THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 4 of this circular apply, *mutatis mutandis*, throughout this circular, including on this front cover.

If you are in any doubt about the action to be taken, you should consult your CSDP, broker, banker, legal advisor, accountant or other professional advisor immediately.

Action required

If you have disposed of all your shares in Austro, this circular should be handed to the purchaser of your shares or to the broker, banker or other agent through whom the disposal was effected.

Austro shareholders are referred to page 1 of this circular, which sets out the action required by them.

Neither Austro nor the offeror accepts responsibility and will not be held liable for any failure on the part of the CSDP or broker of a dematerialised shareholder to notify such shareholder of the offer set out in this circular.

AUSTRO GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2001/029771/06)

Share code: ASO ISIN: ZAE000090882

("**Austro**" or "**the company**")

COMBINED CIRCULAR TO AUSTRO SHAREHOLDERS

relating to:

an unconditional mandatory offer by the offeror to acquire all of the ordinary shares in the company not already owned by the offeror for a purchase consideration of 55.2 cents per Austro ordinary share held; and

a responding circular by the independent board of Austro containing their views in respect of the offer

and incorporating:

- a form of acceptance, surrender and transfer (*blue*) (for use by certificated shareholders only); and
- an independent expert opinion regarding the offer.

Corporate advisor, legal advisor and sponsor

JAVA CAPITAL

Independent expert

BDO

Date of issue: 5 November 2013

This circular is only available in English. Copies may be obtained from the registered offices of Austro and the transfer secretaries whose registered addresses are set out in the "Corporate information and advisors" section of this circular during normal business hours from the date of issue of this circular to the closing date.

CORPORATE INFORMATION AND ADVISORS

The definitions commencing on page 4 of this circular apply, *mutatis mutandis*, to this corporate information and advisors section.

Corporate advisor and legal advisor
Java Capital Proprietary Limited
(Registration number 2002/031862/07)
Redefine Place
2 Arnold Road
Rosebank, 2196
(PO Box 2087, Parklands, 2121)

Sponsor
Java Capital Trustees and Sponsors Proprietary Limited
(Registration number 2006/005780/07)
Redefine Place
2 Arnold Road
Rosebank, 2196
(PO Box 2087, Parklands, 2121)

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Registered office of the company
1125 Leader Avenue
Stormill Ext 4
Roodepoort

Company Secretary
Probity Business Services Proprietary Limited
(Registration number 2000/002046/07)
3rd Floor, The Mall Offices
11 Cradock Avenue
Rosebank
(P O Box 85392, Emmarentia, 2029)

Independent expert
BDO Corporate Finance Proprietary Limited
(Registration number 1983/002903/07)
22 Wellington Road
Parktown, 2195
(Private Bag X60500, Houghton, 2041)

Date and place of incorporation
Incorporated in the Republic of South Africa
on 31 January 1980

ACTION REQUIRED BY AUSTRO SHAREHOLDERS

The definitions commencing on page 4 of this circular apply, *mutatis mutandis*, to this section setting out the action required by Austro shareholders.

Please take careful note of the following provisions regarding the action required by Austro shareholders:

1. If you have disposed of all of your Austro shares, this circular should be handed to the purchaser of such Austro shares or to the broker, CSDP, banker, attorney or other agent through whom the disposal was effected.
2. If you are in any doubt as to what action you should take arising from this circular, please consult your broker, CSDP, banker, attorney, accountant or other professional advisor.

If you are a certificated shareholder

Acceptance of offer, surrender of documents of title and offer consideration

1. If you are a certificated Austro shareholder and you wish to accept the offer contained in this circular, you may accept the offer in respect of all or part of your shares by completing the attached form of acceptance and return it, together with the relevant documents of title to the transfer secretaries.
2. If you have accepted the offer in respect of some or all of your shares and surrendered your documents of title to the transfer secretaries, payment of the offer consideration of 55.2 cents per share will made to you by no later than the payment date. Certificated shareholders who accept the offer will have the offer consideration posted to them or transferred to them by way of EFT (as elected in the form of acceptance) by no later than the payment date, being within 6 business days of the date on which such shareholders deliver forms of acceptance and documents of title to the transfer secretaries with final payment being made on the first business day after the closing of the offer.
3. Certificated shareholders are required to indicate on the form of acceptance their acceptance of the offer. Should there be any doubt or dispute as to whether the offeree has accepted the offer or not, then you will be deemed not to have accepted the offer.

If you are a dematerialised shareholder

Acceptance of offer

1. Your CSDP or broker should contact you to ascertain if you wish to accept the offer and, if so, in respect of how many shares.
2. If your CSDP or broker has not contacted you, it would be advisable for you to contact your CSDP or broker and furnish it with your instructions.
3. If your CSDP or broker does not obtain instructions from you, it will be obliged to act in accordance with the instructions in the custody agreement concluded between you and your CSDP or broker.
4. Should the custody agreement concluded between you and your CSDP or broker not be clear in this regard, then you will be deemed to have accepted the offer.
5. The CSDP or broker of a dematerialised shareholder who wishes to accept the offer must notify the transfer secretaries of such acceptance of the offer.

Surrender of documents of title

6. You must not complete the attached form of acceptance.

Offer consideration

7. Dematerialised shareholders who accept the offer will have their account at the CSDP or broker updated by no later than the payment date, being within 6 business days of the date on which the CSDPs or brokers of such Austro shareholders notify the transfer secretaries of their acceptance of the offer with final payment being made on the first business day after the closing of the offer.
8. If you do not wish to accept the offer, you need not take any action.

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IMPORTANT DATES AND TIMES

	2013
Record date in order to receive the circular	Friday, 25 October
Circular posted to Austro shareholders	Tuesday, 5 November
Opening date of the offer (09:00)	Wednesday, 6 November
Last day to trade of shareholders wishing to accept the offer	Thursday, 12 December
Shares trade “ex” the offer	Friday, 13 December
Offer closes at 12:00 on	Friday, 20 December
Record date to determine which shareholders may accept the offer	Friday, 20 December
Results of offer to be announced on SENS	Monday, 23 December
Results of the offer to be announced in the press	Tuesday, 24 December
Payment date	See notes 6 and 7 below

Notes:

1. Certificated Austro shareholders are required to complete and return the attached form of acceptance in accordance with the instructions contained therein to be received by the transfer secretaries by no later than 12:00 on the closing date.
2. Any change to the above dates and times will be agreed upon by the offeror and Austro and advised to Austro shareholders by release on SENS and, if required, publication in the South African press.
3. No dematerialisation or rematerialisation of Austro shares will take place between Friday, 13 December 2013 and Friday, 20 December 2013, both days inclusive.
4. All times indicated above are South African times.
5. Offerees should note that acceptance of the offer will be irrevocable.
6. Certificated shareholders who accept the offer will have the offer consideration posted to them or transferred to them by way of EFT (depending on the election in the form of acceptance) by no later than the payment date, being within 6 business days of the date on which such shareholders deliver forms of acceptance and documents of title to the transfer secretaries with final payment being made on the first business day after the closing of the offer.
7. Dematerialised shareholders who accept the offer will have their accounts at their CSDP or broker updated by no later than the payment date, being within 6 business days of the date on which the CSDP or brokers of such Austro shareholders notify the transfer secretaries of their acceptance of the offer with final payment being made on the first business day after the closing of the offer.

DEFINITIONS

In this circular, unless the context indicates a contrary intention, an expression which denotes a gender includes the other genders, the singular includes the plural and *vice versa*, natural persons include a juristic person and the following terms bear the meanings assigned to them below.

"**Act**" or "**Companies Act**"	the Companies Act, 2008 (Act 71 of 2008), as amended from time to time;
"**Austro**" or "**the company**"	Austro Group Limited (Registration number 2001/029771/06), a public company duly incorporated in South Africa, the entire issued share capital of which is listed on the JSE;
"**Austro group**" or "**the group**"	Austro and its subsidiaries;
"**Austro minority shareholders**"	all Austro shareholders, other than the offeror;
"**Brouze**"	David Brouze (Identity Number 6402065028088);
"**business day**"	any day other than a Saturday or Sunday or official public holiday in South Africa;
"**certificated shareholders**"	shareholders who have not dematerialised their shares, title to which is represented by a share certificate or other physical document/s of title;
"**circular**"	this circular dated 5 November 2013 including all the annexures hereto and incorporating a form of acceptance;
"**closing date**"	the closing date of the offer being 12:00 on Friday, 20 December 2013;
"**Common Monetary Area**"	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"**Competition Authority**"	collectively the Competition Commission, the Competition Tribunal or the Competition Appeal Court, whichever has jurisdiction for the purposes of the sale agreement, as established by the Competition Act No 89 of 1998;
"**CSDP**"	Central Securities Depository Participant;
"**The David Brouze Trust**"	The David Brouze Trust (Master's Reference Number IT12649), the beneficiaries of which are Brouze and his immediate relations;
"**dematerialisation**"	the process by which certificated shares are converted to an electronic form as uncertificated shares registered in the subregister of shareholders maintained by a CSDP;
"**dematerialised shareholders**"	shareholders who have dematerialised their shares in terms of Strate;
"**Direction Financial Services**"	Direction Financial Services Proprietary Limited (Registration Number 1969/007465/07), a private company duly incorporated in South Africa;
"**directors**" or "**the board**"	the board of directors of the company whose names are set out on page 19 of the circular;
"**document/s of title**"	share certificates and/or certificated transfer deeds and/or balance receipts or any other document/s of title in respect of the offer shares;
"**Exchange Control Regulations**"	the Exchange Control Regulations, 1961, as amended, made in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
"**Falcon Trust**"	the Falcon Trust (Master's Reference Number IT8615/95), the beneficiaries of which are Stewart and his immediate relations;
"**Financial Markets Act**"	the Financial Markets Act, No 19 of 2012, as amended (which replaces the Securities Services Act 36 of 2004);

"**firm intention announcement**"	the announcement issued over SENS on 26 September 2013 advising shareholders of the offer and referred to in paragraph 1.1 of this circular;
"**form of acceptance**"	the form of acceptance, transfer and surrender (*blue*) attached to this document for use by certificated shareholders only;
"**Friedman**"	Jarrod Friedman (Identity Number 7302225079089);
"**immediate relations**"	an individual's spouse and children (who have not yet attained the age of 18 years);
"**independent board**"	the members of the independent board of Austro comprising AJ Phillips, U Schäckermann and GS Nzalo;
"**independent expert**"	BDO Corporate Finance Proprietary Limited (Registration Number 1983/002903/07), a private company duly incorporated in South Africa and the independent professional expert that the independent board of Austro has appointed to advise and report on the mandatory offer;
"**Java Capital**"	collectively Java Capital Proprietary Limited (Registration number 2002/031862/07) and Java Capital Trustees and Sponsors Proprietary Limited (Registration number 2006/005780/07) , private companies duly incorporated in South Africa, the corporate advisor and legal advisor appointed by the offeror and Austro and sponsor to Austro respectively;
"JFN Management"	JFN Management Proprietary Limited (Registration number 2011/008234/07), a private company duly incorporated in South Africa;
"**JSE**"	the JSE Limited (Registration Number 2005/022939/06), a public company duly incorporated in South Africa and licensed as an exchange under the Financial Markets Act;
"**Joffe**"	Steven Joffe (Identity Number 7103205351088);
"**The JSF Family Trust**"	The JSF Family Trust (Master's Reference No.IT2822/2011) , the beneficiaries of which are Friedman and his immediate relations;
"**the last practicable date**"	18 October 2013, being the last practicable date prior to the finalisation of this circular;
"**management service agreement**"	the agreement dated 18 April 2013 between Austro and JFN Management, in terms of which JFN Management provides strategic business and support services (as determined in the agreement) to the Austro group which commenced on 15 April 2013;
"**mandatory offer**" or "**offer**"	the mandatory offer by the offeror, in terms of section 123 of the Act to acquire, on the terms set out in this circular, from the Austro minority shareholders, all or part of their Austro shares for the offer consideration;
"**Mansour**"	Paul Mansour (Identity Number 7204185005080);
"**Neuberger**"	Christian Neuberger (Austrian Passport No. P3204301);
"**offer consideration**"	55.2 cents per Austro share, being a discount of 31.04% to the 30 day VWAP of Austro shares as at 26 September 2013 (being the date of the firm intention announcement) less any dividend paid to Austro shareholders between 26 September 2013 and the closing date, payable in cash on the terms and conditions of the mandatory offer;
"**offerees**"	the Austro minority shareholders to which this offer is made;
"**offeror**"	Ricophase, together with the persons with whom Ricophase is acting in concert or deemed to be acting in concert as described in paragraph 1.1.3 of this circular;
"**offer participants**"	the Austro minority shareholders who validly and lawfully accept the mandatory offer by the closing date, and who are thus entitled to receive the offer consideration;
"**offer period**"	the period from 09:00 on the opening date to 12:00 on the closing date;
"**offer shares**"	the shares of the Austro minority shareholders, comprising 249 627 978 Austro shares (comprising approximately 63.15% of the total issued share capital of the company);

"**opening date**"	the opening date of the offer, being Wednesday, 6 November 2013;
"**payment date**"	means: • in respect of certificated shareholders who accept the offer, within 6 business days succeeding the date on which such shareholders deliver forms of acceptance and documents of title to the transfer secretaries, with the last payment date being 2 January 2014; and • in respect of dematerialised shareholders who accept the offer, within 6 business days succeeding the date on which the CSDP or broker of such dematerialised shareholder notifies the transfer secretaries of their acceptance of the offer, with the last payment date being 2 January 2014;
"**record date**"	the record date of the offer, being Friday, 20 December 2013;
"**responding circular**"	the responding circular by the independent board, as set out in *Part B* of this circular;
"**Ricophase**"	Ricophase Proprietary Limited (Registration Number 2012/069330/07), a private company duly incorporated in South Africa and which is owned by The David Brouze Trust, The Sades Family Trust, The JSF Family Trust, Mansour and Neuberger;
"**The Sades Family Trust**"	The Sades Family Trust (Master's Reference No. IT3699/2008), the beneficiaries of which are Joffe and his immediate relations;
"**sale agreement**"	the sale agreement entered into on or about 29 July 2013 between David Brouze, Steven Joffe and Ricophase, the details of which are set out in paragraph 1.1.1 of this circular;
"**SARB**"	the South African Reserve Bank;
"**SENS**"	the Stock Exchange News Service of the JSE;
"**shares**" or "**Austro shares**"	ordinary shares of no par value in the issued share capital of the company;
"**shareholders**" or "**Austro shareholders**"	holders of shares in the company;
"**South Africa**"	the Republic of South Africa;
"**Stewart**"	Mark Andrew Stewart (Identity number 6104065061085);
"**Strate**"	Strate Limited, the electronic custody, clearing and settlement system for all share transactions concluded on the JSE and offmarket;
"**transfer secretaries**"	Computershare Investor Services Proprietary Limited (Registration number 2000/007239/07), a private company duly incorporated in South Africa;
"**Takeover Regulations**"	the Takeover Regulation set forth in chapter 5 (Fundamental Transactions and Takeover Regulations) of the Companies Regulations, 2011, promulgated under the Companies Act;
"**TRP**" or "**Takeover Regulation Panel**"	the Takeover Regulation Panel, established by section 196 of the Companies Act; and
"**VWAP**"	the volume weighted average price.

PART A : THE OFFER

OFFER TO ALL AUSTRO MINORITY SHAREHOLDERS

1. INTRODUCTION - REASONS FOR THE OFFER AND PURPOSE OF THIS CIRCULAR

1.1. It was announced on 26 September 2013 over SENS that –

1.1.1. pursuant to an agreement entered into on or about 29 July 2013 amongst Brouze, Joffe and Ricophase, with effect from 25 September 2013 (being the date on which the sale agreement was implemented):

1.1.1.1. Brouze sold to Ricophase 71 318 750 ordinary shares in Austro (representing 18.04% of the issued share capital of Austro at that time) at a purchase consideration of R0.4572 per Austro share, being an aggregate consideration of R32 609 668;

1.1.1.2. Ricophase purchased an additional 37 681 250 ordinary Austro shares (representing 9.53% of the issued share capital of Austro at that time) from Joffe at a purchase consideration of R0.5520 per Austro share, being an aggregate consideration of R20 800 332;

1.1.2. a concert party arrangement has been formally established amongst Brouze and Ricophase in relation to any shares held from time to time by them in Austro;

1.1.3. in addition, in terms of the Companies Act and the Takeover Regulations, Ricophase is deemed also to be acting in concert with each of N Brouze and JJ Brouze (each deemed a concert party pursuant to him being a related party of Brouze), Joffe, Friedman, Mansour, Neuberger and Stewart (each deemed a concert party pursuant to him being a director of Ricophase) and any company controlled by any one or more of Joffe, Friedman, Mansour, Neuberger, Stewart and/or Brouze and any trust of which any one or more of Joffe, Friedman, Mansour, Neuberger, Stewart and/or Brouze is a beneficiary or trustee;

1.1.4. on the implementation of the sale agreement, Ricophase, together with the persons with whom Ricophase is acting in concert or deemed to be acting in concert as described in paragraph 1.1.3 above (collectively the "**concert parties**"), held in excess of 35% of the issued share capital of Austro;

1.1.5. in consequence, a mandatory offer has been triggered in terms of section 123 of the Companies Act by Ricophase, on its own behalf and on behalf of the concert parties at a price of 55.2 cents per Austro share, being the highest price at which the offeror acquired Austro shares within the six month period before the commencement of the offer period (constituted by the firm intention announcement).

1.2. The rationale for the acquisition by Ricophase of the shares in Austro is to align the interests of Austro shareholders with JFN Management and the senior executive team charged with the responsibility of delivering on Austro's strategy. Joffe, Mansour, Friedman and Neuberger have, through their investment in Ricophase, invested a material amount of their own capital to acquire a significant equity investment in Austro. JFN Management and the key executives are now appropriately incentivised to drive the growth of Austro for the benefit of all shareholders.

1.3. This document records the unconditional offer by the offeror to the offerees to acquire the offer shares and furthermore provide offerees with information regarding the terms of the offer and the manner in which it will be implemented.

2. THE OFFER

2.1. The offeror

2.1.1. The offeror is Ricophase together with the persons with whom Ricophase is acting in concert or deemed to be acting in concert as described in paragraph 1.1.3 above.

2.1.2. Prior to the sale agreement becoming effective, -

2.1.2.1. Ricophase did not own any shares in Austro;

2.1.2.2. Brouze together with N Brouze and JJ Brouze beneficially owned (directly) 107 908 695 shares in Austro (representing 27.30% of the issued share capital of Austro at that time);

2.1.2.3. Joffe beneficially owned (directly) 37 681 250 shares in Austro (representing 9.53% of the issued share capital of Austro at that time).

2.1.3. After implementation of the sale agreement –

2.1.3.1. Ricophase beneficially owns 109 000 000 shares in Austro (representing 27.57% of the issued share capital of Austro at that time);

2.1.3.2. Brouze together with N Brouze and JJ Brouze beneficially owns (directly) 36 589 945 shares in Austro (representing 9.26% of the issued share capital of Austro at that time);

2.1.3.3. Joffe beneficially owns (directly) nil shares in Austro.

2.1.4. The shareholders of Ricophase as at the last practicable date are The David Brouze Trust (as to 50%), The Sades Family Trust (as to 35%), The JSF Family Trust (as to 5%), Mansour (as to 5%) and Neuberger (as to 5%).

2.1.5. In respect of the shareholders of Ricophase it is recorded that-

2.1.5.1. Brouze, a non-executive director of Austro, is a beneficiary of The David Brouze Trust;

2.1.5.2. Joffe, is a trustee and beneficiary of The Sades Family Trust and a trustee of the JSF Family Trust;

2.1.5.3. Friedman, the financial director of Austro, is a trustee and beneficiary of The JSF Family Trust;

2.1.5.4. Mansour is the chief executive officer of Austro;

2.1.5.5. Neuberger is the key executive appointed under the management services agreement.

2.1.6. The directors of Ricophase are:

2.1.6.1. Joffe;

2.1.6.2. Friedman;

2.1.6.3. Mansour;

2.1.6.4. Neuberger;

2.1.6.5. Stewart; and

2.1.6.6. Brouze.

2.1.7. The offeror hereby advises that, pursuant to the implementation of the offer, it is currently intended by the offeror that –

2.1.7.1. Austro shall continue with its business;

2.1.7.2. the directors of Austro shall continue in office;

2.1.7.3. the remuneration of the incumbent directors of Austro will not be effected by the offer;

2.1.7.4. the Austro minority shareholders will not be compelled to dispose of their Austro shares by way of section 124 of the Companies Act; and

2.1.7.5. Austro will not be delisted from the JSE.

2.2. The offer and the offer consideration

2.2.1. The offeror hereby makes an unconditional offer to acquire from the offer participants for the offer consideration the offer shares in respect of which they receive valid acceptances on or prior to 12:00 on the closing date.

2.2.2. The offer consideration for each offer share in terms of the offer is 55.2 cents constituting a:

2.2.2.1. 31.04% discount to the 30 day VWAP at which Austro shares traded as at the date of the firm intention announcement;

2.2.2.2. 33.88% discount to the 30 day VWAP at which Austro shares traded as at the last practicable date (excluding the acquisition by Ricophase of 109 000 000 Austro shares, under the sale agreement).

2.3. Offer period

2.3.1. The offer will be open for acceptance by offerees for a period of at least 30 business days as required by the Takeover Regulations.

2.3.2. The offer will be open for acceptance from 09:00 on Wednesday, 6 November 2013 and will remain open until 12:00 on Friday, 20 December 2013.

2.4. Applicable law

2.4.1. The offer is made in compliance with the requirements of the Takeover Regulations and is governed by and subject to the provisions of the laws of South Africa and will be subject to the exclusive jurisdiction of a South African court.

2.4.2. Each offer participant will be deemed by his acceptance to have consented and submitted to the jurisdiction of the courts of South Africa in relation to all matters arising out of or in connection with the offer and acceptance thereof.

2.5. Offer not made where illegal

2.5.1. The legality of the offer to persons resident in jurisdictions outside of South Africa may be affected by the laws of the relevant jurisdiction.

2.5.2. Such person should acquaint themselves with any applicable legal requirements which they are obligated to observe.

2.5.3. It is the responsibility of any offeree wishing to accept the offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith.

2.5.4. If received in any jurisdiction where it is illegal for the offer to be made or accepted, this document should be treated as being received for information only.

2.6. Basis of acquisition of Austro shares

2.6.1. The offer shares in respect of which the offer is accepted will be acquired by the offeror together with all rights and benefits thereto, including without limitation the right to receive all dividends, distributions, benefits or rights which accrue or are declared by Austro after the closing date. Should the company declare a dividend in respect of its financial year ended 31 August 2013, such distribution will be for the benefit of the offeror and accordingly, the offer consideration will be adjusted by an amount equal to any such distribution declared and paid or made by Austro in the period between the opening date and the closing date.

2.6.2. Offer participants warrant and undertake that they will deliver the offer shares to the offeror free of all liens, equities, mortgages, options, rights of pre-emption, charges, encumbrances and other third party rights and interests of any nature whatsoever.

2.6.3. The acquisition by the offeror of the offer shares shall be deemed to take place on the date of acceptance of the offer.

2.7. Conditions to the offer

The offer is not subject to any conditions precedent. Competition Authority approval for the acquisition of control of Austro by Ricophase has been secured.

2.8. Approvals, consents and undertakings received

2.8.1. The offeror has obtained the necessary authorisations and approvals from its board and shareholders, to the extent applicable, to proceed with the offer.

2.8.2. The TRP and JSE have both approved this circular.

2.9. Tax implications for offerees

The tax treatment of offerees is dependent on the individual circumstances and the jurisdiction applicable to such offerees. It is recommended that, if offerees are uncertain about the tax treatment of the receipt of the offer consideration, they seek appropriate advise in this regard.

2.10. Confirmation of cash resources

2.10.1. The offeror is required to provide a bank guarantee to the TRP from a bank unconditionally and irrevocably guaranteeing settlement of the full cash consideration payable in terms of the offer or an irrevocable, unconditional cash confirmation in favour of the offerees (other than such offerees which furnish written irrevocable undertakings not to accept the offer). The offer will be made to the offerees. Austro shareholders holding in aggregate 142 456 243 Austro shares (comprising 36.04% of the entire issued share capital of Austro and 57.07% of the offer shares) have already waived the right to receive the offer. A cash confirmation will therefore only be required in respect of the balance of the offerees (being the holders of 107 171 735 shares, as set out below). Accordingly, the following is applicable:

Austro shares in issue	395 292 923
Shares purchased by Ricophase from David Brouze and Steven Joffe	(109 000 000)
Shares held by concert parties of the offeror	(36 664 945)
Irrevocable waivers received not to accept the offer	(142 456 243)
Shares for which cash confirmation is required	107 171 735

Accordingly, the amount of the cash confirmation is R59 158 797.72 (being the 107 171 735 shares multiplied by 55.2 cents per share).

2.10.2. In accordance with Regulations 111(4) and 111(5) of the Takeover Regulations, the Takeover Regulations Panel has been furnished with an irrevocable, unconditional cash confirmation from Peregrine Equities Proprietary Limited in favour of the offerees excluding those Austro shareholders who or which have waived the right to receive the offer, in respect of the offer for the sole purpose of the offeror fully satisfying the offer consideration.

2.10.3. As required by Regulation 106(6)(c) of the Takeover Regulations, the offeror hereby confirms that in financing the offer consideration it has not incurred a high level of debt and the payment of interest, repayments or security for such debt is not dependent upon the business of Austro.

3. PROCEDURE FOR ACCEPTANCE OF THE OFFER

3.1. Certificated shareholders

3.1.1. The ensuing provisions of this paragraph 3.1 do not apply to dematerialised shareholders who elect to accept the offer.

3.1.2. Certificated shareholders who wish to accept the offer are required to complete the attached form of acceptance and return it to the transfer secretaries together with their documents of title in respect of their offer shares, at their own risk, to be received by no later than 12:00 on the closing date. If a form of acceptance is not received by 12:00 on the closing date, such certificated shareholder will be deemed to have declined the offer. No late acceptances will be considered if received by the transfer secretaries after 12:00 on the closing date.

3.1.3. If the documents of title relating to the shares held by a certificated shareholder have been lost or destroyed, Austro shareholders should nevertheless return a duly completed form of acceptance, together with an indemnity on terms satisfactory to Austro and the offeror. The offeror and Austro may, in their sole discretion, dispense with the surrender of such documents of title upon production of satisfactory evidence that the documents of title have been lost or destroyed and upon provision of an indemnity on terms acceptable to the offeror and Austro. Unless otherwise agreed by the offeror and Austro, only indemnity forms obtained from the transfer secretaries (available on request) will be regarded as suitable. The offeror and Austro shall be entitled, in their absolute discretion, by way of agreement to waive the requirement of an indemnity.

3.1.4. No receipt will be issued for documents of title surrendered unless specifically requested. In order to comply with the requirements of the JSE, lodging agents must prepare special transaction receipts, if required.

3.2. Dematerialised shareholders

3.2.1. Dematerialised shareholders who wish to accept the offer are required to notify their CSDPs or brokers of their acceptance in the manner and by the deadline stipulated in the custody agreement concluded between the holders of dematerialised Austro shares and their CSDPs or brokers, as the case may be. If no instruction is given to their CSDPs or brokers, or if there is any doubt or dispute in respect of their acceptance, such dematerialised shareholders will be deemed to not have accepted the offer. Dematerialised shareholders must not complete the attached form of acceptance. The CSDP or broker of a dematerialised shareholder who wishes to accept the offer must notify the transfer secretaries of such acceptance of the offer.

3.2.2. All acceptances of the offer received by the transfer secretaries, CSDPs or brokers and treated as valid by them, shall be irrevocable.

3.2.3. The offeror reserves the right, in its sole and absolute discretion, to:

3.2.3.1. in respect of certificated shares, treat as invalid forms of acceptance, transfer and surrender not accompanied by valid documents of title;

3.2.3.2. treat as invalid forms of acceptance, transfer and surrender not properly completed;

3.2.3.3. require proof of the authority of the person signing the form of acceptance where such proof has not been lodged with or recorded by the transfer secretaries;

3.2.3.4. without prejudice to any of its rights, the offeror reserves the right to condone, in its sole discretion, the non-performance by any offeree of any of the terms of the offer.

3.3. Settlement of the offer consideration

3.3.1. Certificated shareholders who accept the offer will have the offer consideration posted to them or transferred to them by way of EFT (depending on the election made by them in the form of acceptance) by no later than the payment date, being within 6 business days of the date on which such shareholders deliver forms of acceptance and documents of title to the transfer secretaries with final payment being made on the first business day after the closing of the offer.

3.3.2. Dematerialised shareholders who accept the offer will have their accounts at their CSDP or broker updated with the offer consideration by no later than the payment date, being within 6 business days of the date on which the CSDPs or brokers of such Austro shareholders notify the transfer secretaries of their acceptance of the offer with final payment being made on the first business day after the closing of the offer.

3.3.3. If the offer consideration is not sent to shareholders entitled thereto because the relevant documents of title and forms of acceptance have not been surrendered, or if the offer consideration is returned undelivered to the transfer secretaries, the offer consideration will be held by the offeror or the transfer secretaries, on behalf of and for the benefit of such certificated shareholders, until claimed and no interest will accrue thereon. This paragraph does not apply to dematerialised shares held by shareholders.

3.3.4. The settlement of the offer consideration to which any offeree becomes entitled in terms of the offer will be implemented in full in accordance with the terms of the offer without regard to any lien, right of set-off, counter-claim or any other analogous right to which the offeror may be entitled.

3.3.5. The settlement of the offer consideration for both dematerialised shareholders and certificated shareholders will be made subject to the Exchange Control Regulations.

3.4. South African Exchange Control Regulations

The following is a summary of Exchange Control Regulations as they apply to Austro shareholders who accept the offer.

Austro shareholders who are not registered in or have a registered address outside South Africa must satisfy themselves to the full observance of the laws of the relevant jurisdiction concerning the receipt of the offer consideration, including obtaining any requisite governmental and other consents, observing any other requisite formalities and paying any transfer or other taxes due in such territory. If in doubt, Austro shareholders should consult their professional advisers without delay.

3.4.1. Residents of the Common Monetary Area

In the case of:

3.4.1.1. certificated shareholders whose registered address is in the register of the company within the Common Monetary Area and whose documents of title are not restrictively endorsed in terms of Exchange Control Regulations, the offer consideration will be posted or transferred, as the case may be, to such Austro shareholders in accordance with paragraph 3.3.1; or

3.4.1.2. dematerialised shareholders whose registered addresses in the register are within the Common Monetary Area and have not been restrictively designated in terms of Exchange Control Regulations, the offer consideration will be credited directly to the accounts nominated for the relevant Austro shareholders by their duly appointed CSDP or broker in terms of the provisions of the custody agreement with their CSDP or broker.

3.4.2. Emigrants from the Common Monetary Area

In the case of Austro shareholders who are emigrants from the Common Monetary Area and whose shares form part of their blocked assets, the offer consideration will:

3.4.2.1. in the case of certificated shareholders whose documents of title are restrictively endorsed in terms of the Exchange Control Regulations, be forwarded to the authorised dealer in foreign exchange in South Africa controlling such Austro shareholders' blocked assets in terms of the Exchange Control Regulations. The attached form of acceptance makes provision for the details of the authorised dealer concerned to be given; or

3.4.2.2. in the case of dematerialised shareholders whose registered addresses in the register are outside the Common Monetary Area and have been restrictively designated in terms of the Exchange Control Regulations, be paid to their CSDP or broker which shall arrange for same to be credited directly to the blocked Rand bank account of the Austro shareholders concerned with their authorised dealer in foreign exchange in South Africa.

3.4.3. All other non-residents of the Common Monetary Area

The offer consideration accruing to non-resident shareholders whose registered addresses are outside the Common Monetary Area and who are not emigrants from the Common Monetary Area will:

3.4.3.1. in the case of certificated shareholders, whose documents of title have been restrictively endorsed in terms of Exchange Control Regulations, be posted to their registered address, unless written instructions to the contrary are received and an address provided. The attached form of acceptance makes provision for a substitute address or bank details; or

3.4.3.2. in the case of dematerialised shareholders, be paid to the duly appointed CSDP or broker and credited to such Austro shareholders in terms of the provisions of the custody agreement with their CSDP or broker.

3.4.4. Information not provided

If the information regarding authorised dealers is not given, or the instructions are not given as required in terms of paragraphs 3.4.1 to 3.4.3, the offer consideration will be held in trust by Austro or the transfer secretaries on behalf of Austro for the shareholders concerned, pending receipt of the necessary information or instructions.

3.5. Other terms of the offer

3.5.1. The offer may be amended, varied or revised in such manner as the offeror in its sole discretion may determine, provided that no such amendment, variation or revision shall be made unless:

3.5.1.1. the prior consent of the Takeover Regulation Panel has been obtained;

3.5.1.2. there is no diminution in the value of the offer consideration offered; and

3.5.1.3. an announcement or press release containing the amended, varied or revised offer is made prior to the closing time and date of the offer or such other date which is approved by the Takeover Regulation Panel.

3.5.2. In addition to the above, no amendment to, or variation of the offer will be valid unless made in writing and signed by a duly authorised representative of the offeror. Without prejudice to its other rights, the offeror reserves the right to condone, in its sole discretion, the non-observance by any shareholder of any of the terms or conditions of the offer. If the offer is amended, varied or revised in a manner which makes it more favourable to the shareholders, the benefit of such improved offer will automatically accrue to any shareholder who has accepted the offer prior to the amendment, variation or revision being made.

3.5.3. The acceptance by or on behalf of such shareholders of the offer in its original or previous form shall be deemed to be an acceptance of any improved offer pursuant to any such amendment, variation or revision and shall constitute an irrevocable authority and power of attorney in *rem suam* to any director or duly authorised representative of the offeror:

3.5.3.1. to accept such amended, varied or revised offer on behalf of such shareholder; and

3.5.3.2. to execute on behalf of and in the name of such shareholder all such further documents (if any) as may be required to give effect to such acceptance.

4. IRREVOCABLE UNDERTAKINGS

4.1. Austro shareholders holding 142 456 243 Austro shares, representing approximately 57.07% of the shares not owned by the offeror have irrevocably undertaken in favour of the offeror not to accept the offer. Such irrevocable undertakings have been furnished by the following Austro shareholders:

Name	Number of shares	% holding
Quixley Global Incorporated	43 600 000	17.47%
Peregrine Equities	40 000 000	16.02%
BD Downs	20 000 000	8.01%
Flagship Asset Management	17 000 000	6.81%
NRO Brown	7 000 000	2.80%
Denje Investments (S Hurwitz)	3 900 000	1.56%
B Kark	3 205 500	1.28%
G Miles	2 360 000	0.95%
Long Island Trading 58 CC (A Joffe)	1 700 000	0.68%
The Kevin Joselowitz Family Trust	1 013 977	0.41%
The Howard Talpert Family Trust	813 977	0.33%
R Brouze	765 789	0.31%
R Goldstein	625 000	0.25%
M Brouze	272 000	0.11%
S Kuper	200 000	0.08%
Total	**142 456 243**	**57.07%**

The Austro shareholders who/which have irrevocably undertaken not to accept the offer as at the last practicable date hold no direct or indirect beneficial interests in Ricophase.

4.2. No Austro shareholder has given any undertaking to accept the offer.

5. INFORMATION ON THE OFFEROR

Ricophase is an investment holding company. Its current shareholders are The David Brouze Trust (as to 50%), The Sades Family Trust (as to 35%), The JSF Family Trust (as to 5%), Mansour (as to 5%) and Neuberger (as to 5%).

6. INFORMATION ON AUSTRO

6.1. Major shareholders

The following shareholders had a 5% or more beneficial (direct and indirect) interest in the issued share capital of Austro as at the last practicable date:

Name	Number of shares	%
Brouze*	36 589 945	9.26
Quixley Global Incorporated	43 600 000	11.03
BD Downs	20 000 000	5.06
Peregrine	50 000 000	12.65
Flagship Asset Managers	17 075 000	4.32
Ricophase	109 000 000	27.57
Total	**276 264 945**	**69.89****

* This includes 500 000 shares in Austro held by N Brouze and JJ Brouze, the minor children of Brouze but excludes 54 500 000 shares in Austro held indirectly through Ricophase by virtue of a 50% shareholding in Ricophase.

** Based on an issued share capital of 395 292 923

6.2. Corporate structure

Austro group subsidiaries include:

6.2.1. New Way Power Proprietary Limited housing the energy and power related businesses of the group;

6.2.2. Austro Proprietary Limited (previously Austro Wood Proprietary Limited) housing the woodworking and related interests of the group;

6.2.3. New Way Power Proprietary Limited owns 49.9% of Matase Power Systems Proprietary Limited.

6.3. Other proposals received

The board of Austro received no other proposals or offers from any other party.

6.4. Financial information

6.4.1. **Annexure 2** hereto contains the condensed consolidated unaudited interim results for the 6 months ended 28 February 2013.

6.4.2. **Annexure 3** hereto contains the audited annual financial statements of Austro for the 3 years ended 31 August 2012, 2011 and 2010.

6.5. Share price history

The price history of Austro shares on the JSE is set out in **Annexure 4** to this circular.

7. INTERESTS OF THE OFFEROR IN AUSTRO

7.1. As at the last practicable date, the offeror and its concert parties held the following beneficial interests in issued ordinary shares of Austro –

	Direct	**Indirect**
Brouze	36 089 945	-
N Brouze	250 000	-
JJ Brouze	250 000	-
The David Brouze Trust*	-	-
The Sades Family Trust*	-	-
The JSF Family Trust*	-	-
Joffe	-	-
Friedman	-	-
Mansour*	-	-
Neuberger*	-	-
Stewart		75 000
Ricophase*	109 000 000	-
Total	**145 589 945**	**75 000**

* The shareholders of Ricophase as at the last practicable date are The David Brouze Trust (as to 50%), The Sades Family Trust (as to 35%), The JSF Family Trust (as to 5%), Mansour (as to 5%) and Neuberger (as to 5%).

7.2. Pursuant to the implementation of the offer, Ricophase will become the beneficial owner of the offer shares sold pursuant to the acceptances of the offer.

8. INTERESTS OF THE DIRECTORS OF RICOPHASE IN RICOPHASE AND AUSTRO

8.1. The direct and indirect beneficial interests of the directors of Ricophase in the issued share capital of Ricophase as at the last practicable date is as follows:

Director	**Beneficial direct interests (number of shares)**	**Beneficial indirect interests (number of shares)**	**Percentage of issued share capital (%)**
Friedman	-	6	5
Mansour	6	-	5
Neuberger	6	-	5
Joffe	-	42	35
Stewart	-	-	-
Brouze	-	60	50
Total	**12**	**108**	**100**

8.2. No director of Ricophase has dealt for value in the shares of Ricophase in the six month period ending on the last practicable date save for:

Name of director	Name of shareholder	Date of transaction	Number of Ricophase shares	% of Ricophase shares	Price per share	Total value of transaction (including shares and shareholder claims)	Nature of transaction
Friedman	The JSF Family Trust	25 September 2013	6	5	R0	R782 508	Sale of shares and shareholder claims from The Sades Family Trust to the JSF Family Trust
Mansour	Mansour	25 September 2013	6	5	R0	R782 508	Sale of shares and shareholder claims from The Sades Family Trust to Mansour
Neuberger	Neuberger	25 September 2013	6	5	R0	R782 508	Sale of shares and shareholder claims from The Sades Family Trust to Neuberger
Joffe	The Sades Family Trust	25 September 2013	18	15	R0	R2 347 524	Sale of shares and shareholder claims from the Sades Family Trust to each of The JSF Family Trust (as to 6 shares), Mansour (as to 6 shares) and Neuberger (as to 6 shares)

8.3. The direct and indirect beneficial interests of the directors of Ricophase in the issued share capital of Austro as at the last practicable date is as follows:

Director	Beneficial direct interests (number of shares)	Beneficial indirect interests (number of shares)	Total (number of shares)	Percentage of issued share capital (%)
Friedman	-	5 450 000*	5 450 000	1.37872
Mansour	-	5 450 000*	5 450 000	1.37872
Neuberger	-	5 450 000*	5 450 000	1.37872
Brouze	36 089 945	55 000 000**	91 089 945	23.04365
Joffe	-	38 150 000***	38 150 000	9.651070
Stewart	-	75 000 ****	75 000	0.018973

* Held indirectly through Ricophase by virtue of a 5% shareholding in Ricophase (amounting to 5 450 000 shares in Austro);

** 54 500 000 shares in Austro held indirectly through Ricophase by virtue of a 50% shareholding in Ricophase and 250 000 shares in Austro are held by each of N Brouze and JJ Brouze, the minor children of Brouze;

*** 38 150 000 shares in Austro held indirectly through Ricophase by virtue of a 35% shareholding in Ricophase;

**** 50 000 shares in Austro are held by the Falcon Trust (of which Stewart is a trustee and a beneficiary) and 25 000 shares in Austro are held by Direction Financial Services (of which Stewart is a director and shareholder).

8.4. No director of Ricophase has dealt for value in the shares of Austro in the six month period ending on the last practicable date save for:

Name	Date of transaction	Number of Austro shares	Share price	Total value of transaction	Nature of transaction
Joffe	27 May 2013	37 681 250	55.2 cents	R20 800 332	Purchase
Joffe	30 September 2013	37 681 250	55.2 cents	R20 800 332	Sale
Brouze	30 September 2013	71 318 750	45.72 cents	R32 609 668	Sale
Ricophase*	30 September 2013	71 318 750	45.72 cents	R32 609 668	Purchase
Ricophase*	30 September 2013	37 681 250	55.2 cents	R20 800 332	Purchase

* an associate of David Brouze (by virtue of the David Brouze Trust holding 50% of the issued share capital in Ricophase).

9. SPECIAL ARRANGEMENTS AND UNDERTAKINGS

9.1. In terms of the shareholders agreement entered into on 2 August 2013 between Ricophase, The David Brouze Trust, The Sades Family Trust, The JSF Family Trust, Brouze, Joffe, Friedman, Mansour and Neuberger, each of Brouze and The David Brouze Trust has undertaken in favour of the other parties to that agreement to exercise his/its voting rights in respect of the shares he and/or it holds in Austro in the same manner as Ricophase has decided to vote its shares in Austro.

9.2. A management agreement has been concluded between Austro and JFN Management (the shareholders of which are Joffe, Friedman and Neuberger and the directors of which are Joffe, Friedman and Neuberger) in terms of which JFN Management provides certain management services to Austro for a monthly management fee of R140 000 excluding incentives and VAT, if applicable. A summary of this management agreement is set out in **Annexure 5** to this circular.

9.3. Executive service contracts have been entered into between Austro and each of Mansour and Friedman on or about 18 April 2013, particulars of which are set out in **Annexure 5** to this circular.

9.4. In terms of a lease agreement entered into on or about 9 April 2009 between Austro and 30-38 Jacoba Alberton North Proprietary Limited ("**30-38 Jacoba**") (of which Stewart is a director and The David Brouze Trust is the sole shareholder), Austro has leased the premises situate at the remaining extent of portions 92 and 127 of the Farm Elandsfontein 108, measuring approximately 16 687 square metres in extent, from 30-38 Jacoba for a period of 10 years, expiring on 1 April 2019 for a monthly rental of R1 073 353.98 per month as at the date of this circular.

9.5. In terms of a lease agreement entered into on or about 9 April 2009 between Austro and Austrian Woodworking Machinery Proprietary Limited ("**Austrian Woodworking**") (of which Stewart is a director and The David Brouze Trust is the sole shareholder), Austro has leased the premises situate at 1125 Leader Avenue Stormill Extension 4, Roodepoort, measuring approximately 9 911 square metres in extent, from Austrian Woodworking for a period of 10 years, expiring on 1 September 2019 for a monthly rental of R300 937 per month as at the date of this circular.

9.6. Save as set out in paragraphs 9.1 to 9.5 above, no agreement exists between the offeror, or any person acting in concert with the offeror, and:

9.6.1. Austro;

9.6.2. any of the directors of Austro, or persons who were directors within the preceding 12 months of Austro; or

9.6.3. holders of ordinary shares of Austro, or persons who were holders of Austro ordinary shares within the preceding 12 months, which agreement is considered to be material to a decision regarding the offer.

10. ARRANGEMENTS, UNDERTAKINGS OR AGREEMENTS IN RELATION TO OFFER SHARES

Save for the irrevocable undertakings set out in paragraph 4 above, there are no arrangements, undertakings or agreements between the offeror or any person acting in concert with it in relation to the offer shares.

11. COSTS OF THE OFFER

11.1. Save for the JSE documentation fees and the fee payable to the independent expert, all of which shall be paid by Austro, Austro shall bear and pay one third of the costs of making the offer, publishing and distributing this circular and any directly related costs such as the fees levied by the TRP and the securities transfer tax payable in respect of the transfer of the offer shares.

11.2. Save for the JSE documentation fees and the fee payable to the independent expert, all of which shall be paid only by Austro, Ricophase shall bear and pay two thirds of the costs of making the offer, publishing and distributing this circular and any directly related costs such as the fees levied by the TRP and the securities transfer tax payable in respect of the transfer of the offer shares.

11.3. The estimated cost of this circular and implementing the offer exclusive of VAT are as follows:

	Austro	Ricophase	Total
Printing, publication and distribution	R50 000	R100 000	R150 000
JSE documentation fees	R11 555	-	R11 555
TRP	R25 000	R50 000	R75 000
Independent expert	R85 000	-	R85 000
Corporate and legal advisers and sponsors – Java Capital	R116 666	R233 334	R350 000
Transfer secretaries	R2 500	R5 000	R7 500
Estimated total	**R290 721**	**R388 334**	**R679 055**

12. LISTING ON THE JSE

The trading of the shares of Austro on the JSE will not be affected by the offer. The offeror has no intention of delisting Austro's shares.

13. RESPONDING CIRCULAR BY AUSTRO AND INDEPENDENT EXPERT OPINION

The responding circular by the independent board which in terms of the Takeover Regulations is to contain the substance of the opinion given to it by its independent professional expert is set out in *Part B* of this circular.

14. CONSENTS

Each of the advisers set out on the corporate information section of this circular has consented in writing to act in the capacity stated in this document and to their names being stated in this document in the form and context in which they appear and have not withdrawn their consents prior to the publication of this circular.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Ricophase:

15.1. have considered all statements of fact and opinion in this offer document (*Part A* of this circular);

15.2. accept, individually and collectively, full responsibility for the accuracy of the information given in *Part A* of the circular;

15.3. certify that, to the best of their knowledge and belief, the information in *Part A* of the circular is true;

15.4. certify that, to the best of their knowledge and belief, there are no omissions of material facts or considerations which would make any statement of fact or opinion contained in this document false or misleading;

15.5. have made all reasonable enquiries in this regard;

15.6. confirm that the offer document (*Part A* of the circular) contains all information required by the Takeover Regulations Panel in respect of offer circulars.

16. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies thereof will be available for inspection during normal business hours at the registered office of Austro and at the offices of Java Capital, from the date of issue of this document until the closing date of the offer-

16.1. a signed copy of this offer document;

16.2. the memorandum of incorporation of Austro and its subsidiaries;

16.3. the audited annual financial statements of Austro for the last 3 financial years ended 31 August 2012, 2011 and 2010;

16.4. the unaudited results of Austro for the 6 months ended 28 February 2013;

16.5. the agreements referred to in clause 9 of this circular;

16.6. the merger clearance certificate issued by the Competition Authority;

16.7. the irrevocable undertakings referred to in paragraph 4 of this offer document;

16.8. the signed letters of consent referred to in paragraph 14 of this offer document.

For and on behalf of Ricophase Proprietary Limited and each of the concert parties referred to in paragraph 1.1.3 of this circular.

Mr David Brouze

Director

Johannesburg, 24 October 2013

PART B : AUSTRO'S RESPONDING CIRCULAR

AUSTRO GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 2001/029771/06)
JSE share code: ASO ISIN: ZAE000090882
("**Austro**" or the "**company**")

Directors

AJ Phillips* (Chairman)
PD Mansour (Chief Executive Officer)
JS Friedman (Financial Director)
U Schäckermann*
DS Brouze §
GS Nzalo*

§ Non-executive Director
* Independent Non-executive Director

CIRCULAR TO AUSTRO MINORITY SHAREHOLDERS

The definitions and interpretations commencing on page 4 of the circular apply to this responding circular.

17. INTRODUCTION

This circular contains the response by the independent board of Austro to the offer proposed by Ricophase together with the persons with whom Ricophase is acting in concert or deemed to be acting in concert as described in paragraph 1.1.3 of *Part A* of this circular.

18. COMPOSITION OF THE INDEPENDENT BOARD

The independent board comprises Messrs AJ Phillips, U Schäckermann and GS Nzalo.

19. APPOINTMENT OF INDEPENDENT EXPERT

The independent board has appointed BDO Corporate Finance as its independent expert to provide the independent board with its opinion as to whether the terms of the offer are fair and reasonable to the Austro minority shareholders, in conformity with the applicable requirements of Regulation 90 of the Takeover Regulations.

20. OPINION OF INDEPENDENT EXPERT

On 21 October 2013, the independent expert delivered to the independent board of Austro an opinion to the effect that, as of the date of the opinion, and based upon and subject to the factors and assumptions detailed in its letter, the terms and conditions of the offer, and in particular, the offer consideration are not fair and not reasonable to the offerees for the reasons set out therein. The opinion is annexed hereto as **Annexure 1**.

21. VIEWS OF THE INDEPENDENT BOARD

21.1. The independent board having considered the terms and conditions of the offer and, *inter alia*, the opinion of the independent expert, is of the opinion that the offer is not fair and not reasonable to the offerees. The board recommends that shareholders do not accept the offer.

21.2. The board however has no objection to the intentions of Ricophase and its concert parties in respect of Austro or to the statements contained in *Part A* of this circular insofar as they pertain to Austro.

22. INTERESTS OF AUSTRO IN THE OFFEROR, INTERESTS OF THE DIRECTORS OF AUSTRO IN AUSTRO AND RICOPHASE

22.1. Shareholdings

22.1.1. On the last practicable date, Austro had no direct or indirect beneficial interest in the offeror.

22.1.2. On the last practicable date the current directors of Austro, and persons who were directors of Austro within the preceding 12 months, have the following direct or indirect beneficial interests in Austro shares:

Director	Beneficial direct interests (number of shares)	Beneficial indirect interests (number of shares)	Total (number of shares)	Percentage of issued share capital (%)
AJ Phillips	-	-	-	-
PD Mansour	-	5 450 000**	5 450 000**	1.37872
JS Friedman	-	5 450 000**	5 450 000**	1.37872
DS Brouze	36 089 945	55 000 000***	91 089 945	23.04365
JO Freed#	-	-	-	-
GS Nzalo	-	-	-	-
U Schackermann	-	-	-	-
JR Freed##	-	-	-	-

\# JO Freed resigned as a non-executive director with effect from 27 August 2013

\## JR Freed resigned as alternate director to JO Freed on 30 April 2013

** Held indirectly through Ricophase by virtue of a 5% shareholding in Ricophase (amounting to 5 450 000 shares in Austro)

*** 54 500 000 shares in Austro held indirectly through Ricophase by virtue of a 50% shareholding in Ricophase and 250 000 shares in Austro are held by each of N Brouze and JJ Brouze, the minor children of Brouze.

22.1.3. On the last practicable date the directors of Austro have the following direct and indirect beneficial interest in Ricophase shares:

Director	Beneficial direct interests (number of shares)	Beneficial indirect interests (number of shares)	Total (number of shares)	Percentage of issued share capital (%)
PD Mansour	6	-	6	5
JS Friedman	-	6	6	5
DS Brouze	-	60	60	50
Total	**6**	**66**	**72**	**60**

All the current directors of Austro intend, in respect of their own beneficial holdings of offer shares, not to accept the offer.

22.2. Option holdings

On the last practicable date, the directors of Austro held no options in respect of any shares of Austro or Ricophase.

22.3. Share dealings

22.3.1. Save as set out below, no current directors of Austro have traded in Austro shares during the 6 month period prior to the last practicable date:

Name of director	Date of transaction	Number of Austro shares	Share price	Total value of transaction	Nature of transaction
Brouze	30 September 2013	71 318 750	45.72 cents	R32 609 668	Sale
Brouze*	30 September 2013	71 318 750	45.72 cents	R32 609 668	Purchase
Brouze*	30 September 2013	37 681 250	55.20 cents	R20 800 332	Sale

* Shares purchased by Ricophase (an associate of Brouze)

On 24 May 2013, The Freed Trust (of which JO Freed, then a director of Austro, is a trustee and beneficiary) sold 24 300 000 ordinary shares for an aggregate sale price of R13 365 000. JO Freed resigned from the board of directors of Austro with effect from 27 August 2013.

Between 2 July 2013 and 9 July 2013, the JRF Trust (of which JR Freed, an alternate director to JO Freed on the board of directors of Austro, is a trustee and beneficiary) sold in aggregate 4 050 000 ordinary shares for an aggregate sale price of R2 755 000.

22.3.2. Save as set out below, neither Austro nor the current directors of Austro have traded in the shares of Ricophase during the 6 month period prior to the last practicable date:

Name of director	Name of shareholder	Date of transaction	Number of Ricophase shares	% of Ricophase shares	Price per share	Total value of transaction (including shares and shareholder claims)	Nature of transaction
Friedman	The JSF Family Trust	25 September 2013	6	5	R0	R782 508	Sale of shares and shareholder claims from The Sades Family Trust to the JSF Family Trust
Mansour	Mansour	25 September 2013	6	5	R0	R782 508	Sale of shares and shareholder claims from The Sades Family Trust to Mansour

22.4. Special agreements

22.4.1. There are no agreements between Austro and Ricophase and any of its concert parties other than:

22.4.1.1. the management agreement referred to in paragraph 9.2 of the circular;

22.4.1.2. the service agreements referred to in paragraph 22.4.2 below;

22.4.1.3. the lease agreements referred to in paragraphs 9.4 and 9.5 of the circular.

22.4.2. There are no agreements between Austro and any of the directors of Ricophase, or persons who were directors or equivalent of Ricophase within the preceding 12 months other than:

22.4.2.1. the service agreement between Austro and Friedman;

22.4.2.2. the service agreement between Austro and Mansour.

22.4.3. There are no agreements between Austro and any shareholders in Ricophase or persons who were holders of shares in Ricophase or interested therein within the preceding 12 months save as set out in paragraph 22.4.2 above.

23. DIRECTORS' INTERESTS IN THE OFFER

Save in respect of their respective shareholdings in Ricophase, details of which are set out in paragraph 22.1.3, and David Brouze by virtue of his being a beneficiary of The David Brouze Trust, and a concert party of Ricophase, no directors of Austro will benefit directly or indirectly in any manner as a consequence of the implementation of the offer.

24. DIRECTORS' SERVICE CONTRACTS

24.1. The following written service contracts have been entered into between Austro and its directors:

24.1.1. executive service agreement entered into between Austro and Mansour on 18 April 2013; and

24.1.2. executive service agreement entered into between Austro and Friedman on 18 April 2013,

particulars of which are set out in **Annexure 5**.

24.2. Save as set out above, there are no other written service contracts between Austro and its directors.

24.3. None of the contracts mentioned above have been amended since 18 April 2013.

25. AUSTRO DIRECTORS EMOLUMENTS

25.1. The salaries and other emoluments paid to directors of the company during the financial year ended 31 August 2012 were as follows:

Directors emoluments 2012	Services as directors	Salary and allowances	Bonuses and performance related payments	Retirement and related benefits	Share based payments	Other benefits	Total
	R	R	R	R	R	R	R
Executive directors							
PD Mansour§	-	-	-	-	-	-	-
J Friedman§	-	-	-	-	-	-	-
C Jacobs#	-	2 544 000	-	-	-	-	2 544 000
JO Freed+	-	2 916 379	-	-	-	-	2 916 379
JR Freed*	-	3 186 062	-	-	-	-	3 186 062
P Sigsworth^	-	512 100	-	-	-	-	512 100
T Le Roux∞	-	1 147 805	-	-	-	-	1 147 805
	-	**10 306 346**	-	-	-	-	**10 306 346**
Non-executive directors							
AJ Phillips	423 500	-	-	-	-	-	423 500
DS Brouze	135 000	-	-	-	-	-	135 000
GS Nzalo	202 000	-	-	-	-	-	202 000
Schäckermann	203 000	-	-	-	-	-	203 000
	963 500	**-**	**-**	**-**	**-**	**-**	**963 500**

§appointed 15 April 2013
*resigned 30 April 2013
#dismissed 11 December 2012
+ resigned 27 August 2013
^resigned 29 November 2011
∞resigned 3 August 2012

25.2. The directors' emoluments will not be affected by the offer.

26. LISTING ON THE JSE

The independent board does not believe that the trading of the shares of Austro on the JSE will be affected by the offer. Ricophase has indicated in its offer document that it is does not have any intention to delist the shares.

27. CONSENTS

Java Capital, the independent expert and the transfer secretaries have consented in writing to act in the capacity stated in this document and to their names being stated in this document and in the case of the independent expert, reference to their report in the form and context in which it appears and have not withdrawn their consent prior to the publication of this circular.

28. COSTS OF THE OFFER

28.1. Save for the JSE documentation fees and the fee payable to the independent expert, all of which shall be paid by Austro, Austro shall bear and pay one third of the costs of making the offer, publishing and distributing this document and any directly related costs such as the fees levied by the TRP and the securities transfer tax payable in respect of the transfer of the offer shares. In this regard, reference is made to paragraph 11 in *Part A* of the circular.

28.2. Save for the JSE documentation fees and the fee payable to the independent expert, all of which shall be paid by Austro, Ricophase shall bear and pay two thirds of the costs of making the offer, publishing and distributing this document and any directly related costs such as the fees levied by the TRP and the securities transfer tax payable in respect of the transfer of the offer shares. In this regard, reference is made to paragraph 11 in *Part A* of the circular.

29. LITIGATION STATEMENT

29.1. Austro and its subsidiary, New Way Power Proprietary Limited ("**New Way**") (collectively "**the Group**"), have instituted legal action to interdict and restrain each of Jonathan Freed (formerly CEO of New Way and director of Austro) and Justin Freed (formerly Sales Director of New Way and alternate director of Austro) from breaching restraint of trade undertakings, common law and other legal duties owed to the Group.

29.2. On 4 September 2013 John Deere S.A.S ("**John Deere**") gave New Way 6 months' written notice of termination of a distributorship agreement entered into between New Way and John Deere which distributorship agreement appointed New Way as a distributor of John Deere industrial engines and OEM engine spare parts. The Group is in discussions with John Deere regarding the conclusion of a new distributorship agreement in this regard. The conclusion of these discussions and the determination by John Deere as to who will be appointed as the new distributor will only be finalised once there is more clarity on the status of the aforesaid litigation against Jonathan Freed and Justin Freed.

29.3. Importantly, John Deere has indicated that termination of the distributorship agreement referred to above will not affect the procurement by New Way of engines directly from John Deere as a component utilised by New Way for the manufacture of New Way's OEM generator sets.

29.4. Save as set out above, as at the last practicable date, there were no legal or arbitration proceedings, including any such proceedings which are pending or threatened, of which the directors of Austro are aware and which may have or have had during the 12 month period preceding the date of issue of this document, a material effect on the financial position of the Austro group of companies.

30. DIRECTORS' RESPONSIBILITY STATEMENT

The independent board of directors of Austro:

30.1. have considered all statements of fact and opinion in this responding circular;

30.2. accept, individually and collectively, full responsibility for the accuracy of the information given in this responding circular;

30.3. certify that, to the best of their knowledge and belief, the information in this responding circular is true;

30.4. certify that, to the best of their knowledge and belief, there are no omissions of material facts or considerations which would make any statement of fact or opinion contained in this responding circular false or misleading;

30.5. have made all reasonable enquiries in this regard; and

30.6. confirm that this responding circular contains all information required by the Takeover Regulations in respect of response circulars.

31. IRREVOCABLE UNDERTAKINGS

Save as set out in paragraph 4 of *Part A* of the circular, the independent board of Austro is not aware of any person who has, or prior to the last practicable date, irrevocably committed himself to accept the offer.

32. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies thereof will be available for inspection during normal business hours at the registered office of Austro and at the offices of Java Capital, from the date of issue of this document until the closing date of the offer-

32.1. a signed copy of this circular;

32.2. the memorandum of incorporation of Austro and its subsidiaries;

32.3. the audited annual financial statements of Austro for the last 3 financial years ended 31 August 2012, 2011 and 2010;

32.4. the unaudited results of Austro for the 6 months ended 28 February 2013;

32.5. the agreements referred to paragraphs 9, 22.4 and 24 of this circular;

32.6. the signed letters of consent referred to in paragraph 27 of this circular.

For and behalf of the independent board of Austro Group Limited

U Schäckermann

Johannesburg

24 October 2013

INDEPENDENT EXPERT'S REPORT

The Directors
Austro Group Limited
1125 Leader Ave
Stormill ext 4
Roodepoort

21 October 2013

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO AUSTRO GROUP LIMITED REGARDING A MANDATORY OFFER

Introduction

BDO Corporate Finance Proprietary Limited ("BDO Corporate Finance" or "the Independent Expert") has been appointed by the board of directors of Austro Group Limited ("Austro" or the "Company") to provide independent advice to the directors and shareholders of Austro, in terms of Regulation 90 of the Companies Regulations, 2011 ("Companies Regulations"), as read with Section 117(c)(i) and Section 123 of the Companies Act (No.71 of 2008), as amended ("the Companies Act"), in respect of a mandatory offer to shareholders of Austro, as a result of the following share transactions which became effective on 25 September 2013 following the fulfilment of the last condition precedent:

- David Brouze ("Brouze") sold 71 318 750 ordinary shares in Austro to Ricophase Proprietary Limited ("Ricophase") at a purchase consideration of R0.4572 per Austro share, being an aggregate consideration of R32 609 668; and
- Ricophase purchased an additional 37 681 250 ordinary Austro shares from Steven Joffe ("Joffe") at a purchase consideration R0.5520 per Austro share, being an aggregate consideration of R20 800 332 collectively (the "Transactions").

The Transactions were concluded in terms of an agreement ("the Share Acquisition Agreement") entered into between Ricophase, Brouze and Joffe on 2 August 2013 and implemented on 25 September 2013.

A concert party arrangement has been formally established amongst Brouze and Ricophase in relation to any shares held from time to time by them in Austro. In addition, Ricophase is deemed also to be acting in concert with each of N Brouze and JJ Brouze (each deemed a concert party pursuant to him being a related party of Brouze, Joffe, Jarrod Friedman("Friedman"), Paul Mansour ("Mansour") and Christian Neuberger ("Neuberger") (each deemed a concert party pursuant to him being a director of Ricophase) and any company controlled by any one or more of Joffe, Friedman, Mansour, Neuberger and/or Brouze and any trust of which any one or more of Joffe, Friedman, Mansour, Neuberger and/or Brouze is a beneficiary or trustee, together ("the Concert Parties").

On the implementation of the Transactions Ricophase, together with the Concert Parties, hold in excess of 35% of the issued share capital of Austro. In terms of section 123 of the Companies Act, read with the Takeover Regulations, the Transactions constitutes an affected transaction as defined in section 117(1)(c) of the Companies Act. Ricophase and the Concert Parties, together ("the Offeror") is accordingly obligated to extend an offer to the remaining Austro shareholders to acquire the ordinary shares held by Austro shareholders other than those already held by the Offeror (the "Offer Shares") at the highest price paid by the Offeror or any person acting in concert with the Offeror within the six month period before the commencement of the offer period, being 55.2 cents per share ("the Offer Price") (the "Mandatory Offer").

As at the date of this opinion, the ordinary share capital of the Company comprises of the following:

- Authorised ordinary share capital comprising 1,000,000,000 no par value ordinary shares; and
- Issued ordinary share capital comprising 395,292,923 no par value ordinary shares.

The Company holds no ordinary shares as treasury shares.

Full details of the Transactions are contained in the circular to Austro shareholders ("the Circular") to be dated on or about 5 November 2013, which will include a copy of this letter.

The material interests of the directors of Austro are set out in paragraph 22 of the Circular. The effects of the Transactions and the Mandatory Offer, detailed in the Circular will also apply to the directors.

FAIR AND REASONABLE OPINION REQUIRED IN RESPECT OF THE MANDATORY OFFER

The Mandatory Offer is an affected transaction as defined in section 117(1)(c)(vi) of the Companies Act, which is subject to the provisions of the Companies Regulations. The directors of Austro are required to obtain appropriate external advice on the Mandatory Offer, as to how it affects all holders of securities in Austro ("the Fair and Reasonable Opinion").

RESPONSIBILITY

Compliance with the Companies Act is the responsibility of the directors of Austro. Our responsibility is to report to the directors and shareholders of Austro on the fairness and reasonableness of the terms and conditions of the Mandatory Offer.

EXPLANATION AS TO HOW THE TERMS "FAIR" AND "REASONABLE" APPLY IN THE CONTEXT OF THE MANDATORY OFFER

The "fairness" of a transaction is based on quantitative issues. A transaction may be said to be fair if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value ceded by the shareholders.

The Mandatory Offer may be said to be fair if the value of the Offer Price is greater than or equal to the fair value of one Austro ordinary share ("Austro Share") or unfair if the Offer Price is less than the fair value of one Austro Share.

The assessment of reasonableness of the Offer Price is based on the offer price in relation to the prevailing trading price of an Austro Share as at the time of the Mandatory Offer.

It is therefore conceivable that if the Offer Price exceeds either the estimated fair value per security or current traded price per Austro Share, but not both, the Offer Price could be considered fair but not reasonable or reasonable but not fair.

DETAIL AND SOURCES OF INFORMATION

In arriving at our opinion we have relied upon the following principal sources of information:

- The terms and conditions of the Transactions and the Mandatory Offer, as set out in the Circular;
- Audited financial information of Austro for the years ended 31 August 2010, 2011 and 2012;
- Management accounts of Austro for the year ended 31 August 2013;
- Budgeted financial information of Austro for the year ending 31 August 2014;
- Discussions with Austro directors and management regarding their expectations in regard of the financial performance of the Company for the four year period subsequent to budget period;
- Discussions with Austro directors and management regarding the historic and forecast financial information;
- Discussions with Austro directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- Publicly available information relating to the Industrial Engineering Sector in general; and
- Publicly available information relating to Austro that we deemed to be relevant, including company announcements and media articles.

The information above was secured from:

- Directors and management of Austro and their advisors; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Austro.

PROCEDURES

In arriving at our opinion we have undertaken the following procedures in evaluating the fairness and reasonableness of the Mandatory Offer:

- Reviewed the terms and conditions of the Transactions and the Mandatory Offer;
- Reviewed the audited and unaudited financial information of Austro;

- Reviewed and obtained an understanding from management as to the forecast financial information of Austro and assessed the achievability thereof by considering historic information as well as macro-economic and sector-specific data;
- Held discussions with directors of Austro and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- Compiled forecast cash flows in respect of each of Austro' underlying operations by using the forecast financial information as detailed above and by applying management's assumptions in respect of growth in revenue and operating profits. Applied BDO Corporate Finance's assumptions of cost of capital to the forecast cash flows to produce discounted cash flow valuations of Austro' underlying operations;
- Compiled capitalisation of maintainable earnings valuations of Austro' underlying operations by using adjusted historical and forecast financial information and applied BDO Corporate Finance's calculated earnings multiples based on market comparables to revenue, earnings before interest and tax ("EBIT"), earnings before interest, taxation, depreciation and amortisation ("EBITDA") and profit after tax ("PAT");
- Assessed the long-term potential of Austro;
- Performed a sensitivity analysis on key assumptions included in the discounted cash flow valuations, specifically related to cost of capital and growth in the businesses;
- Evaluated the relative risks associated with Austro and the industry in which it operates;
- Reviewed certain publicly available information relating to Austro and the Industrial Engineering Sector that we deemed to be relevant, including company announcements and media articles;
- Where relevant, representations made by management and/or directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Austro operates, and to analyse external factors that could influence the business of Austro; and
- Held discussions with the directors and management of Austro as to the strategy and the rationale for the Transactions and considered such other matters as we considered necessary, including assessing the prevailing economic and market conditions and trends in the Industrial Engineering Sector.

OTHER CONSIDERATIONS

In arriving at our opinion, we have considered, in addition to the procedures referred to above, other key qualitative factors, which are set out below:

- Consideration of the rationale for the Transactions as set out in the Circular.

ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- That all agreements that have been entered into in terms of the Transactions and the Mandatory Offer will be legally enforceable;
- That the Transactions and the Mandatory Offer will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Austro; and
- That reliance can be placed on the financial information of Austro.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Reliance on audit reports in the financial statements of Austro;
- Conducting analytical reviews on the historical financial results and the forecast financial information, such as key ratio and trend analyses; and
- Determining the extent to which representations from management were confirmed by documentary and audited financial evidence, as well as our understanding of Austro and the economic environment in which the Company operates.

LIMITING CONDITIONS

This fair and reasonable opinion has been given to the independent board for the sole purpose of assisting the independent board in forming and expressing an opinion for the benefit of Austro minority shareholders. The Fair and Reasonable Opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Austro shareholders. Should an Austro shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual shareholder's decision as to whether to accept the Mandatory Offer may be influenced by his particular circumstances. The assessment as to whether or not the directors decide to recommend the Mandatory Offer is a decision that can only be taken by the directors of Austro.

We have relied upon and assumed the accuracy of the information used by us in deriving our Fair and Reasonable Opinion. While our work has involved an analysis of the annual financial statements and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

We have also assumed that the Transactions and the Mandatory Offer will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of Austro and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

INDEPENDENCE, COMPETENCE AND FEES

We confirm that we have no direct or indirect interest in Austro shares or the Transactions. We also confirm that we have the necessary competence to provide the Fair and Reasonable.

Furthermore, we confirm that our professional fees of R85,000 (excluding VAT) are not contingent upon the success of the Transactions.

VALUATION

BDO Corporate Finance performed a valuation of Austro to determine whether the Mandatory Offer represents fair value to the Austro shareholders.

The valuation methodologies employed in respect of Austro included the discounted cash flow methodology as the primary valuation methodology and the capitalisation of maintainable earnings methodology as a secondary methodology.

The valuation was performed taking cognisance of risk and other market and industry factors affecting Austro. Additionally, sensitivity analyses were performed considering key value drivers.

Key internal value drivers to the discounted cash flow valuation included the discount rate, working capital and capital expenditure requirements, operating margins and expected future growth in the business.

External value drivers, including, interest rates, headline inflation rates and prevailing market and industry conditions in respect of the Industrial Engineering sector were also considered in assessing the forecast cash flows and risk profile of Austro.

VALUATION RESULTS

In undertaking the valuation exercise above, we determined a valuation range for Austro Shares of 62 cents to 73 cents per Austro Share, with a most likely value of 67 cents per Austro Share.

The valuation range above is provided solely in respect of this Fair and Reasonable Opinion and should not be used for any other purposes.

REASONABLENESS OF MANDATORY OFFER

The Offer Price represents a discount of31.0% to the volume weighted average traded price ("VWAP") of Austro Shares on the JSE for the 30 days up to and including 25 September 2013 of 80.03 cents, being the day before the date of announcement of the Mandatory Offer on the JSE stock exchange news service ("SENS").

OPINION

BDO Corporate Finance has considered the proposed terms and conditions of the Mandatory Offer, based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Mandatory Offer, based on quantitative considerations, are unfair to the Austro shareholders.

We are of the opinion that the proposed terms and conditions of the Mandatory Offer are unreasonable from the perspective of the Austro shareholders, as the Mandatory Offer is at a discount to the 30 day VWAP of an Austro Share.

Our opinion is necessarily based upon the information available to us up to 18 October 2013, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals and consents required in connection with the Transactions and the Mandatory Offer have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

CONSENT

We hereby consent to the inclusion of this letter and references thereto in the Circular in the form and context in which they appear.

Yours faithfully

BDO Corporate Finance Proprietary Limited

Nick Lazanakis
Director
22 Wellington Road
Parktown
2193

EXTRACTS OF THE AUDITED CONSOLIDATED FINANCIAL INFORMATION OF AUSTRO FOR THE YEARS ENDED 31 AUGUST 2012, 31 AUGUST 2011 AND 31 AUGUST 2010

Extracts of the audited consolidated financial information of Austro

Review of activities

Main business and operations

Austro Group Limited's core strategy is to offer leading and established global brands to large manufacturing, commercial, construction, mining and other groups in the infrastructural sector. This offering is complemented by unsurpassed service and technical support.

Group results

- Revenue increased by 7.9% from R387.1 million to R417.5 million.
- Operating loss before impairment of goodwill of R17.1 million (2011: loss of R2,8 million).
- Headline earnings per share decreased from 1.60 cents per share to a headline loss of 5.26 cents per share.

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

Share capital

Number of ordinary no par value shares in issue at 31 August 2012: 395 292 923.

During the year, 1 000 000 000 ordinary shares with a nominal par value of R.00001 in the company (comprising both the issued shares and the authorised shares) were converted to 1 000 000 000 ordinary shares with no par value.

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

Subsidiaries

Details of the company's principal subsidiaries and changes therein are set out in note 5 in the annual financial statements.

Post-statement of financial position

There have been no material events subsequent to the end of the year that have not been taken account of in the financial statements for the year.

Consolidated statements of financial position
as at 31 August 2012

		GROUP			COMPANY		
		2012	2011	2010	**2012**	2011	2010
	Notes	**R'000**	R'000	R'000	**R'000**	R'000	R'000
Assets							
Non-current assets							
Plant and equipment	2	**43 043**	38 018	43 597	**108**	159	-
Goodwill	3	**95 544**	229 742	229 742	**-**	-	-
Loans receivable	8	**-**	482	-	**473**	315	-
Deferred taxation	4	**14 063**	8 717	64	**2 062**	4 284	64
Investment in subsidiaries	5	**-**	-	-	**253 956**	253 956	253 956
		152 650	276 959	273 403	**256 599**	258 714	254 020
Current assets							
Inventories	6	**197 117**	177 869	254 053	**-**	-	-
Trade and other receivables	7	**105 384**	76 025	75 160	**106**	5 845	2 165
Taxation receivable		**4 537**	1 465	557	**-**	-	-
Loans to group companies	8	**-**	-	-	**82 711**	71 069	104 168
Cash and cash equivalents	9	**34 415**	48 988	42 390	**49**	1 843	40 432
		341 453	304 347	372 160	**82 866**	78 757	146 765
Total assets		**494 103**	581 306	645 563	**339 465**	337 471	400 785
Equity and liabilities							
Equity							
Equity attributable to equity holders of parent							
Stated capital/share capital and share premium	10	**295 497**	295 701	322 107	**295 497**	295 701	322 107
Accumulated profits		**66 997**	221 409	223 598	**42 275**	36 747	30 875
		362 494	517 110	545 705	**337 772**	332 448	352 982
Non-controlling interest		**(1)**	-	-	**-**	-	-
		362 493	517 110	545 705	**337 772**	332 448	352 982
Liabilities							
Non-current liabilities							
Finance lease obligation	11	**5 263**	-	-	**-**	-	-
Interest-free liabilities		**-**	-	3 426			3 426
Deferred taxation		**-**	-	379	**-**	-	-
Provisions	14	**12 291**	-		**-**	-	-
		17 554	-	3 805	**-**	-	3 426
Current liabilities							
Loan from group company	8	**-**	-	-	**674**	-	-
Current portion of interest-free liabilities	12	**-**	3 426	3 426	**-**	3 426	3 426
Trade and other payables	13	**110 559**	60 662	62 730	**1 019**	1 597	1 168
Taxation payable		**7**	108	4 629	**-**	-	4 000
Finance lease obligation	11	**2 523**	-		**-**	-	-
Bank overdraft		**-**	-	25 268	**-**	-	35 783
Provisions	14	**967**	-	-	**-**	-	
		114 056	64 196	99 858	**1 693**	5 023	47 803
Total liabilities		**131 610**	64 196	99 858	**1 693**	5 023	47 803
Total equity and liabilities		**494 103**	581 306	645 563	**339 465**	337 471	400 785

Consolidated statements of comprehensive income
for the year ended 31 August 2012

		GROUP			COMPANY		
	Notes	**2012 R'000**	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
Revenue	15	**417 531**	**387 102**	**401 943**	**6 185**	9 165	14 668
Cost of sales and services		**(289 374)**	(258 271)	(242 655)	**-**	-	-
Gross profit		**128 157**	**128 831**	**159 288**	**6 185**	9 165	14 668
Other income		**4 523**	**1 877**	**6 430**	**-**	-	-
Operating expenses		**(141 066)**	(133 479)	(129 082)	**(5 466)**	(7 815)	24
Onerous lease expense effect		**(8 647)**	-	-	**-**	-	(8 735)
Impairment of goodwill		**(134 198)**	-	-	**-**	-	-
Operating (loss)/profit	16	**(151 2321)**	(2 771)	36 636	**719**	1 350	5 957
Interest received	17	**6 015**	6 804	8 559	**8 008**	11 427	3 766
Interest paid	18	**(4 065)**	(3 942)	(11 538)	**(1 028)**	(1 634)	(9 164)
(Loss)/profit before taxation		**(149 281)**	91	33 657	**7 699**	11 143	559
Taxation (expense)/income	19	**(5 132)**	6 348	(10 527)	**(2 171)**	3 357	(1 770)
(Loss)/profit for the year		**(154 413)**	6 439	23 130	**5 528**	14 500	(1 211)
Other comprehensive income		**-**	-	-	**-**	-	-
Total comprehensive (loss)/income		**(154 413)**	6 439	23 130	**5 528**	14 500	(1 211)
Total comprehensive (loss)/income attributable to:							
Owners of the parent		**(154 412)**	6 439	23 130	**5 528**	14 500	(1 211)
Non-controlling interest		**(1)**	-	-	**-**	-	-
		(154 413)	6 439	23 130	**5 528**	14 500	(1 211)
(Loss)/profit attributable to:							
Owners of the parent		**(154 412)**	6 439	23 130	**5 528**	14 500	(1 211)
Non-controlling interest		**(1)**	-	-	**-**	-	-
		(154 413)	6 439	23 130	**5 528**	14 500	(1 211)
Earnings per share							
Per share information							
(Loss)/earnings per share (cents)	29	**(39.06)**	1.5	5.4	**-**	-	-
Headline (loss)/earnings per share (cents)	29	**(5.26)**	1.6	5.2	**-**	-	-
Dividends per share (cents)		**-**	2.0	4.0	**-**	-	-
Capital distribution declared out of share premium (costs)		**-**	2.0	-	**-**	-	-

Consolidated statements of cash flows
for the year ended 31 August 2012

		GROUP			COMPANY		
		2012	2011	2010	**2012**	2011	2010
	Notes	**R'000**	R'000	R'000	**R'000**	R'000	R'000
Cash flows from operating activities							
Cash generated from/(utilised in) operations	20	**15 444**	79 859	150 392	**5 942**	(1 876)	1 869
Interest received		**6 015**	6 804	8 559	**8 008**	11 427	3 766
Interest paid		**(4 065)**	(3 942)	(11 538)	**(1 028)**	(1 634)	(9 164)
Dividends paid		**-**	(8 628)	(17 257)	**-**	(8 628)	(17 257)
Taxation (paid)/received	21	**(13 651)**	(8 113)	(9 262)	**51**	(4 863)	(701)
Net cash inflows/(outflows) from operating activities		**3 743**	65 980	120 894	**12 973**	(5 574)	(21 487)
Cash flows from investing activities							
Plant and equipment acquired – maintain operations	2	**(7 366)**	(5 140)	(7 212)	**(11)**	(184)	-
Proceeds on disposal of plant and equipment	22	**2 523**	1 340	6 247	**-**	-	-
Acquisition of business combination	23	**(10 026)**	-	-	**-**	-	
(Increase)/decrease in loans to/from group companies		**-**	-	-	**(10 968)**	33 099	
Decrease/(increase) in loans receivable		**482**	(482)	-	**(158)**	(315)	
Net cash (outflows)/inflows from investing activities		**(14 387)**	(4 282)	(965)	**(11 137)**	32 600	84 705
Reduction of share capital or buy-back of shares	10	**(204)**	-	-	**(204)**	-	-
Interest-free liabilities paid		**(3 426)**	(3 426)	(3 425)	**(3 426)**	(3 426)	-
Finance lease payments		**(299)**	-	-	**-**	-	-
Interest bearing liabilities paid		**-**	-	(1 970)	**-**	-	(3 425)
Share premium reduction due to share buy-back		**-**	(18 492)	-	**-**	(18 492)	-
Share premium reduction due to capital distribution declared out of share premium		**-**	(7 914)	-	**-**	(7 914)	-
Net cash (outflows)/inflows from financing activities		**(3 929)**	(29 832)	(5 395)	**(3 630)**	(29 832)	(3 425)
Net (decrease)/increase in cash and cash equivalents		**(14 573)**	31 866	114 534	**(1 794)**	(2 806)	59 793
Cash and cash equivalents at beginning of year		**48 988**	17 122	(97 412)	**1 843**	4 649	(55 144)
Cash and cash equivalents at end of year	9	**34 415**	48 988	17 122	**49**	1 843	4 649

Consolidated statements of cash flows

for the year ended 31 August 2011

		GROUP		COMPANY	
		2011	2010	**2011**	2010
	Notes	**R'000**	R'000	**R'000**	R'000
Net cash inflows/(outflows) from operating activities		**65 980**	120 984	**(5 574)**	(21 487)
Cash generated by operations	19	**79 859**	150 392	**(1 876)**	1 869
Interest received		**6 804**	8 559	**11 427**	3 766
Interest paid		**(3 942)**	(11 538)	**(1 634)**	(9 164)
Dividends paid		**(8 628)**	(17 257)	**(8 628)**	(17 257)
Taxation paid	20	**(8 113)**	(9 262)	**(4 863)**	(701)
Net cash (outflows)/inflows from investing activities		**(4 282)**	(965)	**32 600**	84 705
Plant and equipment acquired – to maintain operations or restructured	2	**(5 140)**	(7 212)	**(184)**	-
Proceeds on disposal of plant and equipment	21	**1 340**	6 247	**-**	-
(Increase)/decrease in loans receivable		**(482)**	-	**32 784**	84 705
Net cash outflows from financing activities		**(29 832)**	(5 395)	**(29 832)**	(3 425)
Interest-free liabilities paid		**(3 426)**	(3 425)	**(3 426)**	-
Interest-bearing liabilities paid		**-**	(1 970)	**-**	(3 425)
Share premium reduction due to share buy-back		**(18 492)**	-	**(18 492)**	-
Share premium reduction due to capital distribution declared out of share premium		**(7 914)**	-	**(7 914)**	-
Net increase/(decrease) in cash and cash equivalents		**31 866**	114 534	**(2 806)**	59 793
Cash and cash equivalents at beginning of year		**17 122**	(97 412)	**4 649**	(55 144)
Cash and cash equivalents at end of year		**48 988**	17 122	**1 843**	4 649

Consolidated statements of changes in equity

for the year ended 31 August 2012

	Share capital/ stated capital R'000	Share premium R'000	Total share capital R'000	Accumu-lated profits R'000	Total attributable to the owners of the parent R'000	Non-controlling Interest R'000	Total equity R'000
Group							
Balance at 1 September 2010	4	322 103	322 107	223 598	545 705	-	545 705
Total comprehensive income for the year	-	-	-	6 439	6 439	-	6 439
Share premium reduction due to share buy-back	-	(18 492)	(18 492)	-	(18 492)	-	(18 492)
Share premium reduction due to capital distribution declared out of share premium	-	(7 914)	(7 914)	-	(7 914)	-	(7 914)
Dividends paid	-	-	-	(8 628)	(8 628)	-	(8 628)
Balance at 1 September 2011	4	295 697	295 701	221 409	517 110	-	517 110
Total comprehensive loss for the year	-	-	-	(154 412)	(154 412)	(1)	(154 413)
Share premium reduction due to share buy-back	-	(204)	(204)	-	(204)	-	(204)
Conversion to no par value shares	295 493	(295 493)	-	-	-	-	-
Balance at 31 August 2012	295 497	-	295 497	66 997	362 494	(1)	362 493
Company						-	
Balance at 1 September 2010	4	322 103	322 107	30 875	352 982	-	352 982
Total comprehensive income for the year	-	-	-	14 500	14 500	-	14 500
Share premium reduction due to share buy-back	-	(18 492)	(18 492)	-	(18 492)	-	(18 492)
Share premium reduction due to capital distribution declared out of share premium	-	(7 914)	(7 914)	-	(7 914)	-	(7 914)
Dividends paid	-	-	-	(8 628)	(8 628)	-	(8 628)
Balance at 1 September 2011	4	295 697	295 701	36 747	332 448	-	332 448
Total comprehensive income for the year	-	-	-	5 528	5 528	-	5 528
Share premium reduction due to share buy-back	-	(204)	(204)	-	(204)	-	(204)
Conversion to no par value shares	295 493	(295 493)	-	-	-	-	-
Balance at 31 August 2012	295 497	-	295 497	42 275	337 772	-	337 772

Financial position segmental analysis
for the year ended 31 August 2012

	Power R'000	%	Wood R'000	%	Total R'000	%
2012						
Assets	**386 225**	**78.2**	**107 878**	**21.8**	**494 103**	**100.0**
Capital and reserves	**320 520**	**88.4**	**41 973**	**11.6**	**362 493**	**100.0**
Liabilities	**(65 705)**	**49.9**	**(65 905)**	**50.1**	**(131 610)**	**100.0**
Additions to non-current assets	**4 019**	**23.0**	**13 463**	**77.0**	**17 482**	**100.0**
2011						
Assets	463 749	79.8	117 557	20.2	581 306	100.0
Capital and reserves	427 171	82.6	89 939	17.4	517 110	100.0
Liabilities	36 578	57.0	27 618	43.0	64 196	100.0
Additions to non-current assets	3 997	77.8	1 143	22.2	5 140	100.0
2010						
Assets	493 991	76.5	151 572	23.5	645 563	100.0
Capital and reserves	439 490	80.5	106 215	19.5	545 705	100.0
Liabilities	54 501	54.6	45 357	45.4	99 858	100.0
Additions to non-current assets	4 891	67.8	2 321	32.2	7 212	100.0

Comprehensive income segmental analysis
for the year ended 31 August 2012

	Power R'000	%	Wood R'000	%	Total R'000	%
2012						
Revenue	**257 586**	**61.7**	**159 945**	**38.3**	**417 531**	**100.0**
Gross	**257 586**		**160 443**		**418 029**	
Inter-segment	**-**		**(498)**		**(498)**	
Loss before taxation	**(74 750)**	**50.1**	**(74 531)**	**49.9**	**(149 281)**	**100.0**
Gross	**(74 750)**		**(74 421)**		**(149 171)**	
Inter-segment	**-**		**(110)**		**(110)**	
Onerous lease expense effect	**-**	**-**	**(8 647)**	**100.0**	**(8 647)**	**100.0**
Impairment of goodwill	**(97 077)**	**72.3**	**(37 121)**	**27.7**	**(134 198)**	**100.0**
Depreciation	**(5 853)**	**55.1**	**(4 774)**	**44.9**	**(10 627)**	**100.0**
Depreciation in cost of sales	**(837)**		**(2 245)**		**(3 082)**	
Depreciation in operating expenses	**(5 016)**		**(2 529)**		**(7 545)**	
Profit on disposal of plant and equipment	**64**	**9.2**	**629**	**90.8**	**693**	**100.0**
Interest received	**3 332**	**55.4**	**2 683**	**44.6**	**6 015**	**100.0**
Interest paid	**(514)**	**12.6**	**(3 551)**	**87.4**	**(4 065)**	**100.0**
Taxation (expense)/income	**(6 262)**	**122.0**	**1 130**	**(22.0)**	**(5 132)**	**100.0**
2011						
Revenue	250 904	64.8	136 198	35.2	387 102	100.0
Gross	251 199		136 198		387 397	
Inter-segment	(295)		-		(295)	
Profit/(loss) before taxation	9 175	10 082.4	(9 084)	(9 982.4)	91	100.0
Gross	9 470		(9 084)		386	
Inter-segment	(295)		-		(295)	
Depreciation	5 372	58.8	3 768	41.2	9 140	100.0
(Loss)/profit on disposal of plant and equipment	(284)	118.8	45	(18.8)	(239)	100.0
Interest received	3 919	57.6	2 885	42.4	6 804	100.0
Interest paid	(857)	21.7	(3 085)	78.3	(3 942)	100.0
Taxation income	620	9.8	5 728	90.2	6 348	100.0
2010						
Revenue	268 426	66.8	133 517	33,2	401 943	100.0
Gross	285 631		143 238		428 869	
Inter-segment	(17 205)		(9 721)		(26 926)	
Profit/(loss) before taxation	32 102	95.4	1 555	4,6	33 657	100.0
Gross	49 307		11 276		60 583	
Inter-segment	(17 205)		(9 721)		(26 926)	
Depreciation	5 052	53.3	4 427	46.7	9 479	100.0
Profit on disposal of plant and equipment	290	27.7	757	72.3	1 047	100.0
Interest received	6 702	78.3	1 857	21.7	8 559	100.0
Interest paid	(8 195)	71.0	(3 343)	29.0	(11 538)	100.0
Taxation expense	(10 224)	97.1	(303)	2.9	(10 527)	100.0

The notes to the annual financial statements of Austro for the year ended 31 August 2012 are set out below. In addition, the new and revised Standards and Interpretations adopted in annual financial statements for the years ended 31 August 2011 and 31 August 2010 are set out below. The notes to the annual financial statements of Austro for the years ended 31 August 2011 and 31 August 2010 are available at Austro's website http://www.austrogrouplimited.com.

Notes to the annual financial statements
for the year ended 31 August 2012

1. Presentation of annual financial statements

The financial statements of the company and the group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Board and the requirements of the South African Companies Act of 2008 and the JSE Limited Listings Requirements.

1.1. Basis of preparation

The company and group financial statements are prepared on the historical cost basis.

1.2. Standards and interpretations affecting amounts reported in the 2012 period

The following new and revised Standards and Interpretations have been adopted in the 2012 period and have affected the amounts reported in these financial statements:

- **IFRS 3: Business Combinations**: IFRS 3 has introduced amendments to the transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. It also clarified the measurement of non-controlling interests and has provided additional guidance on un-replaced and voluntarily replaced share based payment awards.
- **IAS 24: Related Party Disclosure**: IAS 24 has resulted in the simplification of the disclosure requirements for government related entities and the clarification of the definition of related party.

A number of new accounting standards, amendments to standards and interpretations have been published by the International Accounting Standards Board. However, they have not yet become effective and have thus not been applied to the group annual financial statements for 2012. The group has not yet assessed the impact that these standards have on the future financial statements. The directors have not yet considered the impact of these to the financial statements:

Standards in issue not yet effective

Standard	**Details of amendment**	**Annual period beginning on or after**
IFRS 1: First-time adoption of International Financial Reporting Standards	• Amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 Financial Instruments and IAS20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to IFRSs • Annual Improvements 2009 – 2011 Cycle amendments clarify the options available to users when repeated applications of IFRS 1 is required and to add relevant disclosure requirements • Annual Improvements 2009 – 2011 Cycle amendments to borrowing costs	1 January 2013
IFRS 7: Financial Instruments: Disclosures	• Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which any entity has set off in its balance sheet and the effects of rights of set off on the entity's rights and obligations	1 January 2013
IFRS 9: Financial Instruments	• New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement	1 January 2015

Standards in issue not yet effective

Standard	Details of amendment	Annual period beginning on or after
IFRS 10: Consolidated Financial Statements	• New standard that replaces the consolidation requirements in SIC-12 Consolidation – *Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess	1 January 2013
	• Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interest in Other Entities, thus limiting the requirements to provide adjusted comparative information	
	• IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of "Investment Entities" must be accounted for at fair value under IFRS 9, Financial Instruments: Recognition and Measurement	1 January 2014
IFRS 11 Joint Arrangements	• New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method accounting for interests in jointly controlled entities	1 January 2013
	• Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interest in Other Entities, thus limiting the requirements to provide adjusted comparative information	
IFRS 12: Disclosure of Interest in Other Entities	• New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles	1 January 2013
	• Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interest in Other Entities, thus limiting the requirements to provide adjusted comparative information	
	• New disclosures required for investment entities (as defined in IFRS 10)	
IFRS 13: Fair Value Measurement	• New guidance on fair value measurement and disclosure requirements	1 January 2013
IAS 1: Presentation of Financial Statements	• New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity	1 July 2012
	• Annual Improvements 2009 – 2011 Cycle amendments clarifying the requirements for comparative information including minimum and additional comparative information required	1 January 2013
IAS 12: Income Taxes	• Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale	1 January 2013
IAS 16: Property, Plant and Equipment	• Annual Improvements 2009 – 2011 Cycle amendments to the recognition and classification of servicing equipment	1 January 2013
IAS 19: Employee Benefits	• Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans	

Standards in issue not yet effective

Standard	Details of amendment	Annual period beginning on or after
IAS 27: Consolidated and Separate Financial Statements	• Consequential amendments resulting from the issue of IFRS 10, 11 and 12	1 January 2011
	• Requirement to account for interests in "Investment Entities" at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of parent	
IAS 28: Investments in Associates	• Consequential amendments resulting from the issue of IFRS 10, 11 and 12	1 January 2013
IAS 32: Financial Instruments: Presentation	• Amendments require entities to disclose gross presentation amounts subject to rights of set-off, amounts set-off in accordance with the accounting standards followed, and the net related credit exposure. This information will help investors understand the extent to which an entity has set-off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations	1 January 2013
	• Annual Improvements 2009 – 2011 Cycle amendments to clarify the tax effect of distribution to holders of equity instruments	
IAS 34: Interim Financial Reporting	• Annual Improvements 2009 – 2011 Cycle amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities	1 January 2013

Interpretation	Annual periods beginning on or after
IFRIC 20: Stripping costs in the Production Phase of a Surface Mine	1 January 2013

Standards and interpretations affecting amounts reported in the 2011 period

The following new and revised Standards and Interpretations were adopted in the 2011 period and affected the amounts reported in those financial statements:

- **Amendments to IAS 1** (as revised in 2007) Presentation of Financial Statements: IAS 1 (2007) has introduced terminology changes (including revised titles for the Financial Statements) and changes in the format and content of the Financial Statements.
- **Amendments to IFRS 8** Operating Segments: IFRS 8 is a disclosure standard that has resulted in additional disclosure as set out on page 28 of the annual financial statements for the year ended 31 August 2011.

Standards and interpretations affecting amounts reported in the 2010 period

The following new and revised Standards and Interpretations were adopted in the 2010 period and affected the amounts reported in those financial statements:

- **Amendments to IAS 1** (as revised in 2007) Presentation of Financial Statements: IAS 1 (2007) has introduced changes (including revised titles for the Financial Statements) and changes in the format and content of the Financial Statements.
- **Amendments to IFRS 8** Operating Segments: IFRS 8 is a disclosure standard that has resulted in additional disclosure as set out on page 28 of the annual financial statements for the year ended 31 August 2010.

1.3. Basis of consolidation

Subsidiary companies and other controlled entities

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company.

Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable or convertible are taken into account.

Business combinations

Business combinations are accounted for in accordance with the acquisition method of accounting. Subsidiaries are consolidated from the dates on which the group acquires effective control of the entity. They are de-consolidated from the date control ceases.

This acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of assets acquired, equity instruments issued and liabilities incurred or assumed to the date of exchange.

Cost is the aggregate of:

(i) the consideration transferred measured in accordance with IFRS 3, which generally required acquisition-date fair value;

(ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and

(iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

All acquisition-related costs are expensed.

Investments in subsidiaries are accounted for at cost in the company accounts. The carrying amount of these investments are reviewed annually and written down for impairment where considered necessary. An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

The group applies a policy of treating transactions with non-controlling interest holders as transactions with equity holders of the group. Disposals to non-controlling interest holders that do not result in the loss of control, result in gains and losses for the group that are recorded directly in the statement of changes in equity. The difference between any consideration paid and the relevant share of the net asset value acquired from non-controlling interest is recorded directly in the statement of changes in equity.

Intra-group transactions, balances and unrealised gains or losses on transactions are eliminated on consolidation.

1.4. Plant and equipment

Plant and equipment is stated at historical cost, less accumulated depreciation and impairment losses.

Plant and equipment is initially recognised at cost. Transaction costs are included in the initial measurement. Subsequent costs are recognised to the extent that it is probable that the future economic benefits which are associated with them will flow to the entity and the cost can be measured reliably.

Where an item is replaced the cost of the replacement is capitalised and the cost of the replaced item is written off.

Items of plant and equipment are depreciated to their residual values, on a component basis, on the straight-line basis over the estimated useful lives commencing from the date they are available for use over the following periods:

Item	Average useful life
Plant and equipment	5 -7 years
Office equipment	5 years
Computer equipment	3 years
Motor vehicles	5 – 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 will currently obtain from the disposal if the asset was already of the age and in the condition expected at the end of its useful life, is re-assessed at each year-end together with the useful life of the asset.

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.

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

Carrying amounts of 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. If the recoverable amount is lower than the carrying amount, it is impaired in the statement of comprehensive income.

1.5. Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable assets, fairly valued, on the acquisition date of the subsidiary.

Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (bargain purchase) is credited to profit or loss in the period of acquisition.

The carrying amount of goodwill is tested at least annually for impairment.

1.6. Inventories

Inventory comprises raw materials, finished goods, consumables and work-in-progress.

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Work-in-progress includes personnel costs and overheads directly attributable to the provision of goods.

Where necessary, provision is made for obsolete, slow-moving and defective inventories. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss is incurred. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

1.7. Financial instruments

Classification

The group classifies financial instruments on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the statement of financial position at fair value when the group becomes a party to the contractual provisions of the instrument. Transaction costs are included in the initial carrying value of the financial instrument, except in the case of financial instruments classified at fair value through profit or loss, in which case the transaction costs are expensed as they are incurred.

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the group's obligation specified in the contract expire or are discharged or cancelled. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company had a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Trade loans and other receivables

Trade receivables, loans and other receivables are subsequently measured at amortised cost using the effective interest rate method and reduced by appropriate allowances for estimated irrecoverable amounts or directly.

The group makes an assessment at each reporting date whether there is any objective evidence that trade receivables, loans and other receivables are impaired. Where objective evidence exists as a result of the occurrence of one or more events that occurred subsequent to the initial recognition of the receivable, the amount of the impairment is determined as the difference between the present value of the estimated cash flows using the original effective interest rate and the carrying value of the receivable.

Financial instruments are carried at amortised cost and where the effect of the time value of money is not considered to be material, discounting is not applied as the carrying value approximates the fair value.

If loans are impaired, the impairment is written off against the carrying amount of the loan. For trade receivables a provision is raised against the receivable and movements in the provision are written off in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

Trade payables and loans payable

Trade payables are subsequently measured at their amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost which approximates fair value. Cash and cash equivalents comprise cash balances and call deposits.

Financial liabilities

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

1.8. Revenue recognition

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

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

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

1.9. Cost of sales and services

Cost of sales and services comprise the cost of inventories expensed during the year, inventory impairments, personnel costs, overheads and depreciation of plant and equipment on assets directly attributable to the provision of goods and services in revenue generation.

1.10. Finance costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent in which interest paid meets the criteria for capitalisation against a qualifying asset, in which case it is capitalised as part of the cost of the asset.

1.11. Taxation

Current

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 statement of financial position date. To the extent that the current tax is unpaid, a liability is recognised and if a refund is due at the year-end an asset is raised.

Secondary Taxation on Companies

Secondary Taxation on Companies (STC) is recognised in the year in which dividends are declared.

A deferred taxation asset is recognised on unutilised STC credits when it is probable that such unused STC credits will be utilised in the future.

Deferred tax

Deferred tax is provided on the comprehensive liability method and is calculated at the current rates using the statement of the financial position 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 or expenditure and capital gains and losses 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 the tax rates enacted or substantially enacted at statement of financial position date and are expected to apply when the related deferred tax asset is realised or deferred liability is settled and is charged or credited in the statement of comprehensive income, specifically profit and loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is raised on all temporary differences, other than the initial recognition of goodwill, and of assets or liabilities in transactions other than business combinations which at the time of the transaction affects neither accounting nor taxable profit or loss.

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

1.12. Lease obligations

Leases of assets, where the group confers substantially all the risks and rewards 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 statement of comprehensive income 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, and the difference between the actual lease payments and the straight-lined amount is accounted for as an asset or liability that is net present valued.

1.13. Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount. They are recognised when the group has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the present value of the estimated costs required to settle the obligation. Contingent liabilities or contingent assets are not recognised in the financial statements.

1.14. Impairment of assets

The carrying amount of the group’s assets are reviewed at each statement of financial position 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 the recoverable amount is estimated at least annually. The recoverable amount of an asset is calculated as the higher of its fair value, less cost to sell.

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. For impairment calculation purposes, goodwill is allocated to the cash-generating units expected to benefit from the business combination.

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

Where the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An impairment loss on a cash-generating unit will be allocated first to goodwill and then to the other assets in the cash-generating unit on a proportionate basis.

A previously recognised impairment loss is reversed if the recoverable amount of the asset increases as a result of a change in the estimate used to determine the recoverable amount of the asset or cash generating unit, 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. Employee benefits

Medical aid obligation

Medical aid costs are recognised as an expense in the period in which the employees render services to the company. Differences between contributions payable and contributions actually paid are shown as either pre-payments or accruals in the statement of financial position. There are no post-retirement benefit obligations for former employees.

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. The group’s obligation ceases once the amounts due for the period have been settled.

Employees’ leave entitlement

Employees’ entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the annual leave liability at the statement of financial position date.

Bonus obligations

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

1.16. Operating segments

Operating segments have been identified using the management approach as required by IFRS 8 in terms of which segment classification is determined accordingly to the basis on which management and the board review the operating results.

1.17. Foreign currencies

Foreign currency transactions

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 statement of financial position date. Gains or losses arising on translations are credited to, or charged against, income.

1.18. Management estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income or expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. This forms the basis of making the judgements on carrying values of assets or liabilities that are not otherwise readily apparent. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments as follows:

Asset lives and residual values

Plant and equipment is depreciated over its useful life taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed at the reporting date and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

Impairment of assets

Goodwill is considered for impairment at least annually. Plant and equipment is considered for impairment if there is any reason to believe that an impairment may be necessary. Factors taken into consideration include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of the unit.

Future cash flows expected to be generated by the assets are projected taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current asset value and, if lower, the assets are impaired to the present value.

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.

1.19. Share-based payments

The group issues cash-settled share-based payments to employees via a bonus linked to the share price.

The group operates a share-linked incentive scheme that is accounted for as a cash settled share based payment scheme. The scheme is recognised at the fair value of the group's obligation in the statement of financial position over the vesting period up to and including settlement date with a corresponding charge to profit or loss. The liability is re-measured at each reporting date, using the Black Scholes model to reflect the revised value of the phantom shares at reporting date adjusted for changes in assumptions including management's estimate of the number of phantom shares that will ultimately vest. Changes in the fair value are recognised in profit or loss.

1.20. Related party disclosures

We define key management personnel and prescribed officers as the directors of Austro Group Limited.

GROUP	2012 Cost R'000	2012 Accumulated Depreciation R'000	2012 Carrying Value R'000	2011 Cost R'000	2011 Accumulated Depreciation R'000	2011 Carrying Value R'000
2. PLANT AND EQUIPMENT						
Group						
Plant and equipment	**54 910**	**(29 003)**	**25 907**	49 576	(24 574)	25 002
Motor vehicles	**20 821**	**(8 789)**	**12 032**	16 234	(6 958)	9 276
Computer and office equipment	**11 386**	**(7 951)**	**3 435**	10 211	(6 811)	3 400
Leasehold improvements	**2 485**	**(816)**	**1 669**	805	(465)	340
Total	**89 602**	**(46 559)**	**43 043**	76 826	(38 808)	38 018
Company						
Computer and office equipment	**195**	**(87)**	**108**	184	(25)	159

	Carrying value opening balance R'000	Additions R'000	Disposals R'000	Depreciation allocated to cost of sales R'000	Depreciation capitalised to inventory R'000	Depreciation included in operating expenses R'000	Closing net carrying value R'000
Reconciliation of plant and equipment – Group – 2012							
Plant and equipment	**25 002**	**8 095**	**(1 075)**	**(2 846)**	**-**	**(3 269)**	**25 907**
Motor vehicles	**9 276**	**6 464**	**(724)**	**(195)**	**-**	**(2 789)**	**12 032**
Computer and office equipment	**3 400**	**1 243**	**(31)**	**(10)**	**-**	**(1 167)**	**3 435**
Leasehold improvements	**340**	**1 680**	**-**	**(31)**	**-**	**(320)**	**1 669**
	38 018	**17 482**	**(1 830)**	**(3 082)**	**-**	**(7 545)**	**43 043**

Included in additions are assets held under finance leases to the value of R8 085 and assets acquired from EdgePro (Pty) Ltd and EdgePro Natal (Pty) Ltd with a cost of R2 031.

Reconciliation of plant and equipment – Group – 2011							
Plant and equipment	30 032	1 334	(440)	(2 158)	(227)	(3 539)	25 002
Motor vehicles	10 482	1 419	(801)	(258)	-	(1 566)	9 276
Computer and office equipment	2 458	1 961	(13)	-	-	(1 006)	3 400
Leasehold improvements	625	426	(325)	-	-	(386)	340
	43 597	5 140	(1 579)	(2 416)	(227)	(6 497)	38 018

	Carrying value opening balance R'000	Additions R'000	Depreciation R'000	Closing net carrying value R'000
Reconciliation of plant and equipment – Company – 2012				
Computer and office equipment	159	11	(62)	108
Reconciliation of plant and equipment – Company – 2011				
Computer and office equipment	-	184	(25)	159

Assets subject to finance lease

The group's obligations under finance leases are secured by the lessor's change over the leased assets. Refer note 11.

GROUP	2012 Cost R'000	2012 Accumulated Depreciation R'000	2012 Carrying Value R'000	2011 Cost R'000	2011 Accumulated Depreciation R'000	2011 Carrying Value R'000

3. GOODWILL

Group	Cost R'000	Accumulated Depreciation R'000	Carrying Value R'000	Cost R'000	Accumulated Depreciation R'000	Carrying Value R'000
Goodwill	**229 742**	**(134 198)**	**95 544**	229 742	-	229 742

	Carrying value opening balance R'000	Impairment R'000	Closing net carrying value R'000
Reconciliation of goodwill – Company – 2012			
Goodwill	**229 742**	**(134 198)**	**95 544**
Reconciliation of goodwill – Company – 2011			
Goodwill	229 742	-	229 742

	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
Goodwill is made up as follows:				
Power	**95 544**	192 621	**-**	-
Wood	**-**	37 121	**-**	-
	95 544	229 742	**-**	-

Impairment review

In accordance with IAS 36 the group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of goodwill relating to all cash-generating units (CGU), which are the segments, has been determined on the basis of value-in-use calculations.

The group prepares cash flow forecasts for the next five years, based on the CGU's results and on management's budgets and business plans.

A terminal value is calculated based on a growth rate of 6%. The after-tax rate used to discount the forecast cash flows is 18.07%.

The value of goodwill determined on this basis has been impaired to this value.

		GROUP		COMPANY	
		2012	2011	**2012**	2011
		R'000	R'000	**R'000**	R'000
4	**DEFERRED TAXATION**				
	The balance consists of:				
	Provision for leave pay and bonuses	**1 804**	1 240	**-**	180
	Capital allowances	**(6 492)**	(5 431)	**-**	-
	Provision for bad debts	**1 407**	-	**-**	-
	Impairment provision	**-**	1 542	**-**	-
	Provision for onerous lease	**3 712**	-	**-**	-
	Lease obligations	**2 811**	2 832	**-**	-
	Provision for credit notes	**68**	142	**-**	-
	Income received in advance	**7 595**	1 834	**-**	-
	Share options	**-**	38	**-**	38
	Tax losses	**2 062**	6 520	**2 062**	4 066
	Finance lease liability	**1 096**	-	**-**	-
		14 063	8 717	**2 062**	4 284
	Reconciliation of deferred taxation				
	Balance at the beginning of the year	**8 717**	(315)	**4 284**	64
	Temporary differences per statement of comprehensive income:				
	Provision for lease pay and bonuses	**564**	(669)	**(180)**	116
	Provision for bad debts	**1 407**	-	**-**	-
	Capital allowances	**(1 061)**	(2 025)	**-**	-
	Prepaid expenses	**-**	1 484	**-**	-
	Impairment provision	**(1 542)**	1 024	**-**	-
	Provision for onerous lease	**3 712**	-	**-**	-
	Lease obligations	**(21)**	1 847	**-**	-
	Provision for credit notes	**(74)**	142	**-**	-
	Income received in advance	**5 761**	765	**-**	-
	Recoupment of plant and equipment	**-**	(83)	**-**	-
	Share options	**(38)**	38	**(38)**	38
	Tax losses	**(4 458)**	6 520	**(2 004)**	4 066
	Prior year over provision	**-**	(11)	**-**	-
	Finance lease liability	**1 096**	-	**-**	-
	Balance at the end of the year	**14 063**	8 717	**2 062**	4 284
	Disclosed on the statement of financial position as follows:				
	Deferred taxation asset	**14 063**	8 717	**2 062**	4 284
	Tax losses				
	Tax losses at the end of the year	**(40 510)**	(23 288)	**(7 365)**	(14 523)
	Utilised to raise a deferred tax asset	**7 365**	23 288	**7 365**	14 523
	Available to reduce future taxable income	**(33 145)**	-	**-**	-
	Deferred taxation asset not raised on tax losses	**9 281**	-	**-**	-

	Issued share capital	Percentage held in subsidiaries 2012	Percentage held in subsidiaries 2011	Shares at cost 2012	Shares at cost 2011
	R'000	**R'000**	R'000	**R'000**	R'000
5 INVESTMENT IN SUBSIDIARIES					
New Way Power (Pty) Ltd	**100**	**100.0**	100.0	**219 120**	219 120
Austro (Pty) Ltd	**10**	**100.0**	100.0	**34 836**	34 836
Austro Tools (Pty) Ltd	**300**	**100.0**	100.0	**-**	-
Matase Power Systems (Pty) Ltd	**1 000**	**49.9**	-	**-**	-
				253 956	253 956

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

Matase Power Systems (Pty) Ltd (Matase) has been consolidated effective 1 September 2011. New Way Power (Pty) Ltd (Power) owns 49.9% and has control over Matase, because management and business decisions are made by Power.

	GROUP		COMPANY	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
6 INVENTORIES				
Raw materials	**35 795**	45 886	**-**	-
Finished goods	**166 325**	112 660	**-**	-
Work in progress	**13 322**	7 037	**-**	-
Consumables	**4 624**	12 286	**-**	-
Gross inventories	**220 066**	177 869	**-**	-
Impairment provisions raised against inventories	**(22 949)**	-	**-**	-
	197 117	177 869	**-**	-
Inventories are valued at the lower of cost and net realisable value				
Movement in impairment provision raised against inventories:				
Balance at the beginning of the year	**-**	19 051	**-**	-
Impairment provision raised	**22 949**	6 477	**-**	-
Impairment provision utilised	**-**	(25 528)	**-**	-
	22 949	-	**-**	-
7 TRADE AND OTHER RECEIVABLES				
Gross trade receivables	**104 218**	76 696	**-**	-
Impairment provisions raised against trade receivables	**(6 686)**	(7 343)	**-**	-
Net trade receivables	**97 532**	69 353	**-**	-
Pre-payments	**6 779**	2 654	**93**	35
Deposits	**330**	440	**-**	-
Other receivables	**743**	1 447	**13**	5 810
Value-added tax	**-**	2 131	**-**	-
	105 384	76 026	**106**	5 845

There is a cession of the gross trade receivables of R64.1 million (2011: R76.7 million) to Standard Bank Limited. This is a pledge of collateral against the banking facilities.

Trade receivables are stated at cost less impairment provisions which normally approximate their fair value due to their short-term maturity.

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in impairment provisions raised against receivables				
Balance at the beginning of the year	**7 343**	2 430	**-**	-
Impairment provision raised	**1 112**	4 913	**-**	-
Impairment provision utilised	**(1 769)**	-	**-**	-
	6 689	7 343	**-**	-

Basis of raising provisions against receivables

All trade and other receivables are continuously reviewed on an individual basis.

When all reasonable measures have been taken, without success, in recovering a receivable amount and when reasonable doubt exists as to the recoverability of any such individual receivable amount, a corresponding provision for impairment is raised.

Provisions for impairment raised against receivables are reversed when a receivable amount is either written off as bad debt or when an amount previously provided against, is received.

8 LOAN TO /(FROM) GROUP COMPANIES

Subsidiaries				
New Way Power (Pty) Ltd The loan bears interest at prime plus one percentage point and has no fixed maturity date ,but may be repaid from time to time as mutually agreed by both parties.	**-**	-	**(674)**	19 900
Austro (Pty) Ltd The loan bears interest at prime plus one percentage point and has no fixed maturity date, but may be repaid from time to time as mutually agreed by both parties.	**-**	-	**82 711**	51 169
Matase Power Systems (Pty) Ltd The loan bears no interest and has no fixed repayment terms.	**-**	482	**473**	315
	-	482	**82 510**	71 384
Non-current assets	**-**	482	**473**	315
Current assets	**-**	-	**82 711**	71 069
Current liabilities	**-**	-	**(674)**	-
	-	482	**82 510**	71 384

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
9 CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Bank	**34 218**	48 815	**43**	1 843
Short-term deposits	**6**	-	**6**	-
Petty cash	**191**	173	**-**	-
	34 415	48 988	**49**	1 843
Banking facilities				
Available facilities				
Other interest-bearing facilities: vehicle and asset finance, letters of credit, fleet management cards and credit cards	**49 280**	30 500	**-**	-
	49 280	30 500	**-**	-
Utilised facilities				
Other interest-bearing facilities: vehicle and asset finance, letters of credit, fleet management cards and credit cards	**26 021**	14 044	**-**	-
Cession provided (pledge of collateral against the banking facility)	**64 140**	76 696	**-**	-
Trade and other receivables				
10 STATED CAPITAL/SHARE CAPITAL AND SHARE PREMIUM				
Authorised				
1 000 000 000 ordinary shares of R0.00001 each	**-**	10	**-**	10
1 000 000 000 ordinary shares of no par value	**10**	-	**10**	-
Issued				
395 639 678 shares of R0.00001 each	**-**	4	**-**	4
395 292 923 no par value shares	**295 497**	-	**295 497**	-
Share premium	**-**	295 697	**-**	295 697
	295 497	295 701	**295 497**	295 701
The unissued shares are under the control of the directors until the next annual general meeting subject to the provisions of the Companies Act, 2008.				
1 000 000 ordinary shares with a nominal par value of R0.00001 in the company (comprising both the issued shares and the authorised shares) were converted to 1 000 000 000 ordinary shares with no par value during the current year				
Share premium				
Share premium on issued ordinary shares opening balance	**295 697**	322 103	**295 697**	322 103
Share premium reduction due to share buy-back	**(204)**	(18 492)	**(204)**	(18 492)
Share premium reduction due to capital distribution declared out of share premium	**-**	(7 914)	**-**	(7 914)
Conversion to no par value shares	**(295 493)**	-	**(295 493)**	-
	-	295 697	**-**	295 697

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

11 FINANCE LEASE OBLIGATION

Minimum lease payments due				
- within one year	**3 181**	-	**-**	-
- in second to fifth year inclusive	**5 751**	-		
	8 932	-	**-**	-
Less: Future finance charges	**(1 146)**	-	**-**	-
Present value of minimum lease payments	**7 786**	-	**-**	-
Present value of minimum lease payments due				
- within one year	**2 523**	-	**-**	-
- in second to fifth year inclusive	**5 263**	-	**-**	-
	7 786	-	**-**	-
Non-current liabilities	**5 263**	-	**-**	-
Current liabilities	**2 523**	-	**-**	-
	7 786	-	**-**	-

It is group policy to lease certain motor vehicles and equipment under finance leases.

The average lease term is three years for motor vehicles and five years for equipment and the average effective borrowing rate was 9.6%

12 INTEREST FREE LIABILITIES

Held at amortised cost				
As per the HT Heye and Austro Group Limited agreements, purchase of subsidiary Neptune Plant Hire (Pty) Ltd which subsequently became a division of New Way Power (Pty) Ltd	**-**	3 426	**-**	3 4226
Current liabilities				
At amortised cost	**-**	3 426	**-**	3 4226

The directors consider the carrying amount of interest-bearing liabilities to approximate its fair value

	Repayable within 1 year	Repayable within 2–5 years	Repayable beyond 5 years	**Total**
2011				
Interest-free liabilities				
Future minimum payments	**3 426**	-	-	**3 426**
	3 426	-	-	**3 426**

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

13 TRADE AND OTHER PAYABLES

Trade payables	**55 724**	34 039	**-**	-
Accruals	**25 293**	23 572	**983**	1 304
Income received in advance	**27 122**	2 758	**-**	-
Other payables	**184**	240	**22**	240
Value-added tax	**2 236**	53	**14**	53
	110 559	60 662	**1 019**	1 597

The directors consider the carrying amount of trade payables to approximate their fair value.

The average credit period is between 30 and 60 days. No interest is charged on trade payables for the first 1 to 60 days from the date of invoice.

The company has financial risk policies in place to ensure that all payables are paid within the credit time frame.

		Opening balance R'000	Raised during the year R'000	Closing balance R'000
14	**PROVISIONS**			
	Reconciliation of provisions – Group – 2012			
	Onerous contract	**-**	**13 258**	**13 258**
	Non-current liabilities	**-**	**12 291**	**12 291**
	Current liabilities	**-**	**967**	**967**
		-	**13 258**	**13 258**

The Wood division provided for an onerous lease for one of its premises. The division moved out of the building which has been sub-let.

		GROUP		COMPANY	
		2012 R'000	2011 R'000	2012 R'000	**2011 R'000**
15	**REVENUE**				
	Services rendered	**16 239**	58 433	**6 185**	9 165
	Sale of goods	**401 292**	328 669	**-**	-
		417 531	387 102	**6 185**	9 165
16	**OTHER INCOME**				
	Rental income received on the building which has been sub-let	**1 500**	-	**-**	-
	Operating (loss)/profit				
	Operating (loss)/profit for the year is stated after account for the following:				
	Operating lease charges				
	Premises				
	• Contractual amounts	**32 191**	25 005	**168**	154
	Computer and office equipment				
	• Contractual amounts	**155**	193	**-**	-
		32 346	25 198	**168**	154
	(Profit)/loss on sale of plant and equipment	**(693)**	239	**-**	-
	Loss on foreign exchange	**1 254**	1 223	**-**	-
	Depreciation on plant and equipment	**10 627**	8 913	**62**	25
	Employee costs and directors' emoluments	**83 047**	69 971	**2 688**	4 760
	Employee contributions to retirement funds	**3 266**	2 721	**122**	190
	Share option valuation expense	**(137)**	137	**(137)**	137
	Audit fees – audit services	**1 067**	1 349	**523**	447
	Audit fees – non-audit services provided by auditors	**122**	56	**115**	27

Lease agreements for premises terms of renewal or purchase options and escalation clauses:

Lessee	Province	Escalation clause and renewal option	Lessor	Expiry date of lease
New Way (Pty) Ltd	Cape	Monthly rental shall increase by 8% each year, with renewal option	Neptune Investments (Pty) Ltd	31 August 2014
New Way (Pty) Ltd	Natal	Monthly rental shall increase by 7,4% each year, renewal escalation to be agreed upon	MBD Family Trust	31 March 2014
New Way (Pty) Ltd	Cape	Monthly rental shall increase by 8% each year, with renewal option	Septay Investments (Pty) Ltd	30 November 2016
New Way (Pty) Ltd	Gauteng	Monthly rental shall increase by 8% each year, with renewal option	30-38 Jacoba, Alberton North (Pty) Ltd	30 April 2019
Austro Group Limited on behalf of Austro (Pty) Ltd	Gauteng	Monthly rental shall increase by the greater of 9% or the consumer price index each year, with renewal option	Austrian Woodworking Machinery (Pty) Ltd	31 August 2019
Austro Group Limited on behalf of Austro (Pty) Ltd	Gauteng		Salamax 1987 (Pty) Ltd	31 July 2019
Austro Group (Pty) Ltd	Natal	Monthly rental shall increase by 9% each year, with renewal option	The Grid Group – Wingay Development Company (Pty) Ltd	30 June 2016
Austro (Pty) Ltd	Gauteng	Monthly rental shall increase by 8% each year, with renewal option	Richard Road Properties Investments CC	31 March 2016
Austro (Pty) Ltd	Cape	Monthly rental shall increase by 8% each year, with renewal option	Edgepro (Pty) Ltd	31 August 2016
Austro (Pty) Ltd	East London	Monthly rental shall increase by 8% each year, with renewal option	Flanegan's Property Trust	31 May 2017
Austro (Pty) Ltd	Natal	Monthly rental shall increase by 10% each year, with renewal option	Edgepro (Pty) Ltd	31 August 2013

No contingent rent is payable.

No restrictions are imposed by lease arrangements, concerning dividends, additional debt and further leasing.

		GROUP		COMPANY	
		2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
17	**INTEREST RECEIVED**				
	Funds on deposits with banks	**4 693**	4 077	**496**	392
	Interest received from related parties	**-**	2 495	**7 512**	11 034
	Interest received from taxation authorities	**-**	1	**-**	1
	Other	**1 322**	231	**-**	-
		6 015	6 804	**8 008**	27
18	**INTEREST PAID**				
	Bank overdraft	**3 455**	3 905	**1 028**	1 634
	Interest paid to taxation authorities	**4**	18	**-**	-
	Other	**606**	19	**-**	-
		4 065	3 942	**1 028**	1 634
19	**TAXATION**				
	Major components of the tax expense/ (income)				
	South African normal taxation				
	Current year	**10 529**	3 641	**-**	-
	Prior year provision	**-**	(1 820)	**-**	-
	Secondary tax on companies	**(51)**	863	**(51)**	863
		10 478	2 684	**(51)**	863
	Deferred taxation				
	Current year	**(5 346)**	(9 032)	**2 222**	(4 220)
		5 132	(6 348)	**2 171**	(3 357)
	Reconciliation of taxation:				
	Accounting (loss)/profit	**(149 281)**	91	**7 699**	11 143
	Taxation at South African normal taxation rate	**(41 799)**	25	**2 156**	3 120
	Tax effect of adjustments on taxable income				
	Permanent differences	**37 701**	2 038	**66**	114
	Tax losses current year	**-**	(934)	**-**	(3 388)
	Deferred tax asset not utilised/(raised) on assessed loss	**9 281**	(6 520)	**-**	(4 066)
	Prior year adjustment normal taxation	**-**	(1 820)	**-**	-
	Secondary tax on companies	**(51)**	863	**(51)**	863
	Taxation per statement of comprehensive income	**5 132**	(6 348)	**2 171**	357)

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

20 CASH GENERATED FROM/(UTILISED IN) OPERATIONS

(Loss)/profit before taxation	**(149 281)**	91	**7 699**	11 143
Adjusted for:				
Depreciation	**10 627**	8 913	**62**	25
Depreciation capitalised to inventory	**-**	227	**-**	-
(Profit)/loss on sale of assets	**(693)**	239	**-**	-
Interest received	**(6 015)**	(6 804)	**(8 008)**	(11 427)
Interest paid	**4 065**	3 942	**1 028**	1 634
Impairment loss	**134 198**	-	**-**	-
Movements in provisions	**13 258**	-	**-**	-
Impairment provision against inventories utilised (refer note 6)	**22 949**	(19 051)	**-**	-
Impairment provisions against trade and other receivables (utilised)/raised (refer note 7)	**(657)**	4 913	**-**	-
Changes in working capital:				
(Increase)/decrease in inventories	**(33 953)**	95 235	**-**	-
(Increase)/decrease in trade and other receivables	**(28 702)**	(5 778)	**5 739**	(3 680)
(Increase)/decrease in trade and other payables	**49 648**	(2 068)	**5 739**	429
	15 444	79 859	**5 942**	(1 876)

21 TAXATION (PAID)/REFUNDED

Balance at beginning of the year	**1 357**	(4 072)	**-**	(4 000)
Current tax for the year recognised in profit or loss	**(10 478)**	(2 684)	**51**	(863)
Balance at end of the year	**(4 530)**	(1 357)	**-**	-
	(13 51)	(8 113)	**51**	(4863)

22 PROCEEDS ON DISPOSAL OF PLANT AND EQUIPMENT

Book value of assets disposed	**1 830**	1 579	**-**	-
Profit/(loss) on disposal of plant and equipment	**693**	(239)	**-**	-
Proceeds on disposal of plant and equipment	**2 523**	1 340	**-**	-

23 BUSINESS COMBINATIONS

In September 2011, the Group acquired the business of EdgePro (Pty) Ltd and EdgePro Natal (Pty) Ltd. The total consideration paid by the Group for both businesses was satisfied as follows: R10.03 million settled in cash.

Total asset and liability acquisition				
Plant and equipment	**2 031**	-	**-**	-
Inventories	**8 244**	-	**-**	-
Trade and other payables	**(249)**	-	**-**	-
	10 026	-	**-**	-
Consideration paid				
Cash	**(10 026)**	-	**-**	-
Net cash outflow on acquisition				
Cash consideration paid	**(10 026)**	-	**-**	-

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

23 ASSET AND LIABILITY ACQUISITION (CONTINUED)

EdgePro (Pty) Ltd				
Fair value of assets acquired and liabilities assumed				
Plant and equipment	**1 000**	-	**-**	-
Inventories	**4 492**	-	**-**	-
Trade and other payables	**(129)**	-	**-**	-
	5 363	-	**-**	-
EdgePro Natal (Pty) Ltd				
Fair value of assets acquired and liabilities assumed				
Plant and equipment	**1 031**	-	**-**	-
Inventories	**3 752**	-	**-**	-
Trade and other payables	**(120)**	-	**-**	-
	4 663	-	**-**	-
Edging Division Consolidated – 1 September 2011				
Revenue	**15 156**	-	**-**	-
Loss before taxation	**(2 264)**	-	**-**	-

24 COMMITMENTS

Operating lease commitments				
Computer and office equipment	**145**	575	**-**	-
Premises	**183 803**	195 955	**-**	-
	183 948	196 530	**-**	-
These commitments accrue in the following periods:				
Due by August 2012	**-**	21 070	**-**	-
Due by August 2013	**23 300**	21 509	**-**	-
Due by August 2014	**25 043**	23 134	**-**	-
Due by August 2015	**26 597**	24 535	**-**	-
Due by August 2016	**28 156**	-	**-**	-
Thereafter	**80 852**	106 282	**-**	-
	183 948	196 530	**-**	-

25 RETIREMENT BENEFITS

Defined contribution plan

All contributions on behalf of employees are charged to the statement of comprehensive income as they are made.

The group has no liability towards any pension or provident fund apart from normal recurring monthly contributions deducted from the employees to be paid to relevant funds.

26 FINANCIAL INSTRUMENTS

	Financial liabilities At fair value	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Non-financial assets	Equity	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Categories of financial instruments						
2012 GROUP						
ASSETS						
Non-current assets						
Plant and equipment	-	-	-	43 043	-	**43 043**
Goodwill	-	-	-	95 544	-	**95 544**
Deferred taxation	-	-	-	14 063	-	**14 063**
Current assets						
Inventories	-	-	-	197 117	-	**197 117**
Trade and other receivables	-	98 605	-	6 779	-	**105 384**
Taxation receivable	-	-	-	4 537	-	**4 537**
Cash and cash equivalents	-	34 415	-	-	-	**34 415**
	-	133 020	-	361 083	-	**494 103**
EQUITY AND LIABILITIES						
Equity						
Stated capital	-	-	-	-	295 497	**295 497**
Non-controlling interest	-	-	-	-	(1)	**(1)**
Accumulated profits	-	-	-	-	66 997	**66 997**
Liabilities						
Finance lease obligation	-	-	5 263	-	-	**5 263**
Provisions	-	-	12 291	-	-	**12 291**
Current liabilities						
Finance lease obligation	-	-	2 523	-	-	**2 523**
Trade and other payables	-	-	81 201	29 358	-	**110 559**
Taxation payable	-	-	-	7	-	**7**
Provisions	-	-	967	-	-	**967**
	-	-	102 245	29 365	362 493	**494 103**
2011 GROUP						
ASSETS						
Non-current assets						
Plant and equipment	-	-	-	38 018	-	**38 018**
Goodwill	-	-	-	229 742	-	**229 742**
Loans receivable	-	482	-	-	-	**482**
Deferred taxation	-	-	-	8 717	-	**8 717**
Trade and other receivables	-	71 240	-	4 785	-	**76 025**
Taxation receivable	-	-	-	1 465	-	**1 465**
Cash and cash equivalents	-	48 988	-	-	-	**48 988**
	-	120 710	-	460 596	-	**581 306**

	Financial liabilities At fair value	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Non-financial assets	Equity	Total
	R'000	R'000	R'000	R'000	R'000	R'000

26 FINANCIAL INSTRUMENTS (CONTINUED)

EQUITY AND LIABILITIES						
Equity						
Share capital	-	-	-	-	4	**4**
Share premium	-	-	-	-	295 697	**295 697**
Accumulated profits	-	-	-	-	221 409	**221 409**
Liabilities						
Interest-free liabilities	-	-	3 426	-	-	**3 426**
Trade and other payables	-	-	57 851	2 811	-	**60 662**
Taxation payable	-	-	-	108	-	**108**
	-	-	61 277	2 919	517 110	**581 306**

Interest rate risk management

The group has had surplus cash throughout the year, the significance of this surplus cash to the group's statement of financial position exposes the group to interest rate risk.

This interest rate risk is managed through commercial bank facilities by the group's central finance function.

At year-end cash was invested with two large commercial banks. The investment of surplus funds is reviewed from time to time.

The group was exposed to the floating interest rate on the finance leases, the rate is linked to prime. The risk of movement in the rate is not material to the group and therefore not managed.

The group's interest rate profile consists of floating rate loans and bank balances which expose the company to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

	GROUP		COMPANY	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
Financial assets				
Loans granted and bank deposits at no interest	**98 605**	71 222	**13**	5 810
Loans granted and bank deposits linked to South African money market rates	**34 415**	48 988	**82 760**	72 912
	133 020	120 710	**87 773**	78 722
Financial liabilities				
Financing received and banking facilities at no interest	**94 459**	61 277	**1 005**	4 970
Financing received and banking facilities linked to South African prime rates	**7 786**	-	**674**	-
	102 245	61 277	**1 679**	4 970

	Carrying value at statement of financial Position date	Reasonable possible change	Pre-tax statement of comprehensive Income Impact
	R'000	%	R'000

26 FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate sensitivity analysis			
2012			
Financial assets			
Loans granted and bank deposits linked to South African money market rates	**34 415**	**1**	**344**
			344
Interest rate sensitivity analysis			
2011			
Financial assets			
Loans granted and bank deposits linked to South African money market rates	48 988	1	490
			490
Financial liabilities			
2012			
Financing received on banking facilities linked to South African prime rates	**7 786**	**1**	**78**
			78

Credit risk management

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the group.

Trade accounts receivable consist of a large widespread customer base. Group companies regularly monitor the financial position of their customers. The granting of credit is controlled by application and account limits.

The group's cash and cash equivalents and short-term deposits are placed with major banks with strong credit ratings.

The carrying amounts of financial assets included in the consolidated statement of financial position represent the group's maximum exposure to credit risk in relation to these assets.

2012						
Financial assets that are neither past due nor impaired	**67**	**40 397**	**5 512**	**34 033**	**114**	**80 123**
	67	**40 397**	**5 512**	**34 033**	**114**	**80 123**
Financial assets that are past due but not yet impaired						
Overdue less than 30 days	**36**	**7 392**	**3 789**	**12 778**	**11**	**24 006**
Between 30 and 60 days	**-**	**4 225**	**2 534**	**7 127**	**13**	**13 899**
Between 30 and 90 days	**-**	**1 094**	**1 669**	**749**	**3**	**3 515**
90 days and more	**1 109**	**1 306**	**3 621**	**5 074**	**3**	**11 113**
	1 145	**14 017**	**11 613**	**25 728**	**30**	**52 533**

	Government/ Parastatals R'000	Major listed corporates R'000	Other corporates R'000	Small and medium enterprises R'000	Other R'000	Total R'000

26 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk management (continued)

	Government/ Parastatals R'000	Major listed corporates R'000	Other corporates R'000	Small and medium enterprises R'000	Other R'000	Total R'000
Financial assets that are impaired						
Carrying amount	**26**	**-**	**69**	**6 955**	**-**	**7 050**
Provision for impairment	**(23)**	**-**	**(60)**	**(6 603)**	**-**	**(6 686)**
	3	**-**	**9**	**352**	**-**	**364**
Total credit exposure	**1 215**	**54 414**	**17 134**	**60 113**	**144**	**133 020**

Included in the above are the trade receivables to the value of R28,3 million with extended credit terms.

There is a cession of the gross trade receivables to Standard Bank Limited, refer note 7.

	Government/ Parastatals R'000	Major listed corporates R'000	Other corporates R'000	Small and medium enterprises R'000	Other R'000	Total R'000
2011						
Financial assets that are neither past due nor impaired	35	52 572	7 996	25 869	640	87 112
	35	52 572	7 996	25 869	640	87 112
Financial assets that are past due but not yet impaired						
Overdue less than 30 days	-	339	961	8 306	-	9 606
Between 30 and 60 days	2	3 150	1 727	4 808	-	9 687
Between 30 and 90 days	178	1 408	862	3 886	-	6 304
90 days and more	-	-	-	7 538	-	7 538
	180	4 897	3 520	24 538	-	33 135
Financial assets that are impaired						
Carrying amount	-	-	-	7 787	19	7 806
Provision for impairment	-	-	-	(7 326)	(17)	(7 343)
	-	-	-	461	2	463
Total credit exposure	215	57 469	11 516	50 868	642	120 710

26 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management

Liquidity risk is the risk that the group will be unable to meet a financial commitment when it falls due. This risk is minimised through the holding of cash balances.

In addition, cash forecasts are monitored so that the cash needs of the group are managed according to its requirements. The following tables detail the group's remaining contractual maturity for its financial liabilities based on the expected repayment profile.

The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be expected to pay.

The tables include both interest and principal cash flows.

	No terms	Within 1 year	2 years	3-5 years	Longer than 5 years	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2012						
Finance lease obligation	**-**	**2 523**	**1 984**	**3 279**	**-**	**7 786**
Provisions	**-**	**967**	**1 224**	**3 366**	**7 701**	**13 258**
Trade and other payables	**-**	**81 201**	**-**	**-**	**-**	**81 201**
	-	**84 691**	**3 208**	**6 645**	**7 701**	**102 245**
2011						
Interest-free liabilities	-	3 426	-	-	-	3 426
Trade and other payables	-	57 851	-	-	-	57 851
	-	61 277	-	-	-	61 277

The group is exposed to foreign exchange risk, the risk is managed by covering material inventory orders with foreign exchange contracts.

Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern.

The capital structure of the group consists of debt, cash and cash equivalents and equity attributable to owners of the parent, comprising issued capital, reserves and accumulated profits.

27 DIRECTORS' EMOLUMENTS

Directors' emoluments including direct and indirect benefits, for the period ended 31 August 2012 is as follows:

Directors of Austro Group Limited

2012	Board and committee fees R'000	Salary R'000	Commission R'000	Bonus R'000	Company benefits R'000	Expense allowance R'000	Contributions to pension or provident fund scheme R'000	Contributions to medical aid R'000	Total R'000
Paid by company									
AJ Phillips [1]	424	-	-	-	-	-	-	-	**424**
DS Brouze [1]	135	-	-	-	-	-	-	-	**135**
GS Nzalo [1]	202	-	-	-	-	-	-	-	**202**
U Schäckermann [1]	203	-	-	-	-	-	-	-	**203**
T le Roux [2]	-	963	-	45	74	-	66	-	**1 148**
P Sigsworth [2]	-	462	-	-	2	6	42	-	**512**
Paid by subsidiaries									
C Jacobs [2]	-	2 378	-	-	-	4	162	-	**2 544**
JO Freed [2]	-	2 752	-	-	66	84	-	14	**2 916**
JR Freed [2]	-	1 274	1 562	-	199	-	90	61	**3 186**
	964	7 829	1 562	45	341	94	360	75	**11 270**

[1] Non-executive directors [2] Executive directors

For details of directors' participation in the group's phantom share scheme, refer to note 30. No amounts have been included in the above in respect of phantom shares as none were exercised during the period.

We define key management personnel and prescribed officers as the directors of Austro Group Limited.

Directors of Austro Group Limited

2011	Settlement pay R'000	Board and committee fees R'000	Salary R'000	Bonus R'000	Company* benefits R'000	Expense allowance R'000	Contributions to pension or provident fund scheme R'000	Total R'000
Paid by company								
AJ Phillips [1]	-	399	-	-	-	-	-	**399**
DS Brouze [1]	-	126	-	-	-	-	-	**126**
GS Nzalo [1]	-	214	-	-	-	-	-	**214**
U Schäckermann [1]	-	189	-	-	-	-	-	**189**
P Sigsworth [2]	-	-	1 159	410	-	-	72	**1 641**
Paid by subsidiaries								
C Jacobs [2]	-	-	1 498	240	-	6	102	**1 846**
JA Bennie [2]	-	-	-	-	-	-	-	**-**
JO Freed [2]	-	-	2 931	270	64	84	-	**3 349**
JR Freed [2]	-	-	2 674	255	83	-	106	**3 118**
RE Moss	1 498	-	433	100	220	-	30	**2 281**
	1 498	928	8 695	1 275	367	90	310	**13163**

* Company benefits include leave pay and medical aid contributions

[1] Non-executive directors

[2] Executive directors

28 RELATED PARTIES

DS Brouze, who is a director of Austro Group Limited, is also a director and indirect shareholder of Austrian Woodworking Machinery (Pty) Ltd.

DS Brouze, who is a direc-tor of Austro Group Limited, is also a director and indirect shareholder of Salamax 1987 (Pty) Ltd.

DS Brouze, who is a director of Austro Group Limited, is also a director and indirect shareholder of 30 – 38 Jacoba Alberton North (Pty) Ltd.

JO Freed, who is a director of Austro Group Limited and New Way Power (Pty) Ltd, is also a member of Vonnie CC.

JO Freed, who is a director of Austro Group Limited and New Way Power (Pty) Ltd, is also a director and shareholder of Septay Investments (Pty) Ltd.

HT Heye is a director of New Way Power (Pty) Ltd.

Neptune Investments (Pty) Ltd is wholly owned by a trust, the beneficiaries of which are the parents of HT Heye.

U Schäckermann, who is a director of Austro Group Limited, Austro (Pty) Ltd and New Way Power (Pty) Ltd, is also a 50% member of JoVader Trading CC trading as Intercon Computer Services.

All transactions between group companies are concluded at arm's length. On consolidation, inter-company transactions are eliminated.

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Related party balances				
Loans receivable/(payable) intergroup				
New Way Power (Pty) Ltd	**-**	-	**(674)**	19 900
Austro (Pty) Ltd	**-**	-	**82 711**	51 169
Matase Power Systems (Pty) Ltd	**-**	-	**473**	-
	-	-	**82 510**	71 069
Other balances with related parties				
Salamax payable relating to rental of premises				
(DS Brouze, director)	**-**	400	**-**	-
30-38 Jacoba Alberton North (Pty) Ltd (property rental for Alberton)	**(1 044)**	586	**-**	-
Austrian Woodworking Machinery (Pty) Ltd relating to rental of premises (DS Brouze, director)	**-**	252	**-**	-
	(1 044)	1 238	**-**	-
Related party transactions				
Interest received				
30-38 Jacoba Alberton North (Pty) Ltd: Property loan				
(DS Brouze, director)	**-**	2 495	**-**	-
Austro Group Limited	**-**	-	**7 512**	-
	-	2 495	**7 512**	-
Interest paid				
Austro (Pty) Ltd	**-**	-	**5 769**	
New Way Power (Pty) Ltd	**-**	-	**1 743**	
	-	-	**7 512**	
Management/administration fees received				
Austro Group Limited	**-**	-	**6 185**	9 165
	-	-	**6 185**	9 165
Management/administration fees paid				
Austro (Pty) Ltd	**-**	-	**3 098**	4 590
New Way Power (Pty) Ltd	**-**	-	**3 087**	4 575
	-	-	**6 185**	9 165

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
28 RELATED PARTIES (CONTINUED)				
Other fees paid				
Salamax 1987 (Pty) Ltd rent paid: (DS Brouze, director)	**4 834**	4 402	**-**	-
Septay Investments (Pty) Ltd rent paid: (JO Freed, director)	**720**	624	**-**	-
Vonnie CC: rent paid (JO Freed, director)	**-**	120	**-**	-
Austrian Woodworking Machinery (Pty) Ltd: rent paid (DS Brouze, director)	**3 040**	3 039	**-**	-
30-38 Jacoba Alberton North (Pty) Ltd (property rental for Alberton) (DS Brouze, director)	**1 307**	6 123	**-**	-
Austro (Pty) Ltd: rent paid	**-**	-	**-**	154
Neptune Investments (Pty) Ltd: rent paid (HT Heye, director, connection via parents)	**303**	217	**-**	-
JOVader Trading CC trading as Intercon Computer Services risk management and high level IT support (U Schäckermann, director)	**13**	212	**-**	-
	10 217	14 646	**-**	154
Inter-company sales				
Austro (Pty) Ltd	**498**	-	**-**	-
New Way Power (Pty) Ltd	**-**	295	**-**	-
	498	295	**-**	-
29 EARNINGS PER SHARE				
Basic earnings per share				
Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity owners of the parent by the weighted average number of ordinary shares outstanding during the year.		-		-
Basic (loss)/earnings per share				
From continuing operations (cents per share)	**(39,06)**	1,50	**-**	-
Basic earnings per share was based on (loss)/earnings of R(154,4) million (2011: R6,4 million and a weighted average number of ordinary shares of 395 294 018 (2011: 419 758 013).		-		-
Reconciliation of profit or loss for the year to basic earnings				
Profit or loss for year attributable to equity holders of the parent	**(154 412)**	6 439	**-**	-
Adjusted for:				
Headline earnings and diluted headline earnings per share				
Headline (loss)/earnings per share (cents)	**(5,26)**	1,60	**-**	-
Reconciliation between earnings/(loss) and headline earnings/(loss)				
Basic earnings	**(154 412)**	6 439	**-**	-
Adjusted for:				
Net (profit)/loss on disposal of plant and equipment	**(693)**	239	**-**	-
Impairment of goodwill	**134 198**	-	**-**	-
Tax effect thereon	**96**	(33)	**-**	-
	(20 811)	6 645	**-**	-

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000

29 EARNINGS PER SHARE (CONTINUED)

Reconciliation between diluted earnings/(loss) and diluted headline earnings/(loss)				
Diluted earnings	**(154 412)**	6 439	**-**	-
Adjusted for:				
Net (profit)/loss on disposal of plant and equipment	**(693)**	239	**-**	-
Impairment of goodwill	**134 198**	-	**-**	-
Tax effect thereon	**96**	(33)	**-**	-
	(20 811)	6 645	**-**	-

30 EMPLOYEE BENEFITS

Share-linked incentives were granted in terms of a phantom share incentive scheme.

"Austro Incentive Participation Scheme" whereby participants are entitled to a payment in an amount equal to the enhancement of the value of the share price based on a 30-day weighted average share price with reference to the strike price at the exercise date of the phantom shares.

The award dates of the phantom shares are indicated below. The vesting criteria of the phantom shares are as follows:

These phantom shares awarded, vests and may be exercised as follows:

- up to 33% of the phantom shares on or after the first anniversary of the award date;
- up to 66% of the phantom shares on or after the second anniversary of the award date; and
- up to 100% of the phantom shares on or after the third anniversary of the award date.

To the extent that the options have not been exercised by the sixth anniversary of the award date or termination of employment, the options will lapse at that date and accrue cumulatively to the directors and the staff members up until that date, if not exercised.

Directors' participation in share-linked incentive schemes

The movement in the number of phantom shares held by directors is as follows:

	2012 Number of shares '000	2011 Number of shares '000
At the beginning of the year	**2 000**	4 000
Issued:		
Award date – 24 November 2010	**-**	2 000
Exercised	**-**	-
Termination of employment – lapsed	**(2 000)**	(4 000)
Balance at the end of the year	**-**	2 000

30 EMPLOYEE BENEFITS (CONTINUED)

The details of each employee's number of phantom shares are set out below:

RE Moss

RE Moss was allocated 4 000 000 phantom shares and they vest over a three-year period linked to performance conditions. The strike price was R0.55.

	2012 Number of shares ‘000	2011 Number of shares ‘000
Balance at beginning of year	**-**	4 000
Exercised	**-**	-
Issued:		
Termination of employment – lapsed	**-**	(4 000)
Balance at the end of the year	**-**	-

P Sigsworth

P Sigsworth was allocated 2 000 000 phantom shares and they vest over a three-year period. The strike price was R0.5062.

	2012 Number of shares ‘000	2011 Number of shares ‘000
Balance at beginning of year	**2 000**	-
Exercised	**-**	-
Issued:		
Award date – 24 November 2010	**-**	2 000
Termination of employment – lapsed	**(2 000)**	-
Balance at the end of the year	**-**	2 000

	2012 Valuation ‘000	2011 Valuation ‘000
Balance at beginning of year	**(137)**	-
Independent valuation of the fair value of the cash settled share-based payment transactions	**-**	(137)
Termination of employment – lapsed	**137**	-
Balance at the end of the year	**-**	(137)

31 POST-STATEMENT OF FINANCIAL POSITION

There have been no material events subsequent to the end of the year that have not been taken account of in the financial statements for the year.

CONDENSED CONSOLIDATED UNAUDITED RESULTS OF AUSTRO FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 28 February 2013 R'000	Unaudited For the six months ended 29 February 2012 R'000	Audited For the twelve months ended 31 August 2012 R'000
Revenue	**261,142**	194,205	417,531
Cost of sales	**(181,692)**	(127,322)	(289,374)
Gross profit	**79,450**	66,883	128,157
Other operating income	**2,962**	1,948	4,523
Net operating expenses	**(66,073)**	(75,437)	(149,714)
Onerous lease expense effect	**-**	(8,976)	(8,647)
Operating expenses excluding onerous lease effect	**(66,073)**	(66,461)	(141,067)
Profit/(loss) from operations before impairment of goodwill	**16,339**	(6,606)	(17,034)
Impairment of goodwill	**-**	(134,197)	(134,197)
Profit/(loss) from operations before interest and taxation	**16,339**	(140,803)	(151,231)
Net interest received	**19**	1,455	1,950
Interest received	**1,048**	3,224	6,015
Interest paid	**(1,029)**	(1,769)	(4,065)
Profit/(loss) before taxation	**16,358**	(139,348)	(149,281)
Taxation expense	**(5,746)**	(8,250)	(5,132)
Total comprehensive income/(loss) for the period	**10,612**	**(147,598)**	**(154,413)**
Attributable to			
Owners of Austro Group Limited	**10,737**	(147,437)	(154,412)
Non-controlling interest in subsidiary	**(125)**	(161)	(1)
Total comprehensive income/(loss) for the period	**10,612**	**(147,598)**	**(154,413)**

	Unaudited For the six months ended 28 February 2013	Unaudited For the six months ended 29 February 2012	Audited For the twelve months ended 31 August 2012
Numbers of shares in issue	**395,292,923**	395,693,678	395,292,923
Weighted average number of shares	**395,292,923**	395,295,125	395,294,018
Earnings/(loss) per share (cents)	**2.7**	(37.3)	(39.1)
Diluted earnings/(loss) per share (cents)	**2.7**	(37.3)	(39.1)
Headline earnings/(loss) per share (cents)	**2.8**	(3.4)	(5.3)
Diluted headline earnings/(loss) per share (cents)	**2.8**	(3.4)	(5.3)
Reconciliation of income/(loss) to headline earnings/(loss):	**R'000**	**R'000**	**R'000**
Total comprehensive income/(loss) for the period	**10,737**	(147,437)	(154,412)
Net loss/(profit) on disposal of plant and equipment	**563**	(99)	(693)
Impairment of goodwill	**-**	134,197	134,197
Tax effect thereof	**(104)**	14	97
Headline earnings/(loss)	**11,196**	**(13,325)**	**(20,811)**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 28 February 2013 R'000	Unaudited As at 29 February 2012 R'000	Audited As at 31 August 2012 R'000
ASSETS			
Non-current assets	**147,220**	138,986	152,650
Plant and equipment	**41,019**	38,300	43,043
Goodwill	**95,544**	95,544	95,544
Deferred taxation	**10,657**	5,142	14,063
Current assets	**356,061**	312,255	341,453
Inventories	**191,248**	205,905	197,117
Trade and other receivables	**105,157**	86,101	105,384
Taxation receivable	**4,318**	591	4,537
Cash and cash equivalents	**55,338**	19,658	34,415
Total assets	**503,281**	451,241	494,103
EQUITY AND LIABILITIES			
Capital and reserves	**373,105**	369,306	362,493
Stated capital	**295,497**	-	295,497
Share capital	**-**	4	-
Share premium	**-**	295,491	-
Accumulated profits	**77,733**	73,972	66,997
Non-controlling interest in subsidiary	**(125)**	(161)	(1)
Non-current liabilities	**17,047**	287	17,554
Finance lease obligation	**5,416**	-	5,263
Provision for onerous lease	**11,631**	-	12,291
Deferred taxation	**-**	287	-
Current liabilities	**113,129**	81,648	114,056
Trade and other payables	**109,751**	67,504	110,559
Finance lease obligation	**2,280**	-	2,523
Provision for onerous lease	**1,098**	13,587	967
Taxation payable	**-**	557	7
Total equity and liabilities	**503,281**	**451,241**	**494,103**
Net asset value per share (cents)	**94.4**	93.3	91.7
Tangible net asset value per share (cents)	**70.2**	69.2	67.5

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited	Unaudited	Audited
	As at 28 February 2013	As at 29 February 2012	As at 31 August 2012
	R'000	R'000	R'000
Cash inflows/(outflows) from operating activities	**24,175**	(22,021)	3,743
Cash generated/(utilised) by operations	**26,284**	(20,411)	15,444
Interest received	**1,048**	3,224	6,015
Interest paid	**(1,029)**	(1,769)	(4,065)
Taxation paid	**(2,128)**	(3,065)	(13,651)
Cash outflows from investing activities	**(2,699)**	(3,678)	(14,387)
Cash outflows from financing activities	**(553)**	(3,631)	(3,929)
Net increase/(decrease) in cash and cash equivalents	**20,923**	(29,330)	(14,573)
Cash and cash equivalents at beginning of period	**34,415**	48,988	48,988
Cash and cash equivalents at end of period	**55,338**	19,658	34,415

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Unaudited	Unaudited	Audited
	As at 28 February 2013	As at 29 February 2012	As at 31 August 2012
	R'000	R'000	R'000
Stated capital	**295,497**	295,495	295,497
Balance at beginning of period	**295,497**	295,701	295,701
Share premium reduction due to share buy back	**-**	(206)	(204)
Accumulated profits	**77,733**	73,972	66,997
Balance at beginning of period	**66,996**	221,409	221,409
Total comprehensive income/(loss) for the period	**10,737**	(147,437)	(154,412)
Non-controlling interest in subsidiary	**(125)**	(161)	(1)
Total capital and reserves	**373,105**	369,306	362,493

CONDENSED SEGMENTAL ANALYSIS

	Unaudited	Unaudited	Audited
	For the six months ended 28 February 2013	For the six months ended 29 February 2012	For the twelve months ended 31 August 2012
	R'000	R'000	R'000
Revenue (external)			
Power	**167,076**	123,075	257,586
Gross	**169,782**	123,075	257,586
Inter-segment	**(2,706)**	-	-
Wood	**94,066**	71,130	159,945
Gross	**94,066**	71,130	160,443
Intersegment	**-**	-	(498)
Total	**261,142**	194,205	417,531
Profit/(loss) before taxation			
Power	**17,204**	(79,049)	(74,750)
Gross	**18,752**	(79,049)	(74,750)
Inter-segment	**(1,548)**	-	-
Wood	**(846)**	(60,299)	(74,531)
Gross	**(846)**	(60,299)	(74,421)
Intersegment	**-**	-	(110)
Total	**16,358**	(139,348)	(149,281)
Taxation expense			
Power	**(4,870)**	(5,311)	(6,262)
Wood	**(876)**	(2,939)	1,130
Total	**(5,746)**	(8,250)	(5,132)
Capital and reserves			
Power	**329,183**	340,329	320,520
Assets	**401,193**	383,879	386,225
Liabilities	**(72,010)**	(43,550)	(65,705)
Wood	**43,922**	28,977	41,973
Assets	**102,088**	67,362	107,878
Liabilities	**(58,166)**	(38,385)	(65,905)
Total	**373,105**	369,306	362,493

COMMENTARY

INTRODUCTION

Austro is listed in the "Industrial Engineering" sector and "Industrial Machinery" sub-sector of the JSE Limited ("JSE"). The Group supplies specialised and quality branded industrial equipment to corporate, commercial and infrastructure markets in South Africa and other African countries. The Group services clients ranging from heavy industrial, mining and construction groups to wholesalers, retailers and manufacturers.

Austro has two distinct and focused business offerings:

- the production, supply, installation and rental of generators and related components such as industrial engines, marine engines, alternators, switchgear and components to the generator manufacture and supply industry; and
- the distribution of professional woodworking equipment and tooling.

Group subsidiaries include:

- New Way Power Proprietary Limited ("Power") housing the energy and power related interests of the Group.
- Austro Proprietary Limited (previously Austro Wood Proprietary Limited) ("Wood") housing the woodworking and related interests of the Group.
- Power owns 49,9% of Matase Power Systems Proprietary Limited ("Matase").

FINANCIAL REVIEW

Consolidated statements of comprehensive income

Following a year of significant write-downs, the Group has returned to profitability and has grown tangible net asset value per share. Austro delivered significantly improved operating and financial performance for the interim period ended 28 February 2013. Demand at both Power and Wood was strong, driven by increased development and tender project work at Power and Wood's in-house trade show held in August 2012. Revenues increased 34,5% to R261,1 million compared to the prior corresponding period's R194,2 million. The gross profit margin decreased by 4,0% from 34,4% to 30,4% as a result of reduced tender project margins at Power. Operating expenses, excluding the onerous lease expense effect, declined by 0,6%, driven by a material reduction in operating expenses at Wood. As a percentage of revenue, operating expenses declined from 34,2% to 25,3%.

The increase in other operating income of 52,1% is primarily due to the rental income earned through a sub-lease at one of Wood's premises. This sub-lease expires in August 2013 and Austro is currently in the process of trying to cancel the head-lease due to the onerous nature thereof (refer to Post-Statement of Financial Position below).

The result of these movements is a net profit from operations before impairment of goodwill of R16,3 million (2012: R6,6 million loss).

Consolidated statements of financial position

The Group's net working capital, which includes inventories, accounts receivable and accounts payable, decreased by R37,8 million from R 224,5 million to R186,7 million. This reduction was achieved through reduced inventories at Power and improved terms with trade creditors. Additional finance lease obligations of R7,7 million were incurred to finance fleet vehicles.

In accordance with IAS36 (Impairment of Assets), the Group tests goodwill for impairment. These tests are based on cash flow forecasts for the following five years using the cash-generating units' results and management forecasts. No additional impairment was required at 28 February 2013.

Cash and cash equivalents increased to R55,3 million at 28 February 2013. This R20,9 million increase was primarily generated from operations.

POST-STATEMENT OF FINANCIAL POSITION

During the previous corresponding period the Group raised a provision in respect of an onerous lease at Wood, giving rise to a pre-tax impact of R8,9 million. Austro is in the process of trying to cancel this lease at a cost of R10 million which, if concluded, will result in the release of the onerous lease provision. Due to the lease being with a related party, any settlement thereof requires a fair and reasonable opinion to be obtained and the conclusion of any settlement with the related party will be communicated to shareholders in due course.

Other than the above, there have been no material events subsequent to the end of the interim period that have not been taken into account in the financial statements for the period.

PROSPECTS

Locally, economic growth prospects remain muted. There do not appear to be any immediate catalysts that will accelerate growth globally while substantial downside risks remain. Power is likely to benefit from any potential load-shedding that Eskom has warned about, resulting in increased base demand for generator sets but competition to win business will remain intense. The pace of revenue growth at Wood is unlikely to be sustained but the board still expects to show real revenue growth for the financial year. Volatile exchange rates continue to put pressure on margins. A new management team has been appointed to drive the development of the Group going forward.

DIVIDEND DISTRIBUTION

No dividend has been declared for the interim period.

BASIS OF PREPARATION

These condensed consolidated unaudited interim results were prepared by Tania le Roux (Chartered Accountant (SA)), under the supervision of the Financial Director, Jarrod Friedman (Chartered Accountant (SA)).

These condensed consolidated unaudited interim results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), Interim Financial Reporting (IAS34), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by The Financial Reporting Standards Council, the JSE Listings Requirements and comply with the South African Companies Act (2008), as amended. The accounting policies applied are consistent with those applied in the annual financial statements for the year ended 31 August 2012. These results have not been reviewed or reported on by the Group's auditors.

CHANGES TO THE BOARD OF DIRECTORS

Dismissal: C Jacobs (11 December 2012)

Appointment: PD Mansour (15 April 2013)

Appointment: JS Friedman (15 April 2013)

Resignation: JO Freed as executive director (30 April 2013)

Resignation: JR Freed as alternate executive director to JO Freed (30 April 2013)

Appointment: JO Freed as non-executive director (30 April 2013)

SHARE PRICE HISTORY OF AUSTRO SHARES

Period	High (cents)	Low (cents)	Close (cents)	Volume	Value (R)
Quarterly					
2010					
September	56	-	54	8 023 320	4 182 694
December	57	-	52	15 105 178	7 772 597
2011					
March	56	-	50	15 810 638	-
June	60	-	58	37 750 268	4 875 327
September	57	49	54	4 385 354	2 323 897
December	54	48	50	2 543 943	1 282 529
2012					
March	50	47	47	8 353 519	4 069 155
June	49	36	37	10 216 936	4 239 909
Monthly					
2012					
July	40	37	38	4 171 610	1 585 846
August	45	38	42	322 264	134 118
September	45	40	42	4 304 953	1 808 074
October	45	40	45	2 404 405	1 030 566
November	46	38	44	1 357 785	573 104
December	46	40	44	2 763 724	1 206 009
2013					
January	46	40	46	2 835 224	1 268 858
February	50	41	48	9 191 217	4 163 250
March	58	46	58	2 830 884	1 436 572
April	61	53	56	2 046 451	1 094 530
May	61	55	60	38 679 202	21 309 670
June	90	60	75	358 712	269 724
July	90	68	80	11 840 184	8 855 863
Daily					
2013					
1 August	80	80	80	200 000	160 000
2 August	79	78	79	132 000	104 183
5 August	80	80	80	197 800	158 240
6 August	84	80	84	950 106	774 276
7 August	83	83	83	10 000	8 300
8 August	83	80	83	104 000	86 200
12 August	83	80	80	46 700	38 410
13 August	84	83	84	950 000	793 850
14 August	84	77	81	148 219	120 261
15 August	84	84	84	50 000	42 000
16 August	84	81	81	593 546	481 732

Period	High (cents)	Low (cents)	Close (cents)	Volume	Value (R)
19 August	83	80	81	1 193 000	966 030
20 August	81	80	80	1 304 000	1 055 250
21 August	83	83	83	639	530
22 August	82	75	82	505 556	387 174
23 August	82	82	82	-	-
26 August	82	82	82	-	-
27 August	82	82	82	-	-
28 August	82	82	82	-	-
29 August	79	79	76	25400	19 779
30 August	78	78	78	14 700	11 466
2 September	81	82	78	1 184 827	942 388
3 September	81	81	81	-	-
4 September	81	81	81	-	-
5 September	81	81	81	-	-
6 September	78	78	78	50 000	39 000
9 September	78	78	78	-	-
10 September	77	77	77	302 381	232 833
11 September	81	77	81	1 694 271	1 341 381
12 September	83	83	83	450	373
13 September	83	80	83	500 000	400 013
16 September	80	80	80	99 550	79 640
17 September	80	80	80	-	-
18 September	80	80	80	-	-
19 September	83	83	83	45 000	37 350
20 September	83	83	83	-	-
23 September	83	83	83	-	-
25 September	85	85	85	296 500	252 025
26 September	85	85	85	44 000	37 400
27 September	83	76	83	45 400	36 869
30 September	83	83	83	109 000 000	52 276 545
1 October	80	80	80	7 448	5 958
2 October	85	83	85	249 500	211 935
3 October	86	85	85	47 700	40 829
4 October	85	85	85	-	-
7 October	85	85	85	-	-
8 October	85	85	85	3 000	2 550
9 October	95	90	95	10 000	9 450
10 October	94	87	94	244 292	225 139
11 October	94	94	94	518 901	487 766
14 October	94	90	90	16 425	15 421
15 October	94	91	94	40 703	38 170
16 October	95	90	94	222 317	209 744
17 October	93	93	93	10 000	9 300

SALIENT TERMS OF THE MANAGEMENT SERVICES AGREEMENT

The details below are a direct extract from the Management Services Agreement.

1. “Appointment

The company hereby appoints the manager, with effect from 15 April 2013 (the “**commencement date**”) to perform the services detailed in clause 2 below on behalf of the company and the manager accepts such appointment, all on the further terms set out in this agreement.

2. Services

The manager shall provide strategic and business support services to Austro and its subsidiaries (the “**Austro group**”) to supplement the internal executive capacity of the Austro group in relation to the development and implementation of business strategy as well as the ongoing operational and financial management of the Austro group. The manager shall, in conjunction with the group’s Chief Executive Officer and Financial Director, render all such services as are necessary or requisite to discharge the company’s executive functions...”

7. “Duration

Notwithstanding the date of signature hereof, the appointment shall commence on the commencement date and shall terminate on the 3rd anniversary of the commencement date, unless terminated prior to that date in terms of clause 12 below.

8. Austro CEO and FD

8.1. As part of the obligations of the manager to the Austro group, the manager shall, if required by Austro, use its best endeavours to identify and procure the appointment (by Austro) of suitably qualified persons to act as Chief Executive Officer (“**CEO**”) and Financial Director (“**FD**”) of Austro. The identity of the persons to act as CEO and FD and the terms of their executive service arrangements with Austro shall always be subject to Austro board approval.

8.2. It is recorded that the manager has procured that:

2.20.1. Paul Mansour (“**Paul**”) to serve as Chief Executive Officer of the Austro group;

2.20.2. Jarrod Friedman (“**Jarrod**”) to serve as Financial Director of the Austro group.

8.3. If, for the duration of this agreement, the employment of the CEO and/or the FD is terminated at any time, the manager shall use its best endeavours to procure another person to act as CEO and/or FD (as the case may be) of the Austro group on the basis that the identity of the replacement CEO and/or FD and the terms of his/her appointment shall be subject to Austro board approval.

9. Remuneration

9.1. Monthly fee

9.1.1. The monthly remuneration payable by Austro to the manager for the services to be rendered by the manager in terms of this agreement shall:

9.1.1.1. for the calendar month April 2013 be an amount of R280 000;

9.1.1.2. for each calendar month commencing 1 May 2013 be an amount of R140 000 per month (or a *pro rata* amount for any part thereof) for the duration of this agreement,

each a “**monthly payment**”...

9.1.2. “The monthly fee shall be reviewed annually with effect from 1 January of each calendar year (commencing 1 January 2014) and increased by such amount as agreed to between the company and the manager, provided that the increase shall not be less than the average escalation in the South African Consumer Price Index over the preceding 12 month period...”

9.2. "*Reimbursement of expenses*

9.2.1. If the manager reasonably incurs expenditure on behalf of the company in the provision of the services, the manager shall be entitled to reimbursement by the company for such expenses upon presentation of the relevant proof of payment together with supporting documentation..."

9.3. "*Incentive fee*

9.3.1. The company and the manager shall agree objective, reasonable and achievable targets which will form the basis for the determination of the annual incentive fee payable by the company to the manager...."

9.3.2. "The cash incentive fee applicable for each financial year of the company shall be a maximum amount equal to the aggregate of (i) one times the annual management fee payable by the company to the manager for the relevant financial year and (ii) one times the aggregate cost-to-company of the basic remuneration (i.e. excluding any bonus amounts) payable by the company to its CEO and FD for the relevant financial year. It being recorded that a cash incentive fee for the calendar year ended 31 December 2013 shall be an amount of R5 040 000."

9.4. *"Share appreciation rights scheme*

9.4.1. To align the interest of the manager with those of the company's shareholders, subject to this agreement not being terminated or cancelled at any time prior to first anniversary of the commencement date, on the earlier of (i) the termination of this agreement (in the absence of an event of default on the part of the manager) or (ii) 31 December 2015 (the earlier of (i) and (ii) being referred to herein as the "**determination date**") the manager will become entitled to an additional fee, the quantum of which is to be referenced-off any appreciation in the company's share price over the period between the commencement date and the determination date in respect of a notional holding of 19.5 million Austro shares..."

"....with 47 cents being the agreed strike price of an Austro share as at the commencement date..."

9.5. "Participation of CEO and FD in incentivisation fee and share appreciation rights scheme

For the duration of this agreement and for so long as:

9.5.1. Paul is constituted as the Austro group's CEO;

9.5.2. Jarrod is constituted as the Austro group's FD,

save for the monthly remuneration payable by the Austro group to each of Paul and Jarrod (as detailed in their respective executive service agreements) Paul and Jarrod have no other contractual rights to participate in any share incentive scheme, bonus or other executive incentivisation arrangements operated from time to time by the Austro group.

Each of Paul and Jarrod will be entitled (whether directly or indirectly) and on terms agreed to between Paul and/or Jarrod on the one hand and the manager on the other hand to participate in the economic benefits arising from any incentive fee and/or the share appreciation rights scheme (as contemplated in clause 9.3 and clause 9.4 above)."

AUSTRO GROUP LIMITED

AUSTRO GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 2001/029771/06)
JSE share code: ASO ISIN: ZAE000090882
("**Austro**" or the "**company**")

FORM OF ACCEPTANCE, TRANSFER AND SURRENDER

For use by Austro shareholders who hold their Austro shares in certificated form only in relation to an offer by the offeror. This form should be read in conjunction with the circular sent to shareholders on 5 November 2013.

Instructions:

1. A separate form of acceptance, transfer and surrender is required for each shareholders.
2. **Part A** must be completed by all shareholders who return this form relating to the surrender of documents of title.
3. **Part B** must be completed by those shareholders who accept the offer.
4. **Part C** must be completed by those shareholders who elect to receive the offer consideration electronically transferred into their bank accounts.
5. **Part D** must be completed by shareholders who are emigrants from or non-residents of the Republic of South African and Namibia and the Kingdom of Lesotho and Swaziland ("**common monetary area**") (see Note 2).

To: The transfer secretaries

By hand	*By post*
Computershare Investor Services Proprietary Limited	Computershare Investor Services Proprietary Limited
Ground Floor, 70 Marshall Street Johannesburg, 2001	PO Box 61763 Marshalltown, 2107

Dear Sirs

PART A – Surrender of documents of title

All shareholders who return this form must please complete Part A.

I/we hereby surrender the enclosed share certificate/s, certified transfer deed/s and/or other documents of title, details of which have been completed below, in respect of my/our holding of shares in Austro.

Surname or name of corporate body	
First names (in full)	
Title (Mr, Mrs, Miss, Ms, etc)	
Address to which the offer consideration should be sent (if different from registered address) and unless Part C has been completed	
Postal code	Country
Telephone number ( )	Cellphone number

In terms of the provisions set out in paragraph 3 of Part A of the circular to which this form is attached. I/We surrender and enclose the undermentioned document(s) of title to Austro shares.

Share certificates and/or other documents of title surrendered

Name of registered holder (separate form for each holder)	Certificate number(s) (in numerical order)	Number of shares covered by each certificate
Please also read notes on the reverse hereof.	Total:	

Signature of Austro shareholders	**Stamp and address of agent lodging this form (if any)**
Assisted by me (if applicable)	
(State full name and capacity) Date 2013	
Telephone number (home) ( )	
Telephone number (home) ( )	
Cellphone number	

Signatories may be called upon for evidence of their authority or capacity to sign this form.

PART B – Acceptance of the offer

Shareholders who accept the offer must please complete Part B.

I/We hereby accept the offer in respect of [   ] Austro shares held by me/us.

(Failure to state the number of shares shall be deemed to indicate acceptance of the offer in respect of all shares indicated by the documents of title surrendered by that shareholder or his/her representative.)

PART C – To be completed by those shareholders who wish to have the offer consideration transferred into their bank accounts.

Name of bank account holder	
Account number	
Name of bank	
Branch	
Branch code	
Type of bank account (cheque, savings, transmission, etc.)	

Notes:

1. *The offer consideration will only be electronically transferred if Part C is properly completed and this form is returned to the transfer secretaries together with the documents of title on or before the closing date.*
2. *Once the offer has been accepted before 12:00 on a Friday during the offer period, payment of the offer consideration will be made as set out in paragraph 3 of Part A of the circular.*
3. *In terms of FICA requirements Computershare Investor Services Proprietary Limited will not record any bank mandate without certified true copies of the shareholder's identity document and bank statement.*

PART D

1. To be completed only be certificated shareholders who are emigrants from South Africa.

The offer consideration will be forwarded to the authorised dealer nominated below for its control and credited to the emigrant's blocked account. Accordingly, a non-resident who is an emigrant from South Africa must provide the following information:

Name and address of authorised dealer in South Africa or substitute instruction

____

Account number

2. To be completed only by all other non-resident certificated shareholders who wish to provide a substitute address.

The offer consideration will be posted to the registered address of the non-resident concerned, unless written instructions to the contrary are received and an address provided below:

Substitute address

____

____

3. If no nomination is made in terms of 1 above, the offer consideration will be held in trust by Austro or the transfer secretaries.

NOTES:

1. Emigrants from the common monetary area must complete Part D.
2. All other non-residents of the common monetary area must complete Part D if they wish the offer consideration to be sent to an authorised dealer in South Africa.
3. If Part D is not properly completed, the offer consideration (in the case of emigrants or non-residents), will be held in trust by the transfer secretaries pending receipt of the necessary nomination or instruction.
4. The offer consideration will not be sent to shareholders unless and until documents of title in respect of the relevant Austro shares have been surrendered to the transfer secretaries.
5. If a shareholder produces evidence to the satisfaction of the offeror that documents of title in respect of his Austro shares have been lost or destroyed the offeror may waive the surrender of such documents of title against delivery of an indemnity in a form and on terms and conditions approved by it, or may in its discretion waive such indemnity.
6. If this form is not signed by the shareholder, the shareholder will be deemed to have irrevocably appointed the company secretary or Austro to implement that shareholder's obligations under the offer on his/her behalf.
7. Persons who have acquired shares in Austro after 25 October 2013, the record date to determine which shareholders are eligible to receive the document to which this form of acceptance, transfer and surrender is attached, can obtain copies of the document from Computershare Investor Services Proprietary Limited whose address is 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107).
8. No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE Limited, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this form.
9. Any alteration to this form must be signed in full and not initialled.
10. If this form is signed under a power of attorney, then such power of attorney, or a notarially certified copy thereof, must be sent with this form for noting (unless it has already been noted by Austro or the transfer secretaries).
11. Where the shareholder is a company or a close corporation, unless it has been registered with Austro or the transfer secretaries, a certified copy of the directors' or members' resolution authorising the signing of this form must be submitted if so requested by the offeror.
12. Note 11 above does not apply in the event of this form bearing the stamp of a broking member of the JSE Limited.
13. Where there are joint holders of any shares, only that holder whose name stands first in the register in respect of such shares need sign this form.