recognised on the statement of financial position					
Financial guarantee - related parties	80 743 232	131 836 764	-	-	212 579 996
	80 743 232	131 836 764	-	-	212 579 996

The credit risk of the above guarantees (registered bonds over the properties) are mitigated through land owned by the related party, which is held as security to the value of R800 800 000. (2012 - R539 960 000)

(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 forecasted 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.

3. Risk management (continued)

The table below analyses the group and company's 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.

Rands at 28 February 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
Financial instruments recognised on the statement of financial position					
Borrowings	**106 109 295**	**115 155 303**	**151 221 205**	**-**	**372 485 803**
Finance lease obligations	**545 317**	**223 128**	**-**	**-**	**768 445**
Trade and other payables	**131 930 186**	**-**	**-**	**-**	**131 930 186**
	238 584 798	**115 378 431**	**151 221 205**	**-**	**505 184 434**
Financial instruments not recognised on the statement of financial position					
Financial guarantee	208 354 456	-	-	-	208 354 456
	208 345 456	**-**	**-**	**-**	**208 354 456**
The group has overdraft facilities with major banks to the value of R10 000 000.					
at 29 February 2012					
Financial instruments recognised on the statement of financial position					
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**
Financial instruments not recognised on the statement of financial position					
Financial guarantee	80 743 232	131 836 764	-	-	212 579 996
	80 743 232	**131 836 764**	**-**	**-**	**212 579 956**

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

Rands at 28 February 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Company					
Financial instruments recognised on the statement of financial position					
Loans from group companies	**290 952 444**	**-**	**-**	**-**	**290 952 444**
Trade and other payables	**538 482**	**-**	**-**	**-**	**538 482**
	291 490 926	**-**	**-**	**-**	**291 490 926**
Financial instruments not recognised on the statement of financial position					
Financial guarantee	**208 354 456**	**-**	**-**	**-**	**208 354 456**
	208 354 456	**-**	**-**	**-**	**208 354 456**
at 29 February 2012					
Financial instruments recognised on the statement of financial position					
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 29 February 2012					
Financial instruments not recognised on the statement of financial position					
Financial guarantee	80 743 232	131 836 764	-	-	212 579 996
	80 743 232	**131 836 764**	**-**	**-**	**212 579 996**

3. Risk management (continued)

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.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents.

Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

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. The target debt/equity ratio for the group is 1.5 : 1

3.3 Fair value estimation

The group is not exposed to any fair value estimation risk

4. Significant judgements and sources of estimation uncertainty

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 Binominal Tree Valuation method to determine the value of the options at issue date. Additional details regarding the estimates are included in the note 34 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.

4. Significant judgements and sources of estimation uncertainty (continued)

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

(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.

(f) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques.

The company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

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

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 profit 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. The measure also excludes the effects of net finance income and the share of profits from joint ventures as this information is not reviewed by the executive committee.

At 28 February 2013, the group is organised on a national basis into 3 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.

5. Segment information (continued)

The segment information provided to the executive committee for the operating segments for the year ended 28 February 2013 is as follows:

Rands	Construction and Land Development	Land Sales	Professional Services	Total
Segment revenue	765 925 509	2 697 579	32 181 814	800 804 902
Inter-segment revenue	-	-	(2 410 850)	(2 410 850)
Revenue from external customers	765 925 509	2 697 579	29 770 964	798 394 052
Operating profit/(loss)	67 542 664	(4 909 082)	28 875 076	91 508 658
Finance costs	(9 970 405)	(1)	-	(9 970 406)
Adjusted profit/(loss) before tax for reportable segments	57 572 259	(4 909 083)	28 875 076	81 538 252
Assets				
Goodwill	28 514 552	-	4 155 000	32 669 552
Inventories	20 205 711	244 373 981	-	264 579 692
Construction contracts	139 250 724	-	-	139 250 724
Total assets	187 970 987	244 373 981	4 155 000	436 499 968
Liabilities				
Borrowings	(221 000 000)	(78 889 542)	-	(299 889 542)

The segment information provided to the executive committee for the operating segments for the year ended 29 February 2012, in respect of the statement of comprehensive income and for the year ended 29 February 2012 for the statement of financial position is as follows:

Rands	Construction and Land Development	Land Sales	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 (loss)/profit	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	227 174 633	4 155 000	367 434 050
Liabilities				
Borrowings	(147 221 371)	(77 889 899)	-	(225 111 270)

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

5. Segment information (continued)

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

Rands	2013	2012
Adjusted profit/(loss) before tax for reportable segments	**81 538 252**	43 527 474
Group overhead costs	**(2 134 905)**	(1 771 774)
Share of profit of joint ventures - Net of tax	**29 405 992**	34 326 274
Total segments	**108 809 339**	76 081 974
Finance income - net	**8 430 938**	1 853 749
Profit before tax	**117 240 277**	77 935 723

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 segments - assets are reconciled to total assets as follows:

Rands	2013	2012
Segment assets for reportable segments	**436 499 968**	367 434 050
Unallocated:		
Deferred tax	**13 907 726**	12 889 184
Investment property	**5 743 370**	5 743 370
Property, plant and equipment	**4 244 865**	3 877 702
Intangible assets excluding goodwill	**138 551**	251 845
Investment in joint ventures	**74 349 939**	44 943 947
Work in progress	**2 232 050**	2 054 354
Loans to joint ventures	**22 199 871**	31 168 346
Loans and receivables	**5 756 677**	5 756 677
Current tax receivable	**364 926**	2 245 654
Trade and other receivables	**45 339 328**	15 827 387
Cash and cash equivalents	**198 342 958**	103 690 964
Total asset per the consolidated statement of financial position	**809 120 229**	595 883 480

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:

Rands	2013	2012
Segment liabilities for reportable segments	**299 889 542**	225 111 270
Unallocated:		
Deferred tax	**26 863 397**	19 315 472
Current tax	**1 127 363**	154 636
Finance lease obligations	**726 470**	1 706 608
Trade and other payables	**153 155 913**	113 541 488
Total liabilities per the consolidated statement of financial position	**481 762 685**	359 829 474

6. Investment Property

Group	2013			2012		
Rands	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Investment property	**5 777 257**	**(33 887)**	**5 743 370**	5 777 257	(33 887)	5 743 370

Reconciliation of investment property - Group - 2013	Opening balance	Additions	Depreciation	Carrying amount
Investment property	**5 743 370**	-	-	5 743 370

Reconciliation of investment property - Group - 2012	Opening balance	Additions	Depreciation	Carrying amount
Investment property	**5 743 370**	-	-	5 743 370

	Group		Company	
Rands	**2013**	2012	**2013**	2012
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	**-**	-
Building - Transfer from inventory - At cost	**2 076 887**	2 076 887	**-**	**-**
Building situated on stand 2334 Northriding Ext 82				
Land and building situated on stand 2336 Northriding Ext 82				
Land - At cost	**307 018**	307 018	**-**	-
Building	**1 855 400**	1 855 400	**-**	-
Building - Transfer from inventory - At cost	**2 162 418**	2 162 418	**-**	**-**
Building situated on stand 2336 Northriding Ext 82				
Land and building situated on stand 1810 Witkoppen Ext 131				
Land - At cost	**798 606**	798 606	**-**	-
Building	**739 346**	739 346	**-**	-
Building - Transfer from inventory - At cost	**1 537 952**	1 537 952	**-**	**-**
	5 777 257	5 777 257	**-**	**-**

Land and buildings under investment property have a fair value of R6 220 000 (2012 - R6 700 000). The fair value is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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

Investment properties with a carrying value of R5 743 370 (2012 - R5 743 370) are pledged as security for mortgage bonds with Rand Merchant Bank Limited as set out in note 22.

The residual value of land and buildings under investment property exceeds the carrying amount, as a result, no depreciation has been provided.

Repairs and maintenance expended on investment property amount to Rnil (2012 - Rnil).

Rental income received in respect of investment property amounts to R665 867 (2012 - R366 280). Refer to note 26.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

7. Property, plant and equipment

Group	2013			2012		
Rands	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Plant and machinery	5 968 177	(3 914 460)	2 053 717	3 883 330	(3 123 717)	759 613
Furniture and fixtures	3 817 314	(3 293 001)	524 313	3 768 319	(2 659 856)	1 108 463
Motor vehicles	1 792 737	(1 215 184)	577 553	1 602 474	(867 587)	734 887
Office equipment	1 077 133	(386 445)	690 688	860 186	(89 867)	770 319
IT equipment	2 021 992	(1 640 153)	381 839	1 699 056	(1 460 609)	238 447
Leasehold improvements	1 632 941	(1 616 186)	16 755	1 632 941	(1 366 968)	265 973
Total	16 310 294	(12 065 429)	4 244 865	13 446 306	(9 568 604)	3 877 702

Rands Reconciliation of property, plant and equipment - 2013	Opening Balance	Additions	Disposals	Depreciation	Closing carrying amount
Plant and machinery	759 613	2 084 847	-	(790 743)	2 053 717
Furniture and fixtures	1 108 463	48 994	-	(633 144)	524 313
Motor vehicles	734 887	190 263	-	(347 597)	577 553
Office equipment	770 319	216 947	-	(296 578)	690 688
IT equipment	238 447	322 936	-	(179 544)	381 839
Leasehold improvements	265 973	-	-	(249 218)	16 755
	3 877 702	2 863 987	-	(2 496 824)	4 244 865

Rands Reconciliation of property, plant and equipment - 2012	Opening Balance	Additions	Disposals	Depreciation	Closing carrying amount
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

Rands Property, plant and equipment subject to finance lease	2013	2012
Carrying value of assets pledged as security under finance lease obligations		
Plant and machinery	175 504	640 167
IT equipment	-	26 013
Motor vehicles	159 397	580 281
Office equipment	483 489	747 209
	818 390	1 993 670

Refer to note 21 for details of finance lease obligations.
Depreciation expense of R2 496 824 (2012 - R2 098 534) has been charged in 'administrative expenses' in the statement of comprehensive income.

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

8. Intangible assets

Group	2013			2012		
Rands Goodwill - Cost	Cost	Accumulated Amortisation/ Impairment	Carrying amount	Cost	Accumulated Amortisation/ Impairment	Carrying amount
Goodwill	**47 383 530**	**(14 713 978)**	**32 669 552**	**47 383 530**	(14 713 978)	32 669 552
Computer software	**681 486**	**(542 935)**	**138 551**	**610 678**	(358 833)	251 845
	48 065 016	**(15 256 913)**	**32 808 103**	**47 994 208**	(15 072 811)	32 921 397

Rands Reconciliation of intangible assets - 2013	Opening Balance	Additions	Amortisation	Carrying amount
Goodwill	**32 669 552**	**-**	**-**	**32 669 552**
Computer software	**251 845**	**70 809**	**(184 103)**	**138 551**
	32 921 397	**70 809**	**(184 103)**	**32 808 103**

Rands Reconciliation of intangible assets - 2012	Opening Balance	Additions	Amortisation	Carrying amount
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

Amortisation expenses of R184 103 (2012 - R99 304) has been included 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:

Rands	2013	2012
Professional services	**4 155 000**	4 155 000
Construction and Land Development	**28 514 552**	28 514 552
	32 669 552	32 669 552

The recoverable amounts of the construction and land development and professional services cash generating unit (CGU) 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 a five year period.

8. Intangible assets (continued)

The key assumptions used for value-in-use calculations at 2013 are as follows:

	Construction and Land Development	Professional Services
Gross margin	17.67%	71.00%
Pre-tax Discount rate (real)	24.97%	26.27%

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

	Construction and Land Development	Professional Services
Gross margin	13.80%	71.00%
Pre-tax Discount rate (real)	29.46%	25.18%

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

Real cash flows were discounted at a real discount rate. No cash flows beyond the initial forecast period of five years were included in the value-in-use calculations.

The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. Management determined budgeted gross margins 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 land development) and 5% (professional services) than the management estimates, 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 land development) and 5% (professional services) higher than the management estimates, the group would still not recognise an impairment of goodwill.

Impairment tests for goodwill are performed annually.

9. Investment in subsidiaries

Name of company	% Voting power 2013	% Voting power 2012	% Holding 2013	% Holding 2012	Carrying amount 2013	Carrying amount 2012
Direct						
Calgro M3 Developments (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**95 774 364**	95 774 364
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	103 272 814
Indirect						
MS5 Pennyville (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
MS5 Projects (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
PZR Pennyville Zamamphilo Relocation (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**7 356 876**	7 356 876
CTE Consulting (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**4 500 100**	4 500 100
Hightrade-Invest 60 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
CM3 Witkoppen Ext 131 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
Tres Jolie Ext 24 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
Ridgewood Estate (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
CM3 Randpark Ridge Ext 120 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
Business Venture Investment No 1244 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
Business Venture Investment No 1221 (Pty) Ltd	**100.00**	100.00	**100.00**	100.00	**100**	100
Calgro M3 Rectification Company (Pty) Ltd	**100.00**	0.00	**100.00**	0.00	**-**	-
Belhar Calgro M3 Development Company (Pty) Ltd (Previously known as PZR Fleuhof (Pty) Ltd)*	**51.00**	100.00	**49.00**	100.00	**49**	100
					11 857 925	**11 857 976**

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

Calgro M3 Rectification Company (Pty) Ltd has been incorporated under the new Companies Act No. 71 of 2008. The value of the shares are stated at no par value.

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

Refer to note 33 for shares ceded as security for borrowings.

**Although the group has minority shareholding in Belhar Calgro M3 Development Company (Pty) Ltd, it does have control, as the board comprises of an equal number of representatives from both the minority and the group although the group has a casting vote. This investment is therefore accounted for as a subsidairy.*

10. Investment in joint ventures

Group	% Voting power 2013	% Voting power 2012	% Holding 2013	% Holding 2012	Carrying amount 2013	Carrying amount 2012
Name of company						
Fleurhof Ext 2 (Pty) Ltd	**50.00**	50.00	**70.00**	70.00	**74 349 249**	44 943 257
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
Witpoortjie Calgro M3 Development (Pty) Ltd	**50.00**	0.00	**75.83**	0.00	**-**	-
					74 349 939	44 943 947

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.

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.

Although the group has majority shareholding in Clidet no 1014 (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 majority shareholding in Sabre Homes Projects (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 majority shareholding in Witpoortjie Calgro M3 Development Company (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. The investment is therefore accounted for as an investment in joint ventures.

Wipoortjie Calgro M3 Development Company (Pty) Ltd has been incorporated under the new Companies Act No. 71 of 2008. The value of the shares is stated at no par value.

10. Investment in joint ventures (continued)

Rands	Group		Company	
Reconciliation of investment in joint ventures is as follows:	2013	2012	2013	2012
Fleurhof Ext 2 (Pty) Ltd				
At 1 March	**50 669 120**	16 342 846	**-**	-
Share of profit	**29 405 992**	34 326 274	**-**	-
At 28/29 February	**80 075 112**	50 669 120	**-**	-
Aquarella Investments 265 (Pty) Ltd				
At 1 March	**14**	14	**-**	-
Share of profit	**-**	-	**-**	-
At 28/29 February	**14**	14	**-**	-
Clidet No 1014 (Pty) Ltd				
At 1 March	**76**	76	**-**	-
Share of profit	**-**	-	**-**	-
At 28/29 February	**76**	76	**-**	-
Sabre Homes Projects (Pty) Ltd				
At 1 March	**600**	600	**-**	-
Share of profit	**-**	-	**-**	-
At 28/29 February	**600**	600	**-**	-
Witpoortjie Calgro M3 Development Company (Pty) Ltd				
At 1 March	**-**	-	**-**	-
Share of profit	**-**	-	**-**	-
At 28/29 February	**-**	-	**-**	-
Summary				
At 1 March	**50 669 810**	16 343 536	**-**	-
Share of profit	**29 405 992**	34 326 274	**-**	-
At 28/29 February	**80 075 802**	50 669 810	**-**	-

No share of profits or losses in Aquarella Investments 265 (Pty) Ltd and Sabre Homes Projects (Pty) Ltd have been accounted for in the statement of comprehensive income 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.

Rands	Group		Company	
Balances of reconciliing items for Investments to joint ventures	2013	2012	2013	2012
Principal investment amount	**760**	760	**-**	-
Share of profit	**80 075 042**	50 669 050	**-**	-
Unrealised profits eliminated	**(5 725 863)**	(5 725 863)	**-**	-
	74 349 939	44 943 947	**-**	**-**

10. Investment in joint ventures (continued)

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

	Group		Company	
Rands	**2013**	**2012**	**2013**	**2012**
Fleurhof Ext 2 (Pty) Ltd				
Assets				
Non-current assets	**-**	-	**-**	-
Current assets	**411 379 346**	387 570 421	**-**	-
	411 379 346	387 570 421	**-**	-
Liabilities				
Non-current liabilities	**(43 533 806)**	(27 019 836)	**-**	-
Current liabilities	**(253 048 478)**	(288 200 766)	**-**	-
	(296 582 284)	(315 220 602)	**-**	-
Net assets	**114 797 062**	72 349 819	**-**	-
Income	**(294 875 907)**	(297 461 134)	**-**	-
Expenses	**252 428 665**	248 423 599	**-**	-
Profit after tax	**(42 447 242)**	(49 037 535)	**-**	-
Aquarella Investments 265 (Pty) Ltd				
Assets				
Non-current assets	**-**	-	**-**	-
Current assets	**331 033 046**	224 758 304	**-**	-
	331 033 046	224 758 304	**-**	-
Liabilities				
Non-current liabilities	**(4 285 326)**	(1 328 857)	**-**	-
Current liabilities	**(315 791 001)**	(220 060 830)	**-**	-
	(320 076 327)	(221 389 687)	**-**	-
Net assets	**10 956 719**	3 368 617	**-**	-
Income	**(169 191 997)**	(66 218 239)	**-**	-
Expenses	**161 603 895**	62 849 722	**-**	-
Profit after tax	**(7 588 102)**	(3 368 517)	**-**	-
Clidet No 1014 (Pty) Ltd				
Assets				
Non-current assets	**-**	-	**-**	-
Current assets	**45 451 606**	38 743 161	**-**	-
	45 451 606	38 743 161	**-**	-
Liabilities				
Non-current liabilities	**-**	-	**-**	-
Current liabilities	**(45 451 506)**	(38 743 061)	**-**	-
	(45 451 506)	(38 743 061)	**-**	-
Net assets	**100**	100	**-**	-
Income	**-**	-	**-**	-
Expenses	**-**	-	**-**	-
Profit after tax	**-**	-	**-**	-

10. Investment in joint ventures (continued)

	Group		Company	
Rands	2013	2012	2013	2012
Sabre Homes Projects (Pty) Ltd				
Assets				
Non-current assets	**3 982 325**	1 245 823	**-**	-
Current assets	**43 690 537**	50 630 565	**-**	-
	47 672 862	51 876 388	**-**	-
Liabilities				
Non-current liabilities	**-**	-	**-**	-
Current liabilities	**(60 181 331)**	(53 753 374)	**-**	-
	(60 181 331)	(53 753 374)	**-**	-
Net liabilities	**(12 508 469)**	(1 876 986)	**-**	-
Income	**135 021 031**	(50 723 492)	**-**	-
Expenses	**145 652 514**	45 696 962	**-**	-
Loss/(profit) after tax	**10 631 483**	(5 026 530)	**-**	-
Witpoortjie Calgro M3 Development Company (Pty) Ltd				
Assets				
Non-current assets	**-**	-	**-**	-
Current assets	**300 000**	-	**-**	-
	300 000	-	**-**	-
Liabilities				
Non-current liabilities	**-**	-	**-**	-
Current liabilities	**(300 000)**	-	**-**	-
	(300 000)	-	**-**	-
Net assets	**-**	-	**-**	-
Income	**-**	-	**-**	-
Expenses	**-**	-	**-**	-
Profit after tax	**-**	-	**-**	-
Summary				
Assets				
Non-current assets	**3 982 325**	1 245 823	**-**	-
Current assets	**831 854 535**	701 702 451	**-**	-
	835 836 860	702 948 274	**-**	-
Liabilities				
Non-current liabilities	**(47 819 132)**	(28 348 693)	**-**	-
Current liabilities	**(674 772 316)**	(600 758 031)	**-**	-
	(722 591 448)	(629 106 724)	**-**	-
Net assets	**113 245 412**	73 841 550	**-**	-
Income	**(599 088 935)**	(414 402 865)	**-**	-
Expenses	**559 685 074**	356 970 283	**-**	-
Profit after tax	**(39 403 861)**	(57 432 582)	**-**	-

Refer to note 22 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 joint ventures themselves.

11. Loans to joint ventures

	Group		Company	
	2013	2012	2013	2012
Fleurhof Ext 2 (Pty) Ltd	3 643 816	13 275 818	-	-
The loan is unsecured, bears interest at prime plus 2 % and is repayable in terms of a priority payment policy as per the shareholders agreement with an expected repayment date of 30 April 2014.				
Clidet No 1014 (Pty) Ltd	18 556 055	12 448 733	-	-
The loan is unsecured, bears interest at prime plus 2 % and is repayable in terms of a priority payment policy as per the shareholders agreement with an expected repayment date of 28 February 2015.				
Sabre Homes Projects (Pty) Ltd	-	210	-	-
The loan has been repaid.				
Aquarella Investments 265 (Pty) Ltd	-	5 443 586	-	-
The loan has been repaid.				
Loans to joint ventures	22 199 871	31 168 347	-	-
Non-current assets	22 199 871	15 724 761	-	-
Current assets	-	15 443 586	-	-
Total assets	22 199 871	31 168 347	-	-
Reconciliation of loans to joint ventures				
Principal loan amount	23 811 446	33 586 336	-	-
Unrealised profits eliminated	(1 611 575)	(2 417 989)	-	-
	22 199 871	31 168 347	-	-

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

12. Deferred income tax assets/(liabilities)

	Group		Company	
	2013	2012	2013	2012
Reconciliation of deferred tax (liability)/asset				
Opening balance	(6 426 288)	2 127 842	-	-
Accelerated capital allowances for tax purposes	(829)	137 234	-	-
Construction contracts	(8 061 175)	(10 992 930)	-	-
Inventories	422 902	2 625 826	-	-
Unrealised profits - joint ventures	-	225 796	-	-
Tax losses available for set off against future taxable income	568 716	(191 711)	-	-
Accruals	-	27 008	-	-
Operating leases	-	81 466	-	-
Provisions	-	135 580	-	-
Work in progress	541 003	(602 399)	-	-
	(12 955 671)	(6 426 288)	-	-

12. Deferred income tax assets/(liabilities) (continued)

	Group		Company	
Rands	2013	2012	2013	2012
Deferred tax liabilities				
Construction contracts	**(26 023 658)**	(18 001 713)	**-**	-
Capital allowances	**(175 061)**	(174 232)	**-**	-
Inventories	**(820 328)**	(754 174)	**-**	-
Operating leases	**81 466**	81 466	**-**	-
Provisions	**135 580**	135 580	**-**	-
Work in progress	**(61 396)**	(602 399)	**-**	-
Deferred tax liabilities	**(26 863 397)**	(19 315 472)	**-**	**-**
Deferred tax assets				
Construction contracts	**289 829**	329 059	**-**	-
Accruals	**27 008**	27 008	**-**	-
Inventories	**9 572 049**	9 082 993	**-**	-
Unrealised profits - joint ventures	**2 280 279**	2 280 279	**-**	-
Tax losses available for set off against future taxable income	**1 738 561**	1 169 845	**-**	-
Deferred tax assets	**13 907 726**	12 889 184	**-**	-
	(12 955 671)	(6 426 288)	**-**	-
Deferred tax liabilities				
Deferred tax asset to be recovered within 12 months	**(25 868 008)**	(18 387 067)	**-**	-
Deferred tax asset to be recovered after more than 12 months	**(995 389)**	(928 405)	**-**	-
	(26 863 397)	(19 315 472)	**-**	**-**
Deferred tax assets				
Deferred tax liability to be recovered within 12 months	**2 055 398**	2 737 642	**-**	-
Deferred tax liability to be recovered after more than 12 months	**11 852 328**	10 151 542	**-**	-
	13 907 726	12 889 184	**-**	**-**

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 R972 634 (2012 - R669 303) in respect of losses amounting to R3 473 693 (2012 - R2 390 368) that can be carried forward against future taxable income. These tax losses occurred in two subsidiaries of the group in areas in which the prevailing market conditions have been adversely affected to the extent that the recoverability of the deferred tax assets are under question.

13. Loan receivable

	Group		Company	
Rands	2013	2012	2013	2012
Autumn Star Trading 910 (Pty) Ltd	5 756 677	5 756 677	-	-
The loan is unsecured and is interest free.				
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 June 2013 and have therefore classified it as current.				
14. Loans to/(from) group companies				
Subsidiaries				
Calgro M3 Developments (Pty) Ltd	**-**	-	**(279 855 255)**	(203 404 381)
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand.				
CTE Consulting (Pty) Ltd	**-**	-	**(11 097 189)**	(3 226 050)
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand.				
Calgro M3 Land (Pty) Ltd	**-**	-	**293 135 863**	201 996 393
The loan is unsecured, bears interest at prime plus 3% and is repayable on demand.				
Loans to group companies	**-**	-	**293 135 863**	201 996 393
Loans from group companies	**-**	-	**(290 952 444)**	(206 630 431)
	-	-	**2 183 419**	(4 634 038)
15. Inventories				
Land under development held for sale	**264 579 692**	249 305 202	**-**	-
	264 579 692	249 305 202	**-**	-
Inventories to be sold within 12 months	**36 030 426**	22 573 110		
Inventories to be sold after more than 12 months	**228 549 266**	226 732 092		
	264 579 692	249 305 202	**-**	-

Borrowing costs to the value of R13 940 391 (2012 - R17 101 815) have been capitalised. (Note 2.12 and 29)

Please refer to note 27 for inventories written down.

Inventory pledged as security

Land under development is pledged as security for mortgage bonds over properties with a carrying value of R256 988 193 (2012 - R248 305 202) as set out in note 22.

Inventories to the value of R35 406 770 (2012 - R21 608 152) are stated at net realisable value.

16. Construction contracts

Rands	Group 2013	Group 2012	Company 2013	Company 2012
The aggregate costs incurred and recognised profits to date	**1 117 366 673**	527 244 996	**-**	-
Less: Progress billings	**(989 938 809)**	(457 098 779)	**-**	-
Net statement of financial position balance for ongoing contracts	**127 427 864**	70 146 217	**-**	**-**
Excess billings over work done classified under trade and other payables	**11 822 860**	15 313 079	**-**	-
Statement of financial position balance for ongoing contracts	**139 250 724**	85 459 296	**-**	**-**
Construction contracts to be realised within 12 months	**118 454 487**	65 148 428	**-**	-
Construction contracts to be realised after 12 months	**20 796 237**	20 310 868	**-**	-
	139 250 724	85 459 296	**-**	**-**

17. Work in progress

Rands	Group 2013	Group 2012	Company 2013	Company 2012
Professional services				
The aggregate costs incurred and recognised profits to date	**2 232 050**	2 054 354	**-**	-
Less: Progress billings	**-**	-	**-**	-
Net statement of financial position balance for ongoing work in progress	**2 232 050**	2 054 354	**-**	**-**

18. Trade and other receivables

Rands	Group 2013	Group 2012	Company 2013	Company 2012
Trade receivables	**2 636 323**	5 672 737	**-**	-
Trade receivables - Related parties	**31 277 426**	3 097 028	**-**	-
Retention debtors - Related parties	**3 989 900**	5 273 335	**-**	-
Retention debtors	**-**	426 872	**-**	-
Pre-payments	**2 494 952**	-	**-**	-
Other receivables	**1 338 250**	32 445	**-**	-
Securing deposits				
Deposits received	**100 784**	151 854	**-**	-
Value-added tax				
Value-added tax receivable	**3 501 693**	1 173 116	**-**	-
	45 339 328	15 827 387	**-**	**-**
Financial Instruments	**39 342 683**	14 654 271	**-**	-
Non-financial Instruments	**5 996 645**	1 173 116	**-**	-
	45 339 328	15 827 387	**-**	**-**

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 28 February 2013, trade receivables of R33 954 069 (2012 - R13 202 064) were fully performing.

Trade receivables past due but not impaired
As at 28 February 2013, trade receivables of R3 949 580 (2012 - R1 267 908) were past due but not impaired. These related to a number of customers for whom there is no recent history of default.

18. Trade and other receivables (continued)

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

	Group		Company	
Rands	**2013**	**2012**	**2013**	**2012**
30 to 60 days	**3 158 737**	-	**-**	-
60 days and older	**790 843**	1 267 908	**-**	-
	3 949 580	1 267 908	**-**	-

Trade receivables impaired

As of 28 February 2013 R1 724 686 (2012 - R1 749 568) trade receivables were impaired.

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.

19. Cash and cash equivalents

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

	Group		Company	
Rands	**2013**	**2012**	**2013**	**2012**
Cash on hand	**1 855**	915	**330**	330
Bank balances	**198 341 103**	103 690 049	**535 123**	6 412 312
	198 342 958	103 690 964	**535 453**	6 412 642
Current assets	**198 342 958**	103 690 964	**535 453**	6 412 642
	198 342 958	103 690 964	**535 453**	6 412 642

Guarantees and suretyships

The bank has provided guarantees for a deposit on the lease of 33 Ballyclare Drive, Bryanston to the value of R675 256 (2012 - R506 340).

20. Share capital

	Group		Company	
Rands	**2013**	**2012**	**2013**	**2012**
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)
Share premium - Costs	**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.

21. Finance lease obligations

	Group		Company	
Rands	2013	2012	2013	2012
Minimum lease payments due				
- within one year	**545 317**	1 083 666	**-**	-
- in second to fifth year inclusive	**223 128**	769 103	**-**	-
	768 445	1 852 769	**-**	-
Less: future finance charges	**(41 975)**	(146 161)	**-**	-
Present value of minimum lease payments	**726 470**	1 706 608	**-**	-
Present value of minimum lease payments due				
- within one year	**511 024**	1 461 964	**-**	-
- in second to fifth year inclusive	**215 446**	244 644	**-**	-
	726 470	1 706 608	**-**	-
Non-current liabilities	**215 446**	244 644	**-**	-
Current liabilities	**511 024**	1 461 964	**-**	-
	726 470	1 706 608	**-**	-

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

The average lease term is 3 -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.

22. Borrowings

Current borrowings

	Group		Company	
Rands	**2013**	**2012**	**2013**	**2012**
Rand Merchant Bank Limited	**78 889 542**	77 404 212	**-**	-
The loan is secured over land under development included in inventory and investment properties, bears interest at prime and is repayable by 30 September 2013.				
Bond exchange	**221 000 000**	135 000 000	**-**	-
Atlantic Asset Managers 24 months instrument, which is unsecured, bears interest at jibar plus 3.20% and expires on 14 November 2014.	**70 000 000**	-	**-**	-
Prudential Portfolio Managers 48 month instrument, which is unsecured, bears interest at fixed rate of 12,05% and expires on 28 March 2016.	**56 000 000**	-	**-**	-
Taquanta Asset Management 60 month instrument, which is unsecured, bears interest at jibar plus 5.30%, and expires on 8 December 2016.	**50 000 000**	50 000 000	**-**	-
RMB Asset Management 36 months instrument, which is unsecured, bears interest at jibar plus 8.00% and expires on 25 July 2014.	**22 500 000**	22 500 000	**-**	-
RMB Asset Management 48 month instrument, which is unsecured, bears interest at jibar plus 10.00% and expires on 25 July 2015.	**22 500 000**	22 500 000	**-**	-
Taquanta Asset Management 24 months instrument, which was unsecured, bore interest at jibar plus 6.50% and has been repaid.	**-**	5 000 000	**-**	-
Atlantic Asset Managers 12 month instrument, which was unsecured, bore interest at jibar plus 2.95% and has been repaid.	**-**	35 000 000	**-**	-
Nedbank Limited The loan was secured over the work in progress (2013 - Rnil 2012 - R38 046 386) on the Jabulani Hostel Project situated on the land registered in the name of City of Johannesburg, bore interest at prime plus 1% and has been repaid.	**-**	12 221 371	**-**	-

22. Borrowings (continued)

	Group		Company	
Rands	**2013**	**2012**	**2013**	**2012**
National Housing Finance Corporation	**-**	485 687	**-**	-
The loan has been repaid.				
Total current borrowings	**299 889 542**	225 111 270	**-**	-
Total borrowings	**299 889 542**	225 111 270	**-**	-
Current liabilities				
Financial instruments	**299 889 542**	225 111 270	**-**	-
	299 889 542	225 111 270	**-**	-
Borrowings to be settled within 12 months	**78 889 542**	130 111 270	**-**	-
Borrowings to be settled after more than 12 months	**221 000 000**	95 000 000	**-**	-
	299 889 542	225 111 270	**-**	-

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 R78 889 542.

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 guaranteed the shortfall or cost overrun incurred relating to the loan. The loan has been repaid.

General

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

All borrowings are denominated in South African Rands.

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

The fair value of the bond exchange borrowings at the end of the period under review is R229 681 867 (2012 - R140 168 695). The fair value is based on cash flows discounted using a rate for similar instruments on the reporting period date.

23. Trade and other payables

	Group		Company	
Rands	2013	2012	2013	2012
Trade payables	**113 631 785**	76 230 159	**69 263**	76 168
Trade payables - related parties	**-**	798 532	**-**	-
Retention creditors	**3 921 270**	3 259 979	**-**	-
Accrued expenses	**14 344 131**	15 321 667	**469 219**	-
Share appreciation rights liabilities	**6 144 223**	-	**-**	-
Value-added tax	**2 748 323**	2 082 858	**191 120**	46 031
Accrual for leave pay	**510 321**	384 214	**-**	-
Deposits received	**33 000**	151 000	**-**	-
Excess billings over work done	**11 822 860**	15 313 079	**-**	-
	153 155 913	113 541 488	**729 602**	122 199
Financial instruments	**131 930 186**	95 761 337	**538 482**	76 168
Non-financial instruments	**21 225 727**	17 780 151	**191 120**	46 031
	153 155 913	113 541 488	**729 602**	122 199

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.

24. Revenue

	Group		Company	
Rands	2013	2012	2013	2012
Sale of developed land	**2 697 579**	5 047 544	**-**	-
Rendering of services	**29 770 964**	18 498 552	**-**	-
Construction contracts	**765 925 509**	491 367 064	**-**	-
	798 394 052	514 913 160	**-**	-

25. Cost of sales

	Group 2013	Group 2012	Company 2013	Company 2012
Sale of developed land				
Development of land	**3 871 175**	6 555 900	-	-
Rendering of services				
Townplanning and architecture	**8 494 860**	6 569 947	-	-
Construction contracts				
Construction costs	**638 069 487**	422 272 666	-	-
	650 435 522	435 398 513	-	-

26. Other income

	Group		Company	
Rands	**2013**	**2012**	**2013**	**2012**
Bond commissions	**261 933**	117 366	**-**	-
Management fees	**-**	-	**2 740 000**	2 900 000
Rental income	**665 867**	366 280	**-**	-
SETA refunds and other income	**336 731**	83 337	**-**	-
	1 264 531	566 983	**2 740 000**	2 900 000

27. Expense by nature

Advertising	**1 732 538**	696 161	**46 150**	121 836
Auditors' remuneration	**1 635 223**	1 636 610	**114 629**	-
Bad debts	**1 724 686**	1 749 568	**-**	280 690
Computer expenses	**1 242 740**	892 028	**-**	-
Net construction cost	**638 069 487**	422 272 666	**-**	-
Construction costs	**680 038 055**	451 772 859	**-**	-
Movement in construction contracts	**(15 274 490)**	(14 359 551)	**-**	-
Deficit on disposal of property, plant and equipment	**-**	(2 960)	**-**	-
Depreciation on property, plant and equipment and amortisation on computer software	**2 680 927**	2 197 838	**-**	-
Directors' fees - Non executive	**1 144 000**	799 358	**1 144 000**	799 358
Donations	**22 455**	20 083	**-**	-
Fines, penalties and interest	**427 645**	737 115	**-**	-
Insurance	**1 089 679**	486 985	**-**	-
Net land development cost	**3 871 175**	6 555 900		
Land development costs	**19 145 665**	20 915 451	**-**	-
Movement in inventory	**(15 274 490)**	(14 359 551)		
Townplanning and architecture	**8 494 860**	6 569 947	**-**	-
Lease rentals on operating leases	**4 310 742**	2 458 460	**-**	-
Legal fees	**612 833**	853 217	**-**	-
Motor vehicle expenses	**1 017 582**	719 362	**-**	-
Movement in inventory	**(15 274 490)**	(14 359 551)	**-**	-
Printing and stationery	**636 154**	651 128	**1 125**	-
Professional fees	**735 530**	257 006	**229 700**	-
Salaries and wages	**22 876 363**	17 195 268	**-**	-
Social corporate responsibilities	**-**	56 200	**-**	-
Share Appreciation Rights Expense	**6 144 223**	-	**-**	-
Sundry expenses	**5 536 123**	3 891 209	**599 301**	569 889
Telephone and fax	**1 133 481**	1 284 495	**-**	-
Write-down of inventory	**5 146 385**	283 740	**-**	-
Total cost of sales, administration expenses and other expenses	**710 284 830**	472 261 385	**2 134 905**	1 771 773

28. Finance income

	Group		Company	
Rands	2013	2012	2013	2012
Interest revenue				
Bank	**2 046 643**	606 192	**16 352**	-
Related parties	**6 408 841**	1 800 724	**34 569 451**	22 125 158
	8 455 484	2 406 916	**34 585 803**	22 125 158

29. Finance cost

	Group 2013	Group 2012	Company 2013	Company 2012
Bank	**42 735**	1 555 298	**24 548**	553 168
Trade payables	**16**	1 565	**-**	-
Related parties	**-**	-	**34 533 672**	22 089 674
Interest-bearing borrowings	**24 456 154**	20 253 629	**-**	-
Finance cost	**24 498 905**	21 810 492	**34 558 220**	22 642 842
Less: amounts capitalised on qualifying assets (inventory)	**(13 940 391)**	(17 101 815)	**-**	-
Less: amounts capitalised on qualifying assets (construction contracts)	**(563 562)**	(2 692 452)	**-**	-
	9 994 952	2 016 225	**34 558 220**	22 642 842

30. Taxation

	Group 2013	Group 2012	Company 2013	Company 2012
Major components of the income tax expense				
Current				
Local income tax - current period	**19 407 356**	4 532 410	**207 941**	170 952
Local income tax - recognised in current tax for prior periods	**-**	(530 864)	**-**	-
	19 407 356	4 001 546	**207 941**	170 952
Deferred				
Current year	**6 529 383**	7 742 212	**-**	-
Under provision for prior year	**-**	811 917	**-**	-
	6 529 383	8 554 129	**-**	-
	25 936 739	12 555 675	**207 941**	170 952
Reconciliation of the income tax expense				
Applicable tax rate	**28.00%**	28.00%	**28.00%**	28.00%
Disallowable charges	**1.71%**	0.22%	**4.87%**	-%
Share of profit/(loss) of joint ventures - Nett of tax	**(7.02)%**	(12.46)%	**-%**	-%
Tax losses for which no deferred income tax asset was recognised	**(0.57)%**	0.51%	**-%**	-%
Under provision for deferred tax prior year	**-%**	(0.16)%	**-%**	-%
Effective tax rate	**22.12%**	16.11%	**32.87%**	28.00%

The estimated tax loss for the group available for set off against future taxable income is R7 333 800 (2012 - R6 567 523).

31. Cash generated from/(used in) operations

	Group		Company	
Rands	**2013**	**2012**	**2013**	**2012**
Profit before taxation	**117 240 277**	77 935 723	**632 678**	610 543
Adjustments for:				
Bad debts	**1 724 686**	1 749 568	**-**	-
Depreciation	**2 496 824**	2 098 534	**-**	-
Profit on sale of assets	**-**	(2 960)	**-**	-
Write-down on inventory	**5 146 385**	283 740	**-**	-
Finance income	**(8 455 484)**	(2 406 916)	**(34 585 803)**	(22 125 158)
Finance cost	**9 994 952**	2 016 225	**34 558 220**	22 642 842
Amortisation of intangible assets	**184 103**	99 304	**-**	-
Share of profit of joint venture - net of tax	**(29 405 992)**	(34 326 274)	**-**	-
Reversal of construction profits from joint ventures	**(806 414)**	806 414	**-**	-
Changes in working capital:				
Inventories	**(6 585 986)**	2 458 524	**-**	-
Trade and other receivables	**(27 002 885)**	(3 727 639)	**-**	9 883
Construction contracts	**(52 985 014)**	(42 120 820)	**-**	-
Work in progress	**(177 696)**	(2 054 354)	**-**	-
Trade and other payables	**38 118 467**	67 020 346	**607 403**	(60 524)
Loans to/(from) group companies	**-**	-	**(6 781 678)**	10 056 852
	49 486 223	69 829 415	**(5 569 180)**	11 134 438

32. Tax paid

	Group 2013	Group 2012	Company 2013	Company 2012
Balance at beginning of the year	**2 091 017**	(5 541 573)	**11 229**	17 382
Current tax for the year	**(19 407 356)**	(4 001 546)	**(207 941)**	(170 952)
Balance at end of the year	**762 437**	(2 091 017)	**(103 101)**	(11 229)
	(16 553 902)	(11 634 136)	**(299 813)**	(164 799)

33. Commitments

	Group 2013	Group 2012	Company 2013	Company 2012
Operating leases – as lessor (income)				
Minimum lease payments due				
- within one year	**327 000**	701 064	**-**	-
- in second to fifth year inclusive	**72 000**	-	**-**	-
	399 000	701 064	**-**	-
Operating leases – as lessee (expense)				
Minimum lease payments due				
- within one year	**2 976 643**	2 109 320	**-**	-
- in second to fifth year inclusive	**11 058 428**	431 395	**-**	-
	14 035 071	2 540 715	**-**	-

33. Commitments (continued)

Operating lease payments represent rentals payable by the group for all of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of one year. 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.

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 group's shareholding in Aquarella Investments 265 (Pty) Ltd is provided as security for this loan in Aquarella Investments 265 (Pty) Ltd.

Company

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.

Rand Merchant Bank Limited
Suretyship is provided for the Rand Merchant Bank Limited loan registered in Calgro M3 Land (Pty) Ltd (subsidiary) to a maximum bonded value of R236 500 000 (February 2012 - R236 500 000).

The following indirect 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

34. Share-based payments
9 650 000 share appreciation rights (SAR's) were granted to directors and selected employees. The grant date for the SAR's is tabled below. The scheme is divided into two categories. The first category (4 850 000 SAR's) will vest after 2, 3 and 4 years in equal tranches from the grant date. The second category (4 800 000 SAR's) will vest after 3, 4, 5 and 6 years in equal tranches from the grant date. The rights will vest if the share price at each vesting date exceeds the hurdle price. The hurdle price is the strike (allocation) price grown by CPI plus 2% per year over the vesting period. In the situation that the hurdle price is not achieved at the vesting date, 25% of the possible vested SAR's will roll over to the next vesting date. Out of the 9 650 000 outstanding options, Nil options (February 2012 - Nil) were exercisable as at 28 February 2013.

34. Share-based payments (continued)

The details of the arrangement is described below:

		Category 2	
	Category 1	Group 1	Group 2
Date of grant	1 March 2012	1 March 2012	1 September 2012
Number of instruments granted	4 850 000	4 200 000	600 000
Strike price at grant date	R4.08	R4.08	R4.08
Contractual life (Option life)	4 years	6 years	6 years
Vesting conditions	If the price at each vesting date exceeds the hurdle price.		
Settlement	Cash	Cash	Cash

SAR's outstanding at the end of the period have the following vesting dates and amortised values thereof

Category 1	Vesting date	Portion vesting
	28 February 2014	33.33%
	28 February 2015	33.33%
	28 February 2016	33.33%

	Vesting date		
Category 2	Group 1	Group 2	Portion vesting
	28 February 2015	31 August 2015	25.00%
	29 February 2016	31 August 2016	25.00%
	28 February 2017	31 August 2017	25.00%
	28 February 2018	31 August 2018	25.00%

For the purposes of the valuation, a hurdle rate was used to determine the price that is required to be reached for the SAR's to vest. The spot price on 28 February 2013 was R5.14. The strike price or allocation price is the price at which the SAR scheme is granted to the employee and is used to calculate the benefit payable to the employee. A 30 day average strike price, measured 30 days prior to the grant date was applied. The volatility used in the valuation was 49.09%.

The risk free interest rate indicates the rate of interest that can be earned without assuming any risks over a specified time period. The ZAR zero coupon swap curve as at the valuation date was used. See note 27 for the total expense recognised in the income statement for share options granted to directors and employees.

The amounts recognised in the financial statements (before taxes) for the share-based payment transaction with employees is as below:

	Group		Company	
Rands	2013	2012	2013	2012
Expense				
Share appreciation rights expense	**6 144 223**	-	**-**	-
Liability				
Share appreciation rights liabilities	**6 144 223**	-	**-**	-

35. Employee costs

	Group		Company	
Rands	2013	2012	2013	2012
Salary and wages	**63 482 683**	31 055 225	**-**	-
Directors' emoluments	**12 463 557**	16 741 692	**-**	-
Salary and wages	**75 946 240**	47 796 917	**-**	-
Less: amounts allocated to qualifying assets (construction contracts)	**(53 069 877)**	(30 601 649)	**-**	-
Total employee costs	**22 876 363**	17 195 268	**-**	-

36. Related parties

The following entities are related parties of the company:

Direct subsidiaries:
- Calgro M3 Land (Pty) Ltd
- Calgro M3 Developments Limited
- 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
- CM3 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
- Calgro M3 Rectification Company (Pty) Ltd
- Belhar Calgro M3 Development Company (Pty) Ltd (Previously known as 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
- Witpoortjie Calgro M3 Development Company (Pty) Ltd

Directors of holding company:
- PF Radebe - Non-executive
- RB Patmore - Lead independent non-executive
- BP Malherbe - Executive
- WJ Lategan - Executive
- FJ Steyn - Executive
- DN Steyn - Executive
- JB Gibbon - Independent non-executive
- ME Gama - Independent non-executive
- H Ntene - Non-executive

Directors and senior management of subsidiaries:
- HB Malherbe
- CTE Le Roux
- BG Blieden
- WP Steenkamp
- CC Cornelissen

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

36. Related parties (continued)

Rands	Group 2013	Group 2012	Company 2013	Company 2012
Related party balances				
Loans to group companies				
Calgro M3 Land (Pty) Ltd	-	-	293 135 863	201 996 393
	-	-	293 135 863	201 996 393
Loans from group companies				
Calgro M3 Developments Limited	-	-	(279 855 255)	(203 404 381)
CTE Consulting (Pty) Ltd	-	-	(11 097 189)	(3 226 050)
	-	-	(290 952 444)	(206 630 431)
Loans to joint ventures				
Fleurhof Ext 2 (Pty) Ltd	3 643 816	13 275 818	-	-
Clidet No 1014 (Pty) Ltd	18 556 065	12 448 733	-	-
Sabre Homes Projects (Pty) Ltd	-	210	-	-
Aquarella Investments 265 (Pty) Ltd	-	6 250 000	-	-
	22 199 881	33 586 336	-	-
Receivables from joint ventures				
Fleurhof Ext 2 (Pty) Ltd	16 986 804	7 817 826	-	-
Aquarella Investments 265 (Pty) Ltd	17 539 828	466 712	-	-
Sabre Homes Projects (Pty) Ltd	740 694	85 825	-	-
	35 267 326	8 370 363	-	-
Payables to joint ventures				
Aquarella Investments 265 (Pty) Ltd	-	798 532	-	-
	-	798 532	-	-
Related party transactions				
Compensation paid to key emplyees and personnel				
Short-term employee benefits	20 925 362	25 501 512	-	799 358
	20 925 362	25 501 512	-	799 358
Administration fees received from related parties				
Calgro M3 Developments Limited	-	-	2 740 000	2 900 000
	-	-	2 740 000	2 900 000
Finance income received from related parties				
Calgro M3 Land (Pty) Ltd	-	-	34 569 451	22 125 158
Fleurhof Ext 2 (Pty) Ltd	871 812	338 447	-	-
Clidet No 1014 (Pty) Ltd	1 866 830	1 462 277	-	-
Aquarella Investments 265 (Pty) Ltd	3 670 178	-	-	-
Sabre Homes Projects (Pty) Ltd	21	-	-	-
	6 408 841	1 800 724	34 569 451	22 125 158
Finance costs paid to related parties				
Calgro M3 Developments Limited	-	-	34 119 951	21 797 710
CTE Consulting (Pty) Ltd	-	-	413 721	291 964
	-	-	34 533 672	22 089 674
Contract revenue received from joint ventures				
Fleurhof Ext 2 (Pty) Ltd	182 346 727	164 949 302	-	-
Aquarella Investments 265 (Pty) Ltd	110 743 613	105 618 712	-	-
Clidet No 1014 (Pty) Ltd	5 000	47 030	-	-
Sabre Homes Projects (Pty) Ltd	98 022 142	17 057 190	-	-
	391 117 482	287 672 234	-	-
Rendering of services fees received from joint ventures				
Fleurhof Ext 2 (Pty) Ltd	9 391 651	9 307 322	-	-
Aquarella Investments 265 (Pty) Ltd	8 030 760	4 271 113	-	-
Clidet No 1014 (Pty) Ltd	142 750	-	-	-
Sabre Homes Projects (Pty) Ltd	11 538 321	5 560 118	-	-
	29 103 482	19 138 553	-	-

37. Contingent assets and liabilities

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

38. Directors' emoluments

Rands		Remuneration and other benefits			Pension	
2013	**Fees for services rendered**	**Salary as a director**	**Expense allowance**	**Performance related**	**On behalf of the director to a pension scheme**	**Total**
Executive directors - Group						
For services rendered in connection with the carrying on of affairs of the business within the same group of companies and joint ventures						
BP Malherbe	-	1 891 562	144 000	1 029 683	3 000	3 068 245
WJ Lategan	-	1 595 489	144 000	918 553	79 774	2 737 816
FJ Steyn	-	1 644 350	144 000	944 450	82 218	2 815 018
DN Steyn	-	1 645 869	144 000	905 609	3 000	2 698 478
Total executive directors	-	6 777 270	576 000	3 798 295	167 992	11 319 557
Non-executive directors - Group						
For services as directors in the company						
PF Radebe	285 000	-	-	-	-	285 000
H Ntene	60 000	-	-	-	-	60 000
Independent non-executive directors - Group						
For services as directors in the company						
R Patmore	289 000	-	-	-	-	289 000
JB Gibbon	270 000	-	-	-	-	270 000
ME Gama	240 000	-	-	-	-	240 000
Total non-executive directors	1 144 000	-	-	-	-	1 144 000
Total directors	1 144 000	6 777 270	576 000	3 798 295	167 992	12 463 557

38. Directors' emoluments (continued)

Rands	Remuneration and other benefits				Pension	
2012	Fees for services rendered	Salary as a director	Expense allowance	Performance related	On behalf of the director to a pension scheme	Total
Executive directors - Group						
For services rendered in connection with the carrying on of affairs of the business within the same group of companies and joint ventures						
BP Malherbe	-	1 592 752	144 000	2 338 000	3 000	4 077 752
WJ Lategan	-	1 451 010	144 000	2 272 375	72 058	3 939 443
FJ Steyn	-	1 473 928	144 000	2 294 250	73 013	3 985 191
DN Steyn	-	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**

38. Directors' emoluments (continued)

Non-executive directors' emoluments

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

Rands	Remuneration and other benefits				Pension	
2012	Fees for services rendered	Salary as a director	Expense allowance	Performance related	On behalf of the director to a pension scheme	Total
Non-executive directors - Group						
For services as a director of the company						
H Ntene	131 579	-	-	-	-	131 579
PF Radebe	304 482	-	-	-	-	304 482
RN Wesselo	-	-	-	-	-	-
Independent non-executive directors - Group						
For services as a director of the company						
JB Gibbon	183 297	-	-	-	-	183 297
ME Gama	-	-	-	-	-	-
R Patmore	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**

	Date appointed as prescribed officer	Contract expiry
Prescribed officer 1	2005/08/05	1 month notice
Prescribed officer 2	2005/08/05	1 month notice
Prescribed officer 3	2007/11/26	1 month notice
Prescribed officer 4	2011/07/01	1 month notice
Prescribed officer 5	2012/03/01	1 month notice

38. Directors' emoluments (continued)

Rands	Short term employee benefits		
2013	Remuneration and benefits received	On behalf of the prescribed officer to a pension scheme	Total remuneration/ benefits
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group			
Prescribed officer 1	2 620 152	78 536	2 698 688
Prescribed officer 2	1 736 280	61 494	1 797 774
Prescribed officer 3	1 339 666	47 004	1 386 670
Prescribed officer 4	1 562 261	54 610	1 616 871
Prescribed officer 5	928 673	33 129	961 802
	8 187 032	274 773	8 461 805

Rands	Short term employee benefits		
2012	Remuneration and benefits received	On behalf of the prescribed officer to a pension scheme	Total remuneration/ benefits
Remuneration/Benefits received for services rendered in connection with the carrying on of affairs of the business of other companies in the same group			
Prescribed officer 1	3 867 385	72 058	3 939 443
Prescribed officer 2	1 628 373	56 328	1 684 701
Prescribed officer 3	1 465 431	38 105	1 503 536
Prescribed officer 4	660 467	11 673	672 140
Prescribed officer 5	-	-	-
	7 621 656	178 164	7 799 820

Share Appreciation Right Scheme (SAR) issued to directors and prescribed officers:

	Number of SAR's granted		Value of SAR's granted	
	2013	2012	2013	2012
Directors				
BP Malherbe	750 000	-	561 235	-
WJ Lategan	2 000 000	-	1 496 626	-
FJ Steyn	750 000	-	561 235	-
DN Steyn	750 000	-	561 235	-
	4 250 000		3 180 331	
Prescribed Officers				
Prescribed officer 1	600 000	-	448 988	-
Prescribed officer 2	600 000	-	377 170	-
Prescribed officer 3	600 000	-	377 170	-
Prescribed officer 4	600 000	-	377 170	-
Prescribed officer 5	600 000	-	377 170	-
	3 000 000	-	1 957 668	-

Refer to note 34 for further details on the share appreciation rights scheme.

39. Earnings per share

	Group	
Rands	2013	2012
(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	**91 303 538**	65 380 048
Weighted average number of ordinary shares in issue	**127 100 000**	127 100 000
Basic earnings per share (cents per share)	**71.84**	51.44
(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	**91 303 538**	65 380 048
Weighted average number of ordinary shares in issue	**127 100 000**	127 100 000
Diluted earning per share (cents per share)	**71.84**	51.44
(c) Headline		
Headline earnings is calculated as follows:		
Profit attributable to shareholders	**91 303 538**	65 380 048
Loss on disposal of property, plant and equipment	**-**	(2 690)
Profit used to determine headline earnings per share	**91 303 538**	65 377 358
Weighted average number of ordinary shares in issue	**127 100 000**	127 100 000
Headline earnings per share (cents per share)	**71.84**	51.44
(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	**809 120 229**	595 883 480
Less: Total liabilities	**(481 762 685)**	(359 829 474)
Net assets	**327 357 544**	236 054 006
Weighted average number of ordinary shares in issue	**127 100 000**	127 100 000
Net asset value per share (cents per share)	**257.56**	185.72

40. Financial assets by category

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

Rands Group - 2013	Loans and receivables	Total
Loans to joint ventures	**22 199 871**	**22 199 871**
Loans and receivables	**5 756 677**	**5 756 677**
Trade and other receivables	**39 342 683**	**39 342 683**
Cash and cash equivalents	**198 342 958**	**198 342 958**
	265 642 189	**265 642 189**
Group - 2012		
Loans to joint ventures	31 168 346	31 168 346
Loans & receivables	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

40. **Financial assets by category (continued)**

Rands Company - 2013	Loans and receivables	Total
Loans to group companies	293 135 863	293 135 863
Cash and cash equivalents	535 453	535 453
	293 671 316	293 671 316

Rands 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

41. **Financial liabilities by category**

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

Rands Group - 2013	Financial liabilities at amortised cost	Total
Borrowings	299 889 542	299 889 542
Finance Lease obligations	726 470	726 470
Trade and other payables	131 930 186	131 930 186
	432 546 198	432 546 198

Rands Group - 2012		
Borrowings	225 111 270	225 111 270
Loans from joint ventures	-	-
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

Rands Company - 2013	Financial liabilities at amortised cost	Total
Loans from group companies	290 952 444	290 952 444
Trade and other payables	538 482	538 482
	291 490 926	291 490 926

Rands 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

42. **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.

43. **Events after the reporting period**

There were no events after the year ended 28 February 2013 that warrant disclosure in this report.

44. **Shareholder analysis**

Please refer to directors' report page 72 note 20.

Notice is hereby given to all members of the company as at the record date of 31 May 2013, 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 sixth annual general meeting ("AGM") of members will be held at 10:00 on Tuesday 25 June 2013 at the boardroom, Calgro M3, First floor 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 21 June 2013 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 28 February 2013 (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 61 to 131 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 contained in the annual report on page 54.

1. **Ordinary resolution number one - Re-election of director**
   To resolve that the re-appointment of PR Radebe as an non-executive and chairperson of the board of directors of the company, who retires by rotation, but being eligible, offers herself for re-election in accordance with Article 24.9 of the company's memorandum of incorporation for a further term of office be authorised and confirmed.
   (A brief CV appears on page 10 of the annual report.)

2. **Ordinary resolution number two - Re-election of director**
   To resolve that the re-appointment of H Ntene as an non-executive of the company, who retires by rotation, but being eligible, offers himself for re-election in accordance with Article 24.9 of the company's memorandum of incorporation for a further term of office be authorised and confirmed.
   (A brief CV appears on page 11 of the annual report.)

3. **Ordinary resolution number three - Appointment of company secretary**
   To resolve that the appointment of W Williams as company secretary of the company, with effect from 1 April 2013, be hereby ratified.
   (A brief CV appears on page 71 of the annual report)

4. **Ordinary resolution number four- Re-appointment of auditors**
   To resolve that the re-appointment of PricewaterhouseCoopers as auditors, and JP van Staden 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 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,

e) 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 2013. 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 RB Patmore as a member of the audit committee, with effect from the end of this meeting, in terms of section 94(2) of the Companies Act.
9. **Ordinary resolution number nine - Appointment of audit and risk committee member**
   To resolve that the appointment of JB Gibbon as a member of the audit committee, with effect from the end of this meeting, in terms of section 94(2) of the Companies Act.

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 committee, with effect from the end of this meeting, in terms of section 94(2) of the Companies Act.

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 4 of the Act;
   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% or more 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.

Shareholders are referred to the explanatory notes attached to this notice for further disclosures in respect of this general authority to repurchase shares in terms of paragraph 11.26 of the Listings Requirements.

12. Special resolution number two - payment to non-executive directors

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 financial meeting (Refer to note 5).

Director	Annual retainer Fee 2013	Meeting Chaired	Meeting Attendance Fee 2013
PF Radebe	180 000	25 000	15 000
JB Gibbon	120 000	20 000	15 000
H Ntene			15 000
RB Patmore	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 number 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 number 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 two 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. 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: pages 10 and 11of the annual report
- Major shareholders: page 73 of the annual financial statements
- Directors' interests in securities: page 72 of the annual financial statements
- Share capital of the company: page 114 note 20 of the notes to the annual financial statements
- Litigation: Calgro is currently in litigation with a claim that it has instituted 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 and 11 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 2013.

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

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

If you have not yet dematerialised your shares in Calgro M3 and are unable to attend the AGM, but wish to be represented thereat, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries of Calgro M3 namely, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg 2001, (PO Box 61051, Marshalltown 2107) to be received by no later than 12:00 on 24, June 2013.

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 AGM, but wish to be represented thereat, you must complete the attached form of proxy in accordance with the instructions therein and lodge it with the transfer secretaries of Calgro 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 Friday, 21 June 2013; or
- 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 AGM.

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, 5 business days prior to the annual general meeting.

By order of the board

W Williams
Company Secretary

7 May 2013
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.

Form of Proxy

FOR USE AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 10:00 ON 25 JUNE 2013 AT THE BOARDROOM, CALGRO, CEDARWOOD HOUSE, BALLYWOODS OFFICE PARK, 33 BALLYCLARE DRIVE, BRYANSTON AND AT ANY ADJOURNMENT THEREOF.

For use by the holders of the company's certificated ordinary shares ("certificated shareholder") and/or dematerialised ordinary shares held through a Central Securities Depository Participant ("CSDP") who have selected own-name registration ("own-name" dematerialised shareholders). Not for the use by holders of the company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote thereat in accordance with their instructions.

I/We..(full name in block letters)

of..(please print address)

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

1.. of or failing him/her

2.. of or failing him/her

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

	FOR	AGAINST	ABSTAIN
Ordinary resolution number one			
Re-election of PF Radebe as director			
Ordinary resolution number two			
Re-election of H Ntene as director			
Ordinary resolution number three			
Re-appointment of W Williams as company secretary			
Ordinary resolution number four			
Re-election 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 PROXY

Notes to 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 12:00 on 24 June 2013.
    Transfer secretaries
    Computershare Investor Services (Pty) Limited
    Ground Floor, 70 Marshall Street
    Johannesburg 2001
    PO Box 61051, Marshalltown 2107
    Telefax 011 688 5200

GRI Index

Part I	Standard disclosures		
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1.1	Statement from the most senior decision-maker of the organisation	Chairperson's Report	14
		Chief Executive's Report	16
2.1	Name of the organisation	Introduction	2
2.2	Primary brands, products and/or services	Introduction, Who we are	2
		Business Model	6
		Director's Report, Nature of business	71
2.3	Operational structure of the organisation including main divisions, operating companies, subsidiaries and joint ventures	Introduction, Group Structure	3
2.4	Location of organisation's headquarters	Director's report	71
		Notes to the Consolidated Financial Statements, 1. General information	80
2.5	Number of countries where organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Geographic Footprint	5
2.6	Nature of ownership and legal form	Notes to the Consolidated Financial Statements, 1. General information	80
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	Overview - Products and Market Definition	7
2.8	Scale of operating organisation	Introduction - Group Structure	3
		Employee Growth	42
2.9	Significant changes during the reporting period regarding size, structure or ownership	There were no significant changes during the reporting period regarding size, structure and ownership.	141
2.1	Awards received in the reporting period	The were no awards received during the reporting period	141
3.1	Reporting period for information provided	Introduction, Scope, Boundary and Assurance	4
3.2	Date of most recent previous report	The most recent previous report followed the company financial year 1 March 2011 - 27 February 201	141
3.3	Reporting cycle	The reporing cycle follows the company financial year: 1 March 2012 - 28 Feburary 2013	141
3.4	Contact point for questions	About this report	2
3.5	Process for defining report content	About this report	2
		Sustainability Overview, Business Strategy for Sustainability, Strategic and Operational Risk Management	21
		Sustainability Overview, Understanding our stakeholders	24, 25
3.6	Boundary of the report	Introduction, Scope, Boundary and Assurance	4
3.7	State any specific limitations on the scope or boundary of the report	There are no specific limitations on the scope or boundary of the report	141
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period between organisations	Scope, Boundary and Assurance	4
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Where possible and where data was available, the GRI (G3.1) Indicator Protocols as well as the Indicators for the Construction and Real Estate Sector, were followed	141

Part II	Standard disclosures (continued)		
Profile disclosure	Description	Reference in report	Page in report
3.10	Explanation of the effect of any restatements of information provided in earlier reports and the reasons for such restatements	There are no restatements of information for the period	141
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	There are no significant changes from the previous reporting period in the scope, boundary or measurement methods applied in the report	141
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Corporate governance: Corporate Governance Structure	57
4.2	Indicate whether the chair of the highest governance body is also an executive officer	Corporate governance, Board composition	50
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Directorate	10, 11
		Corporate governance, Independence	50
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Form of proxy	141
4.11	Explaination of whether and how the precautionary principle or approach is addresses by the organisation.	Engaging with Stakeholders, Building the Future Together	23
4.14	List of stakeholder groups engaged by the organisation	Sustainability Overview, Understanding our stakeholders	24, 25
4.15	Basis for the identification and selection of stakeholders with whom to engage	Engaging with Stakeholders, Building the Future Together	23
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Value added statement	29
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EC7	Procedures for local hiring and proportion of senior management and all direct employees, contracters and subcontracters hired from the local community at locations of significant operation.	CEO Report, Operational Review	17
		Sustainability Overview, Economic Performance, Corporate Social Investment (Jabulani specific)	30, 39
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		Sustainability Overview, Economic Performance	27, 30
Energy			
EN5	Energy saved due to conservation and efficiency improvements	Sustainability Overview, Energy	32
EN7	Initatives to reduce indirect energy consumption and reductions achieved	Sustainability Overview, Energy	32
Water			
EN10	Percentage and total volume of water recycled and reused	Sustainability Overview, Water	32
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas of high biodiversity value outside protected areas.	Sustainability Overview, Biodiversity	33
EN15	Number of IUCN Red list species	Sustainability Overview, Biodiversity	33
Emissions, effluent and waste			
EN22	Total weight of waste by type and disposal method	Sustainability Overview, Emmissions, Effluents and Waste	34

Part II	Standard disclosures (continued)		
Profile disclosure	Description	Reference in report	Page in report
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Sustainability Overview, Products and Services	34
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LA1	Total workforce by employment type, employment contract, and region	Sustainability Overview, Transformation, Employment Equity	37, 38
LA2	Total number of new employee hires and employee turnoverby age group, gender and region	Performance highlights, Transformation	1
Labour/Management relations			
LA4	Percentage of employees covered by collective bargaining agreements	Sustainability Overview, HR Policies and Procedures	39
Occupational health and safety			
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	Performance highlights, Occupational Health & Safety	1
CRE6	Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system	Sustainability Overview, Understanding our stakeholders, JSE & other regulatory bodies	25
LA8	Education, training, counselling, prevention and risk control programmes in place to assist workforce members, their families or community members regarding serious disease	Sustainability Overview, Understanding our stakeholders, Employees, subcontractors and trade unions	24
		Sustainability Overview, HIV/AIDS	44
Training and development			
LA11	Programs for skills management and lifelong learning that support the continued employability of empoyees and assist them in managing career endngs	Sustainability Overview, Understanding our stakeholders, Employees, subcontractors and trade unions	24
		Social Sustainability, Skills development	42, 43
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Directorate	10, 11
		Sustainability Overview, Transformation, Employment Equity	37, 38
		Corporate Governance, Board Composition	50
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		Sustainability Overview, Understanding our stakeholders; Employees, Government, Public interest groups & Communities	24, 25
SO10	Operations with potential or actual negative or positive impacts on local communities	Sustainability Overview, Understanding our stakeholders, Communities (+ above references)	25
Public Policy			
SO2	Public policy positions and participation in public policy development and lobbying	Sustainability Overview, Understanding our stakeholders; Environment, Government, Public interest groups, Communities	24, 25

Calgro M3 - Intergrated Annual Report 2013
Stakeholder Feedback

In our drive to continually improve our communication and engagement with all of our stakeholders, we would like to take this opportunity to gain further insight into what information you may find useful and how best it may be presented in the future. As a valued stakeholder of Calgro M3 Holdings, we respect your opinion and appreciate your feedback and comments.

Please fill in the following feedback form and send to: Private Bag X33, Craighall, 2024 South Africa
or scan and e-mail: info@calgrom3.com
On-line version can be found at: www.calgrom3.com/investor_relations/annual_reports/feedback.asp

Section I

Please rate the following by marking the appropriate box:

	Excellent	Good	Average	Below Average	Poor
I found the information in this year's report to be:					
I found the structure and flow of this year's report to be:					
I found the look and feel of this year's report to be:					

Please add any further comments:____

Section II

Please complete the following sentences pertaining to next year's Calgro M3 Integrated Annual Report.

1. I would like to see more of:

2. I would like to see less of:

2. What interests me most is:

4. What concerns me most is:

Further comments/suggestions/queries:

Thank you for your time and valuable input!

CALGRO M3
HOLDINGS