



ANNUAL REPORT **2008**



AUSTRO
GROUP LIMITED



AUSTRO

GROUP LIMITED

Austro Annual Report 2008

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Company profile

Austro Group Limited supplies specialised and quality branded industrial equipment to corporate, commercial and infrastructure markets in South Africa. The group services blue-chip clients, ranging from heavy industrial groups and construction groups to wholesalers and manufacturers. The group's two main businesses have both been in existence for almost 30 years.

Our mission

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

Core values

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

www.austrogrouplimited.com

Group overview








AUSTRO GROUP LIMITED

Austro Group Limited has two focused business offerings:

- the distribution of professional woodworking machinery and tooling; and,
- the production, supply and rental of generators and related components, such as industrial engines, alternators and switch-gear to the generator manufacture and supply industry.



Austro Group Limited (Holding company)

POWER				WOOD		
						
New Way 100% owned subsidiary	Neptune Plant Hire 100% owned subsidiary	Quinlec Power 100% owned subsidiary	Quad Technical Services 100% owned subsidiary	Austro Woodworking Machines & Tools Consists of 100% owned subsidiaries	Gearing Moss Supplies 100% owned subsidiary	2 nd Cut Pre-owned Woodworking Equipment 100% owned subsidiary

MAIN SUPPLIER BRANDS

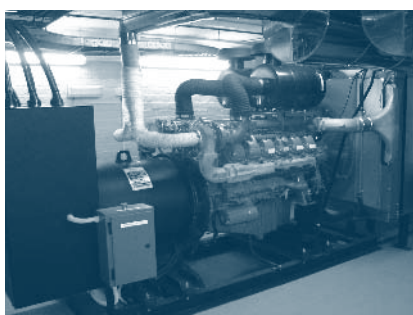


POWER AND RELATED INDUSTRY

POWER

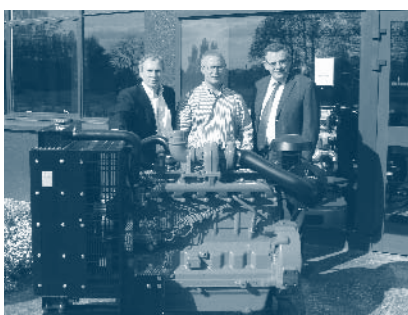
New Way

100% owned subsidiary



Neptune Plant Hire

100% owned subsidiary



Quinlec Power

100% owned subsidiary



Quad Technical Services

100% owned subsidiary

New Way

New Way is the principal supplier of commercial generators in sub-Saharan Africa. It also provides pumping equipment (used for dewatering, irrigation and fire suppression systems), marine propulsion (used in the fishing industry and high-end leisure craft), and industrial components.

It services blue-chip customers in the commercial, industrial, mining and public sectors.

New Way holds the sole distribution rights in sub-Saharan Africa, for John Deere Industrial and Marine Diesel Engines, Funk Axles and Transmissions. Other exclusive distributorships held by the company include Mitsubishi Heavy Industries, Doosan Infracore (formerly Daewoo Industrial) and Marathon Electric.

An in-house design team provides tailor-made solutions for clients. These locally manufactured units enable New Way to provide customers with highly competitive solutions compared with those available from imported alternatives.

Service is a key element to the business and its highly qualified and experienced engineers and technicians are on call 24/7. The well-stocked parts centre and fleet of diesel tankers provide a competitive edge, minimising customer downtime.

Neptune Plant Hire

Established in 1971, Neptune Plant Hire delivers power solutions to industrial companies across a broad range of business sectors. On inception, Neptune focused on servicing power requirements for the shipping industry in and around Cape Town harbour. Today, the company deals mainly with power supply equipment and services a global client list. Applications for Neptune's generators include fishing, shipping, tourism, offshore oil, commercial diving, farming, retail stores, production lines, factories, hospitals, trains, cold storage, events, pump stations, motor testing and construction.

Quinlec

Quinlec is based in KwaZulu-Natal and has been operating for the last 20 years in the electrical contracting and generator manufacture and supply segments of the market. With two crane trucks in continuous service and a fleet of hire sets available, the company also offers turnkey project solutions featuring installation and compliance certification, a 24-hour service division, as well as maintenance and service contracts.

Quad Technical

Quad Technical was formed in January 2005 and is a multi-disciplinary engineering, installation, equipment sales and systems solutions provider. The company focuses on the manufacturing of motor control and distribution boards for industrial, commercial and domestic applications, as well as electrical cabinets and sound enclosures for generators.

Group overview continued

WOODWORKING MACHINES AND TOOLS

WOOD

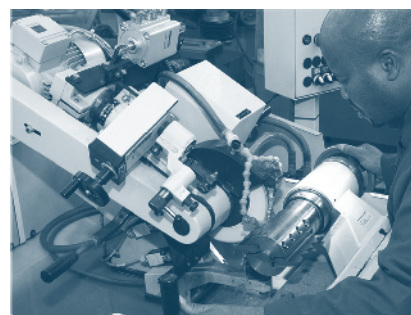
Austro Woodworking Machines & Tools
Consists of 100% owned subsidiaries



Gearing Moss Supplies
100% owned subsidiary



**2nd Cut Pre-owned
Woodworking Equipment**
100% owned subsidiary



Austro Woodworking Machines & Tools

Austro Woodworking Machines & Tools was established as Austro Engineering, a supplier of quality woodworking machinery, tooling and accessories. Almost 30 years of dedication, technical expertise and understanding of its customers' needs grew the company from humble beginnings to the industry's preferred partner and acknowledged market leader, representing many of the world's leading brands. Technical resource is one of the company's top priorities, and it lives by the motto "we service what we sell". Austro imports and manufactures quality tooling, offering clients the most advanced sharpening service on the continent. The company now has branches in Gauteng, KwaZulu-Natal and the Western Cape.

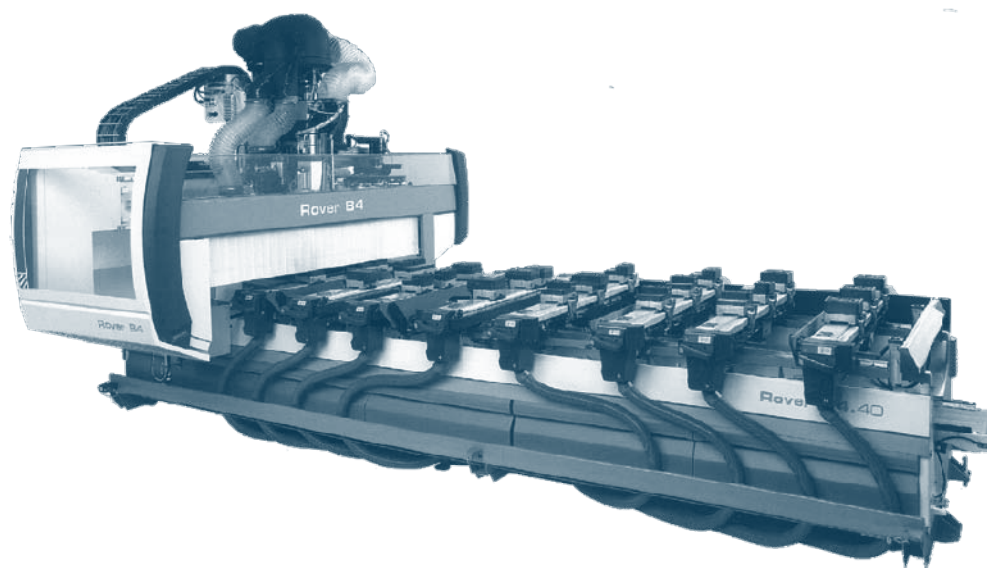


Gearing Moss Supplies (GMS)

GMS supplies mobile sawmills and log-processing equipment to the sawmilling industry, as well as tooling to the industrial woodworking industry. GMS holds agencies for a number of leading brands – including Wood-Mizer, world leader in portable sawmills. These agencies are supported by its own range of sawmilling equipment and the company's reputation for top class customer service and technical support.

2nd Cut

2nd Cut is Austro's recently established used machinery operation. Utilising an online customer interface, 2nd Cut taps into this previously fragmented market. Synergies are already being utilised as Austro buys back used machines through 2nd Cut by way of a trade-in offset against the purchase price of new equipment. At the same time, the group's Finance & Insurance offering provides a finance package for the end user through registered financial institutions. Austro is not exposed to the default risk as the institutions deal directly with the customer and on a non-recourse basis with Austro. Although newly established, 2nd Cut has already brought several significant trade-in deals to the group.



Directorate



ANTHONY (TONY) PHILLIPS
Independent Non-executive Chairman

Tony Phillips was appointed on 29 August 2008 as non-executive Chairman, bringing many years of experience in the industrial sector to the group. Well known and respected for his previous role as CEO of Barloworld and Chairman of PPC, Tony will add enormous value in terms of the group's strategy in the specialised Industrial Supplies sector. He is currently also non-executive chairman of Kwikspace Modular Buildings Limited, Newman Lowther and Associates, and a non-executive director of Eqstra Holdings Limited.



ROBERT FRIESE
*Chief Executive Officer
Executive Director*

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



BRIAN DOWNS (BRITISH)
Executive Director

Brian is the Sales Director of Wood. He joined the group in 1986. His technical background and broad knowledge of wood working machines is utilised in the procurement of machinery. Ensuring that Wood's product offering is up to date with international trends.



DAVID BROUZE
Non-executive Director

David Brouze completed his studies at the University of the Witwatersrand and is a qualified CA(SA). David is currently a director at the House of Busby.



JONATHAN FREED
Executive Director

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



MARK PETZER
Financial Director

Mark Petzer was appointed on 29 August 2008. He qualified as a Chartered Accountant CA(SA). He has been the group's financial manager for the last two years, during which time he has gained valuable industry knowledge, as well as a practical understanding of the workings of an expanding and dynamic listed group.



NEILL DAVIES
Independent Non-executive Director

Neill Davies was appointed on 29 August 2008. He has had a long career in industry and commerce in both executive and non-executive positions. Since retiring from the Altron Group, where his final role was that of Deputy Chairman, he has served on various boards of listed companies. He was chairman of Concor Limited, Rand Leases GM Limited and Astrapak Limited. Other non-executive directorships have included Anglo American Industrial Corporation Limited, the JD Group, Brait SA Limited, Bytes Limited and Afgri Limited. He is currently non-executive chairman of the ATM Solutions Group and a non-executive director of Savcio Holdings (Proprietary) Limited.



WALTER HAUSER (AUSTRIAN)
Independent Non-executive Director

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



JUSTIN FREED
Alternate Executive Director

Justin was appointed on 19 November 2008 as alternate executive director to JO Freed. He is currently the sales director for New Way. His knowledge and expertise in the industrial engine and generator industry has been developed over the last 17 years, and he is considered a leading expert in the industry.

On 29 August 2008 Daniel Rothlisberger, the founder and managing director of Austro, resigned from the board. He has committed over 28 years of his life to growing and establishing the company as one of the world's most successful and well respected suppliers of Woodworking Machines & Tools. Since selling the majority shareholding in 2004, Daniel has exceeded all expectations of the company and board, and would now like to pursue his personal interests. Although Daniel has decided to step down as an executive director, he will play the role of an active mentor and will continue supporting the group in an advisory capacity, and will for the foreseeable future continue driving one of the company's new projects.

Richard Jonah has also tendered his resignation, effective 29 August 2008, as he will further his studies. As a result will not be able to commit the time required to serve as a non-executive director.

Chairman's review



The Austro Group posted strong results over the reporting period and has progressed well since listing in 2007 in terms of implementing its growth strategy.

The group was founded with a vision to develop a cluster of companies of leading, established brands in the industrial, construction and infrastructure sectors. Today, the group supplies specialised and quality branded industrial equipment to South Africa's markets and services a blue-chip client base.

Austro's quality products are reinforced by exceptional service and support. Austro's position as market leader is encapsulated in the diversification of its client base – the group's largest single client accounts for only 3% of its revenue.

ECONOMIC CONTEXT

Global markets have been turbulent in recent times and most businesses have been impacted by the credit crunch and the general slowdown

worldwide. Given the fundamentally inter-locked nature of the world economies and the complexity of the current crisis, there is a strong likelihood of an extended global downturn for much of 2009.

South Africa is certainly not immune to this global context and will face a range of challenges in negotiating the impact of significantly lowered household spending and sluggish private sector growth. Against this, the government spending pipeline looks likely to remain robust. According to recent research, the value of the pipeline for major projects is expected to be R529 billion until 2013, and R658 billion over the following seven years; while the value of announced construction contracts is expected to peak at R114 billion in 2013, from R50 billion in the current year.

However, as with many other global economies, South Africa will be grappling with methods through which to keep consumer consumption and access to credit relatively steady. A strong intent to lower interest rates looks likely to play an important role. Indeed, while government's many infrastructure development programmes will impact positively on GDP, the private sector clearly will be pivotal in driving growth, which is crucial to supporting the value of the Rand. Strong interest rate action from the South African authorities could thus well define – based on the commonly held global view that the dangers of inflation have passed, while recession and deflation must be aggressively countered by central banks and governments – how the country emerges from the global crisis. Lowering rates is likely to create a positive feedback loop, pushing economic growth, which, in turn, will continue to grow the case for foreign direct investment in the country, further stimulating growth.

While it is likely that the national economy will continue to experience a slowdown, along with the rest of the world, in 2009 Austro will remain directly exposed to the country's ongoing public infrastructure development programmes and fixed capital formation spending, where clear opportunities remain.

INFRASTRUCTURE SPENDING

Austro remains particularly well positioned within the context of the final phases of South Africa's various public infrastructure projects. As these projects (ranging from the Gautrain through to the completion of new stadiums for the 2010 FIFA World Cup) enter their final phases, the group is likely to experience strong demand in both the Wood and Power divisions.

The demand for fittings and finishings will benefit the group's Wood operations. In addition, while the recent power crisis has yielded key benefits for the Power arm of the group, Austro's strong performance here reaches well beyond quick-fix power supply solutions.

As a result of the 2008 power crisis, many South African companies and corporations are re-evaluating their power supply strategies and their risk management implications. This has benefited the group and is likely to do so for the foreseeable future. It is important to note, however, that the group is well positioned, not in an opportunistic sense, but rather as a result of over 30 years of experience in the Power sector.

On top of the reality of occasional rolling black outs, South Africa faces clear challenges with respect to the national power distribution network, which urgently needs to be expanded to meet demand. Austro's depth of experience allows it to offer clients unrivalled levels of service and quality products in any context.

GOING FORWARD

Addressing cash flow and stock levels has been a point of focus for the group over the reporting period, as discussed in more detail in the CEO's Review. Noteworthy to mention here is that the group has a history of strong cash generation. Furthermore, Austro currently has no significant long-term debt and adequate bank facilities to cover its requirements.

During the year, the group invested significantly in putting in place a dynamic management team. This team is now well established and active, and is ably supported by a flat operational structure designed to cater to ongoing organic growth.

The group is pleased to have declared a maiden dividend of 2 cents per share and remains committed to declaring an annual dividend.

Looking forward, Austro is well positioned in terms of cash flow, management ability, operational structure and market conditions. While trading conditions are likely to remain challenging, all important indicators show that Austro remains well placed to continue to grow in the years ahead.

CONCLUSION

The group has made a number of acquisitions, which need to be fully integrated into the business and the potential synergies unlocked. The divisional structure has been put into place and will improve the running of the group.

I would like to take this opportunity to thank the board, all our employees and a special word of thanks to our CEO, Robert Friese, who has led the team capably during the year. Our ability to generate strong returns for shareholders rests on our ability to work as a cohesive, flexible group of experts within our focus areas. DS Brouze, the founding Chairman, has decided to stand down from the role. We are fortunate that he has decided to remain on the board. We also welcome N Davies to the board as an independent non-executive director and Chairman of the Audit Committee.

I also extend my sincere thanks to our two directors retiring from the board, D Rothlisberger and RK Jonah.



AJ Phillips

Chairman

Chief Executive Officer's review



INTRODUCTION

Austro Group Limited (Austro) delivered a healthy set of results within the context of a turbulent global economy. The group's established position and balanced portfolio of customers, spread across different sectors, acted as an effective buffer in tough markets.

Austro's core strategy is to offer leading and established global brands to markets related to construction, industrials and infrastructure, and to back the quality Austro product offering with unsurpassed service and technical support. This strategy is being driven by a management team focused on utilising current and future market opportunities, and is supported by a flat organisational structure that enables quick decision making and the capitalising of opportunities as they arise.

Although the year ahead is expected to be challenging, the group still has opportunities resulting from the economic commitments from government and state enterprise investment programmes, underpinned by national preparation for the 2010 FIFA World Cup. These preparations involve the upgrading of five stadiums, as well as substantial improvements to public transportation and related infrastructure in the host cities. On a provincial

level, the Gautrain development and mounting demand for commercial properties, including hotels, should also result in increased demand for Austro's products and services up to and beyond 2010.

STRATEGY

The group listed in February 2007 and operates in two divisions, namely Power and Related Industry (Power), and Woodworking Machines and Tools (Wood).

The group has developed a cross-pollinating structure that allows it to take advantage of opportunities in the realm of public and private sector capacity expansion and infrastructure development. Now that the central pillars of the group are operating effectively and generating sustainable revenue, Austro's strategic focus is the growth and development of the group as a whole. This means maximising the many opportunities that exist internally to improve customer service and the depth and range of the Austro offering, and consequently the group's profitability and market share.

Moving forward, the general optimisation of business processes and the ongoing identification of areas of operational overlap and potential consolidation will be key strategic focus points. The group has deep roots within its areas of expertise and enjoys access to significant industry experience and human capital. It now seeks to utilise these assets, in combination with its extensive market reach, to entrench and build on its leading positions.

YEAR UNDER REVIEW

The group delivered strong results through continued demand for its quality branded products.

Revenue more than doubled from R279,0 million to R715,1 million. This was mainly driven by significant growth in the group's Power division due to acquisitions and increased demand in the alternative power supply industry, as well as constant demand in its Wood division for woodworking machinery and tooling.

Although the group concluded four acquisitions during the year, it continued to deliver solid organic growth in its core divisions. Significantly, revenue growth of 156,3% included 128,2% organic revenue growth, while operating profit growth of 111,0% included 98,7% organic growth.

Operating profit more than doubled to R154,6 million (2007: R73,2 million), chiefly due to robust growth from New Way, the group's established generator manufacturer and diesel engine and related components supplier.

Group operating margins decreased from 26,2% to 21,6%, due largely to increased overhead costs, most significantly the implementation of more effective senior management succession planning, as well as other group related activities. No further compression of these margins has been seen since year-end and the group is confident that it can maintain historic levels.

Earnings per share increased to 26,1 cents per share (2007: 16,1 cents per share) while headline earnings per share increased to 25,9 cents per share (2007: 14,2 cents per share).

Power

This division contributed 68,9% to group revenue (2007: 23,8%) and 81,7% to group operating profit (2007: 22,0%).

During the year, revenue increased significantly to R492,5 million (2007: R66,4 million) and operating profit increased to R126,2 million (2007: R16,1 million). This strong growth can be attributed to the new acquisitions, as well as demand from corporate, industrial and commercial clients for reliable primary and standby power.

While South Africa's recent power crisis has added a certain degree of stimulus to the sector, and hence has been positive for the division, ongoing growth will largely be attributed to demand for reliable primary and standby power from South Africa's corporate, industrial and commercial sectors.

The growth in the economy also highlighted key limitations of various infrastructural elements – South Africa's existing power-generating capacity is insufficient to meet future demand. Blue-chip businesses, general industry, retail groups, hospitals, municipalities, residential and commercial developments are amongst those affected.

The strength in the mining sector during the year under review produced an increased demand for free-standing and diesel generators used in mine slurries. Ultimately, hiring or buying generators will present the only viable alternative to actualise sustained economic growth in these sectors. This has created additional markets for Austro's Power businesses.

New Way remains the group's biggest contributor to revenue and profit. New Way supplies manufactured generator sets, industrial diesel engines and related components to marine, mining and other industry and has enabled the company to broaden its market coverage, including the supply of equipment to other generator manufacturers.

Wood

This division contributed 31,1% to group revenue (2007: 76,2%) and 18,3% to group operating profit (2007: 78,0%).

Austro's core strategy is to offer leading global brands to markets related to construction, industrials and infrastructure, and to back the quality Austro product offering with unsurpassed service and technical support.

Chief Executive Officer's review continued

The Austro Group has been structured to ensure it is able to follow an organic growth strategy that capitalises on recent investments and a strong market position.

During the period, although revenue was maintained, operating profit decreased. This was partly due to this division carrying the costs of the group's expenses, which included listing costs and normal head office costs associated with a listed entity, as well as all costs associated with acquisitions.

Start-up costs were also incurred during the year for several new initiatives that complement and support existing operations and will lead to increased market share. These include a dedicated export resource, a larger, more pro-active local sales force, a more dynamic and focused marketing strategy, a revamped showroom and service facility in KwaZulu-Natal and a strengthened Finance & Insurance offering. Strict cost controls and performance targets have been put in place to ensure delivery of effective returns to the group.

During the year, the new 2nd Cut showroom and facility came online in Johannesburg. 2nd Cut focuses on the sale of used equipment and is expected to be profitable by the end of the annual financial period. Clear benefits for the group are already evident from 2nd Cut's establishment, with a number of deals for new machines involving trade-ins being concluded.

In addition to the successful implementation of a dedicated Finance & Insurance offering, Austro Export has also begun operating in Zambia, Zimbabwe, Botswana, Namibia, Mozambique, Mauritius and Angola, while the Tooling division, which sells and services tooling for woodworking machines, continues to grow and remains extremely lucrative. The KwaZulu-Natal branch of Gearing Moss has also been successfully integrated into Austro and demand continues for portable sawmills, with high costs of transport motivating the on-site processing of logs.

ACQUISITIONS

Neptune

The group acquired Neptune on 1 September 2007 for a total investment of R28,7 million.

The Neptune rental division supplies power on demand for almost any application, and to a very broad market. Recently established, Neptune Johannesburg has already made strong progress, its business growing on the back of applications that are largely independent of the power crisis. Although the fleet has trebled in size, utilisation is at good levels as management continues growing the business nationally.

Quad

Austro acquired Quad, effective 1 April 2008, for R15,5 million.

Quad's core business is the design and manufacture of electrical panels and cabinets. Strong possibilities exist through New Way to rapidly expand this business. These opportunities are complemented by generally strong demand from industry.

Quinlec

Austro also acquired Quinlec, effective 1 April 2008, for R16,6 million.

Based in KwaZulu-Natal and covering the entire region pro-actively, Quinlec manufactures generators for customers in the region and has been sourcing diesel engines from New Way for the past three years. The Quinlec acquisition has allowed the Austro Power division to further extend its footprint across the region.

STRUCTURED FOR SUCCESS

The Austro Group has been structured to ensure it is able to follow an organic growth strategy that capitalises on recent investments and a strong market position. An optimised group structure, characterised by group-wide improvements in business process efficiencies, is a key strategic consideration.

Financial highlights

- Revenue more than doubled to R715,1 million
 - Revenue growth of 156,3% included 128,2% organic revenue growth
- Operating profit more than doubled to R154,6 million
- Operating profit growth of 111,0% included 98,7% organic growth
- Headline earnings per share increased by 82,2%
- Declaration of maiden dividend

Chief Executive Officer's review continued

PROSPECTS FOR THE YEAR AHEAD

New Way

New Way currently operates out of four distinct facilities in different locations within Johannesburg. This fragmentation presents a range of opportunities to increase efficiencies in manufacturing, warehousing, handling and other important day-to-day operational elements. The first half of 2009 will thus see a consolidation of these four locations into a single, central and far more suitable New Way facility.

Neptune

Neptune continues to expand its rental offering on a national level and enjoys good growth prospects, especially from its new branch in Johannesburg. The company's focus remains on applications unrelated to power cuts, although the business is ready to serve the market, should outages recur.

Quinlec

Quinlec is increasing the total size of its warehouse and production facility in KwaZulu-Natal to meet the demand for generator sales and rentals in the region. It continues working closely with New Way, promoting John Deere engines and generators in the province.

Quad

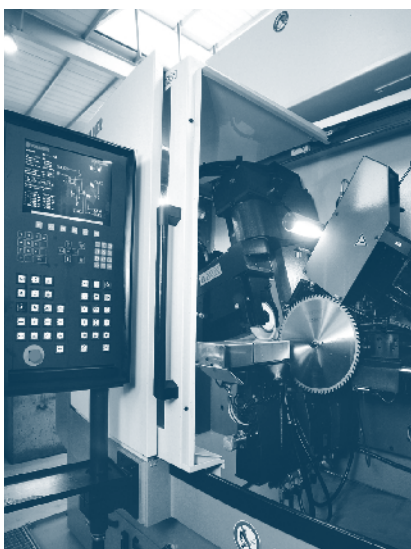
Even in the face of current space constraints, Quad's core business has been doing well. New premises will come online in the first quarter of 2009, allowing the company to take on additional work from New Way and the general industry, including projects linked to the 2010 FIFA World Cup.

2nd Cut

The Johannesburg branch of 2nd Cut has only been operational for a few months. The steady development of the branch has resulted in a strict focus on increasing business and profitability levels. 2nd Cut will continue working closely with Austro, building on existing synergies.

Gearing Moss Supplies (GMS)

GMS exceeded expectations for the period and has met conditions relating to the first tranche of profit warranties. The company continues producing good results for the group and plans on judiciously extending business activities across the African continent during the new financial year. GMS will continue collaborating with Austro through shared marketing activities and database utilisation.



LOOKING FORWARD

The group's general outlook is positive and Austro is well positioned to increase its market share in all areas of operation by consolidating gains achieved since listing. While the strong growth in revenue, net profit and headline earnings per share during the period is pleasing, the group now has to achieve continued organic growth through strategic consolidation of its existing operations.

Austro is focused on retaining its healthy margins and improving its cash position through steady trade and optimisation of stock levels. The group is moving well with respect to optimising its structure, business processes and systems, which will impact positively on margins, customer service levels and general market share. However, although the group is positive about continued growth in the public sector where its power business may continue to benefit, the private sector contraction looks set to continue, which may impact the wood business. The next year therefore looks likely to present a challenging operating environment.

Having recently concluded a series of strategically important acquisitions, especially on the power side, looking forward, Austro will focus on maximising the inherent potential of its investments via an ongoing drive to optimise operational efficiencies across the group. Acquisitions over the medium term are thus unlikely. The potential to increase market share (while being conservative with respect to cash flow and acquisitions) through this optimisation is clear, and every effort will be made to maximise this.

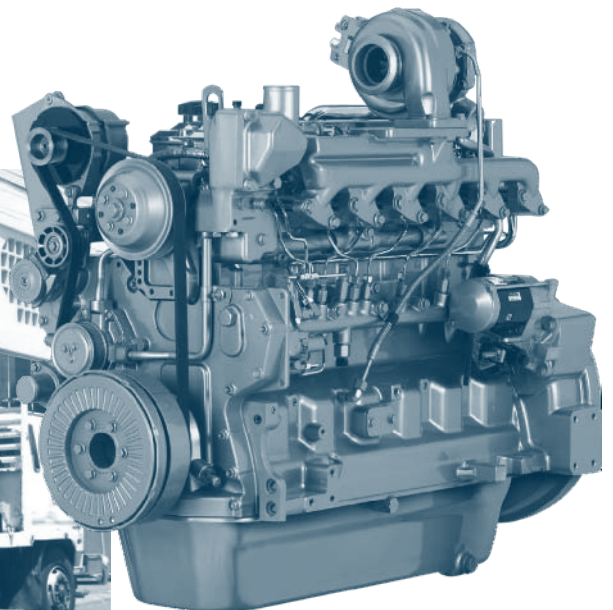
APPRECIATION

Austro has delivered a strong set of results and is positioned to continue on its existing trajectory in the years ahead. I would like to thank everyone operating within the group for the ongoing effort they put in, on a daily basis, to ensuring that Austro remains a market leader in its focus areas, characterised not only by top quality products but also the highest levels of service and support. On behalf of the board and members of the management team, thank you for your efforts.



RJ Friese

Chief Executive Officer



Sustainability review

INTRODUCTION

The group is committed to sound economic, social and environmental practices. This Sustainability review is intended for stakeholders of the Austro Limited Group. These include shareholders, potential investors, employees, customers and suppliers, media, government and the communities within which our group companies operate. Various methods of communication are used by Austro to effectively disseminate information to stakeholders.

SHAREHOLDERS AND INVESTORS

Our shareholders and investors are communicated with in line with the JSE Listings Requirements. All announcements are made through the stock exchange news services (SENS) and, where appropriate or required, in the print and electronic media. The CEO and board of the company are pro-active in providing information to the public and the media is welcomed and seen as a valuable partner in sharing information. All information is provided within the constraints of the JSE Listings Requirements.

OUR PEOPLE

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

Central to the group's business strategy is its philosophy of being an employer of choice. The people of Austro are considered to be the company's most valuable asset. As such the group strives to retain, develop and nurture employees. The group strives to provide a supportive workplace, which facilitates both personal development, professional advancement, and a sense of ownership through, amongst others, equity participation. Austro recognises that the remuneration strategy of the company influences the ability to attract and retain talented people. This important task has been entrusted to the remuneration committee, which is assisted by senior management and, where necessary, external market surveys.

In promoting personal growth, the company actively assists employees to study further in their areas of focus through short courses and distance study. The company also encourages employees to belong to professional bodies by paying towards membership fees.

Employees are kept informed of the direction and status of the company by means of print and electronic communication.

BBBEE

Austro fully endorses the recommendations of the Broad-Based Black Economic Empowerment Act, No. 53 of 2003 (BBBEE).

The Austro board has led the company through an intensive phase of growth, both organic and acquisitive. The company is currently firmly in a consolidation phase and increased emphasis will be placed on further improving on all aspects of BBBEE.

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

SAFETY AND HEALTH

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

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

SKILLS DEVELOPMENT

In line with the Skills Development Act, No 97 of 1998, the group submits workplace skills plans. Interaction with the relevant sectoral education training authority (SETA) is ongoing. The human resources department is currently negotiating with the relevant SETAs to provide several skills programmes specific to the needs of the group. In the meantime, employees are attending a range of generic courses.

HIV/AIDS

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

CUSTOMERS AND SUPPLIERS

Austro has a well-entrenched reputation in terms of service to customers. Our aim is to add value to our customers with each transaction we conclude with them. We therefore continue to focus on forming and maintaining close working relationships with our clients and have built a reputation for unrivalled after-sales services.

Our suppliers, both locally and abroad, are crucial in terms of allowing us to provide the latest cutting-edge technologies to our customers at competitive prices. In this regard, we maintain strong relationships with our suppliers and assist them with information on the needs of our customers.

GOVERNMENT AND COMMUNITY

Austro supports the efforts of the South African government and adheres to South Africa's laws and legislative requirements. Austro applauds the South African government's strict fiscal and economic policies which have seen various economic indicators move in a more favourable direction, especially given the slowdown in the world economy.

The group values the communities in which it operates and is an important employer within our areas of operation.

A strong emphasis within Austro on family values has also prompted the group to contribute funds to the Sunshine Centre, a charity formed to assist children with developmental problems. Further donations are made to various welfare organisations such as Food and Trees for Africa, Humana – People to People, Johannesburg Child Welfare and Cotlands Baby Sanctuary.

Corporate governance report

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

BOARD OF DIRECTORS

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

The unitary board is chaired by an independent non-executive director and comprises a further three non-executive directors (two of whom are independent) and four executive directors.

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

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

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

	14 November 2007	12 May 2008	21 August 2008
AJ Phillips (current Chairman) ²	N/A	N/A	N/A
DS Brouze (previous Chairman)	P	P	P
W Hauser	P	P	P
NO Davies ²	N/A	N/A	N/A
RK Jonah ³	A	A	A
D Rothlisberger ³	P	P	P
BD Downs	P	P	P
RJ Friese (CEO) ¹	*	P	P
JO Freed ¹	*	P	P
MR Petzer (CFO) ²	*	*	*

1: Appointed 22 November 2007

2: Appointed 29 August 2008

3: Resigned 29 August 2008

A: Apology/Absent

P: Present/Participated

*: Attended as invitee

N/A: Not applicable

BOARD PROCESSES

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

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

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

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

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

BOARD COMMITTEES

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises only non-executive directors, NO Davies (Chairman), AJ Phillips and W Hauser, all of whom are independent. The committee is responsible for determining the remuneration and terms of employment of the company's directors and senior management. It meets as and when required, but at least once on an annual basis. The CEO attends meetings by invitation and is excluded from deliberations in respect of his own remuneration.

In addition to establishing the group's remuneration policy, the committee is tasked with determining the criteria used to measure the performance of executive directors. In evaluating the remuneration of executive directors and senior management the committee incorporates an evaluation of the performance against pre-determined benchmarks and industry standards. As set out in the Board Charter, non-executive directors' remuneration is approved by shareholders at the annual general meeting. Directors' emoluments are set out in the directors' report on the annual financial statements.

The committee is further tasked with evaluating the constitution and diversity of the board, as well as making recommendations regarding additional appointments to the board as may be considered necessary. These appointments are a matter for the board as a whole and follow a formal and transparent policy.

Investment Committee

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

Audit Committee

The Audit Committee is governed by a formal Audit Committee Charter. It comprises independent non-executive directors AJ Phillips and NO Davies (who chairs the committee) on account of their financial expertise, and years of experience. The Audit Committee meets periodically with the group's external auditors and executive management to review accounting, auditing, financial reporting, risk management and internal control matters. The CEO and Financial Director attend meetings by invitation. Further meetings are convened when necessary. The board is of the opinion that in light of the nature and size of the group, at this stage, two meetings per year are sufficient to discharge the responsibilities of the committee.

Corporate governance report continued

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

Members' attendance at Audit Committee meetings

	12 November	12 May
	2007	2008
NO Davies (current Chairman) ¹	N/A	N/A
AJ Phillips ¹	N/A	N/A
DS Brouze (previous Chairman) ²	P	P
RJ Friese (CEO)	*	*
MR Petzer (CFO)	*	*

1: Appointed 29 August 2008

2: Resigned 11 November 2008

A: Apology/Absent

P: Present/Participated

*: Attended as invitee

N/A: Not applicable

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control

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

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

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

Risk management

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

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

Directors' responsibility for financial reporting

The directors are responsible for the preparation, integrity and fair presentation of the group and company financial statements and other financial information included in this report. In presenting the accompanying financial statements, International Financial Reporting Standards have been followed, the Companies Act as amended was complied with, applicable accounting assumptions have been used while prudent judgements and estimates have been made.

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

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

The financial statements were approved by the directors on 11 November 2008 and are signed on their behalf.



AJ Phillips
Chairman



RJ Friese
Chief Executive Officer
Director

Statement of compliance by the Company Secretary

For the year ended 31 August 2008, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of Section 268 (a)(d) of the Companies Act (61 of 1973, as amended) and all such returns are true, accurate and up to date.



Probity Business Services (Pty) Limited
Company Secretary

Johannesburg
11 November 2008

Report of the independent auditors

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements and group financial statements of Austro Group Limited, which comprise the directors' report, the balance sheet as at 31 August 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended of the company and group and a summary of significant accounting policies and other explanatory notes, as set out on pages 23 to 56.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these financial statements and group financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa, as amended.

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements and group financial statements present fairly, in all material respects, the financial position of Austro Group Limited as of 31 August 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act in South Africa, as amended.

PKF (Jhb) Inc

Per Soné Kock
Registered Auditors
Chartered Accountants (SA)
Registration number 1994/001166/21

Johannesburg
11 November 2008

Directors' report

The directors present their annual report, which forms part of the annual financial statements of the company and the group for the year ended 31 August 2008.

NATURE OF BUSINESS

Company profile

Austro Group Limited supplies specialised and quality branded industrial equipment to corporate, commercial and infrastructure markets in South Africa. The group services blue-chip clients, ranging from heavy industrial groups and construction groups to wholesalers and manufacturers.

The group's activities are detailed in the Chairman's and CEO's Reviews.

GROUP RESULTS

- Revenue increased by 156,3% to R715,1 million
- Operating profit increased by 111,0% to R154,6 million
- Headline earnings per share increased by 82,2%

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

SHARE CAPITAL

The number of ordinary shares in issue at 31 August 2008: 425 927 491.

The following changes took place during the year:

On 29 October 2007, ordinary shares were issued as follows:

- 3 733 333 at R2,65 per share as part consideration for the Gearing Moss acquisition
- 4 193 548 at R2,65 per share as part consideration for the Neptune Plant acquisition
- 4 500 000 at R2,65 per share as part consideration for the New Way Motor & Diesel acquisition

Subsequent to year-end.

On 1 September 2008, 5 485 893 ordinary shares were issued as follows:

- 2 758 620 at R2,69 per share in respect of the Quad Technical acquisition
- 2 727 273 at R2,69 per share in respect of the Quinlec Electrical acquisition

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

SUBSIDIARIES AND ASSOCIATES

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

The aggregate profit for the year of subsidiaries attributable to the company amounted to R92 568 066 (2007: R15 958 657).

DIVIDEND

The dividend policy will be reviewed periodically taking into account prevailing circumstances and future cash requirements.

Shareholders are advised that a maiden dividend, since listing, of 2 cents per share has been declared, subsequent to the financial year-end.

The salient dates in respect of the dividend are as follows:

- Last day to trade *cum* dividend on Friday, 20 February 2009
- Shares will trade *ex* dividend from Monday, 23 February 2009
- Record date Friday, 27 February 2009
- Payment of dividend on Monday, 2 March 2009

Directors' report *continued*

Shareholders may not dematerialise or re-materialise their shares between Monday, 23 February 2009 and Friday, 27 February 2009, both days inclusive.

DIRECTORS

The directors are:

Non-executive directors

AJ Phillips¹ (Chairman)*

DS Brouze

NO Davies^{1*}

W Hauser*

RK Jonah²

¹ – Appointed 29 August 2008

² – Resigned 29 August 2008

* – Independent

Executive directors

BD Downs

JR Freed⁴

JO Freed¹

RJ Friese (CEO)¹

MR Petzer²

D Rothlisberger³

¹ – Appointed 22 November 2007

² – Appointed 29 August 2008

³ – Resigned 29 August 2008

⁴ – Alternate executive director to JO Freed – Appointed 19 November 2008

In terms of the articles of association, AJ Phillips, NO Davies and MR Petzer will retire as directors at the upcoming annual general meeting, and being eligible, all offer themselves for re-election.

DIRECTORS' SHAREHOLDING

At the date of this report, the directors of Austro hold beneficially, an aggregate of 181 496 350 shares constituting approximately 42,62% of the total issued share capital of Austro.

The direct and indirect beneficial interest of the directors of Austro holding more than 1% of the issued shares are as follows:

Director	Beneficial		Total	Percentage
	Beneficial	Indirect		
DS Brouze	–	97 832 850	97 832 850	22,97
BD Downs	32 881 250	–	32 881 250	7,72
JO Freed	24 300 000	–	24 300 000	5,71
D Rothlisberger	18 482 250	–	18 482 250	4,34
RJ Friese	8 000 000	–	8 000 000	1,88
Total	83 663 500	97 832 850	181 496 350	42,62

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

DIRECTORS' EMOLUMENTS

	Directors' fees R	Salary, benefits and bonus R	Total 2008 R	Total 2007 R
AJ Phillips*	–	–	–	–
RJ Friese	–	3 281 200	3 281 200	–
DS Brouze*	–	–	–	120 000
NO Davies*	–	–	–	–
B Downs	–	1 149 891	1 149 891	1 063 554
JO Freed	–	3 117 421	3 117 421	–
W Hauser*	120 000	–	120 000	–
R Jonah*	–	–	–	120 000
MR Petzer	–	–	–	–
D Rothlisberger	–	1 094 954	1 094 954	1 010 931
	120 000	8 643 466	8 763 466	2 314 485

* Non-executive

COMPANY SECRETARY

The secretary of the company is Probitry Business Services (Pty) Limited.

AUDIT COMMITTEE REPORT

The Audit Committee has fulfilled its responsibilities during the year (refer to Corporate Governance Report for details in this regard). The committee has furthermore satisfied itself as to the independence of the external auditors and their suitability for re-appointment for the ensuing year.

AUDITORS

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

SPECIAL RESOLUTIONS

The following special resolution was passed by shareholders at the AGM on 27 March 2008 and registered by the Registrar of Companies during the year:

- General authority for the company, or subsidiary, to effect share repurchases.

BORROWING LIMITATION

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

POST BALANCE SHEET EVENTS

The directors are not aware of any matters or circumstances since the year-end.

11 November 2008
Johannesburg

Income statements

for the year ended 31 August

	Notes	GROUP		COMPANY	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
Revenue	13	715 131	279 015	238 588	184 773
Cost of sales		(435 038)	(162 706)	(164 290)	(107 737)
Gross profit		280 093	116 309	74 298	77 036
Other operating income		6 187	9 365	1 559	8 741
Operating expenses		(131 682)	(52 405)	(47 591)	(34 712)
Profit from operations	14	154 598	73 269	28 266	51 065
Finance income		6 958	2 355	4 067	1 982
Finance expense		(7 522)	(92)	(6 943)	(26)
Profit before taxation		154 034	75 532	25 390	53 021
Taxation expense	15	(42 070)	(21 594)	(5 994)	(15 042)
Net profit for the year		111 964	53 938	19 396	37 979
Earnings per share (cents)	16	26,1	16,1		
Headline earnings per share (cents)	16	25,9	14,2		

Balance sheets

as at 31 August

	Notes	GROUP		COMPANY	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
ASSETS					
Non-current assets		282 281	219 843	302 638	290 914
Property, plant and equipment	2	56 008	18 426	15 024	12 122
Deferred taxation	9	6 304	–	–	–
Goodwill and other intangibles	3	219 969	201 417	7 675	6 500
Investment in subsidiaries	4	–	–	279 939	272 292
Current assets		556 770	428 695	223 706	260 914
Loans receivable	4	–	–	99 374	430
Inventories	5	414 416	159 983	97 134	68 879
Trade and other receivables	6	142 354	59 950	27 198	20 246
Cash resources		–	208 762	–	171 359
Total assets		839 051	648 538	526 344	551 828
EQUITY AND LIABILITIES					
Capital and reserves		508 408	387 800	395 179	367 139
Share capital	7	4	4	4	4
Share premium		308 003	174 719	308 003	174 719
Shares to be issued		14 778	139 418	14 778	139 418
Accumulated profits		185 623	73 659	72 394	52 998
Non-current liabilities		4 448	160	634	1 029
Interest-bearing liabilities	8	3 453	–	–	–
Deferred taxation	9	995	160	634	1 029
Current liabilities		326 195	260 578	130 531	183 660
Trade and other payables		202 045	102 782	39 976	37 230
Provisions	10	1 394	1 760	1 394	1 760
Amount owing for purchase of subsidiaries	11	13 228	127 112	14 620	127 112
Interest-free liabilities		–	–	–	387
Taxation		38 989	28 924	1 391	17 171
Bank overdraft		70 539	–	73 150	–
Total equity and liabilities		839 051	648 538	526 344	551 828
Net asset value per share (cents)	12	117,9	92,0		
Tangible net asset value per share (cents)	12	66,9	44,2		

Cash flow statements

for the year ended 31 August

	Notes	GROUP		COMPANY	
		2008 R'000	2007 R'000	2008 R'000	2007 R'000
Cash flows from operating activities		(109 665)	(4 863)	(25 755)	(18 723)
Cash (utilised in)/generated by operations	17	(71 201)	29 830	(1 836)	11 647
Finance income		6 958	2 356	4 068	1 983
Finance expense		(6 397)	(92)	(5 818)	(26)
Taxation paid	18	(39 025)	(14 957)	(22 169)	(10 327)
Dividends paid	19	–	(22 000)	–	(22 000)
Cash flows from investing activities		(55 478)	26 835	(108 528)	12 338
Property, plant and equipment acquired		(31 454)	(7 229)	(6 043)	(6 525)
Proceeds on disposals of property, plant and equipment		6 603	17 283	415	17 171
Acquisition of subsidiaries	20	(30 627)	16 781	(16 342)	1 758
Increase in loans receivable		–	–	(86 558)	(66)
Cash flows from financing activities		(114 158)	173 055	(110 226)	169 163
Decrease in amount owing for purchase of subsidiaries		(115 078)	(1 668)	(109 839)	(5 446)
Issue of share capital		–	174 723	–	174 723
Increase in interest-bearing liabilities		920	–	–	–
Increase in interest-free liabilities		–	–	(387)	(114)
Net (decrease)/increase in cash resources		(279 301)	195 027	(244 509)	162 778
Cash resources at beginning of year		208 762	13 735	171 359	8 581
Cash resources at end of year		(70 539)	208 762	(73 150)	171 359

Statements of changes in equity

for the year ended 31 August

	Share capital R'000	Share premium R'000	Shares to be issued R'000	Accumulated profits R'000	Total R'000
GROUP					
Balances at 31 August 2006	–	–	–	19 721	19 721
Issue of shares	4	174 719	–	–	174 723
Shares to be issued	–	–	139 418	–	139 418
Net profit for the year	–	–	–	53 938	53 938
Balances at 31 August 2007	4	174 719	139 418	73 659	387 800
Issue of shares	–	133 284	–	–	133 284
Movement in shares to be issued reserve	–	–	(139 418)	–	(139 418)
Shares to be issued	–	–	14 778	–	14 778
Net profit for the year	–	–	–	111 964	111 964
Balances at 31 August 2008	4	308 003	14 778	185 623	508 408
COMPANY					
Balances at 31 August 2006	–	–	–	15 019	15 019
Issue of shares	4	174 719	–	–	174 723
Shares to be issued	–	–	139 418	–	139 418
Net profit for the year	–	–	–	37 979	37 979
Balances at 31 August 2007	4	174 719	139 418	52 998	367 139
Issue of shares	–	133 284	–	–	133 284
Movement in shares to be issued reserve	–	–	(139 418)	–	(139 418)
Shares to be issued	–	–	14 778	–	14 778
Net profit for the year	–	–	–	19 396	19 396
Balances at 31 August 2008	4	308 003	14 778	72 394	395 179

Notes to the annual financial statements

for the year ended 31 August

1. ACCOUNTING POLICIES

The financial statements of the company and the group are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act of 1973.

1.1 Basis of preparation

The company and group financial statements are prepared on the historical cost basis modified by the revaluation of available-for-sale investments and financial assets and financial liabilities at fair value through profit or loss.

1.2 Standards and interpretations effective in the current period

In the current period the company adopted IFRS 7 – Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 – Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the company's receivables and loan financial instruments (notes 6,9,11 and 12) and management of capital (note 34).

The following new standards, amendments and interpretations applicable for accounting periods beginning after 1 October 2007 have not yet been applied by the group. The directors have not yet determined what the impact of these new standards and interpretations on the group will be.

Title	Standard/amendment to standard	Effective date
IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations	Amendment	1 January 2009
IFRS 3 – Business Combinations	Amendment	1 July 2009
IAS 1 – Presentation of Financial Statements	Amendment	1 January 2009
IAS 23 – Borrowing Costs (revised)	Amendment	1 January 2009
IAS 27 – Consolidated and Separate Financial Statements	Amendment	1 July 2009
IAS 32 – Financial Instruments : Presentation and IAS 1 – Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	Amendment	1 January 2009
IFRS 8 – Operating Segments	Amendment	1 January 2009

The following new standards, amendments and interpretations are applicable for accounting periods beginning after 1 October 2007 but are not relevant to the group's operations:

Title	Standard/amendment to standard	Effective date
IFRIC 12 – Service Concession Arrangements	New interpretation	1 January 2008
IFRIC 13 – Customer Loyalty Programmes	New interpretation	1 July 2008
IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	New interpretation	1 January 2008
IFRIC 15 – Agreements for the Construction of Real Estate	New interpretation	1 January 2008
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	New interpretation	1 October 2008

1. ACCOUNTING POLICIES (continued)

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 presently are exercisable or convertible are taken into account.

Business combinations

Business combinations are accounted for in accordance with the purchase 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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

1.4 Property, plant and equipment

Plant and equipment are 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 that are associated with them will flow to the entity, and the cost can be measured reliably.

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

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

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

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

Land is not depreciated.

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

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

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (continued)

1.5 Goodwill

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

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

The carrying amount of goodwill is tested annually for impairment.

1.6 Inventories

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

1.7 Financial instruments

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 balance sheet 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 and loss, in which case the transaction costs are expensed as they are incurred.

1.7.1 Trade and loans receivable

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

The group makes an assessment at each reporting date whether there is any objective evidence that trade 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 by estimating the impact of these loss events on the future cash flows expected to be generated from the receivable.

1.7.2 Trade and loans payable

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

1.7.3 Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

1.7.4. Financial liabilities

Financial liabilities are measured at amortised cost.

1.8 Revenue recognition

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

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

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

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

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

1. ACCOUNTING POLICIES (continued)

1.9 Direct costs

Direct costs comprise the cost of inventories expensed during the year, 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 balance sheet date.

Secondary taxation on companies

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

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

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

1.12 Lease obligations

Leases of assets where the company 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 income statement over the terms of the leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

1.13 Share-based payments

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

A liability, equal to the portion of goods and services received, is recognised at the current fair value as determined at each balance sheet date for cash settled share-based payments. Changes in the fair value of the liability are recognised in profit or loss.

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (continued)

1.14 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.

Contingent liabilities and contingent assets are not recognised in the financial statements.

1.15 Impairment of assets

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

1.16 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 prepayments or accruals in the balance sheet. 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.

Employees' leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the annual leave liability at the balance sheet date.

1.17 Operating segments

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

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

1.18 Share capital

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares held by subsidiaries are classified as treasury shares and presented as a deduction from total equity.

1. ACCOUNTING POLICIES (continued)

1.19 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 balance sheet date. Gains or losses arising on translations are credited to or charged against income.

1.20 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 and 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 and 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

Property, 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 annually 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. Property, plant and equipment and intangible assets are 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.

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
2. PROPERTY, PLANT AND EQUIPMENT				
Cost	71 836	27 756	23 505	18 112
Leasehold improvements	1 138	88	–	–
Plant and equipment	45 017	15 746	17 668	13 496
Furniture and fittings	1 924	1 080	909	451
Office equipment	1 012	854	129	98
Computer equipment	4 388	3 256	2 356	2 011
Motor vehicles	18 356	6 734	2 444	2 056
Accumulated depreciation	15 828	9 330	8 481	5 990
Leasehold improvements	211	31	–	–
Plant and equipment	9 007	4 718	5 920	4 117
Furniture and fittings	518	302	179	79
Office equipment	403	367	76	62
Computer equipment	2 485	1 629	1 391	931
Motor vehicles	3 204	2 284	914	801
Net book value	56 008	18 426	15 024	12 122
Leasehold improvements	928	57	–	–
Plant and equipment	36 010	11 028	11 748	9 379
Furniture and fittings	1 406	778	730	372
Office equipment	609	487	52	36
Computer equipment	1 903	1 627	964	1 079
Motor vehicles	15 152	4 450	1 530	1 256
Reconciliation of movements:				
Book value at beginning of year	18 426	19 461	12 122	18 240
Additions – acquired for cash	31 454	7 229	6 043	6 525
Additions – acquired from new subsidiaries	17 947	5 038	–	–
Disposals	(5 139)	(9 426)	(366)	(9 332)
Depreciation	(6 681)	(3 876)	(2 775)	(3 311)
Book value at end of year	56 008	18 426	15 024	12 122

	Leasehold improve- ments R'000	Land and buildings R'000	Plant and equipment R'000	Furniture and fittings R'000	Office equipment R'000	Computer equipment R'000	Motor vehicles R'000	Aircraft R'000	Total R'000
Group 2008									
Reconciliation of movements:									
Book value at beginning of year	57	–	11 028	778	487	1 627	4 450	–	18 426
Reallocation			282		(282)				–
Book value at beginning of year	57	–	11 310	778	205	1 627	4 450	–	18 426
Additions – acquired for cash	1 031	–	16 194	764	412	1 091	11 963	–	31 454
Additions – acquired from new subsidiaries	–	–	15 407	39	68	91	2 341	–	17 947
Disposals	–	–	(3 175)	–	–	(39)	(1 925)	–	(5 139)
Depreciation	(161)	–	(3 726)	(175)	(76)	(867)	(1 677)	–	(6 681)
Book value at end of year	928	–	36 010	1 406	609	1 903	15 152	–	56 008

	Leasehold improve- ments R'000	Land and buildings R'000	Plant and equipment R'000	Furniture and fittings R'000	Office equipment R'000	Computer equipment R'000	Motor vehicles R'000	Aircraft R'000	Total R'000
2. PROPERTY, PLANT AND EQUIPMENT (continued)									
Group 2007									
Reconciliation of movements:									
Book value at beginning of year	–	5 012	6 853	110	351	402	1 683	5 050	19 461
Additions – acquired for cash	64	–	4 524	395	33	1 296	917	–	7 229
Additions – acquired from new subsidiaries	8	–	1 613	338	162	385	2 532	–	5 038
Disposals	–	(5 012)	–	–	–	(5)	(99)	(4 310)	(9 426)
Depreciation	(15)	–	(1 962)	(65)	(59)	(451)	(583)	(740)	(3 876)
Book value at end of year	57	–	11 028	778	487	1 627	4 450	–	18 426
Company 2008									
Reconciliation of movements:									
Book value at beginning of year	–	–	9 379	372	36	1 079	1 256	–	12 122
Additions – acquired for cash	–	–	4 172	457	31	345	1 038	–	6 043
Disposals	–	–	–	–	–	–	(366)	–	(366)
Depreciation	–	–	(1 803)	(99)	(15)	(460)	(398)	–	(2 775)
Book value at end of year	–	–	11 748	730	52	964	1 530	–	15 024
Company 2007									
Reconciliation of movements:									
Book value at beginning of year	–	5 012	6 743	102	25	329	979	5 050	18 240
Additions – acquired for cash	–	–	4 492	303	20	1 099	611	–	6 525
Disposals	–	(5 012)	–	–	–	–	(10)	(4 310)	(9 332)
Depreciation	–	–	(1 856)	(33)	(9)	(349)	(324)	(740)	(3 311)
Book value at end of year	–	–	9 379	372	36	1 079	1 256	–	12 122

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
3. GOODWILL AND OTHER INTANGIBLES				
Balance at beginning of year	201 417	10 900	6 500	6 500
Raised in the current year	18 552	190 517	1 175	–
Balance at end of year	219 969	201 417	7 675	6 500

In terms of IFRS 3, the fair value attributable to intangible assets other than goodwill, if any, will be determined within the next financial year. The cash generating units (CGU) to which the goodwill relates are as detailed in the segmental report, refer to note 24. The goodwill resulting from the Wood segment is R32 121 389 and the goodwill resulting from the Power segment is R182 848 011. Goodwill is treated as having an indefinite useful life on the expectancy that the CGU to which the business relates is a going concern. The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy disclosed. The recoverable amounts of the CGUs have been determined based on value in use calculations. The significant driver of the valuation is the expected growth of the CGUs. The assumptions applied for each of the variables are conservative and match those applied in the preparation of group budgets and forecasts. Assumptions are supported by past experience. Future cash flows were discounted at a rate of 12% over a five-year term and assuming a growth rate of 10%. The value of goodwill determined on this basis significantly exceeds the carrying value at year-end.

Notes to the annual financial statements continued

for the year ended 31 August

	Nature of business	Issued share capital	Loans receivable/ (payable)		Shares at cost	
			2008 R'000	2007 R'000	2008 R'000	2007 R'000
4. INVESTMENT IN SUBSIDIARIES						
Austro Engineering (Pty) Limited	A	400	–	–	–	–
Austro Tools (Pty) Limited	A	300	–	–	–	–
Austro Engineering Cape (Pty) Limited	B	400	4 497	(386)	4 334	4 334
Austro Engineering KZN (Pty) Limited	B	120	20 761	430	3 186	3 186
Gearing Moss Supplies (Pty) Limited	B	10	–	–	34 836	39 404
Neptune Plant Hire (Pty) Limited	C	200	–	–	28 741	–
New Way Motor and Diesel Engineering (Pty) Limited	C	100	–	–	208 843	225 368
Quad Technical Services (Pty) Limited	C	100	55 312	–	–	–
Quinlec Power (Pty) Limited	C	100	16 714	–	–	–
2 nd Cut Pre-owned Woodworking Equipment (Pty) Limited	B	100	2 091	–	–	–
			99 374	43	279 939	272 292

A = Dormant

B = Woodworking equipment sales

C = Generator sales and hire

All of the above are wholly owned subsidiaries incorporated in South Africa. The loans are unsecured, interest-free and have no fixed terms of repayment.

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
5. INVENTORIES				
Merchandise	414 416	159 983	97 134	68 879
6. TRADE AND OTHER RECEIVABLES				
Trade and other receivables comprise the following:				
Trade debtors	121 207	58 865	25 124	19 367
Other debtors	21 148	1 085	2 074	879
	142 354	59 950	27 198	20 246
Trade receivables past due but not impaired				
Receivables are considered to be "past due" when they are uncollected one day or more beyond their contractual due date.				
As at 31 August 2008, the group trade receivables to the value of R46 414 150 (2007: R16 545 150) were considered past due but not impaired. As at 31 August 2008, the company trade receivables to the value of R15 349 990 (2007: R4 465 027) were considered past due but not impaired. These include varied customers with no recent history of payment default.				
The ageing of these overdue amounts is as follows:				
Amounts in 30 to 60 days	39 582	11 951	10 901	3 285
Amounts in 60 to 90 days	3 311	3 433	1 480	565
Amounts in 90 days +	3 521	1 161	2 968	615
	46 414	16 545	15 350	4 465

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
6. TRADE AND OTHER RECEIVABLES (continued)				
Trade receivables				
Gross trade receivables	124 125	61 021	25 314	19 718
Provision for impairment	(2 918)	(2 156)	(190)	(352)
	121 207	58 865	25 124	19 367
Provision for impairment				
Opening balance	2 156	774	352	341
Impairment recognised in profit and loss	762	1 383	(162)	11
Closing balance	2 918	2 156	190	352
The following factors were considered in determining the amount of the impairment:				
– An individual account by account assessment based on past credit history;				
– Any prior knowledge of debtor insolvency or other risk.				
No collateral is held in respect of the above trade receivables.				
All book debts are ceded to the company's bankers as security for the company's indebtedness to the bank.				
Related credit risk exposure and enhancements				
Maximum exposure to credit losses of receivables	121 207	58 865	25 124	19 367
7. SHARE CAPITAL				
Authorised				
1 000 000 000 ordinary shares of R0,00001 each (2007: 1 000 000 ordinary shares of R0,00001 each)	10	10	10	10
Issued				
425 927 491 ordinary shares of R0,00001 each (2007: 377 500 610 ordinary shares of R0,00001 each)	4	4	4	4
8. INTEREST-BEARING LIABILITIES				
Finance lease obligation	4 012	–	–	–
Less: Current portion	(559)	–	–	–
	3 453	–	–	–
<i>Due in not later than one year:</i>				
Future minimum lease payments	933	–	–	–
Present value of future minimum lease payments	559	–	–	–
Interest payable	374	–	–	–
<i>Due later than one year and not later than five years:</i>				
Future minimum lease payments	4 326	–	–	–
Present value of future minimum lease payments	3 453	–	–	–
Interest payable	873	–	–	–
<i>Due later than five years:</i>				
Future minimum lease payments	–	–	–	–
Present value of future minimum lease payments	–	–	–	–
Interest payable	–	–	–	–

Notes to the annual financial statements continued

for the year ended 31 August

8. INTEREST-BEARING LIABILITIES (continued)

The group leases certain motor vehicles and equipment under instalment sale agreements.

The instalment sale agreements are repayable in monthly instalments that range between R2 856,99 and R39 139,98.

The instalment sale agreements bear interest between 10,9% and 14%.

The company's obligations under instalment sale agreements are secured by the book value of assets amounting to R3 420 025.

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
9. DEFERRED TAXATION				
Reconciliation of movement in deferred tax balance:				
At the beginning of the year	(160)	(480)	(1 029)	(594)
Movement through profit and loss	5 728	(87)	395	(435)
Accelerated wear and tear for tax purposes	(324)	(2 123)	212	(1 191)
Allowance for future expenditure	(409)	866	–	510
Leave pay provision	245	277	83	50
Other provisions	2 162	522	374	241
Unearned profit	3 579	90	–	(34)
Doubtful debts provision	176	277	(39)	(11)
Prepaid expenses	(219)	(17)	(200)	–
Operating lease accruals	106	21	–	–
Assessed loss	230	–	–	–
Income received in advance	189	–	–	–
Rate change	(6)	–	(35)	–
Movement through acquisitions	(259)	407	–	–
	(5 309)	(160)	(634)	(1 029)
10. PROVISIONS				
Balance at beginning of year	1 760	1 760	1 760	1 760
Utilised during the year	(366)	–	(366)	–
Balance	1 394	1 760	1 394	1 760
Comprises				
Warranties	1 394	1 760	1 394	1 760
	1 394	1 760	1 394	1 760
11. AMOUNT OWING FOR PURCHASE OF SUBSIDIARIES				
Austro Engineering KZN (Pty) Limited	–	3 778	–	3 778
Gearing Moss Supplies (Pty) Limited	9 381	24 726	9 381	24 726
Neptune Plant Hire (Pty) Limited	2 111	–	2 111	–
New Way Motor & Diesel Engineering (Pty) Limited	–	98 608	1 392	98 608
Quinlec Power (Pty) Limited	1 736	–	1 736	–
	13 228	127 112	14 620	127 112

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
12. NET ASSET VALUE PER SHARE				
The calculation of net asset value and tangible net asset value per share is based on the following data:				
Net asset value	508 408	387 800		
Tangible net asset value	288 439	186 383		
Number of ordinary shares in issue ('000)	431 413	421 734		
Net asset value per share is calculated by dividing net asset value by the number of shares in issue at year-end.				
In calculating the number of shares in issue, the issue of shares in respect of the purchase price for the acquisitions of Quad Technical Services (Pty) Limited and Quinlec Power (Pty) Limited, 2 758 620 and 2 727 273 shares respectively, have been taken into account.				
For 2007, for the calculation of number of share in issue, the issue of shares in respect of the purchase price for the acquisitions of New Way Motor and Diesel Engineering (Pty) Limited and Gearing Moss Supplies (Pty) Limited was taken into account.				
Reconciliation between net asset value and tangible net asset value				
Net asset value	508 408	387 800		
Adjusted for:				
Goodwill and other intangibles	(219 969)	(201 417)		
Tangible net asset value	288 439	186 383		
13. REVENUE				
Revenue comprises the following items:				
Sale of goods	664 405	266 832	219 469	173 521
Rendering of services	50 723	12 183	19 119	11 252
	715 131	279 015	238 588	184 773
14. PROFIT FROM OPERATIONS INCLUDES:				
Administration fees paid	132	65	103	57
Auditors' remuneration				
– Audit fees	2 137	284	1 183	(63)
Consulting fees	411	136	311	136
Depreciation	6 681	3 876	2 775	3 311
Director emoluments	8 763	2 314	5 646	2 314
(Profit)/loss on foreign exchange	(860)	2 522	(1 301)	1 661
Operating lease charges				
– Premises	6 934	2 831	2 785	1 837
– Equipment	159	81	140	68
Profit on sale of property, plant and equipment	(1 464)	(7 857)	50	(7 838)
Staff costs	65 149	24 104	23 430	13 220

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
15. TAXATION				
SA normal tax				
– Current	47 798	21 507	6 391	14 607
– Deferred	(5 728)	87	(395)	435
	42 070	21 594	5 994	15 042
	%	%	%	%
Reconciliation of rate of taxation:				
South African normal tax rate	28,00	29,00	28,00	29,00
Exempt income	0,83	(2,68)	0,09	–
Permanent differences	–	2,94	–	0,04
Capital gains tax	–	(0,67)	–	(0,67)
Other differences	(1,67)	–	(4,48)	–
Assessed loss	0,15	–	–	–
Effective rate	27,31	28,59	23,61	28,37
16. EARNINGS PER SHARE				
The calculation of basic and headline earnings per share is based on the following data:				
Earnings				
– Profit after tax	111 964	53 938		
– Headline earnings	110 705	47 535		
Number of shares				
– Weighted average number of ordinary shares	428 221	335 074		
Basic earnings per share is calculated by dividing profit attributable to equity holders by the weighted average number of shares in issue during the year.				
In calculating the weighted average number of shares in issue, the issue of shares in respect of the purchase price for the acquisitions of Quinlec Power (Pty) Limited and Quad Technical Services (Pty) Limited have been taken into account.				
Reconciliation between earnings and headline earnings				
Profit after tax	111 964	53 938		
Adjusted for:				
Profit on sale of property, plant and equipment	(1 464)	(7 857)		
Tax effect thereon	205	1 454		
Headline earnings	110 705	47 535		

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
17. CASH (UTILISED IN)/GENERATED FROM OPERATIONS				
Profit from operations	154 598	73 269	28 266	51 066
Adjusted for non-cash and separately disclosable items:	5 217	(3 982)	2 725	(4 528)
Depreciation	6 681	3 876	2 776	3 311
Dividends received	–	(1)	–	(1)
Profit on sale of property, plant and equipment	(1 464)	(7 857)	(49)	(7 838)
Changes in working capital	(231 016)	(39 457)	(32 827)	(34 891)
Increase in inventories	(248 237)	(69 965)	(28 254)	(36 572)
Increase in trade and other receivables	(71 476)	(8 701)	(6 953)	(1 660)
Increase in trade and other payables	88 697	39 209	2 380	3 341
	(71 201)	29 830	(1 836)	11 647
18. TAXATION PAID				
Amount owing at beginning of year	28 924	14 599	17 171	12 891
Amount charged to income statement	47 798	21 507	6 389	14 607
Amount owing at end of year	(38 989)	(28 924)	(1 391)	(17 171)
Acquired on acquisition of subsidiaries	1 292	7 775	–	–
	39 025	14 957	22 169	10 327
19. DIVIDENDS PAID				
Amount owing at beginning of year	–	22 000	–	22 000
Dividends declared	–	–	–	–
Amount owing at end of year	–	–	–	–
	–	22 000	–	22 000
20. ACQUISITION OF SUBSIDIARIES				
During the current year the company acquired 100% of the share capital in Neptune Plant (Pty) Limited, Neptune Plant Hire (Pty) Limited, Quad Technical Services (Pty) Limited and Quinlec Power (Pty) Limited.				
The fair value of the assets and liabilities assumed were as follows:				
Assets of subsidiary at fair value	36 654	108 542		
Less: Liabilities of subsidiary at fair value	(14 283)	(32 313)		
Total equity value of subsidiary	22 371	76 229		
Gross value of goodwill	38 471	190 517		
Cost of investments	60 842	266 746	28 741	264 772
Less: Non-cash payments	(25 891)	(139 417)	(11 113)	(139 418)
Costs incurred on previous acquisitions capitalised in the current year	1 106	–	–	–
Cash cost of investments	36 057	127 329	17 628	125 354
Less: Cash and cash equivalents of subsidiaries	(1 583)	(16 998)	824	–
Less: Amount still payable in terms of agreement	(3 847)	(127 112)	(2 111)	(127 112)
Net cash paid/(received)	30 627	(16 781)	16 341	(1 758)

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
21. COMMITMENTS				
Operating leases				
The minimum commitments are:				
Land and buildings	13 638	13 811	2 521	4 658
Analysis of total operating commitments				
– due in year one	7 881	5 909	2 521	2 614
– due second to fifth year	5 757	7 902	–	2 044
	13 638	13 811	2 521	4 658

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

22. FINANCIAL RISK MANAGEMENT

Foreign currency risk

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

Interest rate risk

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

Credit risk

Credit risk relates to potential exposure on trade receivables, loans, cash deposits and cash equivalents.

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

Trade receivables comprise a widespread customer base. The financial position of customers is monitored on an ongoing basis. At balance sheet date, the company did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

Liquidity risk

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

22. FINANCIAL RISK MANAGEMENT (continued)

	2008				2007			
	Loans and receivables at amortised cost R'000	Financial assets at fair value, value profit and loss R'000	Financial liabilities at amortised cost R'000	Financial liabilities at fair value R'000	Loans and receivables at amortised cost R'000	Financial assets at fair value, value profit and loss R'000	Financial liabilities at amortised cost R'000	Financial liabilities at fair value R'000
22.1 Financial instruments by category								
Group								
Assets								
Trade and other receivables	121 207	-	-	-	58 865	-	-	-
Cash and cash equivalents	-	-	-	-	208 762	-	-	-
Total financial assets	121 207	-	-	-	267 627	-	-	-
Liabilities								
Amounts owing for purchase of subsidiaries	-	-	13 228	-	-	-	127 112	-
Interest-bearing liabilities	-	-	3 453	-	-	-	-	-
Trade and other payables	-	-	191 860	-	-	-	101 396	-
Bank overdraft	-	-	70 539	-	-	-	-	-
Total financial liabilities	-	-	279 080	-	-	-	228 508	-
Company								
Assets								
Trade and other receivables	25 124	-	-	-	19 367	-	-	-
Cash and cash equivalents	-	-	-	-	171 359	-	-	-
Investments	279 939	-	-	-	272 292	-	-	-
Loans to subsidiaries	99 374	-	-	-	430	-	-	-
Total financial assets	404 437	-	-	-	463 448	-	-	-
Liabilities								
Amounts owing for purchase of subsidiaries	-	-	14 620	-	-	-	127 112	-
Non-interest bearing liabilities	-	-	-	-	-	-	387	-
Trade and other payables	-	-	30 499	-	-	-	36 414	-
Bank overdraft	-	-	73 150	-	-	-	-	-
Total financial liabilities	-	-	118 269	-	-	-	163 913	-

Notes to the annual financial statements continued

for the year ended 31 August

22. FINANCIAL RISK MANAGEMENT (continued)

22.2 Sensitivity analysis

	Carrying amount R'000	Interest rate risk			Foreign exchange risk			
		Profit/(loss) should the interest rate change by 2%		Profit/(loss) should the exchange rate change by 2%		Amount exposed to risk R'000	Rand depre- ciation R'000	Rand appre- ciation R'000
		Rand amount exposed to risk R'000	Rate increase R'000	Rate decrease R'000	Rand depre- ciation R'000			
Group								
31 August 2008								
Financial assets								
Trade and other receivables	121 207	-	-	-	-	-	-	-
Impact of financial assets on:								
- Profit before tax			-	-		-	-	
- Profit after tax			-	-		-	-	
Financial liabilities								
Amounts owing for purchase of subsidiaries	13 228	-	-	-	-	-	-	-
Interest-bearing borrowings	3 453	3 453	(69)	69	-	-	-	-
Trade and other payables	191 860	-	-	-	117 128	(2 343)	2 343	
Bank overdraft	70 539	70 539	(1 411)	1 411	-	-	-	
Impact of financial liabilities on:								
- Profit before tax			(1 480)	1 480		(2 343)	2 343	
- Profit after tax			(1 065)	1 065		(1 687)	1 687	
Overall impact on profit after tax			(1 065)	1 065		(1 687)	1 687	
31 August 2007								
Financial assets								
Trade and other receivables	58 865	-	-	-	-	-	-	
Cash and cash equivalents	208 762	208 762	4 175	(4 175)	-	-	-	
Impact of financial assets on:								
- Profit before tax			4 175	(4 175)		-	-	
- Profit after tax			2 964	(2 964)		-	-	
Financial liabilities								
Amounts owing for purchase of subsidiaries	127 112	-	-	-	-	-	-	
Trade and other payables	101 396	-	-	-	69 146	(1 383)	1 383	
Impact of financial liabilities on:								
- Profit before tax			-	-		(1 383)	1 383	
- Profit after tax			-	-		(982)	982	
Overall impact on profit after tax			2 964	(2 964)		(982)	982	

22. FINANCIAL RISK MANAGEMENT (continued)

22.2 Sensitivity analysis (continued)

	Carrying amount R'000	Interest rate risk			Foreign exchange risk		
		Profit/(loss) should the interest rate change by 2%		Profit/(loss) should the exchange rate change by 2%			
		Rand amount exposed to risk R'000	Rate increase R'000	Rate decrease R'000	Amount exposed to risk R'000	Rand depre- ciation R'000	Rand appre- ciation R'000
Company							
31 August 2008							
Financial assets							
Trade and other receivables	25 124	-	-	-	-	-	-
Investment in subsidiaries	279 939	-	-	-	-	-	-
Loan to subsidiaries	99 374	-	-	-	-	-	-
Impact of financial assets on:							
- Profit before tax			-	-		-	-
- Profit after tax			-	-		-	-
Financial liabilities							
Amounts owing for purchase of subsidiaries	14 620	-	-	-	-	-	-
Interest-bearing borrowings	-	-	-	-	-	-	-
Trade and other payables	30 499	-	-	-	17 176	(344)	344
Bank overdraft	73 150	73 150	(1 463)	1 463	-	-	-
Impact of financial liabilities on:							
- Profit before tax			(1 463)	1 463		(344)	344
- Profit after tax			(1 053)	1 053		(247)	247
Overall impact on profit after tax			(1 053)	1 053		(247)	247
31 August 2007							
Financial assets							
Trade and other receivables	19 367	-	-	-	-	-	-
Investment in subsidiaries	272 292	-	-	-	-	-	-
Loans to subsidiaries	430	-	-	-	-	-	-
Cash and cash equivalents	171 359	171 359	3 427	(3 427)	-	-	-
Impact of financial assets on:							
- Profit before tax			3 427	(3 427)		-	-
- Profit after tax			2 433	(2 433)		-	-
Financial liabilities							
Amounts owing for purchase of subsidiaries	127 112	-	-	-	-	-	-
Trade and other payables	36 414	-	-	-	21 323	(426)	426
Impact of financial liabilities on:							
- Profit before tax			-	-		(426)	426
- Profit after tax			-	-		(303)	303
Overall impact on profit after tax			2 433	(2 433)		(303)	303

Notes to the annual financial statements continued

for the year ended 31 August

22. FINANCIAL RISK MANAGEMENT (continued)

22.3 Maturity analysis

The company's financial instruments consist mainly of deposits with banks, loans from banks, loans from third parties, accounts receivable and accounts payable.

Exposure to interest rate, credit and liquidity risks arises in the normal course of business.

	Total carrying value R'000	Receivable/ (payable) in 1 to 6 months R'000	Receivable/ (payable) in 7 – 12 months R'000	Receivable/ (payable) in 1 – 2 years R'000	Receivable/ (payable) in 2 – 5 years R'000	No repayment terms R'000
Group						
31 August 2008						
Financial assets						
Non-current assets	-	-	-	-	-	-
Current assets						
Trade and other receivables	121 207	121 207	-	-	-	-
Total receivable	121 207	121 207	-	-	-	-
Financial liabilities						
Non-current liabilities						
Interest-bearing borrowings	3 453	-	-	(2 987)	(466)	-
Current liabilities						
Amounts owing for purchase of subsidiaries	13 228	(5 000)	(7 368)	(860)	-	-
Trade payables and other payables	191 860	(191 860)	-	-	-	-
Current portion of interest-bearing borrowings	559	(279)	(280)	-	-	-
Bank overdraft	70 539	(70 539)	-	-	-	-
Total liabilities due	279 639	(267 678)	(7 648)	-	-	-
31 August 2007						
Financial assets						
Non-current assets	-	-	-	-	-	-
Current assets						
Trade and other receivables	58 865	58 865	-	-	-	-
Cash and cash equivalents	208 762	208 762	-	-	-	-
Total receivable	267 627	267 627	-	-	-	-
Financial liabilities						
Non-current liabilities						
Instalment sale agreements	-	-	-	-	-	-
Current liabilities						
Amounts owing for purchase of subsidiaries	127 112	(116 220)	(6 870)	(4 022)	-	-
Trade payables and other payables	101 396	(101 396)	-	-	-	-
Total liabilities due	228 508	(217 616)	(6 870)	(4 022)	-	-

22. FINANCIAL RISK MANAGEMENT (continued)

	Total carrying value R'000	Receivable/ (payable) in 1 to 6 months R'000	Receivable/ (payable) in 7 – 12 months R'000	Receivable/ (payable) in 1 – 2 years R'000	Receivable/ (payable) in 2 – 5 years R'000	No repayment terms R'000
22.3 Maturity analysis (continued)						
Company						
31 August 2008						
Financial assets						
<i>Non-current assets</i>						
Investment in subsidiaries	279 939	–	–	–	–	279 939
Loans to subsidiaries	99 374	–	–	–	–	99 374
<i>Current assets</i>						
Trade and other receivables	25 124	25 124	–	–	–	–
Total receivable	404 437	25 124	–	–	–	379 313
Financial liabilities						
<i>Non-current liabilities</i>						
Interest-bearing borrowings	–	–	–	–	–	–
<i>Current liabilities</i>						
Amounts owing for purchase of subsidiaries	14 620	(6 392)	(7 368)	(860)	–	–
Trade payables and other payables	30 499	(30 499)	–	–	–	–
Bank overdraft	73 150	(73 150)	–	–	–	–
Total liabilities due	118 269	(110 041)	(7 368)	(860)	–	–
31 August 2007						
Financial assets						
<i>Non-current assets</i>						
Investment in subsidiaries	272 292	–	–	–	–	272 292
Loans to subsidiaries	430	–	–	–	–	430
<i>Current assets</i>						
Trade and other receivables	19 367	19 367	–	–	–	–
Cash and cash equivalents	171 359	171 359	–	–	–	–
Total receivable	463 448	190 726	–	–	–	272 722
Financial liabilities						
<i>Non-current liabilities</i>						
Interest-bearing borrowings	–	–	–	–	–	–
<i>Current liabilities</i>						
Amounts owing for purchase of subsidiaries	127 112	(116 220)	(6 870)	(4 022)	–	–
Trade payables and other payables	36 414	(36 414)	–	–	–	–
Bank overdraft	–	–	–	–	–	–
Total liabilities due	163 526	(152 634)	(6 870)	(4 022)	–	–

Notes to the annual financial statements *continued*

for the year ended 31 August

23. BUSINESS COMBINATIONS EFFECTED DURING THE YEAR

23.1 Acquisition of Neptune Plant Hire (Pty) Limited and Neptune Plant (Pty) Limited

On 1 September 2007 Austro Group Limited acquired 100% of the issued share capital of Neptune Plant Hire (Pty) Limited and Neptune Plant (Pty) Limited (collectively Neptune) thereby obtaining full control. The cost of the acquisition is R28 740 876 made up as follows:

- a fixed component of R13,5 million;
- the issue of 4 193 548 Austro Group Limited shares at a fair value of R2,65, the market related price on the share issue date of 1 September 2008;
- a variable component of R3 860 968 dependent on the achievement of specified growth targets for the next two years; and
- expenses of R267 006 capitalised to the cost of the investments.

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

	Carrying amounts/ Recognised values R'000
Non-current assets	12 256
Property, plant and equipment	12 256
Current assets	1 022
Trade and other receivables	1 846
Cash and cash equivalents	(824)
Total assets	13 278
Current liabilities	(1 877)
Deferred taxation	(260)
Trade and other payables	(325)
Taxation	(1 292)
Net tangible assets and liabilities	11 401
100% acquired	11 401
Goodwill	17 339
Consideration payable	28 741

23.2 Acquisition of Quad Technical Services (Pty) Limited

On 1 April 2008 Austro Group Limited acquired the business of Quad Technical Services CC. The assets and liabilities were transferred into a new company Quad Technical Services (Pty) Limited; this is a wholly owned subsidiary and thus the Austro Group Limited has full control. The cost of the acquisition is R15 487 690 made up as follows:

- a fixed component of R8 000 000;
- the issue of 2 758 620 Austro Group Limited shares at a fair value of R2,69 determined using the weighted average price over 30 business days prior to acquisition date; and
- expenses of R56 519 capitalised to the cost of the investments.

23. BUSINESS COMBINATIONS EFFECTED DURING THE YEAR (continued)

23.2 Acquisition of Quad Technical Services (Pty) Limited (continued)

The acquisition had the following effect on the group's assets and liabilities at 1 April 2008:

	Carrying amounts/ Recognised values R'000
Non-current assets	2 374
Property, plant and equipment	2 374
Current assets	6 429
Inventories	692
Trade and other receivables	5 156
Cash and cash equivalents	581
Total assets	8 803
Non-current liabilities	(1 581)
Interest-bearing borrowings	(1 581)
Current liabilities	(3 297)
Trade and other payables	(3 297)
Net tangible assets and liabilities	3 925
100% acquired	3 925
Goodwill	11 563
Consideration payable	15 488

23.3 Acquisition of Quinlec Power (Pty) Limited

On 1 April 2008 Austro Group Limited acquired the business of Quinlec Electrical CC. The assets and liabilities were transferred into a new company Quinlec Power (Pty) Limited; this is a wholly owned subsidiary and thus the Austro Group Limited has full control. The cost of the acquisition is R16 613 164 made up as follows:

- a fixed component of R7 500 000;
- the issue of 2 727 273 Austro Group Limited shares at a fair value of R2,69 determined using the weighted average price over 30 business days prior to acquisition date;
- a variable component of R1 634 917 dependent on the achievement of specified growth targets for the next two years; and
- expenses of R131 519 capitalised to the cost of the investments.

Notes to the annual financial statements *continued*

for the year ended 31 August

23. BUSINESS COMBINATIONS EFFECTED DURING THE YEAR (continued)

23.3 Acquisition of Quinlec Power (Pty) Limited (continued)

The acquisition had the following effect on the group's assets and liabilities at 1 April 2008:

	Carrying amounts/ Recognised values R'000
Non-current assets	3 316
Property, plant and equipment	3 316
Current assets	11 255
Inventories	5 503
Trade and other receivables	3 927
Cash and cash equivalents	1 826
Total assets	14 572
Non-current liabilities	(952)
Interest-bearing borrowings	(952)
Current liabilities	(6 575)
Trade and other payables	(6 575)
Net tangible assets and liabilities	7 044
100% acquired	7 044
Goodwill	9 569
Consideration payable	16 613

- 23.4** Had the group acquired these subsidiaries at the beginning of the current financial year, the group revenue and profit before taxation would have been R805 582 446 and R178 041 708 respectively. Included in these amounts is revenue and profit before taxation from Quad of R89 156 843 and R16 612 491 respectively, as well as revenue and profit before taxation from Quinlec of R65 902 185 and R7 572 858 respectively. Neptune was included for the full year.

24. RELATED PARTY TRANSACTIONS

24.1 Related parties

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

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

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

Q Dry, who is a director of Quinlec Power (Pty) Limited, is also a director and shareholder of 84 Bluff Road Properties CC.

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

	GROUP		COMPANY	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000
24. RELATED PARTY TRANSACTIONS (continued)				
24.2 Related party transactions				
The following transactions took place with the related parties identified above during the current year.				
Rent paid				
Austrian Woodworking Machinery (Pty) Limited				
– Rent paid	1 773	1 330	1 773	1 330
– Building expenses incurred and invoiced	281	275	281	275
– Amount owing at year-end	321	314	321	314
– Sale of building	–	11 600	–	11 600
Vonnie CC				
– Rent paid	838	31	838	31
Setpay Investments (Pty) Limited				
– Rent paid	1 285	287	–	–
Straightprops (Pty) Limited				
– Rent paid	735	173	–	–
Neptune Plant Hire (Pty) Limited				
– Rent paid	237	–	–	–
84 Bluff Road Properties CC				
– Rent paid	116	–	–	–
– Building expenses incurred and invoiced	85	–	–	–
– Amount owing at year-end	85	–	–	–
Trade receivables				
Gearing Moss Supplies (Pty) Limited	–	–	177	–
Neptune Plant Hire (Pty) Limited	–	–	50	–
New Way Motor and Diesel Engineering (Pty) Limited	–	–	293	–
Trade payables				
Gearing Moss Supplies (Pty) Limited	–	–	29	–
Sales to related parties				
2 nd Cut Pre-owned Woodworking Equipment (Pty) Limited	–	–	2 186	–
Austro Engineering Cape (Pty) Limited	–	–	21 205	16 701
Austro Engineering KZN (Pty) Limited	–	–	22 883	10 950
Gearing Moss Supplies (Pty) Limited	–	–	802	–
Neptune Plant Hire (Pty) Limited	–	–	50	–
New Way Motor and Diesel Engineering (Pty) Limited	–	–	265	–
Quad Technical Services (Pty) Limited	–	–	48 204	–
Purchases from related parties				
2 nd Cut Pre-owned Woodworking Equipment (Pty) Limited	–	–	104	–
Gearing Moss Supplies (Pty) Limited	–	–	359	–

Notes to the annual financial statements continued

for the year ended 31 August

	Woodworking division		Power division		Total	
	R'000	%	R'000	%	R'000	%
25. SEGMENTAL ANALYSIS						
31 August 2008						
Revenue	222 637	31	492 494	69	715 131	100
Net profit before taxation	26 632	17	127 401	83	154 034	100
Assets	380 355	45	458 696	55	839 051	100
Liabilities	90 821	27	239 821	73	330 642	100
Depreciation	3 590	54	3 091	46	6 681	100
Profit on sale of property, plant and equipment	232	16	1 232	84	1 464	100
31 August 2007						
Revenue	212 585	76	66 430	24	279 015	100
Net profit before taxation	59 397	79	16 135	21	75 532	100
Assets	502 454	77	146 085	23	648 538	100
Liabilities	190 458	73	70 280	27	260 738	100
Depreciation	3 737	96	138	4	3 876	100
Profit on sale of property, plant and equipment	7 857	100	–	–	7 857	100

26. CONTINGENT LIABILITIES

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

27. EMPLOYEE BENEFITS

27.1 Post retirements benefits

The group makes no provision for retirement or post-retirement benefits as employees contribute to schemes of their own choice.

27.2 Cash settled share-based payments

Share linked bonuses were granted to selected directors and staff members in terms of a phantom share incentive scheme "Austro Incentive Participation Scheme" whereby staff members 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 date of the phantom shares are indicated below and the strike price was R1,50 or R1,00 per share. An agreement was entered into with scheme participants to settle the options in cash.

The phantom shares awarded, vest and may be exercised as follows:

- up to 25% of the shares on or after the first anniversary of the award date;
- up to 50% of the shares on or after the second anniversary of the award date;
- up to 75% of the shares on or after the third anniversary of the award date;
- up to 100% of the shares on or after the fourth anniversary of the award date.

To the extent that the options have not been exercised by the 5th anniversary of the award date, or termination of employment, the options will lapse at that date and accrue cumulatively to the directors and staff members up until that date, if not exercised.

27. EMPLOYEE BENEFITS (continued)

27.2 Cash settled share-based payments (continued)

The number and weighted average exercise price of the phantom shares awarded at the end of the previous year for employees was as follows:

Award Date	2007 Number of shares Strike price R1,50 '000
1 May 2007	400
1 July 2007	320
Balance at the end of the year	720

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

	2008 Number of shares Strike price R1,50 '000	2007 Number of shares Strike price R1,50 '000
At the beginning of the year	720	--
Exercised	--	--
Issued:		
Award date – 1 May 2007	--	400
Award date – 1 July 2007	--	320
Balance at the end of the year	720	720

27.3 Directors' participation in share-linked incentive schemes

In respect of the incentive scheme, directors held phantom shares as follows:

	2008 Number of shares '000	2007 Number of shares '000
MR Petzer (Strike price R1,50)	600	600
RJ Friese (Strike price R1,00)	2 000	3 000
Balance at the end of the year	2 600	3 600

Notes to the annual financial statements continued

for the year ended 31 August

27. EMPLOYEE BENEFITS

27.3 Directors' participation in share-linked incentive schemes (continued)

Movement during the year:

MR Petzer

MR Petzer is allocated 600 000 phantom shares and they vest over a four year period. The strike price is R1,50.

	2008 Number of shares '000	2007 Number of shares '000
Balance at beginning of year	600	--
Exercised	-	--
- Award date 1 May 2007	-	600
Balance at end of year	600	600

RJ Friese

RJ Friese is allocated 3 000 000 phantom shares and they vest over a three year period. The strike price is R1,00.

He exercised his phantom shares in the current year under review with respect to 1 000 000 shares at an exercise price of R2,48 per share and was settled in cash.

	2008 Number of shares '000	2007 Number of shares '000
Balance at beginning of year	3 000	-
Exercised	(1 000)	-
- Award date 1 March 2007	-	3 000
Balance at end of year	2 000	3 000

Shareholders' analysis

as at 31 August

	Number of ordinary shares	% of total	Number of ordinary shareholders	% of total
SIZE OF HOLDINGS				
1 – 1 000 shares	58 611	0,0	87	13,9
1 001 – 10 000 shares	1 401 465	0,3	303	48,4
10 001 – 100 000 shares	6 258 009	1,5	151	24,1
100 001 – 1 000 000 shares	17 971 671	4,2	42	6,7
1 000 001 shares and over	400 237 735	94,0	43	6,9
Total	425 927 491	100,0	626	100,0
DISTRIBUTION OF SHAREHOLDERS				
Assurance companies	7 726 162	1,8	4	0,6
Close corporations	455 017	0,1	17	2,7
Director holdings	181 496 350	42,6	5	0,8
Hedge funds	21 356 181	5,0	16	2,6
Individuals	22 072 415	5,2	484	77,3
Investment companies	166 300	0,0	10	1,6
Mutual funds	67 784 620	15,9	16	2,6
Nominees and trusts	33 879 236	8,0	36	5,8
Other corporations	348 500	0,1	8	1,3
Private companies	14 806 106	3,5	17	2,7
Retirement funds	51 134 143	12,0	4	0,6
Stockbrokers	24 702 461	5,8	9	1,4
Total	425 927 491	100,0	626	100,0
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders				
Directors	181 496 350	42,6	5	0,7
Holders holding more than 10% (Excluding directors' holdings)	44 721 387	10,5	2	0,3
Public shareholders	199 709 754	46,9	619	99,0
Total	425 927 491	100,0	626	100,0
MAJOR SHAREHOLDERS HOLDING MORE THAN 5% OF SHARE CAPITAL				
			Number of shares	% of issued share capital
Mr David Solomon Brouze			97 832 850	23,0
Public Investment Corporation			44 721 387	10,5
Stanlib			40 995 536	9,6
Agulhas Nominees (Pty) Limited			40 622 487	9,5
Mr Brian Duncan Downs			32 881 250	7,7

JSE statistics

for the year ended 31 August

	2008	2007
MARKET PRICE (CENTS PER ORDINARY SHARE)		
Closing 31 August	145	268
High for the year	300	380
Low for the year	125	162
Volume of units traded ('000) during the period	181 807	132 981
Number of transactions	5 888	6 482
Value of shares traded (R'000) during the period	433 485	335 507

Annual timetable of events

Financial year-end	31 August
Announcement of annual results	November
Annual Report distribution	February
Annual General Meeting	March
Announcement of interim results	May

Notice of annual general meeting



AUSTRO GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2001/029771/06)

JSE CODE: ASO

ISIN: ZAE0000 90882

Notice is hereby given that the annual general meeting of shareholders of Austro Group Limited (the company) will be held at the offices of the company at 1125 Leader Road, Stormill Ext 4, Roodepoort, Gauteng on Wednesday, 4 March 2009 at 10h00 for the following purposes:

1. To consider the annual financial statements for the year ended 31 August 2008;
2. To transact such other business as may be transacted at an annual general meeting of a company including the re-appointment of the auditors and re-election of retiring directors; and
3. To consider and, if deemed fit, to pass, with or without modification, the special and ordinary resolutions set out below, in the manner required by the South African Companies Act, 1973, as amended:

SPECIAL RESOLUTION NUMBER 1: SHARE REPURCHASES

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

1. Repurchases of shares must be effected through the order book operated by the JSE trading system, and done without any prior arrangement between the company and the counter-party;
2. At any point in time, the company will only appoint one agent to effect repurchases on its behalf;
3. The company, or subsidiary, must be authorised thereto by its articles of association;
4. The number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 September 2008) may not in the aggregate exceed 20% (twenty percent) (or 10% (ten percent) if the repurchases are effected by a subsidiary) of the company's share capital as at the date of this notice of annual general meeting;
5. Repurchases of shares may not be made at a price more than 10% (ten percent) above the weighted average of the market value on the JSE of the shares in question for the five business days immediately preceding the date on which the transaction is effected;
6. Repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme is in place and the dates and quantities of shares to be purchased during the prohibited period have been determined and full details thereof announced on SENS prior to commencement of the prohibited period;
7. Repurchases may only take place if, after such repurchase, the shareholder spread of the company still complies with the Listings Requirements of the JSE;
8. After the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE which may be applicable from time to time; and
9. The company's sponsor shall confirm the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to the company entering the market to proceed with the repurchase."

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

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

Notice of annual general meeting continued

SPECIAL RESOLUTION NUMBER 1: SHARE REPURCHASES (continued)

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

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

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

- Directors – pages 6 and 7
- Major shareholders – page 57
- Directors' interests in ordinary shares – page 24
- Share capital of the company – page 23

Litigation statement

The directors, whose names appear on pages 6 and 7 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 (twelve) months) a material effect on the group's financial position.

Directors' responsibility statement

Directors, whose names appear on pages 6 and 7 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in terms of the Listings Requirements of the JSE.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the year ended 31 August 2008 and up to the date of this notice.

Reasons for and effects of Special Resolution Number 1

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

ORDINARY RESOLUTION NUMBER 1: ISSUE OF SHARES FOR CASH

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

1. The allotment and issue of the shares must be made to persons qualifying as public shareholders, and not to related parties, as defined in the Listings Requirements of the JSE;
2. The shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

ORDINARY RESOLUTION NUMBER 1: ISSUE OF SHARES FOR CASH (continued)

3. The number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen percent) of the company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application;
4. The maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 business days prior to the date that the price of the issue is determined or agreed between the company and the party/ies subscribing for the shares;
5. After the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue, (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue is determined and the effect of the issue on net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share and, if applicable, diluted earnings per share and diluted headline earnings per share, or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time."

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

ORDINARY RESOLUTION NUMBER 2: UNISSUED ORDINARY SHARES

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

ORDINARY RESOLUTION NUMBER 3: RE-ELECTION OF NO DAVIES AS A DIRECTOR OF THE COMPANY

"Resolved that NO Davies be re-elected as a director of the company."

A brief *curriculum vitae* in is set out on page 7 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF MR PETZER AS A DIRECTOR OF THE COMPANY

"Resolved that MR Petzer be re-elected as a director of the company."

A brief *curriculum vitae* is set out on page 6 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF AJ PHILLIPS AS A DIRECTOR OF THE COMPANY

"Resolved that AJ Phillips be re-elected as a director of the company."

A brief *curriculum vitae* is set out on page 6 of the annual report of which this notice forms part.

ORDINARY RESOLUTION NUMBER 6: DIRECTORS' REMUNERATION

"Resolved that the remuneration of the non-executive directors, as set out on page 25 of the annual report of which this notice forms part be, and is hereby confirmed and ratified."

ORDINARY RESOLUTION NUMBER 7: RE-APPOINTMENT OF AUDITORS

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

Notice of annual general meeting continued

ORDINARY RESOLUTION NUMBER 8: SIGNATURE OF DOCUMENTATION

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

VOTING AND PROXIES

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

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

A form of proxy is attached for the convenience of any shareholder holding Austro shares who cannot attend the annual general meeting. Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at or posted to the office of the transfer secretaries of the company, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received at least 48 hours prior to the meeting. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should the member subsequently decide to do so.

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

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

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

By order of the board



Probity Business Services (Pty) Limited

Company Secretary
02 February 2009

REGISTERED ADDRESS

1125 Leader Avenue
Stormill Ext 4
Roodepoort, Gauteng

PO Box 1914
Florida
1710

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg

PO Box 61051
Marshalltown
2107

Form of proxy



AUSTRO GROUP LIMITED

Registration number 2001/029771/06

(Austro or the company)

JSE Code: ASO

ISIN: ZAE 0000 90882

For use by the holders of the company's certificated ordinary shares (certified shareholders) and/or dematerialised ordinary shares held through a Central Securities Depository Participant (CSDP) or broker who have selected "own-name" registration (own-name dematerialised shareholders) at the annual general meeting of the company to be held at 10:00 on Wednesday, 4 March 2009, or at any adjournment thereof if required. Additional forms of proxy are available from the transfer secretaries of the company.

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

I/We _____ (Name in block letters)

of _____ (Address)

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

1. _____ or failing him

2. _____ or failing him

3. the chairperson of the meeting

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

	Number of votes		
	In favour of	Against	Abstain
To pass special resolution:			
1. To effect share repurchases			
To pass ordinary resolutions:			
1. To issue shares for cash			
2. To place the unissued shares under the control of the directors			
3. To re-elect NO Davies as a director of the company			
4. To re-elect MR Petzer as a director of the company			
5. To re-elect AJ Phillips as a director of the company			
6. To ratify non-executive directors' remuneration			
7. To re-appoint PKF (Jhb) Inc. as auditors of the company			
8. To authorise the signature of documentation			

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

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

Signed this _____ day of _____ 2009

Signature _____ Assisted by (if applicable)

Notes to the form of proxy

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.
2. Shareholder(s) that are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of the resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. Forms of proxy must be lodged at or posted to Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received not less than 48 hours prior to the meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
7. The chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Computershare Investor Services (Pty) Limited or waived by the chairperson of the general meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare Investor Services (Pty) Limited.
11. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.

Corporate information

COMPANY REGISTRATION NUMBER

2001/029771/06

BUSINESS ADDRESS AND REGISTERED OFFICE

1125 Leader Avenue
Stormill Ext 4
Roodepoort
Telephone +27 11 222-8300
Facsimile +27 11 222-8500

COMPANY SECRETARY

Probity Business Services (Pty) Limited
3rd Floor, JHI House
11 Cradock Avenue, Rosebank
PO Box 85392, Emmarentia, 2029

AUDITORS

PKF (Jhb) Inc.
Per: S. Kock
Registered Auditors
42 Wierda Road West
Wierda Valley

JSE CODE

ASO

ISIN NUMBER

ZAE 000090882

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg
PO Box 61051, Marshalltown, 2107
Telephone +27 11 370-5000
Facsimile +27 11 688-5200

SPONSOR

Java Capital (Pty) Limited
(a sponsor registered with the JSE Limited)
2 Arnold Road, Rosebank
PO Box 471917, Parklands, 2121
Telephone +27 11 283-0000
Facsimile +27 11 283-0065



AUSTRO
GROUP LIMITED

T +27 (0)11 222-8300 F +27 (0)11 222-8500
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