AUSTRO
GROUP LIMITED

ANNUAL REPORT 2007

www.austrogrouplimited.com

CONTENTS PAGE

Corporate Information 2
Corporate Structure 3
Group Companies 4
Chairman and CEO's Report 6
Sustainability Report 9
Directorate 10
Mission 11
Corporate Governance Report 12
Financial Contents 15
Shareholders Analysis 42
JSE Statistics 43
Annual Timetable of Events 43
Notice of Annual General Meeting 44
Form of Proxy . . . . . Attached

CORPORATE INFORMATION

AUSTRO GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2001/029771/06)
JSE code: ASO
ISIN No: ZAE000090882

REGISTERED OFFICE

1125 Leader Avenue
Stormill Extension 4
Roodepoort
Johannesburg

PO Box 1914
Florida, 1710

Telephone +27 11 472-0910
Facsimile +27 11 472-0925

CORPORATE ADVISOR, LEGAL ADVISOR AND SPONSOR

Java Capital (Pty) Limited
(Registration number 2002/031862/07)
(A sponsor registered with the JSE Limited)
2nd Floor
2 Arnold Road
Rosebank
Johannesburg, 2196

PO Box 2087
Parklands, 2121
South Africa

COMPANY SECRETARY

Probity Business Services (Pty) Limited
11 Cradock Avenue
Rosebank
Johannesburg, 2196

PO Box 85392
Emmarentia, 2029

AUDITORS AND REPORTING ACCOUNTANTS

PFK (Jhb) Inc.
(Registration number 1994/001166/21)
Registered Auditors
Chartered Accountants (SA)
PFK House
42 Wierda Road West
Wierda Valley
Sandton, 2196

BANKERS

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
29 Tyrwhitt Avenue
Rosebank
Johannesburg, 2196

PO Box 52022
Saxonwold, 2132

TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107

CORPORATE STRUCTURE

Austro Group Limited (Holding company)

Woodworking Machines and Tools

Austro Woodworking Machines and Tools

Consists of

100% owned subsidiaries

Gearing Moss Supplies (Pty) Limited

100% owned subsidiary

2nd Cut Pre-owned Woodworking Equipment (Pty) Limited

100% owned subsidiary

Generator Sales and Rentals

New Way Motor and Diesel Engineering (Pty) Limited

100% owned subsidiary

Neptune Plant Hire (Pty) Limited

100% owned subsidiary

GROUP COMPANIES

AUSTRO WOODWORKING MACHINES AND TOOLS

Established in 1980, Austro is South Africa's largest distributor of premium quality woodworking equipment, and sells and maintains tools, blades and cutters for this equipment.

As the dominant distributor of equipment to the producers of wood and wood-related products in the market, Austro is ideally positioned to capitalise on the ever-increasing demand for these products in South Africa.

The woodworking equipment ranges from large industrial machines to DIY machines. The Company's customers produce wood or wood-related products for the local and export markets and include kitchen and cupboard manufacturers, door and window makers, large DIY stores and professional hobbyists.

Austro Woodworking Machines and Tools has distribution agreements with a large range of leading European suppliers, distributing a wide range of the world's best brands, some of which include Biesse, Felder, Weinig, Boere, Striebig, Casolin and Fravol. These relationships have been nurtured over twenty seven years.

The Company also has its own Austro brand of machinery, many of which are customised by the Company to suit local market conditions.

In addition the Company imports a range of machinery from the East in order to cater for customers looking for a more economic alternative.

The success of the Company is largely attributable to ensuring that customers receive the highest level of technical and after-sales service, and a commitment to constant innovation in its product offering.

By providing ongoing services to customers, the Company enhances the customers' confidence in the products sold, which results in strong customer loyalty to the Company.

The proficiency of a national team of highly-trained technicians, with the experience and expertise to solve any mechanical, electronic and computerised machinery problems, and substantial stock-holding means fast, efficient response to customers' needs at all times.

GEARING MOSS SUPPLIES

Gearing Moss Supplies was established 27 years ago as a supplier of mobile sawmills, log-processing equipment and tooling for the industrial woodworking and sawmilling industries. The Company's range of equipment, supported by superior technical and after-sales service, has made it one of the most important providers into these markets both locally and internationally.

In addition to this already lucrative business, with logging rights in many African countries now requiring some form of timber benefication, there is potential for the Austro Group to make use of Gearing Moss's contacts to provide woodworking machinery and generators alongside mobile sawmilling equipment to assist loggers in meeting these requirements.

Gearing Moss has been the Southern African agent for Wood-Mizer portable sawmills for the past 20 years.

Wood-Mizer is the undisputed world-leader in portable sawmill sales with over 40 000 mills in 100 countries. Along with a range of its own sawmilling equipment, the Company also has agencies for several other leading brands, including Saw King, Kerf King, Thermwood, Meta-lax and BUP Tooling.

NEPTUNE PLANT HIRE

Subsequent to the financial year-end Austro acquired Neptune Plant Hire. Neptune Plant Hire was originally founded in 1971 to service the power needs of the shipping industry in and around the Cape Town harbour. Today the Company hires out generators and related equipment to businesses covering the entire commerce and industry spectrum, thereby allowing the Austro Group to take full advantage of the growing need for temporary or short-term back-up power supply.

The Company has an excellent reputation for reliable service delivery and an impressive local and international customer base. Neptune's service includes the hire of generators, cables, distribution boards and transformers. The Company also supplies electricity from quayside, as well as related services.

NEW WAY MOTOR AND DIESEL ENGINEERING

New Way Motor and Diesel Engineering is the principal supplier of commercial generators in sub-Saharan Africa, where alternative sources of power-supply are critical for conducting and maintaining business continuity in the commercial, industrial, mining and public sectors.

Superior design, manufacturing and assembling of dependable, cost-effective and complete power sources are ensured through a disciplined process of quality control. An ardent design team provides tailor-made and flexible solutions for control panels and weather or soundproof enclosures, as well as motion generators. These are all manufactured in-house to customers' specifications, saving the Company 20% import duties levied on the importation of complete generators. Reliable contract maintenance and field service ensure optimum efficiency and running condition of all systems. Specialist staff are also available to perform site appraisals.

The products in New Way Motor and Diesel Engineering's portfolio include John Deere Industrial and Marine Diesel Engines, Funk Transmissions and Axles, Marathon Electric Alternators, MHI-Mitsubishi Heavy Industries: Industrial and Marine Diesel Engines, Doosan Industrial and Marine Engines, Solé Marine Diesel Engines and Dong-I Heavy Duty Marine Transmission Systems.

2ND CUT PRE-OWNED WOODWORKING EQUIPMENT

Launched post the 2007 financial year, 2nd Cut Pre-Owned Woodworking Equipment is a newcomer to the Group. Created to provide a trading platform for the sale and barter of second-hand machines, the division directly complements the business of Austro Woodworking Machines and Tools, and is expected to become a profitable second-hand business which will contribute significantly to the Group's bottom line in the future.

CHAIRMAN AND CEO'S REPORT

INTRODUCTION

Austro Group Limited has achieved pleasing results in its first financial year as a listed company. The Group showed a revenue increase of 58,8% to R279 million, while net profit after tax increased by 95,5% to R53,9 million. Headline earnings per share increased to 14,2 cents – exceeding the forecast of 10,5 cents by 35,2%.

From the outset, our mission has been to become the foremost player in complementary markets in the industrial supplies and construction-related sectors.

Since listing on the JSE Limited in February 2007, Austro has made significant strides to realise this vision including entering into, and consolidating its position in, the generator sale and rental business, as well as augmenting its service offering in respect of woodworking machines and tools. These are particularly exciting as they are key inputs into the construction, power supply and allied sectors which are showing exceptional growth.

ACQUISITIONS

Austro has managed to maintain strong and consistent organic growth in revenue and profitability, and has also benefited from the Group's exciting new acquisitions during the year. These include New Way Motor and Diesel Engineering, Gearing Moss Supplies and, subsequent to the year-end, Neptune Plant Hire.

The acquisitions ideally position the entire Group to maximise the opportunities presented by the current challenges facing South Africa.

THE FUTURE

We are confident that we will see a strong demand for our products and services up to, and beyond, 2010. We believe that our business will benefit directly from demand created by sustained growth in GDP and the economic developments from government, and private enterprise investment programmes.

This will be underpinned by government's preparation for the 2010 FIFA World Cup and, on a provincial level, the Gautrain development, as well as the ever-increasing demand for new residential and commercial properties, and their need for wood-related products.

This will have a particular impact on the woodworking machines and tools businesses – Austro Woodworking Machines and Tools, and Gearing Moss, both companies are leading distributors of superior global brands to the South African woodworking industry.

The phenomenal growth in the economy has also highlighted the key limits of various infrastructural elements, particularly the problem of power outages. South Africa's existing power generating capacity is insufficient to meet the growing demand for power in the country. Ultimately, this lack of capacity forces businesses to make provisions for back-up power supply.

Ultimately, hiring or buying generators will present the only alternative to sustained economic growth.

The Austro Group is ready to meet these demands with the products and services of the two divisions which constitute its generator and rental business.

New Way manufactures generators for the commercial, industrial, marine, mining and public sectors, its primary focus being the sale of industrial generators and diesel engines. The Company also provides after-sales support and services. New Way has shown an enormous continuity of growth and, working at full capacity, is meeting the huge demands of the growing generator market.

In order to realise future market share and significantly grow capacity, New Way will soon move to larger facilities that will enable increased output.

Neptune, the Group's post year-end purchase, concentrates on the rental of generators to business operating primarily in the Cape Town area. Looking forward, the objective will be to adopt a more aggressive

approach towards the rental market, by expanding Neptune's business reach nationally.

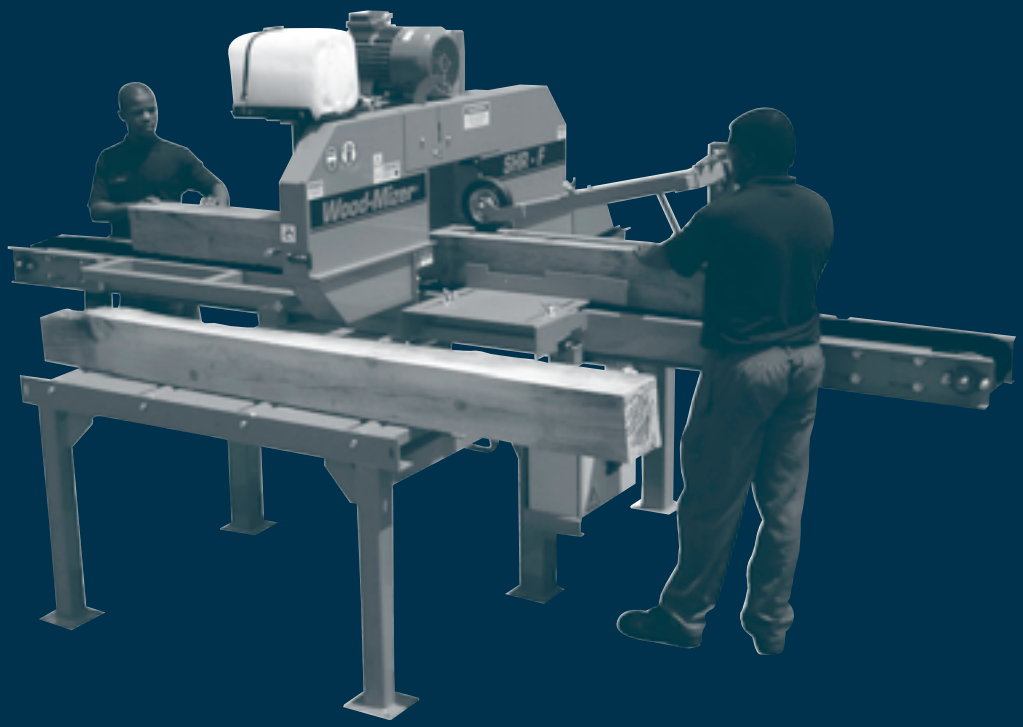
The necessary resources needed to grow the division into a sizeable contributor to the Group's profits will be allocated in order to meet this objective.

We are optimistic about the Group's prospects in the year ahead, and confident that the management team of the Austro Group will deliver strong results in 2008, ensuring long-term sustainability and returns for shareholders.

We thank all employees and directors of the Group for their contribution and support during this our first financial year. The sustained growth would not have been possible without their loyalty and perseverance.

DS Brouze
Chairman

RJ Friese
CEO



INTRODUCTION

The Group is committed to sound social and environmental reporting practices and where appropriate and relevant to the nature of the Group's activities, these are prioritised alongside financial reporting.

BEE

The Group believes broad-based empowerment transformation is a business imperative, and is actively pursuing real BEE equity ownership.

OUR PEOPLE

The Group is committed to the implementation of employment policies appropriate to the Group's business environment and the South African economy.

Central to the Group's business strategy is its philosophy to be an employer of choice. The people of Austro are considered to be the Company's most valuable asset. As such the Group aims to provide a supportive workplace, which facilitates both personal development, professional advancement and a sense of ownership through, amongst others, equity participation.

SAFETY AND HEALTH

The Group is committed to compliance with the South African Occupational Health and Safety Act, 1993. To this end the Group is implementing a Health and Safety policy to which all employees are required to adhere. In terms of the policy the relevant manager of each of the operations is responsible for ensuring a safe and healthy work environment. Employees are required to report all incidents immediately as well as make suggestions for a safer work environment. Employees attend health and safety training provided by the Group.

No major health and safety incidents were reported during the year.

HIV/AIDS

The Group is committed to mitigating the impact of the pandemic on its employees by implementing a programme which focuses on education through general awareness campaigns that address issues such as counselling, treatment, prevention, medication, voluntary anonymous testing and crisis planning.

CORPORATE SOCIAL RESPONSIBILITY

The Group works towards a purposefully targeted and business-aligned Corporate Social Investment ("CSI") programme. The Group's primary areas of focus are the areas of education, healthcare and the environment. Some of the organisations that the Group is pleased to be aligned with and which benefit from the CSI initiatives are: Food and Trees for Africa ("FTFA") and Humana: People-to-People.

FTFA's mission is to contribute to a healthy and sustainable quality of life through environmental awareness and greening programmes.

Humana: People-to-People is a Section 21 company which is part of a global initiative responding to the challenges of poverty, skills development, HIV and AIDS.

DIRECTORATE

DAVID SOLOMON BROUZE
Non-executive Chairman
BCom, BAcc, CA(SA)
University of the Witwatersrand
1125 Leader Avenue
Stormill Ext 4
Roodepoort

David Brouze completed his studies at the University of the Witwatersrand. David is a director at the House of Busby, Digital Planet, Vered Estates and Eland Furnish.

DANIEL ROTHLISBERGER
Executive Director
Managing Director and Technical Director
1125 Leader Avenue
Stormill Ext 4
Roodepoort

Daniel is the founder and Managing Director of the Group and is integrally involved in the day-to-day running of the businesses.

BRIAN DUNCAN DOWNS *(British)*
Executive Director
Electrician (Diploma in Electricity and Guilds of London)
1125 Leader Avenue
Stormill Ext 4
Roodepoort

Sales Director of the Group, Brian joined the Group in 1986, and is involved in the marketing and sales sectors of the Group.

RICHARD JONAH *(Ghanaian)*
Non-executive Director
(Independent)
BA Economics and Political Science
Haverford College, Philadelphia, USA
1st Floor
AMB Capital Holdings
18 Fricker Road
Illovo
2196

Richard has worked as an investment banker for Goldman Sachs in New York, and RM Rothschild in London. He is the director of IT and Telecommunications firm Freedom International Technologies, and serves on the boards of Africa Facilitation, Metropolitan Insurance Company and Scharrig Mining.

WALTER HAUSER *(Austrian)*
Non-executive Director
(Independent)
3rd Floor
Comfort Creations House
19 Banfield Road
Industria North
Johannesburg

Walter is the co-founder of Austro, and Managing Director of Comfort Creations, and is a director on the boards of several unlisted companies.

Subsequent to the finalisation and issuing of the financial statements the following directors were appointed:

JONATHAN FREED

Executive Director
Managing Director and Technical Director
106 Harry Street
Robertsham
Johannesburg

With over 44 years' experience in the diesel engine and generator business, Jonathan brings to the Group an extensive and unique insight into South Africa's rapidly expanding generator industry.

ROBERT FRIESE

CEO
1125 Leader Avenue
Stormill Ext 4
Roodepoort

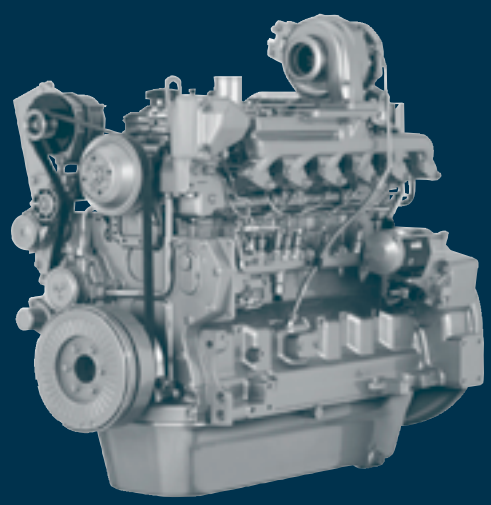
Robert has a strong entrepreneurial background, with over 10 years' experience in the woodworking machines and tools industry, four of which were spent in Singapore representing a German manufacturer, where he was responsible for South East Asian markets.

OUR MISSION

Austro's mission is, and always has been, to become the foremost player in the complementary industrial suppliers and construction-related sectors.

CORE VALUES

Unsurpassed quality, service and technical expertise, supplying only the world's very best brands.



CORPORATE GOVERNANCE REPORT

The directors acknowledge the importance of sound corporate governance and subscribe to the Code of Corporate Practices and Conduct set out in the King II Report. They are committed to the highest standards of corporate governance and continually monitor compliance to ensure ongoing improvement of operational and corporate practices.

BOARD OF DIRECTORS

The Austro board is the focal point of the Company's corporate governance processes. It is responsible and accountable for the performance and affairs of the Company and the Group. Delegating authority in respect of pre-approved matters to board committees or management does not in any way detract from the discharge by the board of its duties and responsibilities.

For the year under review, the unitary board was chaired by a non-executive director and further comprised three non-executive directors (two of whom are independent) and two executive directors.

The roles of non-executive Chairman and CEO are strictly separated in accordance with the King II Report. This separation of duties is echoed across the board to ensure that no director can exercise unfettered powers of decision-making. Non-executive directors are individuals of calibre with skill and experience sufficient to appraise and advise on strategy, governance, performance, resources, transformation, diversity, employment equity and standards of conduct. Non-executive directors also provide objectivity in board deliberations. Executive directors effect the day-to-day management of the Company and its business operations.

The board meets at least quarterly with additional meetings when necessary. Directors are briefed timeously and comprehensively in advance of these meetings, and are supplied with information to enable them to discharge their responsibilities. Meetings are conducted in accordance with a formal agenda which ensures that all substantive matters are properly addressed.

Directors' attendance at board meetings for the year under review is set out below:

	18 April 2007	8 May 2007
DS Brouze (Chairman)*	✓	✓
D Rothlisberger	✓	✓
BD Downs	✓	✓
RK Jonah+	APOL	APOL
W Hauser+	✓	APOL

**Non-executive*

+Independent non-executive

BOARD PROCESSES

The board is governed by a formal Board Charter setting out composition, processes and responsibilities. The Charter further obligates the board to regularly review operational processes and procedures, to identify key risk areas and to monitor non-financial aspects affecting the Group. The board (assisted by the Audit Committee) accordingly identifies key risk areas and key performance indicators of the Company's business operations. These are monitored regularly with particular attention given to resource planning, processes, products and people.

The board adheres to a corporate code of conduct that addresses conflicts of interest, particularly relating to directors and management, which is reviewed and updated as necessary.

Directors have unrestricted access to the Company Secretary, Company information, records, documents, and property and are afforded the opportunity, at the Company's expense, to seek independent counsel should this be deemed to be necessary.

The Company has a formal policy restricting share dealing by directors and other officers with access to price-sensitive information. Trade in Austro shares is prohibited during closed periods prior to the announcement of interim and annual results or while the Company is trading under a cautionary. Directors are required to report their share dealings to the Chairman who, with the Company Secretary and sponsor, ensures that these announcements are published on SENS.

The board encourages shareholders to attend annual and other general meetings and directors including committee chairmen attend these meetings.

BOARD COMMITTEES

Audit Committee

The Audit Committee is governed by a formal Audit Committee Charter. It comprises non-executive director DS Brouze, who chairs the committee on account of his financial expertise, and years of experience. Appointment of additional members to the Committee will be effected in due course. The Audit Committee meets periodically with the Group's external auditors and executive management to review accounting, auditing, financial reporting, risk management and internal control matters. The CEO and Financial Manager attend meetings by invitation. The board is of the opinion that in light of the nature and size of the Group, at this stage, two meetings per year are sufficient to discharge the responsibilities of the committee.

The Audit Committee sets the principles for recommending the firm of external auditors for any non-audit services. A separate disclosure is made in the annual financial statements of the amounts paid for any such non-audit services.

Remuneration Committee

The Remuneration Committee comprises only non-executive directors. The committee is responsible for determining the remuneration and terms of employment of the Company's directors and senior management. It meets as and when required, but at least once on an annual basis. The CEO attends meetings by invitation and is excluded from deliberations in respect of his own remuneration.

In addition to establishing the Group's remuneration policy the committee is tasked with determining the criteria used to measure the performance of executive directors. In evaluating the remuneration of executive directors and senior management the committee incorporates an evaluation of the performance against pre-determined benchmarks and industry standards.

As set out in the Board Charter, non-executive directors' remuneration is approved by shareholders at the annual general meeting. Directors' emoluments are set out in the directors' report on the annual financial statements.

Investment Committee

An Investment Committee has been constituted to consider investment opportunities and acquisitions/ disposals.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control

The board and management make use of generally recognised risk management and internal control principles to manage risk and to sustain a practical and effective internal control environment. These internal controls provide reasonable but not absolute assurance regarding the safeguarding of assets, the maintenance of proper accounting records, the integrity and reliability of financial information and the minimisation of significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations. The controls manage rather than eliminate risk of failure and opportunity risk.

In this manner the board is able to provide reasonable assurance regarding the achievement of organisational objectives in respect of the effectiveness and efficiency of operations and compliance with applicable laws, regulations and supervisory requirements. In addition the internal control measures enable the board to ensure business sustainability under normal and adverse operating conditions, and responsible behaviour towards all stakeholders.

Nothing has come to the attention of the directors to indicate that a material breakdown in the controls within the Group has occurred during the year.

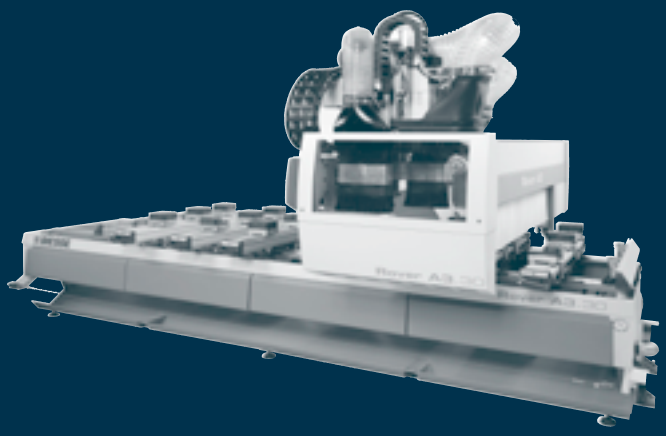
Risk management

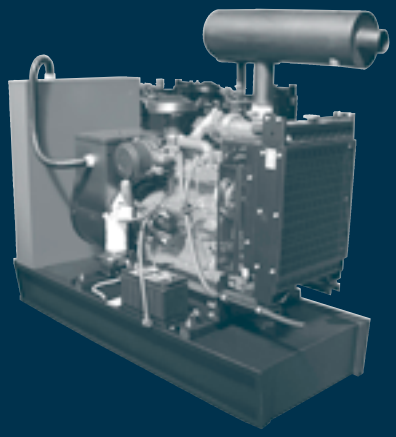
The board determines the Company's tolerance for risk in the pursuit of its objectives and is responsible for assessing the effectiveness of the processes of risk management. Management is accountable to the board for implementing and integrating the processes into the day-to-day activities of the Company.

The Company has an effective ongoing process of identifying risk, measuring its potential impact against a broad set of assumptions and initiating mitigating activities to reduce the exposure to an acceptable level. Additional internal control activities are being introduced to assist the process (including formalisation thereof) of mitigating risk exposure where appropriate.

FINANCIAL CONTENTS PAGE

Directors' Responsibility for Financial Reporting 16
Statement of Compliance by the Company Secretary 16
Report of the Independent Auditors 17
Directors' Report 18
Income Statements 20
Balance Sheets 21
Statements of Changes in Equity 22
Cash Flow Statements 23
Notes to the Annual Financial Statements 24





DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are responsible for the preparation, integrity and fair presentation of the financial statements and other financial information included in this report. In presenting the accompanying financial statements, International Financial Reporting Standards (including IAS 34) have been followed, applicable accounting assumptions have been used while prudent judgments and estimates have been made.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group and Company will not be a going concern in the foreseeable future based on forecasts and available cash resources. The financial statements support the viability of the Group and Company.

The financial statements have been audited by the independent accounting firm, PKF (Jhb) Inc., which was given unrestricted access to all financial records and related data, including all resolutions and minutes of all meetings of shareholders and the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The financial statements were approved by the directors on 21 November 2007 and are signed on their behalf.

DS Brouze
Chairman

D Rothlisberger
Director

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

The Company has lodged, for the year ended 31 August 2007, with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, No 61 of 1973, and all such returns are true, correct and up to date.

Probity Business Services (Pty) Limited
Company Secretary

Johannesburg
21 November 2007

REPORT OF THE INDEPENDENT AUDITORS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements and Group financial statements of Austro Group Limited, which comprise the directors' report, the balance sheet as at 31 August 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended of the Company and Group and a summary of significant accounting policies and other explanatory notes, as set out on pages 18 to 41.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these financial statements and Group financial statements in accordance with International Financial Reporting Standards (including IAS 34), and in the manner required by the Companies Act in South Africa.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements and Group financial statements present fairly, in all material respects, the financial position of Austro Group Limited as of 31 August 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (including IAS 34) and the requirements of the Companies Act in South Africa.

Registered auditors
Chartered Accountants (SA)
Registration number 1994/001166/21

Johannesburg
21 November 2007
AB/3474

DIRECTORS' REPORT

The directors present their annual report, which forms part of the annual financial statements of the Company and the Group for the year ended 31 August 2007.

NATURE OF BUSINESS

The Group's activities are detailed in the Chairman's and CEO's Report.

GROUP RESULTS

The Group's financial results are highlighted in summary in the Chairman's and CEO's Report. Details of the Group's results are set out in the annual financial statements and accompanying notes.

SHARE CAPITAL

The number of ordinary shares in issue at 31 August 2007: 377 500 610.

The following changes took place:

- Each share of R0,01 each in the issued share capital was sub-divided into 1 000 shares of R0,00001 each.
- Each shareholder was allotted and issued 294 ordinary shares per ordinary share held at *par* resulting in the allotment and issue of an additional 302 283 400 ordinary shares of R0,00001 each.
- 20 000 000 ordinary shares were issued at R1,00 per share as a private placement and a further 4 950 000 shares were issued at R1,00 per share as part of the acquisition of minority interests in current subsidiaries in contemplation of the listing of the Group on the JSE on 1 February 2007.
- On 2 August 2007, 49 239 210 ordinary shares were issued at R3,20 per share to provide capital to finance acquisitions.

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and changes therein are set out in the financial statements.

The aggregate profit for the year of subsidiaries attributable to the Company amounted to R15 958 657 (2006: R1 940 583).

DIVIDEND

The dividend policy will be reviewed periodically taking into account prevailing circumstances and future cash requirements. Initially, all earnings generated by the Company will be utilised to fund future growth.

Accordingly, in line with Company policy, no dividend has been declared for the current year. A dividend of R9 000 000 was declared in the prior year.

DIRECTORS

The directors at the date of this report are:

Non-executive directors

DS Brouze (Chairman)
RK Jonah
W Hauser* (appointed 18 April 2007)
**Independent*

Executive directors

D Rothlisberger
BD Downs

In terms of the articles of association, DS Brouze, BD Downs, RK Jonah, D Rothlisberger and W Hauser will retire as directors at the upcoming annual general meeting, and being eligible, all offer themselves for re-election.

DIRECTORS' SHAREHOLDING

At the date of this report, the directors of Austro hold beneficially, directly, an aggregate of 149 196 350 shares constituting approximately 39,52% of the total issued share capital of Austro.

The direct and indirect beneficial interest of the directors of Austro holding shares are as follows:

Director	Direct Beneficial	Direct Non-beneficial	Indirect Beneficial	Total	Percentage
DS Brouze	–	–	97 832 850	97 832 850	25,92
BD Downs	32 881 250	–	–	32 881 250	8,71
D Rothlisberger	18 482 250	–	–	18 482 250	4,90
Total	51 363 500	–	97 832 850	149 196 350	39,53

Since year-end to the date of this report there has been no change in directors' shareholding.

DIRECTORS' EMOLUMENTS

	Directors' fees	Salary, benefits and bonus	**Total 2007**	Total 2006
DS Brouze*	120 000	–	**120 000**	–
D Rothlisberger	–	1 010 931	**1 010 931**	905 890
BD Downs	–	1 063 554	**1 063 554**	951 654
W Hauser*	–	–	**–**	–
RK Jonah*	120 000	–	**120 000**	–
	240 000	2 074 485	**2 314 485**	1 857 544

**Non-executive*

COMPANY SECRETARY

The secretary of the Company is Probity Business Services (Pty) Limited.

AUDITORS

PKF (Jhb) Inc. will continue in office in accordance with Section 270(2) of the South African Companies Act, 1973.

SPECIAL RESOLUTIONS

The following special resolutions were passed by shareholders (on 6 December 2006) and registered by the Registrar of Companies during the year:

- The Company was converted from a private company having share capital to a public company having share capital.
- The authorised share capital of R10 000, being 1 000 000 ordinary shares having a par value of R0,01 each (of which 1 028 were issued), was sub-divided into 1 000 000 000 authorised ordinary shares and 1 028 000 issued ordinary shares having a par value of R0,00001 each.
- The Company's memorandum and articles of association were substituted with a new memorandum and articles of association.

BORROWING LIMITATION

In terms of the articles of association, the directors may exercise all powers of the Company to borrow money as they consider appropriate. The borrowing powers of the directors are unlimited.

POST BALANCE SHEET EVENTS

Effective 1 September 2007, the Company acquired the entire share capital of Neptune Plant (Pty) Limited and Neptune Plant Hire (Pty) Limited for a maximum consideration of R30,5 million, payable in cash of R17,5 million and the issue of 4 193 548 ordinary shares.

The cash amounts owing in terms of the acquisitions of New Way Motor and Diesel Engineering (Pty) Limited and Gearing Moss (Pty) Limited were settled after the balance sheet date and 44 233 333 ordinary shares were issued.

21 November 2007
Johannesburg

INCOME STATEMENTS

for the year ended 31 August

		GROUP		COMPANY	
	Notes	**2007 R**	2006 R	**2007 R**	2006 R
Revenue		**279 015 132**	175 850 787	**184 773 263**	155 174 866
Cost of sales		**(162 705 535)**	(102 539 823)	**(107 737 396)**	(92 394 353)
Gross profit		**116 309 597**	73 310 964	**77 035 867**	62 780 513
Other income		**9 364 728**	9 382 590	**8 740 627**	9 529 822
Operating expenses		**(52 404 991)**	(42 060 742)	**(34 710 531)**	(35 046 772)
Profit from operations	13	**73 269 334**	40 632 812	**51 065 963**	37 263 563
Finance income		**2 354 626**	516 409	**1 981 571**	314 561
Finance expense		**(92 000)**	(484 220)	**(26 046)**	(419 350)
Profit before taxation		**75 531 960**	40 665 001	**53 021 488**	37 158 774
Taxation expense	14	**(21 593 816)**	(13 074 393)	**(15 042 001)**	(11 508 749)
Net profit for the year		**53 938 144**	27 590 608	**37 979 487**	25 650 025
Earnings per share (cents)	15	**16,1**	9,0		
Headline earnings per share (cents)	15	**14,2**	9,0		

BALANCE SHEETS

as at 31 August

	Notes	GROUP 2007 R	GROUP 2006 R	COMPANY 2007 R	COMPANY 2006 R
ASSETS					
Non-current assets		**219 843 385**	30 360 498	**290 913 905**	32 261 182
Property, plant and equipment	3	**18 426 324**	19 460 814	**12 122 195**	18 241 497
Goodwill and other intangibles	4	**201 417 061**	10 899 684	**6 500 000**	6 500 000
Investment in subsidiaries	5	**–**	–	**272 291 710**	7 519 685
Current assets		**428 694 874**	72 683 102	**260 913 779**	59 837 333
Loan receivable		**–**	–	**430 138**	363 730
Inventories	6	**159 983 771**	35 402 419	**68 879 093**	32 306 977
Trade and other receivables	7	**59 949 588**	23 546 069	**20 245 701**	18 585 210
Cash resources		**208 761 515**	13 734 614	**171 358 847**	8 581 416
Total assets		**648 538 259**	103 043 600	**551 827 684**	92 098 515
EQUITY AND LIABILITIES					
Capital and reserves		**387 799 823**	19 721 242	**367 138 960**	15 019 036
Share capital	8	**3 775**	10	**3 775**	10
Share premium		**174 718 924**	–	**174 718 924**	–
Shares to be issued		**139 417 748**	–	**139 417 748**	–
Accumulated profits		**73 659 376**	19 721 232	**52 998 513**	15 019 026
Non-current liability					
Deferred taxation	9	**159 788**	480 351	**1 029 003**	593 660
Current liabilities		**260 578 648**	82 842 007	**183 659 721**	76 485 819
Trade and other payables	10	**104 543 020**	40 796 908	**38 989 821**	35 648 369
Amount owing for purchase of subsidiaries	11	**127 111 858**	5 445 790	**127 111 858**	5 445 790
Interest-free liabilities		**–**	–	**387 295**	500 900
Shareholders for dividends		**–**	22 000 000	**–**	22 000 000
Taxation		**28 923 770**	14 599 309	**17 170 747**	12 890 760
Total equity and liabilities		**648 538 259**	103 043 600	**551 827 684**	92 098 515
Net asset value per share (cents)	12	**92,0**	6,4		
Tangible net asset value per share (cents)	12	**44,2**	2,9		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 August

	Share capital R	Share premium R	Shares to be issued R	Accumulated profits R	Outside shareholders R	Total R
GROUP						
Balances at 31 August 2005	10	–	–	1 130 624	800 267	1 930 901
Purchase of subsidiary companies	–	–	–	–	(800 267)	(800 267)
Net profit for the year	–	–	–	27 590 608	–	27 590 608
Dividends paid	–	–	–	(9 000 000)	–	(9 000 000)
Balances at 31 August 2006	10	–	–	19 721 232	–	19 721 242
Issue of shares	3 765	174 718 924	–	–	–	174 722 689
Shares to be issued	–	–	139 417 748	–	–	139 417 748
Net profit for the year	–	–	–	53 938 144	–	53 938 144
Balances at 31 August 2007	**3 775**	**174 718 924**	**139 417 748**	**73 659 376**	**–**	**387 799 823**
COMPANY						
Balances at 31 August 2005	10	–	–	(1 630 999)	–	(1 630 989)
Net profit for the year	–	–	–	25 650 025	–	25 650 025
Dividends paid	–	–	–	(9 000 000)	–	(9 000 000)
Balances at 31 August 2006	10	–	–	15 019 026	–	15 019 036
Issue of shares	3 765	174 718 924	–	–	–	174 722 689
Shares to be issued	–	–	139 417 748	–	–	139 417 748
Net profit for the year	–	–	–	37 979 487	–	37 979 487
Balances at 31 August 2007	**3 775**	**174 718 924**	**139 417 748**	**52 998 513**	**–**	**367 138 960**

CASH FLOW STATEMENTS

for the year ended 31 August

		GROUP		COMPANY	
	Notes	**2007 R**	2006 R	**2007 R**	2006 R
Cash flows from operating activities		**(4 863 007)**	17 374 169	**(18 722 877)**	14 682 673
Cash generated by operations	16	**29 830 331**	38 064 665	**11 647 077**	33 000 739
Finance income		**2 354 626**	516 409	**1 981 571**	314 561
Finance expense		**(92 000)**	(484 220)	**(26 046)**	(419 350)
Taxation paid	17	**(14 957 153)**	(10 722 685)	**(10 326 668)**	(9 213 277)
Dividends received		**1 189**	–	**1 189**	1 000 000
Dividends paid	18	**(22 000 000)**	(10 000 000)	**(22 000 000)**	(10 000 000)
Cash flows from investing activities		**26 835 159**	(3 552 425)	**12 337 014**	(3 985 154)
Property, plant and equipment acquired		**(7 229 237)**	(4 952 819)	**(6 524 934)**	(4 151 154)
Proceeds from sale of property, plant and equipment		**17 283 223**	200 557	**17 170 775**	166 000
Acquisition of subsidiaries	19	**16 781 173**	1 199 837	**1 757 581**	–
Increase in loan receivable		**–**	–	**(66 408)**	–
Cash flows from financing activities		**173 054 749**	(10 715 394)	**169 163 294**	(9 430 641)
Decrease in amount owing for purchase of subsidiaries		**(1 667 940)**	–	**(5 445 790)**	–
Issue of share capital		**174 722 689**	–	**174 722 689**	–
Decrease in interest-bearing liabilities		**–**	(10 715 394)	**–**	(9 430 641)
Increase in interest-free liabilities		**–**	–	**(113 605)**	–
Net increase in cash resources		**195 026 901**	3 106 350	**162 777 431**	1 266 878
Cash resources at beginning of year		**13 734 614**	10 628 264	**8 581 416**	7 314 538
Cash resources at end of year		**208 761 515**	13 734 614	**171 358 847**	8 581 416

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the South African Companies Act of 1973, as amended.

1.1 Basis of preparation

The financial statements are prepared on the historical cost convention except where stated otherwise. The principal policies are consistently applied with those of the previous period.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affects the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period, based on management's knowledge of current events and actions and anticipated future events. The accounting estimates may, by definition, differ from the ultimate actual results. Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events, which are considered to be reasonable in the circumstances.

The most critical accounting estimates and assumptions are set out in note 2 to the financial statements.

1.2 Property, plant and equipment

Property, plant and equipment is shown at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

Depreciation is calculated on the straight-line method to write off the cost of each asset (less its residual value) over its estimated useful life as follows:

Plant and equipment	5-7 years
Furniture and fittings	6 years
Office equipment	5 years
Computer equipment	3 years
Motor vehicles	5-10 years
Aircraft	5 years
Buildings	10 years
Leasehold improvements	Lesser of useful life or period of lease

The residual value which is defined as the estimated amount that an entity would currently obtain from the disposal of an asset, after deducting the estimated cost of disposal, if the asset was already of the age and in the condition expected at the end of its useful life, is reassessed on an annual basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the relevant leases.

Land is not depreciated.

The profit or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or expense.

1. ACCOUNTING POLICIES continued

1.2 Property, plant and equipment continued

Carrying amounts of property, plant and equipment are reduced to their recoverable amounts, where these are lower than the carrying amounts. The expected future cash flows attributable to such assets are considered in determining the recoverable amounts.

1.3 Goodwill

Any payments made in excess of the net fair values of identifiable assets, liabilities and contingent liabilities, in anticipation of future economic benefits from the assets, that are not capable of being individually identified and separately recognised, are recognised at cost price as an asset.

Such goodwill is not amortised and is tested on an annual basis for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

1.4 Leased assets

Leases of property, plant and equipment, which confer substantially all the benefits and risks of ownership, are classified as finance leases. Assets acquired in terms of finance lease agreements are capitalised at fair value or, if lower, at the present value of the minimum lease payments. Finance lease payments are allocated using the effective interest rate method between finance costs and capital repayments.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the terms of the leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases are those leases which do not meet the above definition. Operating lease rentals are charged against profit on a straight-line basis over the terms of the leases.

1.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.
Net realisable value is calculated as the estimated selling price less estimated costs to completion and marketing, selling and distribution costs.

1.6 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

1.7 Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The costs of the acquisitions are measured at the aggregate of:

- the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus
- any costs directly attributable to the business combination.

1. ACCOUNTING POLICIES continued

1.7 Business combinations continued

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the following occurs:

- the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination are reassessed; and
- any excess remaining after that reassessment is recognised immediately in profit or loss.

1.8 Consolidations

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries are included from the acquisition dates, which are the dates on which the Company effectively obtains control of the subsidiary.

Intercompany transactions and balances are eliminated on consolidation.

1.9 Current taxation

The charge for current tax is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

1.10 Deferred taxation

Deferred taxation is provided on the comprehensive basis and is calculated at current rates using the balance sheet liability method. A deferred taxation liability represents the amount of income tax and capital gains tax payable in future periods in respect of items of income and expenditure and capital gains which are recognised for income tax purposes in periods different from those in which they are brought to account in the financial statements, allowing for the effect of tax losses carried forward.

A deferred tax asset is recognised when it is probable that the related tax benefit will be realised.

Deferred tax is calculated at current tax rates and is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

1.11 Financial instruments

Financial instruments carried on the balance sheet include cash resources and borrowings, other financial assets, receivables and payables. Financial instruments are initially measured at fair value, which includes transaction costs except in the case of financial instruments carried at fair value through profit and loss.

Loans and other receivables are stated at amortised cost less a provision for doubtful debts.

Cash resources and borrowings are measured at fair value.

Financial liabilities are measured at amortised cost.

1. ACCOUNTING POLICIES continued

1.12 Foreign currency translations

Transactions denominated in foreign currencies are translated at the rates of exchange ruling on the transaction dates. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translations are credited to or charged against income.

1.13 Revenue and revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable.

Revenue comprises the net invoiced amount of goods supplied and services rendered to customers excluding value added tax. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to customers.

Interest income is accrued on a time proportion basis, by reference to the principal balance outstanding and the interest rate applicable.

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

Revenue from services is recognised on the accrual basis in accordance with the substance of the relevant agreements.

1.14 Impairment of assets

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is an indication that an asset may be impaired, its recoverable amount is estimated.

For goodwill, intangible assets that have an indefinte useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually. The recoverable amount of an asset is calculated as the higher of its net selling price and its value in use.

In assessing the value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount of the asset increases as a result of a change in the estimates used to determine the recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss in respect of goodwill is not reversed.

1.15 Segment reporting

A segment is a distinguishable component of the Group that is engaged in activities which are subject to risks and rewards that are different from those of other segments.

Segment assets and liabilities comprise those assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

1. ACCOUNTING POLICIES continued

1.16 Employee benefits

Post-retirement benefits

Certain group companies provide for retirement benefits for employees by payments to independently administered defined-contribution pension and provident funds. Current contributions are charged against income as incurred.

1.17 International Financial Reporting Standards in issue but not yet effective

At the date of approval of these financial statements, the following International Financial Reporting Standards and interpretations, which may be applicable to the Group's activities, were in issue but not yet effective.

Standard/interpretation	Effective date for implementation
IFRS 7 – Financial instruments: Disclosure	Annual periods beginning on or after 1 January 2007
IFRS 8 – Operating segments	Annual periods beginning on or after 1 January 2007
IAS 1 – Presentation of financial statements: Additional disclosure about an entity's capital	Annual periods beginning on or after 1 January 2007
IFRIC 10 – Interim financial reporting and impairment	Annual periods beginning on or after 1 November 2006
IFRIC 11 – IFRS 2 Group and treasury share transactions	Annual periods beginning on or after 1 March 2007
IFRIC 12 – Service concession arrangements	Annual periods beginning on or after 1 January 2008
IFRIC 13 – Customer loyalty programmes	Annual periods beginning on or after 1 July 2008

The directors anticipate that the adoption of these International Financial Reporting Standards and interpretations in future periods will have no material impact on the financial results of the Group or the Company.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant judgements

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

Allowances for doubtful debts

Based on past experience, allowances are raised for doubtful debtors. Accounts are written off when they are delinquent.

Allowances for slow-moving, damaged and obsolete stock

Allowances for stock that is slow-moving and/or obsolete are made. Any stock that is physically identified as damaged is written off when discovered.

Provisions

Provisions are determined on estimates based on available information.

Goodwill and other intangibles

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy disclosed. This is based on future forecasted cash flows discounted at a market based pre-tax discount rate. The discount rate is adjusted in accordance with the basis on which the businesses are managed and according to the differing risk and reward profiles.

	GROUP		COMPANY	
	2007 R	2006 R	**2007 R**	2006 R
3. PROPERTY, PLANT AND EQUIPMENT				
Cost	**27 756 438**	28 379 218	**18 112 156**	26 253 487
Leasehold improvements	**87 677**	17 810	**–**	–
Land and buildings	**–**	5 781 175	**–**	5 731 235
Plant and equipment	**15 745 623**	9 632 426	**13 496 045**	8 996 345
Furniture and fittings	**1 079 505**	257 897	**451 487**	156 807
Office equipment	**853 771**	190 654	**97 797**	79 995
Computer equipment	**3 256 083**	1 009 538	**2 010 652**	911 491
Aircraft	**–**	8 881 282	**–**	8 881 282
Motor vehicles	**6 733 779**	2 608 436	**2 056 175**	1 496 332
Accumulated depreciation	**9 330 114**	8 918 404	**5 989 961**	8 011 990
Leasehold improvements	**30 596**	17 810	**–**	–
Land and buildings	**–**	729 843	**–**	718 832
Plant and equipment	**4 718 060**	2 474 896	**4 116 947**	2 253 315
Furniture and fittings	**301 816**	148 088	**79 395**	54 602
Office equipment	**366 614**	145 401	**61 617**	54 734
Computer equipment	**1 628 869**	646 044	**931 482**	582 735
Aircraft	**–**	3 830 846	**–**	3 830 846
Motor vehicles	**2 284 159**	925 476	**800 520**	516 926
Net book value	**18 426 324**	19 460 814	**12 122 195**	18 241 497
Leasehold improvements	**57 081**	–	**–**	–
Land and buildings	**–**	5 051 332	**–**	5 012 403
Plant and equipment	**11 027 563**	7 157 530	**9 379 098**	6 743 030
Furniture and fittings	**777 689**	109 809	**372 092**	102 205
Office equipment	**487 157**	45 253	**36 180**	25 261
Computer equipment	**1 627 214**	363 494	**1 079 170**	328 756
Aircraft	**–**	5 050 436	**–**	5 050 436
Motor vehicles	**4 449 620**	1 682 960	**1 255 655**	979 406

	GROUP		COMPANY	
	2007 R	2006 R	**2007 R**	2006 R
3. PROPERTY, PLANT AND EQUIPMENT continued				
Reconciliation of movements				
Book value at beginning of year	**19 460 814**	18 339 345	**18 241 497**	18 210 002
Additions – acquired for cash	**7 229 237**	5 415 539	**6 524 934**	4 151 154
Additions – acquired from new subsidiaries	**5 038 625**	–	**–**	–
Disposals	**(9 426 621)**	(29 313)	**(9 333 211)**	–
Depreciation	**(3 875 731)**	(4 264 757)	**(3 311 025)**	(4 119 659)
Book value at end of year	**18 426 324**	19 460 814	**12 122 195**	18 241 497
4. GOODWILL AND OTHER INTANGIBLES				
Balance at beginning of year	**10 899 684**	7 136 024	**6 500 000**	6 500 000
Raised in the current year	**190 517 377**	3 763 660	**–**	–
Balance at end of year	**201 417 061**	10 899 684	**6 500 000**	6 500 000

In terms of IFRS 3, the fair value attributable to intangible assets other than goodwill, if any, will be determined within the next financial year.

	Nature of business	Issued share capital	Loans receivable/ (payable)		Shares at cost	
			2007 R	2006 R	**2007 R**	2006 R
5. INVESTMENT IN SUBSIDIARIES						
Austro Engineering (Pty) Limited	A	400	**(400)**	(400)	**–**	–
Austro Tools (Pty) Limited	A	300	**(300)**	(300)	**–**	–
Austro Engineering Cape (Pty) Limited	B	400	**(386 375)**	(500 000)	**4 333 582**	4 333 582
Austro Engineering KZN (Pty) Limited	B	120	**430 138**	363 730	**3 186 103**	3 186 103
New Way Motor and Diesel Engineering (Pty) Limited	C	100	**–**	–	**225 368 174**	–
Gearing Moss Supplies (Pty) Limited	B	10	**–**	–	**39 403 851**	–
			43 063	(136 970)	**272 291 710**	7 519 685

A = Dormant *B = Woodworking equipment sales* *C = Generator sales and hire*

All of the above are wholly owned subsidiaries incorporated in South Africa.

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R	R	**R**	R
6. INVENTORIES				
Merchandise	**159 983 771**	35 402 419	**68 879 093**	32 306 977
7. TRADE AND OTHER RECEIVABLES				
Trade and other receivables comprise the following:				
Trade debtors	**58 864 959**	20 594 718	**19 366 548**	15 042 310
Other debtors	**1 084 629**	2 951 351	**879 153**	3 542 900
	59 949 588	23 546 069	**20 245 701**	18 585 210
8. SHARE CAPITAL				
Authorised				
1 000 000 000 ordinary shares of R0,00001 each (2006: 1 000 000 ordinary shares of 1 cent each)	**10 000**	10 000	**10 000**	10 000
Issued				
377 500 610 ordinary shares of R0,00001 each (2006: 1 028 ordinary shares of 1 cent each	**3 775**	10	**3 775**	10
9. DEFERRED TAXATION				
On timing differences arising from:				
Accelerated wear and tear for tax purposes	**(2 314 011)**	(598 522)	**(1 786 879)**	(595 582)
Allowance for future expenditure	**355 701**	(510 444)	**–**	(510 444)
Leave pay provision	**446 447**	169 699	**219 680**	169 699
Other provisions	**781 226**	258 916	**473 063**	232 000
Unearned profit	**179 240**	89 333	**–**	–
Doubtful debts provision	**387 677**	110 667	**76 491**	110 667
Prepaid expenses	**(16 968)**	–	**(11 358)**	–
Operating lease accruals	**20 900**	–	**–**	–
	(159 788)	(480 351)	**(1 029 003)**	(593 660)

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R	R	**R**	R
10. TRADE AND OTHER PAYABLES				
Included in trade and other payables are the following provisions:				
Balance at beginning of year	**3 506 196**	2 653 475	**3 391 851**	2 653 475
Utilised during the year	**(34 872)**	–	**–**	–
Raised during the year	**2 503 274**	852 721	**757 069**	738 376
Balance	**5 974 598**	3 506 196	**4 148 920**	3 391 851
Comprises				
Leave pay	**1 743 831**	490 034	**757 518**	375 689
Bonus	**2 470 616**	1 256 011	**1 631 251**	1 256 011
Warranties	**1 760 151**	1 760 151	**1 760 151**	1 760 151
	5 974 598	3 506 196	**4 148 920**	3 391 851

11. AMOUNT OWING FOR PURCHASE OF SUBSIDIARIES

The Company acquired 100% of the share capital in New Way Motor and Diesel Engineering (Pty) Limited and Gearing Moss Supplies (Pty) Limited for a cost of R264 772 025 of which R127 111 858 will be settled subsequent to year-end.

The amount of R5 445 790 owing at the year ended 31 August 2006 related to the acquisitions of the minority interests of Austro Engineering KZN (Pty) Limited and Austro Engineering Cape (Pty) Limited, which was settled in the current financial year.

	GROUP	
	2007	2006
	R	R
12. NET ASSET VALUE PER SHARE		
The calculation of net asset value and tangible net asset value per share is based on the following data:		
Net asset value	**387 799 823**	19 721 242
Tangible net asset value	**186 382 762**	8 821 558
Number of ordinary shares in issue	**421 733 943**	308 261 400

Net asset value per share is calculated by dividing net asset value by the number of shares in issue at year-end.

In calculating the number of shares in issue, the issue of shares in respect of the purchase price for the acquisitions of New Way Motor and Diesel Engineering (Pty) Limited and Gearing Moss Supplies (Pty) Limited have been taken into account.

	GROUP		COMPANY	
	2007 R	2006 R	**2007 R**	2006 R
12. NET ASSET VALUE PER SHARE continued				
Reconciliation between net asset value and tangible net asset value				
Net asset value	**387 799 823**	19 721 242		
Adjusted for:				
Goodwill and other intangibles	**201 417 061**	10 889 684		
Tangible net asset value	**186 382 762**	8 821 558		
13. PROFIT FROM OPERATIONS INCLUDES				
Administration fees paid/(received)	**65 167**	(34 017)	**56 982**	(163 356)
Auditors' remuneration				
– Audit fees	**283 669**	221 698	**(63 412)**	95 590
Consulting fees	**136 498**	149 920	**136 498**	136 891
Depreciation	**3 875 731**	4 264 757	**3 311 025**	4 119 659
Dividends received from subsidiaries	**–**	–	**–**	(1 000 000)
Loss on foreign exchange	**2 522 241**	34 266	**1 661 229**	–
Operating lease charges				
– Premises	**2 830 810**	833 804	**1 837 025**	359 298
– Equipment	**81 377**	219 553	**68 087**	54 804
Profit on sale of property, plant and equipment	**(7 856 602)**	(171 244)	**(7 837 567)**	(166 000)
Staff costs	**26 417 624**	25 513 737	**15 533 542**	21 296 316
14. TAXATION				
SA normal tax				
– Current	**21 506 845**	11 825 944	**14 606 655**	10 326 669
– Deferred	**86 971**	4 699	**435 346**	157 080
Secondary tax on companies	**–**	1 243 750	**–**	1 025 000
	21 593 816	13 074 393	**15 042 001**	11 508 749

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	%	%	**%**	%
14. TAXATION continued				
Reconciliation of rate of taxation:				
South African normal tax rate	**29,00**	29,00	**29,00**	29,00
Exempt income	**(2,68)**	–	**–**	(0,78)
Permanent differences	**2,94**	0,46	**0,04**	0,03
Secondary tax on companies	**–**	3,10	**–**	2,76
Capital gains tax	**(0,67)**	(0,41)	**(0,67)**	(0,04)
Effective rate	**28,59**	32,15	**28,37**	30,97

	GROUP	
	2007	2006
	R	R
15. EARNINGS PER SHARE		
The calculation of basic and headline earnings per share is based on the following data:		
Earnings		
– Profit after tax	**53 938 144**	27 590 608
– Headline earnings	**47 534 633**	27 590 608
Number of shares		
– Weighted average number of ordinary shares	**335 074 120**	308 261 400

Basic earnings per share is calculated by dividing profit attributable to equity holders by the weighted average number of shares in issue during the year.

In calculating the weighted average number of shares in issue, the issue of shares in respect of the purchase price for the acquisitions of New Way Motor and Diesel Engineering (Pty) Limited and Gearing Moss Supplies (Pty) Limited have been taken into account.

Reconciliation between earnings and headline earnings		
Profit after tax	**53 938 144**	27 590 608
Adjusted for:		
Profit on sale of property, plant and equipment	**(6 403 511)**	–
Headline earnings	**47 534 633**	27 590 608

	GROUP		COMPANY	
	2007 R	2006 R	**2007 R**	2006 R
16. CASH GENERATED FROM OPERATIONS				
Profit from operations	**73 269 334**	40 632 812	**51 065 963**	37 263 563
Adjusted for non-cash and separately disclosable items:	**(3 982 060)**	4 093 513	**(4 527 731)**	2 953 659
Depreciation	**3 875 731**	4 264 757	**3 311 025**	4 119 659
Dividends received	**(1 189)**	–	**(1 189)**	(1 000 000)
Profit on sale of property, plant and equipment	**(7 856 602)**	(171 244)	**(7 837 567)**	(166 000)
Changes in working capital	**(39 456 943)**	(6 661 660)	**(34 891 155)**	(7 216 483)
Increase in inventories	**(69 964 545)**	(12 202 642)	**(36 572 116)**	(13 238 735)
Increase in trade receivables	**(8 700 758)**	(8 662 953)	**(1 660 491)**	(6 874 132)
Increase in trade payables	**39 208 360**	14 203 935	**3 341 452**	12 896 384
	29 830 331	38 064 665	**11 647 077**	33 000 739
17. TAXATION PAID				
Amount owing at beginning of year	**14 599 309**	11 788 470	**12 890 760**	10 752 368
Amount charged to income statement	**21 506 845**	13 069 694	**14 606 655**	11 351 669
Amount owing at end of year	**(28 923 770)**	(14 599 309)	**(17 170 747)**	(12 890 760)
Acquired on acquisition of subsidiaries	**7 774 769**	463 830	**–**	–
	14 957 153	10 722 685	**10 326 668**	9 213 277
18. DIVIDENDS PAID				
Amount owing at beginning of year	**22 000 000**	23 000 000	**22 000 000**	23 000 000
Dividends declared	**–**	9 000 000	**–**	9 000 000
Amount owing at end of year	**–**	(22 000 000)	**–**	(22 000 000)
	22 000 000	10 000 000	**22 000 000**	10 000 000

	GROUP		COMPANY	
	2007 R	2006 R	**2007 R**	2006 R
19. ACQUISITION OF SUBSIDIARIES				
During the current year the Company acquired 100% of the share capital in New Way Motor and Diesel Engineering (Pty) Limited and 100% of the share capital in Gearing Moss Supplies (Pty) Limited.				
The fair value of the assets and liabilities assumed were as follows:				
Assets of subsidiary at fair value	**108 541 454**	3 837 130		
Less: Liabilities of subsidiary at fair value	**(32 312 521)**	(2 465 044)		
Total equity value of subsidiary	**76 228 933**	1 372 086		
Gross value of goodwill	**190 517 377**	1 813 927		
Carrying amount for investment previously held	**–**	(686 013)		
Cost of investments	**266 746 310**	2 500 000	**264 772 025**	5 445 790
Less: Non-cash payments	**(139 417 748)**	–	**(139 417 748)**	–
Cash cost of investments	**127 328 562**	2 500 000	**125 354 277**	5 445 790
Less: Cash and cash equivalents of subsidiaries	**(16 997 877)**	(1 199 837)	**–**	–
Less: Amount still payable in terms of agreement	**(127 111 858)**	(2 500 000)	**(127 111 858)**	(5 445 790)
Net cash paid/(received)	**(16 781 173)**	(1 199 837)	**(1 757 581)**	–
20. CAPITAL COMMITMENTS				
Operating leases				
The minimum commitments are:				
Land and buildings	**13 811 054**	4 038 358	**4 657 967**	2 516 280
Analysis of total operating commitments				
– Due in year one	**5 909 471**	853 428	**2 614 362**	381 067
– Thereafter	**7 901 583**	3 184 930	**2 043 605**	2 135 213
	13 811 054	4 038 358	**4 657 967**	2 516 280

Specific details and terms of leases vary between different contracts. Rentals on certain leases escalate annually. The majority of rentals under property lease renewal options are determined with reference to market rentals at the time of renewal. There are no contingent rental payments.

21. FINANCIAL RISK MANAGEMENT

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies which therefore have exposure to exchange fluctuations. The Company manages exchange rate exposures using forward exchange contracts. Where appropriate open positions are maintained when the market trends are favourable.

Interest rate risk

The Group is exposed to interest rate risk as it borrows and places funds. This risk is managed by utilising an appropriate mix between fixed and floating rate borrowings and placing funds on short-term deposit.

Credit risk

Credit risk relates to potential exposure on trade receivables, loans and bank and call deposits.

The Group limits its counterparty exposure arising from money market instruments by dealing only with well-established financial institutions of high credit standing.

Trade receivables consist mainly of a widespread customer base. The financial position of customers is monitored on an ongoing basis.

At the balance sheet date, the Group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources and unutilised borrowing facilities are maintained.

22. BUSINESS COMBINATIONS EFFECTED DURING THE YEAR

22.1 Acquisition of New Way Motor and Diesel Engineering (Pty) Limited

On 1 June 2007 Austro Group Limited acquired 100% of the issued share capital of New Way Motor and Diesel Engineering (Pty) Limited ("New Way") thereby obtaining full control. The cost of the acquisition is R225 368 174 made up as follows:

- a fixed component of R100 million;
- the issue of 40 500 000 Austro Group Limited shares at a fair value of R3,08 determined using the weighted average price over 30 business days prior to acquisition date; and
- expenses of R628 264 capitalised to the cost of the investments.

The consolidation was accounted for using the purchase method. In the three months to 31 August 2007 New Way contributed revenue of R66 429 917 and net profit of R11 339 252 to the consolidated revenue and net profit of the Group. Total assets and total liabilities of New Way at 31 August 2007 amounted to R146 084 619 and R70 279 957 respectively.

22. BUSINESS COMBINATIONS EFFECTED DURING THE YEAR continued

22.1 Acquisition of New Way Motor and Diesel Engineering (Pty) Limited continued

The acquisition had the following effect on the Group's assets and liabilities at 1 June 2007:

	Carrying amounts/ recognised values R
Non-current assets	**4 947 910**
Property, plant and equipment	**4 737 411**
Deferred taxation	**210 499**
Current assets	**89 298 763**
Inventories	**47 494 432**
Loan receivable	**1 495 723**
Trade and other receivables	**27 156 868**
Cash and cash equivalents	**13 151 740**
Total assets	**94 246 673**
Current liabilities	**(29 870 593)**
Trade and other payables	**(22 930 124)**
Taxation	**(6 940 469)**
Net tangible assets and liabilities	**64 376 080**
100% acquired	**64 376 080**
Goodwill	**160 992 094**
Consideration payable	**225 368 174**

22. BUSINESS COMBINATIONS EFFECTED DURING THE YEAR continued

22.2 Acquisition of Gearing Moss Supplies (Pty) Limited

On 1 June 2007 Austro Group Limited acquired 100% of the issued share capital of Gearing Moss Supplies (Pty) Limited ("GMS") thereby obtaining full control. The cost of the acquisition is R39 403 851 made up as follows:

- a fixed component of R16 220 000;
- the issue of 3 733 333 Austro Group Limited shares at a fair value of R3,08 determined using the weighted average price over 30 business days prior to acquisition date; and
- a variable component of R11 685 186 dependent on the achievement of specified growth targets.

The consolidation was accounted for using the purchase method. In the three months to 31 August 2007 GMS contributed revenue of R7 677 137 and net profit of R1 385 824 to the consolidated revenue and net profit of the Group. Total assets and total liabilities of GMS at 31 August 2007 amounted to R14 934 546 and R3 977 994 respectively.

The acquisition had the following effect on the Group's assets and liabilities at 1 June 2007:

	Carrying amounts/ recognised values R
Non-current assets	**498 250**
Property, plant and equipment	**301 214**
Deferred taxation	**197 036**
Current assets	**11 514 404**
Inventories	**7 122 374**
Trade and other receivables	**545 893**
Cash and cash equivalents	**3 846 137**
Total assets	**12 012 654**
Current liabilities	**(2 441 928)**
Trade and other payables	**(1 607 628)**
Taxation	**(834 300)**
Net tangible assets and liabilities	**9 570 726**
100% acquired	**9 570 726**
Goodwill	**29 833 125**
Consideration payable	**39 403 851**

22. BUSINESS COMBINATIONS EFFECTED DURING THE YEAR continued

22.3 Had the Group acquired these subsidiaries at the beginning of the current financial year, the Group revenue and profit before taxation would have been R460 205 122 and R110 379 737 respectively. Included in these amounts is revenue and profit before taxation from New Way of R228 640 146 and R46 972 548 respectively, as well as revenue and profit before taxation from GMS of R26 656 898 and R5 184 297 respectively.

23. RELATED PARTY TRANSACTIONS

23.1 Related parties

BD Downs, D Rothlisberger and DS Brouze, who are directors of Austro Group Limited, are also directors and shareholders of Austrian Woodworking Machinery (Pty) Limited.

During the year under review Austro Group Limited sold an aircraft to D Rothlisberger who is a director of the Company.

JR Freed, who is a director of New Way Motor and Diesel Engineering (Pty) Limited, is also a director and shareholder of Vonnie CC and Setpay Investments (Pty) Limited.

JR Moss, who is a director of Gearing Moss Supplies (Pty) Limited, is also a director and shareholder of Straightprops (Pty) Limited.

All transactions between Group companies are concluded at arm's length. On consolidation intercompany transactions are eliminated.

	GROUP	COMPANY
	2007	**2007**
	R	**R**
23.2 Related party transactions		
The following transactions took place with the related parties identified above during the current year.		
Austrian Woodworking Machinery (Pty) Limited		
– Sale of building	**11 600 000**	**11 600 000**
– Rent paid	**1 329 750**	**1 329 750**
– Building expenses incurred and invoiced	**275 438**	**275 438**
– Amount owing at year-end	**313 999**	**313 999**
Vonnie CC		
– Rent paid	**30 755**	**30 755**
Setpay Investments (Pty) Limited		
– Rent paid	**287 325**	**287 325**
Straightprops (Pty) Limited		
– Rent paid	**172 698**	**172 698**

Directors

– On 30 November 2006 the Company disposed of its aircraft to D Rothlisberger for a purchase consideration of R5 800 000.

	Woodworking division		Generator division		Total	
	R	%	R	%	R	%
24. SEGMENTAL ANALYSIS						
31 August 2007						
Revenue	**212 585 215**	**76**	**66 429 917**	**24**	**279 015 132**	**100**
Net profit before taxation	**59 396 585**	**79**	**16 135 375**	**21**	**75 531 960**	**100**
Assets	**502 453 640**	**77**	**146 084 619**	**23**	**648 538 259**	**100**
Liabilities	**190 458 479**	**73**	**70 279 957**	**27**	**260 738 436**	**100**
Depreciation	**3 737 286**	**96**	**138 445**	**4**	**3 875 731**	**100**
Profit on sale of property, plant and equipment	**7 856 602**	**100**	**–**	**–**	**7 856 602**	**100**
31 August 2006						
Revenue	175 850 787	100	–	–	175 850 787	100
Net profit before taxation	40 665 001	100	–	–	40 665 001	100
Assets	103 043 600	100	–	–	103 043 600	100
Liabilities	83 322 358	100	–	–	83 322 358	100
Depreciation	4 264 757	100	–	–	4 264 757	100
Profit on sale of property, plant and equipment	171 244	100	–	–	171 244	100

25. CONTINGENT LIABILITIES

A claim amounting to R900 000 has been lodged by a former employee of New Way Motor and Diesel Engineering (Pty) Limited for unfair dismissal. The directors do not accept the claim and will defend the action should it be pursued.

SHAREHOLDERS ANALYSIS

as at 31 August 2007

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	118	12,98	84 689	0,02
1 001 – 10 000 shares	508	55,89	2 374 650	0,63
10 001 – 100 000 shares	200	22,00	7 464 948	1,98
100 001 – 1 000 000 shares	47	5,17	13 342 967	3,53
1 000 001 shares and over	36	3,96	354 233 356	93,84
Total	**909**	**100,00**	**377 500 610**	**100,00**
DISTRIBUTION OF SHAREHOLDERS				
Banks	1	0,11	40 000	0,01
Close corporations	42	4,62	3 433 838	0,91
Endowment funds	1	0,11	50 000	0,01
Individuals	740	81,41	177 722 800	47,08
Insurance companies	1	0,11	5 350 000	1,42
Investment companies	10	1,10	46 481 643	12,31
Mutual funds	18	1,98	75 218 317	19,93
Nominees and trusts	49	5,39	16 010 534	4,24
Other corporations	19	2,09	456 204	0,12
Private companies	22	2,42	12 080 181	3,20
Retirement funds	6	0,66	40 657 093	10,77
Total	**909**	**100,00**	**377 500 610**	**100,00**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	5	0,55	171 470 489	45,43
Public shareholders	903	99,34	165 508 411	43,84
Strategic shareholders	1	0,11	40 521 710	10,73
Total	**909**	**100,00**	**377 500 610**	**100,00**
BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE				
DS Brouze			97 832 850	25,92
Public Investment Corporation			40 521 710	10,73
Spyglass Fund			37 088 993	9,82
BD Downs			32 881 250	8,71
STANLIB			29 236 534	7,74
Investec			19 802 354	5,25
Total			**257 363 691**	**68,18**

JSE STATISTICS

for the year ended 31 August 2007

MARKET INFORMATION

Closing 31 August (cents per ordinary share)	268
High for the year (cents per ordinary share)	380
Low for the year (cents per ordinary share)	162
Volume of units traded ('000) during the period	132 981
Number of transactions	6 482
Value of shares traded (R'000) during the period	335 507

ANNUAL TIMETABLE OF EVENTS

Financial year-end	31 August
Announcement of interim results	May
Announcement of annual results	November
Annual report distribution	February
Annual general meeting	March

NOTICE OF ANNUAL GENERAL MEETING

AUSTRO GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2001/029771/06
JSE code: ASO
ISIN: ZAE0000 90882

Notice is hereby given that the annual general meeting of shareholders of Austro Group Limited ("the Company") will be held at the offices of the Company at 1125 Leader Road, Stormill Ext 4, Roodepoort, Gauteng on 27 March 2008 at 10h00 for the following purposes:

1 To consider the annual financial statements for the year ended 31 August 2007;

2 To transact such other business as may be transacted at an annual general meeting of a company including the re-appointment of the auditors and re-election of retiring directors; and

3 To consider and, if deemed fit, to pass, with or without modification, the special and ordinary resolutions set out below, in the manner required by the South African Companies Act, 1973, as amended:

SPECIAL RESOLUTION NUMBER 1: SHARE REPURCHASES

"Resolved that the directors be authorised pursuant *inter alia* to the Company's articles of association, until this authority lapses at the next annual general meeting of the Company, unless it is then renewed at the next annual general meeting of the Company and provided that this authority shall not extend beyond 15 months from date of passing this special resolution, for the Company or any subsidiary of the Company to acquire shares of the Company, subject to the Listings Requirements of the JSE Limited ("JSE") on the following bases:

- repurchases of shares must be effected through the order book operated by the JSE trading system, and done without any prior arrangement between the Company and the counter-party;
- the Company may only appoint one agent to effect repurchases on its behalf;
- the Company must be authorised thereto by its articles of association;
- the number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 September 2007) may not in the aggregate exceed 20% (twenty percent) of the Company's share capital as at the date of this notice of annual general meeting;
- repurchases of shares may not be made at a price more than 10% (ten percent) above the weighted average of the market value on the JSE of the shares in question for the five business days immediately preceding the repurchase;
- repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless the dates and quantities of shares to be repurchased during the prohibited period have been determined and full details thereof announced on SENS prior to commencement of the prohibited period;
- repurchases may only take place if, after such repurchase, the shareholder spread of the Company still complies with the Listings Requirements of the JSE;
- after the Company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the Company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE which may be applicable from time to time; and
- the Company's sponsor shall confirm the adequacy of the Company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase."

In accordance with the Listings Requirements of the JSE, the directors record that:

Although there is no immediate intention to effect a repurchase of securities of the Company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors, after considering the maximum number of securities which may be repurchased and the price at which the repurchases may take place pursuant to the buyback general authority, are of the opinion that for a period of 12 months after the date of notice of this annual general meeting:

- the Company and the Group will be able to pay their debts in the ordinary course of business;
- the consolidated assets of the Company and of the Group, fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the Company and of the Group after the buyback; and
- the working capital, share capital and reserves of the Company and of the Group will be adequate for the purposes of the business of the Company and its subsidiaries."

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of paragraph 11.26 of the Listings Requirements of the JSE for purposes of this general authority:

- Directors – pages 10 – 11
- Major beneficial shareholders – page 42
- Directors' interests in ordinary shares – page 19
- Share capital of the Company – page 31

LITIGATION STATEMENT

The directors, whose names appear on pages 10 – 11 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 (twelve) months) a material effect on the Group's financial position.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on pages 10 – 11 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution 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 special resolution contains all information required in terms of the Listings Requirements of the JSE.

MATERIAL CHANGES

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report for the year ended 31 August 2007 and up to the date of this notice.

REASONS FOR AND EFFECTS OF SPECIAL RESOLUTION NUMBER 1

The reason for Special Resolution Number 1 is to afford directors of the Company or a subsidiary of the Company a general authority to effect a buyback of the Company's shares on the JSE. The effect of the resolution will be that the directors will have the authority, subject to the Rules and Requirements of the JSE, to effect acquisitions of the Company's shares on the JSE.

ORDINARY RESOLUTION NUMBER 1: ISSUE OF SHARES FOR CASH

"Resolved that the directors be authorised pursuant *inter alia* to the Company's articles of association, until this authority lapses at the next annual general meeting of the Company, unless it is then renewed at the next annual general meeting of the Company provided that it shall not extend beyond 15 months, to allot and issue any ordinary shares for cash subject to the Rules and Requirements of the JSE Limited ("JSE") on the following bases:

- the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements of the JSE and not to related parties;
- the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
- the number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen percent) of the Company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application;
- the maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares;
- after the Company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue is determined or agreed to by the directors and the effect of the issue on net asset value and earnings per share), or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time."

In terms of the Listings Requirements of the JSE a 75% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of Ordinary Resolution Number 1 for it to be approved.

ORDINARY RESOLUTION NUMBER 2: UNISSUED ORDINARY SHARES

"Resolved that the authorised and unissued ordinary share capital of the Company be and is hereby placed under the control of the directors of the Company which directors are, subject to the rules and regulations of the JSE and the provisions of Section 221 and Section 222 of the Companies Act of 1973 as amended, authorised to allot and issue any of such shares at such time or times, to such person or persons, company or companies and upon such terms and conditions as they may determine, such authority to remain in force until the next annual general meeting of the Company."

ORDINARY RESOLUTION NUMBER 3: RE-ELECTION OF W HAUSER AS A DIRECTOR OF THE COMPANY

"Resolved that W Hauser be re-elected as a director of the Company."

A brief *curriculum vitae* in respect of W Hauser is set out on page 10 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF DS BROUZE AS A DIRECTOR OF THE COMPANY

"Resolved that DS Brouze be re-elected as a director of the Company."

A brief *curriculum vitae* in respect of DS Brouze is set out on page 10 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF RK JONAH AS A DIRECTOR OF THE COMPANY

"Resolved that RK Jonah be re-elected as a director of the Company."

A brief *curriculum vitae* in respect of RK Jonah is set out on page 10 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 6: RE-ELECTION OF D ROTHLISBERGER AS A DIRECTOR OF THE COMPANY

"Resolved that D Rothlisberger be re-elected as a director of the Company."

A brief *curriculum vitae* in respect of D Rothlisberger is set out on page 10 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 7: RE-ELECTION OF J FREED AS A DIRECTOR OF THE COMPANY

"Resolved that J Freed be re-elected as a director of the Company."

A brief *curriculum vitae* in respect of J Freed is set out on page 11 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 8: RE-ELECTION OF R FRIESE AS A DIRECTOR OF THE COMPANY

"Resolved that R Friese be re-elected as a director of the Company."

A brief *curriculum vitae* in respect of R Friese is set out on page 11 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 9: RE-ELECTION OF BD DOWNS AS A DIRECTOR OF THE COMPANY

"Resolved that BD Downs be re-elected as a director of the Company."

A brief *curriculum vitae* in respect of BD Downs is set out on page 10 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 10: DIRECTORS' REMUNERATION

"Resolved that the remuneration of the non-executive directors, as set out on page 19 of the annual report of which this notice forms part be, and is hereby confirmed and ratified."

ORDINARY RESOLUTION NUMBER 11: RE-APPOINTMENT OF AUDITORS

"Resolved that PKF (Jhb) Inc. be re-appointed as auditors of the Company."

ORDINARY RESOLUTION NUMBER 12: SIGNATURE OF DOCUMENTATION

"Resolved that any director or the Company Secretary of the Company be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of Special Resolution Number 1 and Ordinary Resolution Numbers 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 which are passed by the members in accordance with and subject to the terms thereof."

VOTING AND PROXIES

A shareholder of the Company entitled to attend and vote at the general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, vote and speak in his/her stead.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the Company present in person or represented by proxy shall have one vote for every share held in the Company by such shareholder.

A form of proxy is attached for the convenience of any shareholder holding Austro shares who cannot attend the annual general meeting. Forms of proxy may also be obtained on request from the Company's registered office. The completed forms of proxy must be deposited at or posted to the office of the transfer secretaries of the Company, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 1053, Johannesburg, 2000) to be received at least 48 hours prior to the meeting. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should the member subsequently decide to do so.

Shareholders who have already dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker rather than through own-name registration and who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

Dematerialised shareholders, who have elected own-name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting, should complete and lodge the attached form of proxy with the transfer secretaries of the Company.

Dematerialised shareholders who have not elected own-name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between the shareholder and his CSDP or broker.

By order of the board

Probity Business Services (Pty) Limited
Company Secretary

Johannesburg
21 November 2007

REGISTERED ADDRESS

1125 Leader Avenue
Stormill Ext 4
Roodepoort
Gauteng

PO Box 1914
Florida, 1710

TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg

PO Box 1053
Johannesburg, 2000

FORM OF PROXY

AUSTRO GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2001/029771/06

JSE code: ASO

ISIN: ZAE0000 90882

For use by the holders of the Company's certificated ordinary shares ("certified shareholders") and/or dematerialised ordinary shares held through a Central Securities Depository Participant ("CSDP") or broker who have selected "own-name" registration ("own-name dematerialised shareholders") at the annual general meeting of the Company to be held at 10:00 on 27 March 2008 or at any adjournment thereof if required. Additional forms of proxy are available from the transfer secretaries of the Company.

Not for use by holders of the Company's dematerialised ordinary shares who have not selected "own-name" registration. 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 in accordance with their instructions at the annual general meeting.

I/We _____ (Name in block letters)

of _____ (Address)

being the registered holder of _____ ordinary shares in the capital of the Company hereby appoint

1. _____ or failing him

2. _____ or failing him

3. the chairperson of the meeting

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

	Number of votes		
	In favour of	Against	Abstain
To pass special resolution: 1. To effect share buybacks			
To pass ordinary resolutions: 1. To issue for cash the authorised but unissued shares			
2. To place the unissued shares under the control of the directors			
3. To re-elect W Hauser as a director of the Company			
4. To re-elect DS Brouze as a director of the Company			
5. To re-elect RK Jonah as a director of the Company			
6. To re-elect D Rothlisberger as a director of the Company			
7. To re-elect J Freed as a director of the Company			
8. To re-elect R Friese as a director of the Company			
9. To re-elect BD Downs as a director of the Company			
10. To ratify non-executive directors' remuneration			
11. To re-appoint PKF (Jhb) Inc. as auditors of the Company			
12. To authorise the signature of documentation			

(Indicate instructions to proxy in the spaces provided above.)

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

Signed this _____ day of _____ 2008

Signature _____ Assisted by (if applicable)

NOTES TO THE FORM OF PROXY

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the annual general meeting.
2. Shareholder(s) that are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of the resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. Forms of proxy must be lodged at or posted to Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 1053, Johannesburg, 2000) to be received not less than 48 hours prior to the meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
7. The chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. 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 or Computershare Investor Services 2004 (Pty) Limited or waived by the chairperson of the general meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare Investor Services 2004 (Pty) Limited.
11. 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.

Produced by motiv
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