



ANNUAL REPORT **2009**





AUSTRO

GROUP LIMITED

Austro Annual Report 2009

Table of contents

Company profile	1
Mission	1
Core values	1
Group overview	2
Directorate	6
Chairman's review	8
Group Financial Director's report	10
Sustainability review	14
Corporate governance report	16
Directors' responsibility for financial reporting	19
Statement of compliance by the Company Secretary	19
Report of the independent auditors	20
Directors' report	21
Income statements	24
Balance sheets	25
Cash flow statements	26
Statements of changes in equity	27
Balance sheet segmental analysis	28
Income statement segmental analysis	28
Notes to the annual financial statements	29
Shareholders' analysis	58
JSE statistics	59
Annual timetable of events	59
Notice of annual general meeting	60
Form of proxy	Inserted
Corporate information	IBC

Company profile

Austro Group Limited supplies specialised and quality branded industrial equipment to corporate, commercial and infrastructure markets in South Africa. The group services clients, ranging from heavy industrial, construction and mining groups to wholesalers, retailers and manufacturers. The group's two main businesses have each 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 production, supply and rental of generators and related components; such as industrial engines; alternators and switch-gear to the generator manufacture and supply industry; and
- the distribution of professional woodworking machinery and tooling together with the relevant after sales and technical services.



AUSTRO
GROUP LIMITED

Austro Group Limited

NEW WAY POWER (PTY) LIMITED

DIVISIONS



New Way



NEPTUNE PLANT HIRE



QUINLEC POWER



QUAD POWER COMPANY

New Way

Neptune Plant Hire

Quinlec Power

Quad Technical Services

AUSTRO WOOD (PTY) LIMITED

DIVISIONS



AUSTRO WOODWORKING MACHINES & TOOLS



GMS



2ND CUT

Austro Woodworking Machines & Tools

Gearing Moss Supplies

2nd Cut Pre-owned Woodworking Equipment

MAIN SUPPLIER BRANDS



MITSUBISHI



BIESSE WOOD DIVISION



FELDER



JOHN DEERE



Weinig WEINIG GROUP



Fraval



DOOSAN



MARATHON



STRIEBIG



Wood-Mizer

POWER AND RELATED INDUSTRY

NEW WAY POWER (PTY) LIMITED

New Way



Neptune Plant Hire



Quinlec Power



Quad Technical Services

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 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 division 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 Services, with their staff, have over 40 years' collective experience in the energy related fields. Quad's core business lies in the electrical manufacturing and engineering fields; this being sub-divided into four business units – hence the name Quad. These business units are:

- Quad Manufacturing – multi-disciplined CNC manufacturing and product design solution provider. Latest CAD design and CNC controller equipment to manufacture components and products.
- Quad Power – Integrated Uninterrupted Power Supplies (UPS) providing clients with a stable energy system during power interruptions (1 – 2 000 kVA). Domestic and industrial generator sets (4 – 2 000 kVA).
- Quad Energy Solutions – specialising in Energy Management Planning comprising: User Site Consumption and Load Analysis, Integration and Savings related to user defined Power Factor Corrections Systems.
- Quad Electro Sales and Projects – a multifaceted, electrical instrumentation and system integration business unit.

Quad specialises in the design and manufacture of unsurpassed energy solutions, including power factor correction, DB boards and panels etc. With in-house 3D designers they are able to submit innovative, practical and cost-effective solutions. Each project is undertaken by the internal project management team which supervises from design conception, engineering and right up until delivery.

Group overview continued

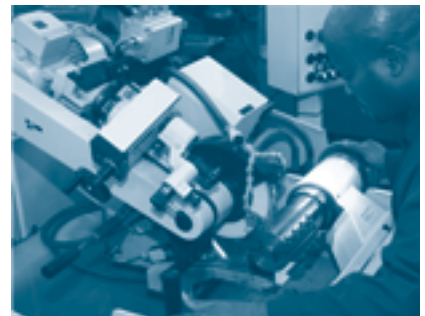
WOOD AND RELATED INDUSTRY

AUSTRO WOOD (PTY) LIMITED

Austro Woodworking Machines & Tools

Gearing Moss Supplies

2nd Cut Pre-owned
Woodworking Equipment



WOODWORKING MACHINES AND TOOLS

Austro Woodworking Machines & Tools

Austro Woodworking Machines & Tools was established as Austro Engineering, a supplier of quality branded woodworking machinery, tooling and accessories. Almost 30 years of dedication, technical expertise and understanding of its customers' needs grew the division 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 division now has branches in Gauteng, KwaZulu-Natal and the Western and south Western Cape.



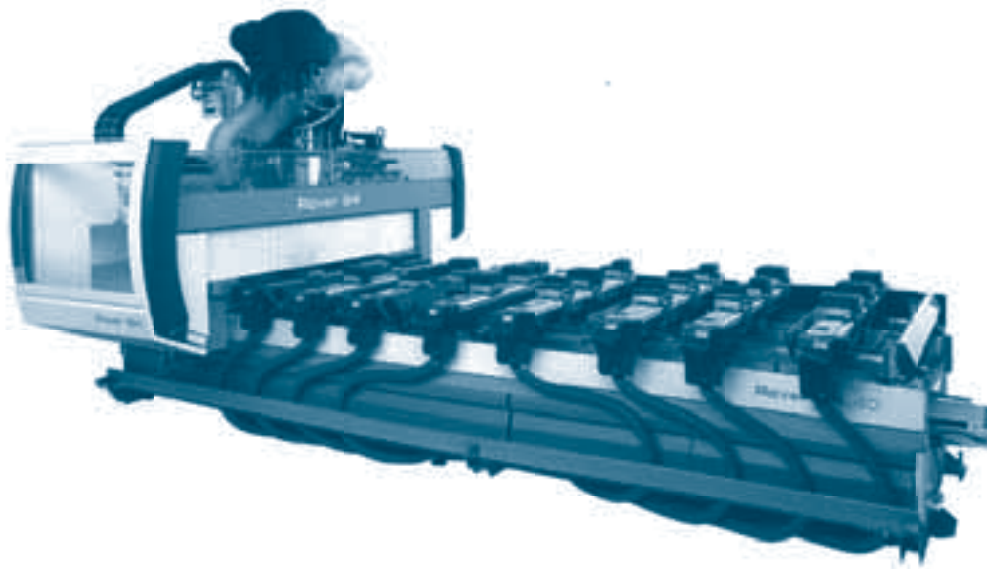
"the industry's preferred partner and market leader representing many of the world's leading branding."

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 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.



“Austro's products continue to be reinforced by exceptional service and support.”

Directorate



ANTHONY (TONY) PHILLIPS
Independent Non-executive Chairman

Tony brings 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 adds 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.



JAMES BENNIE
Group Financial Director

James qualified as a Chartered Accountant (SA) in 1991. He spent 16 years at Barloworld Limited, primarily in their Automotive Division where he was Financial Director of the Motor Dealership operations. James was then transferred to the USA for three years where he was Chief Financial Officer of Barloworld Truck Center Inc. He was appointed to the board of the Austro Group Limited on 8 June 2009.



ULI SCHÄCKERMANN (GERMAN)
Independent Non-executive Director

Uli is a Chartered Accountant (SA) and after 34 years as a partner in public practice, Uli has now commenced to serve as independent non-executive director. During his auditing career he audited and reviewed various listed entities including JSE top 40 companies. He serves on the IRBA Committee for Auditor Ethics and various other boards. Uli was appointed to the board of the Austro Group Limited on 1 August 2009.



DAVID BROUZE
Non-executive Director

David 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.



RICHARD MOSS
Executive Director

Richard is the managing director of the newly formed Austro Wood company which houses the group's wood interests. He is a Mechanical Engineer holding the degree of BSc (Mech. Eng) (Wits) and has 17 years industry experience. Richard was appointed to the board on 1 August 2009.



WALTER HAUSER (AUSTRIAN)
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 is an alternate executive director to Jonathan 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 18 years, and he is considered a leading expert in the industry.



GORDON NZALO
Independent Non-executive Director

Gordon is a Chartered Accountant (SA) and a Certified Internal Auditor. He has extensive experience in risk management, corporate governance and internal audit services, both in the private and public sector. Gordon was previously a partner with KPMG and PricewaterhouseCoopers, where he was responsible for assurance and consultancy services. Gordon is a board member of Vunani Limited and PSV Holdings Limited. Gordon was appointed to the board of the Austro Group Limited on 29 October 2009.

Chairman's review



AJ Phillips – *Non-executive Chairman*

Despite the economic downturn the Austro Group generated reasonable results over the reporting period.

The group was founded with a view to develop a group of companies representing established brands in the industrial, mining, construction and infrastructure sectors. Today, the group supplies specialised and quality industrial equipment to the South and southern African markets and services a solid client base.

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

ECONOMIC CONTEXT

As was to be expected, the effect of the turbulent global markets, the credit crunch and the general worldwide slowdown experienced in 2008 extended into 2009. South Africa has certainly felt the effects of this slowdown particularly in lower household spending and negative GDP growth. Government spending however looks set to continue with a robust spend projected to 2013 and then on to 2020.

In South Africa inflation is ahead of targeted levels. The several decreases in interest rates should have improved consumer consumption but financial institutions do not appear to have eased their stance on the granting of credit. While the government's infrastructural spend has had a positive effect on GDP, the strong rand has inhibited growth in the private sector, particularly manufacturing.

INFRASTRUCTURE SPENDING

Austro is well-positioned to benefit from a resumption in GDP growth in South and southern Africa. The Power Division with its wide service offering is expecting strong demand as these same projects near completion. There remains some doubt as to whether Eskom has sufficient capacity to meet the demand for electricity and to what extent the coming months will be marked by black-outs. While the number and frequency of power outages has declined substantially, many organisations continue to invest in alternative supplies of power. Austro's Power Division has a wide product offering to take advantage of the opportunities in the Power sector. The synergies between the various operating segments, the brand offering and levels of service and technical expertise are highly regarded in the industry.

The Wood Division has yet to feel the full impact of the 2010 FIFA World Cup as the demand for finishings is just starting to materialise.

GOING FORWARD

The main objective during the reporting period has been to address the levels of stock and receivables and to stabilise the group after the acquisition activity of previous years. I am pleased to report that this has been substantially achieved. The balance sheet is currently strong, has no significant long-term debt and has more than adequate bank facilities to cover requirements.

During the year, the company was organised into two divisions housing Power and Wood. This will improve efficiencies and reduce costs through the existence of fewer statutory entities. Significant changes were made to the management team. This team is active and suitably qualified to take the group forward successfully and a number of experienced directors were appointed during the year.

The group is pleased to have maintained its dividend of 2 cents per share and remains committed to declaring an annual dividend.

CONCLUSION

The group is beginning to realise the synergies from the businesses acquired in the past two years. The new divisional structure has played a role in unlocking these. The objectives of improving the balance sheet and stabilising the base have been achieved.

I would like to take this opportunity to thank the board and all our employees for their efforts in the past year. Our ability to generate strong returns depends on our ability to work as a team of flexible experts.

During the year, we welcomed Uli Schäckermann as an independent non-executive director and chairman of the audit committee, James Bennie as Group Financial Director and Richard Moss as an executive director to the board. After the year-end, Gordon Nzalo was appointed as an independent non-executive director and member of the audit committee.

I also extend my thanks to Neill Davies who was an independent non-executive director until 31 March 2009 and then acted as CEO from 1 April 2009 to 31 July 2009, and Brian Downs who resigned from the board during the year.



AJ Phillips
Chairman

Group Financial Director's report



JA Bennie – Group Financial Director

INTRODUCTION

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

The year ahead, while remaining challenging, should provide strong opportunities resulting from the expected government spend on infrastructure as well as the 2010 FIFA World Cup where demand for our products and services is expected to come towards the end of the projects. We expect that the demand for our products will extend well beyond 2010.

The year ended 31 August 2009 showed a decrease in earnings per share of 61,3%, largely due to the effect of the depressed economy on the Wood Division and significant restructuring that took place during the year.

The primary focus of the group during the year was to improve the management of working capital within the group. This has been substantially achieved with significant reductions in the levels of both inventories and

accounts receivable. This has left the group with a strong balance sheet with the gearing ratio at a healthy 18,6% and the ability to maintain the prior year dividend of 2 cents per share.

STRATEGY

The group operates in two clear divisions, New Way Power (Pty) Limited and Austro Wood (Pty) Limited. After the acquisitions in 2007 and 2008, 2009 was a consolidation phase in which structures were put into place and efforts made to extract the synergies prevalent between the various businesses within each Division. The group is now well positioned with its structures in place, the ownership of leading brands, and its complement of a dedicated, skilled and experienced management team, to further increase its market share and deliver unrivalled customer service in the sectors in which it operates.

YEAR UNDER REVIEW

The most significant financial issue in the year under review was the reduction in the levels of inventories and accounts receivable. This was a specific focus area and resulted in a reduction in inventory of R78,3 million to R336,1 million. Accounts receivable reduced by R71,5 million to R70,8 million. This unfortunately did not lead to a generation of cash due to high payables at the end of August 2008 which were reduced by R220 million to R36 million.

The balance sheet is now very strong and the group does not have any significant long-term debt.

Revenue decreased by 18,8% from R715,1 million to R580,6 million. This was mainly as a result of the effect of the depressed economy on the Wood Division in particular. The Wood Division's customers supply the finishes to projects so have not yet felt the full impact of the 2010 FIFA World Cup. The slowdown in the construction sector also had an effect on the Power Division although this was not as dramatic.

Operating profit decreased by 43,0% to R88,0 million (2008: R154,6 million). Operating margins decreased from 21,6% in 2008 to 15,2% in 2009. This was due largely to increased costs, most significantly costs related to the restructuring and retrenchment exercise in the Wood Division, the recruitment of properly skilled staff in the finance area, restructuring the statutory entities and the costs of consolidating premises in both the Power and Wood Divisions. The group is now correctly structured to maximise the opportunities expected as the economy begins to recover. The benefits of the costs incurred began to be felt towards the end of the financial year and have continued into the new year.

Earnings per share decreased to 10,1 cents per share (2008: 26,1 cents per share) while headline earnings per share decreased to 10,0 cents per share (2008: 25,9 cents per share). During the year under review the group utilised cash of R5,6 million. This was due to the decrease in creditors over the year exceeding the reduction in inventories and accounts receivable. A positive cash flow is expected in 2010.

Power

Operating review

Revenue decreased by 14,2% to R422,5 million (2008: R492,5 million) and profit before tax decreased by 38,6% to R78,2 million. This Division contributed 72,8% to group revenue (2008: 68,9%) and 109,5% to group profit before tax (2008: 82,7%).

New Way Motor and Diesel Engineering, the supplier of generators, industrial engines and related components, continues to be the major contributor to this Division. The Cape branch of Neptune, the generator rental business, continues to produce strong results. Efforts are being made to maximise the energies between New Way and Quad and Quinlec. Quad manufactures electric panels and soundproof enclosures, while Quinlec specialises in the installation and maintenance of generators as well as compliance certifications.

While the load shedding experienced during the year was less frequent than in the previous period, there is still uncertainty as to whether or not these will resume when the economy proceeds to full capacity. The corporate sector is now taking account of the uncertainty within the power utility in their risk management strategies. There has been a reduced demand for generators, but the diverse range of products produced by this Division has allowed them to benefit from other opportunities particularly in the marine industry, from both a sales and rental point of view.

After the acquisitions in 2007 and 2008, this Division used 2009 to consolidate its operations and premises and capitalise on the synergies between the various entities acquired. The year under review also saw an increase of activities into Africa and shortly after the year-end the first order was received from the Middle East.

Wood

Operating review

While the economic slowdown has impacted this Division, the last two months of the year saw a definite recovery. While Wood's customers have been affected by the depressed residential market, they have yet to feel the full positive impact of the 2010 FIFA World Cup as they supply the machinery for the finishes to the developments. This Division contributed 27,2% (2008: 31,1%) to group revenue. Revenue decreased by 29,0% to R158,0 million (2008: R222,6 million).

“The balance sheet is now very strong and the group does not have any significant long-term debt”

Group Financial Director's report continued

A restructuring took place in the Division during the year with a new Managing Director being appointed and a retrenchment process being implemented which resulted in a reduction of 25% in the workforce. The benefits of this are already being felt.

Within the Division, Gearing Moss continues to perform well, and the Cape Town operation produced a satisfactory result. The KZN and Gauteng operations performed poorly but have been dramatically restructured and the exercise is already showing positive results.

This Division is now in a strong position to show a good recovery due to the restructuring that has taken place, the leading brands in the product offering and the market leadership position that it currently occupies.

GROUP STRUCTURE

With effect from 31 August 2009, the group restructured its entities to form two distinct divisions, New Way Power (Pty) Limited and Austro Wood (Pty) Limited housing the group's Power and Wood interests respectively. This will allow greater focus on the two operating segments and result in greater efficiency and reduced costs due to the collapsing of the subsidiary legal entities.

RENTAL DIVISION

During the year, the group entered the rental market for woodworking machines. This is done in conjunction with the financial institution, Fintech. Customers are offered the option of renting machines. In most cases, these machines are rented from Fintech but in certain instances the group assumes the risk with Fintech providing the administrative support. This business is considered to be of a low risk.

INFORMATION SYSTEMS

The group operates two management information systems, being Pastel in the Power Division and Accpac in the Wood Division. During 2010, Pastel in several of the divisions in the Power subsidiary will be upgraded so that the entire division is on the same platform. Similarly the Accpac system currently in use is being upgraded. The expected capital expenditure is expected to be minimal. A specific rental application is being implemented in Neptune Plant Hire.

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 2010 will see a consolidation of these four locations into a single, central and far more suitable New Way facility. Additional applications have been added to the product offering.

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 this market, should outages recur.

Quinlec

Quinlec has increased the total size of its warehouse and production facility in order to meet the demand for generator sales and rentals in the region. In the year ahead co-operation between New Way and Quinlec will result in increased business in KZN.

Quad

Quad moved into larger premises during the year. This move together with new manufacturing plant installed has dramatically increased capacity. Synergies with New Way are now being realised.

Austro Woodworking and Tools (Austro)

The Johannesburg and KZN branches of Austro have been restructured with a retrenchment exercise having taken place. New management is now in place and this Division is well positioned for 2010 and beyond.

2nd Cut

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

Gearing Moss (GMS)

GMS continues to perform well. This business continues producing good results for the group and has grown its business into Africa during the year. GMS and Austro now share infrastructure and customer information to provide a one-stop solution into the future.

LOOKING AHEAD

The group is well positioned to increase market share and profitability in all areas of the business. The directors at both group and subsidiary levels are experts in their fields and have many years of relevant experience. The cost cutting measures introduced during 2009 will bear fruit in 2010 and beyond and the synergies being realised will continue well into the future.

Increased sales are being made into Africa and beyond and this is seen as a significant area of opportunity for both divisions within the group. The strong balance sheet puts the group in a good position to capitalise on any opportunities going forward and facilities are adequate to meet all of its commitments. Modern facilities housing the Austro and 2nd Cut operations in Johannesburg and New Way operations in Johannesburg and Cape Town have allowed the consolidation of operations with the resultant efficiencies to the business.

APPRECIATION

Finally on behalf of the board and senior management team I would like to thank everyone employed at the Austro Group for their efforts during what has been a difficult year. This effort is evident in the high levels of service and support offered to our customers.



JA Bennie

Group Financial Director



Sustainability review

INTRODUCTION

The group remains committed to sound economic, social and environmental practices. This Sustainability review is intended for stakeholders of the Austro Group Limited. 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 board of the company is 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 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.

A group human resources manager was employed during the year to implement and drive all people related initiatives.

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 contributing towards membership fees.

During the year, a provident fund was established for the employees. Contributions to this fund are being phased in over a five year period. In addition an in-house clinic has been introduced to promote the health and well-being of employees and to reduce levels of absenteeism.

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 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 BBBEE 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.

The group has engaged an outsourced consultant to regularly monitor compliance with the Act.

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.

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. The voluntary testing will be driven by the new clinic.

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.

The group Human Resources Manager is currently negotiating with the relevant SETAs to provide skills programmes of relevance to the group.

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 III 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 four non-executive directors (two of which are independent) and three executive directors. There is no Group Chief Executive Officer but rather those duties are shared by the Managing Directors of the two operating divisions.

The role of non-executive Chairman is strictly separated in accordance with the King III 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, 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.

	11 November 2008	26 February 2009	12 March 2009	14 May 2009	26 August 2009
AJ Phillips (Chairman)	P	P	A	P	P
DS Brouze	P	P	P	P	P
R Moss ⁶	N/A	N/A	N/A	N/A	P
W Hauser	P	P	P	P	P
NO Davies ⁵	P	P	P	P	N/A
J Bennie (FD) ²	N/A	N/A	N/A	N/A	P
U Schäckermann ⁶	N/A	N/A	N/A	N/A	P
BD Downs ⁴	P	P	P	A	N/A
RJ Friese (CEO) ¹	P	P	A	N/A	N/A
JO Freed (Alt JR Freed ⁷)	P	P	P	P	P
MR Petzer (CFO) ³	P	P	P	P	N/A

¹: Resigned 31 March 2009

²: Appointed 8 June 2009

³: Resigned 12 June 2009

⁴: Resigned 1 August 2009

⁵: Retired 1 August 2009

⁶: Appointed 1 August 2009

⁷: Appointed 19 November 2008

A: Apology/Absent

P: Present/Participated

N/A: Not applicable

Directors for re-election at AGM: J Bennie, JO Freed, R Moss, G Nzalo and U Schäckermann

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, AJ Phillips (Chairman) and W Hauser. 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 joint Managing Directors and Group Financial Director attend meetings by invitation and are excluded from deliberations in respect of their 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, U Schäckermann (who chairs the committee) and G Nzalo 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 joint Managing Directors and Group Financial Director attend meetings by invitation. The board is of the opinion that in light of the nature and size of the group, at this stage, two meetings per year are sufficient to discharge the responsibilities of the committee. Further meetings are convened when necessary.

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

	11 November 2008	11 December 2008	11 May 2009
NO Davies (Chairman) ³	P	P	P
AJ Phillips	P	P	P
DS Brouze	P<	P<	P<
RJ Friese (CEO) ¹	P<	P<	N/A
MR Petzer (CFO) ²	P<	P<	P<

¹: Resigned 31 March 2009

²: Resigned 12 June 2009

³: Retired 1 August 2009

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.

Subsequent to the financial year-end, the group employed an internal auditor.

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. After enquiry and assessment, 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 2009 and are signed on their behalf.



AJ Phillips
Chairman



JA Bennie
Group Financial Director

Statement of compliance by the Company Secretary

For the year ended 31 August 2009, 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 2009

Report of the independent auditors

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying annual financial statements and group annual financial statements of Austro Group Limited, which comprise the directors' report, the balance sheet as at 31 August 2009, 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 21 to 58.

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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 annual financial statements and group annual financial statements present fairly, in all material respects, the financial position of Austro Group Limited as of 31 August 2009, 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.

PKF (JHB) Inc.

Registered Auditors

Chartered Accountants (SA)

Registration number 1994/001166/21

Johannesburg

11 November 2009

Per Soné Kock

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 2009.

NATURE OF BUSINESS

Company profile

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

The group's activities are detailed in the Chairman's and Group Financial Director's Reviews.

GROUP RESULTS

- Revenue decreased by 18,8% to R580,6 million
- Operating profit decreased by 43% to R88,0 million
- Headline earnings per share decreased by 60,9%

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

SHARE CAPITAL

The number of ordinary shares in issue at 31 August 2009: 431 413 384.

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.

DIVIDEND

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

Shareholders are advised that a dividend 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 27 November 2009
- Shares will trade *ex* dividend from 30 November 2009
- Record date 4 December 2009
- Payment of dividend on 7 December 2009

Directors' report continued

DIRECTORS

The following persons acted as directors during the year under review.

Non-executive directors

AJ Phillips (Chairman)*
 DS Brouze
 NO Davies¹
 W Hauser
 G Nzalo³*
 U Schäckermann²*

¹: Retired 31 July 2009

²: Appointed 1 August 2009

³: Appointed 29 October 2009

*: Independent

Executive directors

JA Bennie¹
 BD Downs²
 JO Freed (Alt JR Freed)⁴
 RJ Friese (CEO)⁵
 RE Moss³
 M Petzer⁶

¹: Appointed 8 June 2009

²: Resigned 1 August 2009

³: Appointed 1 August 2009

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

⁵: Resigned 31 March 2009

⁶: Resigned 12 June 2009

In terms of the articles of association, JA Bennie, JO Freed, RE Moss, G Nzalo and U Schäckermann 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 168 302 989 shares constituting approximately 39,01% of the total issued share capital of Austro.

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

Director	Direct beneficial	Indirect beneficial	Total	Percentage
2009				
DS Brouze	97 832 850	500 000	98 332 850	22,79
BD Downs	32 881 250	–	32 881 250	7,62
JR Freed	–	4 050 000	4 050 000	0,94
JO Freed	–	24 300 000	24 300 000	5,63
RE Moss	–	8 738 889	8 738 889	2,03
Total	130 714 100	37 588 889	168 302 989	39,01
2008				
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 Röthlisberger	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. The directors do not have any indirect non-beneficial interest.

DIRECTORS' EMOLUMENTS

	Total 2009 R	Total 2008 R
AJ Phillips*	165 000	–
RJ Friese	3 573 429	3 281 208
DS Brouze*	240 000	–
NO Davies	585 000	–
BD Downs	1 194 272	1 149 891
JO Freed	3 433 810	3 117 421
JR Freed	4 378 792	–
W Hauser*	150 000	120 000
MR Petzer	727 073	–
D Rothlisberger	–	1 094 954
U Schäckermann	15 000	–
JA Bennie	231 250	–
RE Moss	359 310	–
	15 052 936	8 763 466

* 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 and has considered and satisfied itself of the appropriateness of the expertise and experience of the group financial director. On an ongoing basis the committee reviews and approves the fees charged by the external auditors.

As at the date of this report, no complaints have been received relating to accounting practices or internal audit of the group or to the content or auditing of the group's financial statements or to any related matter.

The Audit Committee reviewed management's assessment of going concern and is satisfied that the going concern assumption is applicable.

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 4 March 2009 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 have become aware of a potential claim against the company of R10,2 million. Having taken appropriate legal advice they believe they can defend the action.

Johannesburg
11 November 2009

Income statements

for the year ended 31 August

	Notes	GROUP		COMPANY	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
Revenue	15	580 519	715 131	114 921	238 588
Cost of sales and services		(343 925)	(435 038)	(69 042)	(164 290)
Gross profit		236 594	280 093	45 879	74 298
Operating income		2 465	6 187	20 110	1 559
Operating expenses		(151 019)	(131 682)	(69 153)	(47 591)
Profit/(loss) from operations	16	88 040	154 598	(3 164)	28 266
Interest received	17	8 123	6 958	6 685	4 067
Interest paid	18	(24 766)	(7 522)	(15 969)	(6 943)
Profit/(loss) before taxation		71 397	154 034	(12 448)	25 390
Taxation	19	(27 692)	(42 070)	1 000	(5 994)
Profit/(loss) for the year		43 705	111 964	(11 448)	19 396
Number of shares in issue		431 413 384	425 927 491	–	–
Weighted average number of shares		431 413 384	428 220 774	–	–
Earnings per share (cents)		10,1	26,1	–	–
Headline earnings per share (cents)		10,0	25,9	–	–
Reconciliation of earnings to headline earnings:					
Profit for the year		43 705	111 964	–	–
Profit/(loss) on disposal of plant and equipment		(1)	(1)	–	–
Tax effect thereon		–	–	–	–
Headline earnings		43 704	111 963	–	–

Balance sheets

as at 31 August

	Notes	GROUP		COMPANY	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
ASSETS					
Non-current assets					
		271 542	283 174	243 787	294 963
Plant and equipment	2	51 064	55 760	–	15 024
Goodwill	3	219 465	221 110	–	–
Deferred taxation	5	1 013	6 304	108	–
Investment in subsidiaries	4	–	–	243 679	279 939
Current assets					
		412 972	559 365	188 959	231 471
Inventories	6	336 110	414 416	–	97 134
Trade and other receivables	7	70 773	142 354	86	27 198
Taxation receivable		3 856	136	–	–
Loans receivable	4	–	–	188 873	107 049
Cash and cash equivalents	8	2 233	2 459	–	90
Total assets					
		684 514	842 539	432 746	526 434
EQUITY AND LIABILITIES					
Capital and reserves					
		542 807	508 408	374 425	395 179
Share capital	9	4	4	4	4
Share premium	10	322 103	308 003	322 103	308 003
Shares to be issued		–	14 778	–	14 778
Accumulated profits		220 700	185 623	52 318	72 394
Non-current liabilities					
		3 961	4 448	–	634
Interest-bearing liabilities	11	1 370	3 453	–	–
Deferred taxation	5	2 591	995	–	634
Current liabilities					
		137 746	329 683	58 321	130 621
Current portion of interest-bearing liabilities	11	600	559	–	–
Trade and other payables	12	35 076	201 486	3 177	39 976
Provisions	13	–	1 394	–	1 394
Amount owing for purchase of subsidiaries		–	13 228	–	14 620
Taxation payable		2 425	40 018	–	1 391
Bank overdrafts	14.1	99 645	72 998	55 144	73 240
Total equity and liabilities					
		684 514	842 539	432 746	526 434
Net asset value					
		542 807	508 408	–	–
Goodwill and intangible assets					
		219 465	221 110	–	–
Tangible net asset value					
		323 342	287 298	–	–
Net asset value per share (cents)					
		125,8	118,7	–	–
Tangible net asset value per share (cents)					
		75,0	67,1	–	–

Cash flow statements

for the year ended 31 August

Notes	GROUP		COMPANY		
	2009 R'000	2008 R'000	2009 R'000	2008 R'000	
Net cash (outflows)/inflows from operating activities	(5 632)	(109 665)	67 790	(25 755)	
Cash generated by/(utilised in) operations	20	81 758	(71 201)	72 864	(1 836)
Interest received		8 123	6 958	6 685	4 068
Interest (paid)		(24 766)	(6 397)	(15 969)	(5 818)
Dividends (paid)		(8 628)	–	(8 628)	–
Dividends received		–	–	13 338	–
Taxation (paid)	21	(62 119)	(39 025)	(500)	(22 169)
Net cash outflows from investing activities		(5 292)	(55 478)	(34 486)	(108 528)
Subsidiaries (acquired) or restructured	31	–	(30 627)	–	(16 342)
Plant and equipment acquired		(8 359)	(31 454)	(435)	(6 043)
– to maintain operations or restructured		3 067	6 603	12 144	415
Proceeds on disposal of plant and equipment	22	–	–	(46 195)	(86 558)
Increase in loans receivable					
Net cash flows from financing activities		(15 949)	(114 158)	(15 298)	(110 226)
Decrease in amount owing for purchase of subsidiaries		(13 228)	(115 078)	(14 620)	(109 839)
Net movement in interest-bearing liabilities		(2 721)	–	(678)	(387)
Interest-bearing liabilities raised		–	920	–	–
Net (decrease)/increase in cash and cash equivalents		(26 873)	(279 301)	18 006	(244 509)
Cash and cash equivalents at beginning of year		(70 539)	208 762	(73 150)	171 359
Cash and cash equivalents at end of year		(97 412)	(70 539)	(55 144)	(73 150)

Statements of changes in equity

for the year ended 31 August

	Notes	GROUP		COMPANY	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
Share capital and share premium	9	322 107	322 785	322 107	322 785
Balance at beginning of the year		322 785	314 141	322 785	314 141
Shares issued during the year		14 757	133 284	14 757	133 284
Reversal of shares to be issued reserve		(14 778)	(139 418)	(14 778)	(139 418)
Shares to be issued reserve		–	14 778	–	14 778
Share issue expenses		(657)	–	(657)	–
Accumulated profits		220 700	185 623	52 318	72 394
Balance at beginning of the year		185 623	73 659	72 394	52 998
Dividend paid		(8 628)	–	(8 628)	–
Net profit for the year		43 705	111 964	(11 448)	19 396
Total capital and reserves		542 807	508 408	374 425	395 179

Balance sheet segmental analysis

as at 31 August 2009	Power R'000	%	Wood R'000	%	Total R'000	%
Assets	496 532	73	187 982	27	684 514	100
Capital and reserves	411 439	76	131 368	24	542 807	100
Liabilities	85 093	60	56 614	40	141 707	100
as at 31 August 2008	Power R'000	%	Wood R'000	%	Total R'000	%
Assets	462 184	55	380 355	45	842 539	100
Capital and reserves	218 874	43	289 534	57	508 408	100
Liabilities	243 310	73	90 821	27	334 131	100

Income statement segmental analysis

as at 31 August 2009	Power R'000	%	Wood R'000	%	Total R'000	%
Revenue	422 501	73	158 018	27	580 519	100
Gross	425 750		153 365		579 115	
Intersegment	(3 249)		4 653		1 404	
Profit before taxation	78 249	110	(6 852)	(10)	71 397	100
Gross	81 498		(11 504)		69 994	
Intersegment	(3 249)		4 652		1 403	
Depreciation	4 725	52	4 295	48	9 020	100
Profit on sale of plant and equipment	449	89	55	11	504	100
as at 31 August 2008	Power R'000	%	Wood R'000	%	Total R'000	%
Revenue	492 494	69	222 637	31	715 131	100
Gross	492 744		271 156		763 900	
Intersegment	(250)		(48 519)		(48 769)	
Profit before taxation	127 402	83	26 632	17	154 034	100
Gross	127 463		32 417		159 880	
Intersegment	(61)		(5 785)		(5 846)	
Depreciation	3 091	46	3 590	54	6 681	100
Profit on sale of plant and equipment	1 232	84	232	16	1 464	100

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 and the JSE Listings Requirements.

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 in issue, not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective.

Standard	Nature of change	Annual periods beginning on or after
IFRS 1: First-time Adoption of International Financial Reporting Standards	Amendment	1 January 2009 1 January 2010
IFRS 2: Share-based Payment	Amendment	1 January 2009 1 July 2009 1 January 2010
IFRS 3: Business Combinations	Amendment	1 July 2009
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Amendment	1 July 2009 1 January 2010 1 July 2009
IFRS 7: Financial Instruments: Disclosures	Amendment	1 January 2009 1 January 2009 1 January 2009
IFRS 8: Operating Segments	Amendment	1 January 2009 1 January 2010
IAS 1: Presentation of Financial Statements	Amendment	1 January 2009 1 January 2010
IAS 7: Statement of Cash Flows	Amendment	1 January 2009 1 January 2010
IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	Amendment	1 January 2009
IAS 10: Events after the Reporting Period	Amendment	1 January 2009 1 July 2009
IAS 16: Property, Plant and Equipment	Amendment	1 January 2009
IAS 17: Leases	Amendment	1 January 2010
IAS 18: Revenue	Amendment	1 January 2009
IAS 19: Employee Benefits	Amendment	1 January 2009
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance	Amendment	1 January 2009
IAS 23: Borrowing Costs	Amendment	1 January 2009

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (continued)

1.2 Standards in issue, not yet effective (continued)

Standard	Nature of change	Annual periods beginning on or after
IAS 27: Consolidated and Separate Financial Statements	Amendment	1 January 2009
IAS 28: Investments in Associates	Amendment	1 January 2009
IAS 32: Financial Instruments: Presentation	Amendment	1 January 2009
IAS 34: Interim Financial Reporting	Amendment	1 January 2009
IAS 36: Impairment of Assets	Amendment	1 January 2009 1 January 2010
IAS 38: Intangible Assets	Amendment	1 January 2009 1 July 2009
IAS 39: Financial Instruments: Recognition and Measurement	Amendment	1 January 2009 1 July 2009 Annual periods ending on or after 30 June 2009 1 January 2010

The directors have not yet determined what the impact of these new Standards and Interpretations on the company will be.

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. The cost of an acquisition is measured as the fair value of assets acquired, equity instruments issued and liabilities incurred or assumed to the date of exchange, plus costs directly attributable to the acquisition.

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

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

1. ACCOUNTING POLICIES (CONTINUED)

1.4 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 available for 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 at each year-end together with the useful life of the asset.

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

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

Carrying amounts of plant and equipment are reduced to their recoverable amounts, where these are lower than the carrying amounts. The expected future cash flows attributable to such assets are considered in determining the recoverable amounts. If the recoverable amount is lower than the carrying amount it is impaired in the income statement.

1.5 Goodwill

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

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

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

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

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (CONTINUED)

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, loans and other receivables

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

The group makes an assessment at each reporting date whether there is any objective evidence that trade, loans and other receivables are impaired. Where objective evidence exists as a result of the occurrence of one or more events that occurred subsequent to the initial recognition of the receivable, the amount of the impairment is determined by estimating the impact of these loss events on the future cash flows expected to be generated from the receivable.

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

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

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. Cash and cash equivalents comprise cash balances and call deposits.

1.7.4 Financial liabilities

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

1.8 Revenue recognition

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

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

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

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

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

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

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

1. 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. To the extent that the current tax is unpaid a liability is recognised and if a refund is due at the year end an asset is raised.

Secondary taxation on companies

Secondary taxation on companies (STC) is recognised in the year 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 tax rates enacted or substantially enacted at balance sheet date and are expected to apply when the related deferred tax asset is realised and deferred liability is settled 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.

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

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

1.12 Lease obligations

Leases of assets where the 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.

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (CONTINUED)

1.13 Provisions, contingent liabilities and contingent assets

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

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

1.14 Impairment of assets

The carrying amount of the group's assets are reviewed at each 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, that has an indefinite useful life, the recoverable amount is estimated annually. The recoverable amount of an asset is calculated as the higher of its fair value less cost to sell.

In assessing the value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment calculation purposes, goodwill is allocated to the cash-generating units expected to benefit from the business combination.

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

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

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

An impairment loss in respect of goodwill is not reversed.

1.15 Employee benefits

Medical aid obligation

Medical aid costs are recognised as an expense in the period in which the employees render services to the company. Differences between contributions payable and contributions actually paid are shown as either 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. The group's obligation ceases once the amounts due for the period have been settled.

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.

Bonus obligations

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

1.16 Operating segments

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

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

1. ACCOUNTING POLICIES (CONTINUED)

1.17 Foreign currencies

Foreign currency transactions

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

1.18 Management estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income 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

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

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

Allowances for doubtful debts

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

Allowances for slow-moving, damaged and obsolete stock

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

Provisions

Provisions are determined on estimates based on available information.

1.19 Share-based payments

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

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

Group	Plant and equipment R'000	Motor vehicles R'000	Computer and office equipment R'000	Land and leasehold improvements R'000	Total R'000
2. PLANT AND EQUIPMENT					
31 August 2009					
Cost	48 658	17 715	7 422	1 786	75 581
Accumulated depreciation and impairments	(14 266)	(4 678)	(4 687)	(886)	(24 517)
Net carrying value	34 392	13 037	2 735	900	51 064
Movement summary					
Carrying value 1 September 2008	36 010	14 504	3 918	1 328	55 760
Additions	8 316	1 173	249	267	10 005
Disposals	(1 766)	(769)	(28)	–	(2 563)
Depreciation	(8 168)	(1 871)	(1 404)	(695)	(12 138)
Closing net carrying value 31 August 2009	34 392	13 037	2 735	900	51 064
31 August 2008					
Cost	45 017	17 708	7 324	1 538	71 587
Accumulated depreciation and impairments	(9 007)	(3 204)	(3 406)	(210)	(15 827)
Net carrying value	36 010	14 504	3 918	1 328	55 760
Movement summary					
Carrying value 1 September 2007	11 310	3 802	2 610	457	18 179
Additions	31 601	14 304	2 465	1 031	49 401
Disposals	(3 175)	(1 925)	(39)	–	(5 139)
Depreciation	(3 726)	(1 677)	(1 118)	(160)	(6 681)
Closing net carrying value 31 August 2008	36 010	14 504	3 918	1 328	55 760

Motor vehicles with a carrying value of R2 234 077 are held as security for the instalment sales referred to in note 11.

Company	Plant and equipment R'000	Motor vehicles R'000	Computer and office equipment R'000	Land and leasehold improvements R'000	Total R'000
31 August 2009					
Cost	–	–	–	–	–
Accumulated depreciation and impairments	–	–	–	–	–
Net carrying value	–	–	–	–	–
Movement summary					
Carrying value 1 September 2008	11 748	1 530	1 746	–	15 024
Additions	–	73	95	267	435
Disposals	(9 554)	(1 331)	(1 183)	(49)	(12 117)
Depreciation	(2 194)	(272)	(658)	(218)	(3 342)
Closing net carrying value	–	–	–	–	–
31 August 2008					
Cost	17 668	2 444	3 393	–	23 505
Accumulated depreciation and impairments	(5 920)	(914)	(1 647)	–	(8 481)
Net carrying value	11 748	1 530	1 746	–	15 024
Movement summary					
Carrying value 1 September 2007	9 379	1 256	1 487	–	12 122
Additions	4 172	1 038	833	–	6 043
Disposals	–	(366)	–	–	(366)
Depreciation	(1 803)	(398)	(574)	–	(2 775)
Closing net carrying value	11 748	1 530	1 746	–	15 024

	GROUP		COMPANY	
	Goodwill 2009 R'000	Goodwill 2008 R'000	Goodwill 2009 R'000	Goodwill 2008 R'000
3. GOODWILL				
Cost	219 465	221 110	-	-
Accumulated amortisation and impairments	-	-	-	-
Net carrying value	219 465	221 110	-	-
Movement summary				
Balance at the beginning of the year	221 110	219 969	-	6 500
Raised in the current year	-	-	-	1 175
Restatement due to restructure	-	-	-	(7 675)
Restatement of provisional numbers to detailed assessment for acquisitions:	-	1 141	-	-
Plant and equipment	-	648	-	-
Liabilities	-	493	-	-
Liability for purchase of subsidiaries adjusted	(1 645)	-	-	-
Closing net carrying value	219 465	221 110	-	-
Power	182 560	184 205	-	-
Wood	36 905	36 905	-	-
Closing net carrying value	219 465	221 110	-	-

As stated in the annual report for the year ended 31 August 2008, the acquisition of Quad Technical Services (Pty) Limited and Quinlec Electrical (Pty) Limited was accounted for using provisional figures as at the effective date 1 April 2008. The detailed assessment of the assets, liabilities and contingent liabilities has been completed and has resulted in the following adjustments in the prior year: plant and equipment on business combination have been revalued downwards in the amount of R0,6 million and liabilities were revalued upwards by R0,5 million, resulting in an increase of R1,1 million in goodwill. The depreciation charged on the revalued plant and equipment was not considered to be material and no adjustment was made accordingly to the income statement for the previous period. Comparative figures for the balance sheet were restated to reflect these changes.

Impairment review

In accordance with IAS 36 impairment of assets, goodwill is reviewed annually for impairment, or more frequently if there is an indication that goodwill might be impaired.

The recoverable amount of goodwill relating to all cash-generating units which are the segments has been determined on the basis of value in use calculations. All these cash-generating units operate in the same economic environment for which the same key assumptions have been a discount rate over a five year period of 11% and assuming a growth rate of 10%.

The value of goodwill determined on this basis significantly exceeds the carrying value at year-end.

Management believes that changes in any of these key assumptions would not cause any additional impairment losses.

Notes to the annual financial statements continued

for the year ended 31 August

	Issued share capital	Loans receivable/ (payable)		Shares at cost	
		2009 R'000	2008 R'000	2009 R'000	2008 R'000
4. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES					
New Way Power (Pty) Limited	100	83 493	–	208 843	208 843
Austro Wood (Pty) Limited	10	105 380	7 674	34 836	34 836
Austro Engineering (Pty) Limited	400	–	–	–	–
Austro Tools (Pty) Limited	300	–	–	–	–
Austro Engineering Cape (Pty) Limited	400	–	4 497	–	4 334
Austro Engineering KZN (Pty) Limited	120	–	20 761	–	3 186
Neptune Plant Hire (Pty) Limited	200	–	–	–	28 740
Quad Technical Services (Pty) Limited	100	–	55 312	–	–
Quinlec Power (Pty) Limited	100	–	16 714	–	–
2 nd Cut Pre-owned Woodworking Equipment (Pty) Limited	100	–	2 091	–	–
		188 873	107 049	243 679	279 939

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
5. DEFERRED TAXATION				
Balance at the beginning of the year	5 309	(160)	(634)	(1 029)
Temporary differences per income statement	(6 887)	5 469	742	395
Reduction in liability due to rate change	–	(35)	–	(35)
Provision for leave pay and bonuses	(310)	1 035	(414)	457
Capital allowances	(5 232)	3 110	(407)	212
Prepaid expenses	256	(220)	211	(200)
Impairment provision	(608)	561	(374)	(39)
Restructure movement	–	–	1 726	–
Lease obligations	(69)	138	–	–
Provision for obsolete stock	(804)	804	–	–
Provision for audit fees	(42)	42	–	–
Income received in advance	(189)	(205)	–	–
Prior year adjustment	111	239	–	–
Balance at the end of the year	(1 578)	5 309	108	(634)

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
5. DEFERRED TAXATION (CONTINUED)				
The balance consists of:				
Provision for leave pay and bonuses	1 582	1 922	313	726
Capital allowances	(4 619)	712	(2 044)	(1 636)
Prepaid expenses	230	(237)	–	(211)
Impairment provision	865	1 623	113	487
Restructure	–	–	1 726	–
Lease obligations	134	24	–	–
Provision for obsolete stock	–	804	–	–
Provision for audit fees	–	42	–	–
Income received in advance	–	189	–	–
Tax losses	230	230	–	–
	(1 578)	5 309	108	(634)
Disclosed on the balance sheet as follows:				
Deferred taxation asset	1 013	6 304	108	–
Deferred taxation liability	(2 591)	(995)	–	(634)
	(1 578)	5 309	108	(634)
Tax losses				
Tax losses at the end of the year	15 116	3 980	15 116	–
Utilised to raise deferred tax asset	–	(823)	–	–
Available to reduce future taxable income	15 116	3 157	15 116	–
Deferred taxation asset not raised on tax losses	4 232	884	4 232	–
6. INVENTORIES				
Raw materials	188 100	238 501	–	–
Finished goods	152 198	174 808	–	–
Work in progress	6 199	19 993	–	108 489
Consumables	12 494	11 329	–	–
Gross inventories	358 991	444 631	–	108 489
Impairment provision raised against inventories	(22 881)	(30 215)	–	(11 355)
	336 110	414 416	–	97 134
Inventories are valued at lower of cost and net realisable value.				
Movement in impairment provision raised against inventories				
Balance at the beginning of the year	30 215	17 661	11 355	9 921
Impairment provisions raised	3 775	12 554	–	1 434
Impairment provisions (utilised)	(11 109)	–	(11 355)	–
	22 881	30 215	–	11 355

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
7. TRADE AND OTHER RECEIVABLES				
Gross trade receivables	70 284	115 367	–	19 093
Impairment provisions raised against trade receivables	(3 731)	(2 918)	–	(190)
Net trade receivables	66 553	112 449	–	18 903
Prepayments	1 651	3 578	–	753
Deposits	287	295	–	18
Other receivables	2 282	26 032	86	7 524
	70 773	142 354	86	27 198

Trade and other receivables of R49,8 million (2008: R102,2 million) have been encumbered to secure the banking facility.

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

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Movement in impairment provision raised against receivables				
Balance at the beginning of the year	2 918	1 961	190	352
Impairment provisions raised	3 181	1 119	–	–
Impairment provisions utilised	(2 368)	(162)	(190)	(162)
	3 731	2 918	–	190

Basis of raising impairment provision against receivables

All trade and other receivables are continuously reviewed on an individual basis. When all reasonable measures have been taken, without success, in recovering a receivable amount and when reasonable doubt exists as to the recoverability of any such individual receivable amount, a corresponding provision for impairment is raised. Provisions for impairment raised against receivables are reversed when a receivable amount is either written off as bad debt or when an amount previously provided against, is received.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
8. CASH AND CASH EQUIVALENTS				
Bank	2 066	2 258	–	–
Petty cash	167	201	–	90
	2 233	2 459	–	90

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
9. SHARE CAPITAL				
<i>Authorised</i>				
1 000 000 000 (2008: 1 000 000 000) shares of R0,00001 each	10	10	10	10
<i>Issued</i>				
431 413 384 (2008: 425 927 491) shares of R0,00001 each	4	4	4	4
The unissued shares are under the control of the directors until the next annual general meeting, subject to the provisions of Section 221 and 222 of the Companies Act.				

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
10. SHARE PREMIUM				
Share premium on issued ordinary shares	322 103	308 003	322 103	308 003
	322 103	308 003	322 103	308 003
11. INTEREST-BEARING LIABILITIES				
Non-current portion	1 370	3 453	–	–
Instalment sale liabilities	1 370	3 453	–	–
Current portion	600	559	–	–
Instalment sale liabilities	600	559	–	–
	1 970	4 012	–	–
	Repayable within			
	1 year R'000	2 – 5 years R'000	longer than 5 years R'000	Total R'000
Interest-bearing liabilities				
Future minimum payments	448	1 216	–	1 664
Finance costs	152	154	–	306
	600	1 370	–	1 970

The interest-bearing liabilities bear interest at various rates linked to prime rate 10,50% (2008: 15,5%) and are repayable in various monthly instalments of R71 872 (2008: R91 456) over a period of 1 to 5 years. These liabilities are secured by plant and equipment with a carrying value of R2 234 077 (2008: R3 561 930).

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

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
12. TRADE AND OTHER PAYABLES				
Trade payables	15 105	164 724	–	19 327
Accruals	10 804	10 899	3 177	4 952
Other payables	9 167	25 863	–	15 697
	35 076	201 486	3 177	39 976

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

The average credit period is between 30 and 60 days. No interest is charged on trade payables for the first 1 to 60 days from the date of invoice. The company has financial risk policies in place to ensure that all payables are paid within the credit time frame.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
13. PROVISIONS				
31 August 2009				
Balance at the beginning of the year	1 394	1 760	1 394	1 760
Provisions (reversed)	(1 394)	(366)	(1 394)	(366)
Balance at the end of year	–	1 394	–	1 394

The provision for warranties in the previous year was a non-specific provision raised for product defects. These are now the responsibility of the relevant manufacturers.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
14.1 BANK OVERDRAFTS				
Standard Bank	99 645	72 998	55 144	73 240
	99 645	72 998	55 144	73 240

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
14.2 BANKING FACILITIES				
Available facilities				
General banking facilities (overdrafts)	120 000	120 000	120 000	120 000
Other interest-bearing facilities (vehicle and asset finance)	4 775	4 775	–	–
	124 775	124 775	120 000	120 000
Utilised facilities				
General banking facilities (overdrafts)	99 645	72 998	55 144	73 240
Other interest-bearing facilities (instalment sale agreements)	1 970	4 012	–	–
	101 615	77 010	55 144	73 240
Security provided				
Trade and other receivables	49 794	102 195	–	–
	49 794	102 195	–	–
15. REVENUE				
Services rendered	43 836	50 136	8 391	19 119
Sale of goods	536 683	664 995	106 530	219 469
	580 519	715 131	114 921	238 588
16. PROFIT FROM OPERATIONS				
Profit from operations is stated after taking into account the following items:				
Other income				
Profit on forex	70	–	–	–
	70	–	–	–
Depreciation				
Plant and equipment	8 168	3 726	2 194	1 803
Motor vehicles	1 871	1 677	272	398
Computer and office equipment	1 404	1 118	658	574
Land and leasehold improvements	695	160	218	–
	12 138	6 681	3 342	2 775
Dividends received	–	–	13 338	–

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
16. PROFIT FROM OPERATIONS (CONTINUED)				
Directors' emoluments				
(detailed analysis by director provided in note 26)				
Non-executive directors	660	120	660	120
Executive directors	14 393	8 643	6 623	5 526
	15 053	8 763	7 283	5 646
Operating lease and rental charges				
Plant and equipment	–	–	–	–
Motor vehicles	–	–	–	–
Computer and office equipment	35	–	–	–
Premises	5 083	3 047	–	–
	5 118	3 047	–	–
Profit on disposal of plant and equipment	504	1 464	27	50
Audit fees	2 095	2 137	783	1 183
Employees				
Salaries and wages	70 706	57 636	7 672	23 430
Employer contributions to retirement funds	1 430	1 168	–	–
	72 136	58 804	7 672	23 430
17. INTEREST RECEIVED				
Funds and deposits with banks	7 868	6 894	6 685	4 067
Other	255	64	–	–
	8 123	6 958	6 685	4 067
18. INTEREST PAID				
Bank overdraft	21 125	6 945	14 864	6 943
Long-term liabilities	238	114	–	–
Interest paid to related parties	508	–	508	–
Interest paid to taxation authorities	2 743	44	597	–
Other	152	419	–	–
	24 766	7 522	15 969	6 943

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
19. TAXATION				
South African normal taxation				
Current year	22 854	47 648	–	6 389
Prior year over provision	(2 910)	–	(2 847)	–
Secondary tax on companies				
Current year	863	150	863	–
Deferred taxation				
Current year	1 363	(5 428)	984	(395)
Prior year under/(over) provision	5 522	(300)	–	–
	27 692	42 070	(1 000)	5 994
Reconciliation of taxation				
Taxation at South African normal taxation rate	19 991	43 130	(3 485)	7 109
Permanent differences	1 037	(208)	(2 929)	11
Tax losses current year	8 908	884	7 578	–
Tax losses prior year	(802)	–	–	–
Prior year adjustment normal taxation	(2 910)	(1 108)	(2 847)	–
Prior year adjustment deferred taxation	600	(778)	(180)	–
Current year adjustment normal taxation	5	–	–	–
Other	–	–	–	(1 126)
Secondary tax on companies	863	150	863	–
Taxation per income statement	27 692	42 070	(1 000)	5 994
20. CASH GENERATED FROM/(UTILISED IN) OPERATIONS				
Profit before taxation	71 397	154 034	(12 448)	25 390
<i>Adjusted for:</i>				
Depreciation, amortisation and impairments	12 138	6 681	3 342	2 776
Profit on disposal of plant and equipment	(504)	(1 464)	(27)	(50)
Net interest paid	16 643	565	9 284	2 874
Impairment provision against inventories (utilised)/raised (refer note 6)	(7 334)	12 555	(11 355)	1 434
Impairment provision against trade and other receivables raised/(utilised) (refer note 7)	813	957	(190)	(162)
Other provisions (utilised)/raised (refer note 13)	(1 394)	–	(1 394)	–
Dividends received	–	–	(13 338)	–
Profit before interest and taxation before working capital changes	91 759	173 328	(26 126)	32 262
(Increase)/decrease in working capital	(10 001)	(244 529)	98 990	(34 098)
Decrease/(increase) in inventories	85 640	(260 792)	108 489	(29 688)
Decrease/(increase) in trade and other receivables	70 768	(72 432)	27 302	(6 791)
(Decrease)/increase in trade and other payables	(166 409)	88 695	(36 801)	2 381
Cash generated from/(utilised in) operations	81 758	(71 201)	72 864	(1 836)

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
21. TAXATION PAID				
Taxation payable at beginning of year	(39 882)	(29 817)	(1 391)	(17 171)
Taxation per the income statement	(20 807)	(47 798)	1 984	(6 389)
Taxation payable as part of business combinations	–	(1 292)	(1 093)	–
Taxation (receivable)/payable at end of year	(1 430)	39 882	–	1 391
	(62 119)	(39 025)	(500)	(22 169)
22. PROCEEDS ON DISPOSAL OF PLANT AND EQUIPMENT				
Book value of assets disposed	2 563	5 139	–	365
Book value of assets disposed: restructure	–	–	12 117	–
Profit on disposal	504	1 464	27	50
Proceeds on disposal	3 067	6 603	12 144	415
23. COMMITMENTS				
Capital commitments				
The company has no contracted capital commitments				
Operating leases commitments				
Plant and equipment	–	–	–	–
Motor vehicles	–	–	–	–
Computer and office equipment	410	410	–	–
Premises	13 173	17 834	–	–
	13 583	18 244	–	–
These commitments accrue in the following periods				
Due by August 2010	5 733	10 393	–	–
Due by August 2011	5 209	5 209	–	–
Due by August 2012	2 476	2 476	–	–
Due by August 2013	107	107	–	–
Thereafter	58	59	–	–
	13 583	18 244	–	–
24. RETIREMENT BENEFITS				
All contributions on behalf of employees are charged to the income statement as they are made. The company has no liability towards any pension or provident fund, apart from normal recurring monthly contributions deducted from employees to be paid to relevant funds.				

	Financial liabilities at fair value R'000	Loans and receivables at amortised cost R'000	Financial liabilities at amortised cost R'000	Non-financial assets and liabilities R'000	Equity R'000	Total R'000
25. FINANCIAL INSTRUMENTS						
25.1 Categories of financial instruments						
31 August 2009						
ASSETS						
Non-current assets						
Plant and equipment	–	–	–	51 064	–	51 064
Goodwill	–	–	–	219 465	–	219 465
Deferred taxation	–	–	–	1 013	–	1 013
Current assets						
Inventories	–	–	–	336 110	–	336 110
Trade and other receivables	–	68 355	–	2 418	–	70 773
Taxation receivable	–	–	–	3 856	–	3 856
Bank and cash balances	–	2 233	–	–	–	2 233
	–	70 588	–	613 926	–	684 514
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	–	–	–	–	4	4
Share premium	–	–	–	–	322 103	322 103
Retained earnings	–	–	–	–	220 700	220 700
Non-current liabilities						
Interest-bearing liabilities	–	–	1 370	–	–	1 370
Deferred taxation	–	–	–	2 591	–	2 591
Current liabilities						
Current portion of interest-bearing liabilities	–	–	600	–	–	600
Trade and other payables	–	–	32 576	2 500	–	35 076
Taxation payable	–	–	–	2 425	–	2 425
Bank overdrafts	–	–	99 645	–	–	99 645
	–	–	134 191	7 516	542 807	684 514

Notes to the annual financial statements continued

for the year ended 31 August

	Financial liabilities at fair value R'000	Loans and receivables at amortised cost R'000	Financial liabilities at amortised cost R'000	Non-financial assets and liabilities R'000	Equity R'000	Total R'000
25. FINANCIAL INSTRUMENTS (CONTINUED)						
25.1 Categories of financial instruments (continued)						
31 August 2008						
ASSETS						
Non-current assets						
Plant and equipment	–	–	–	55 760	–	55 760
Goodwill	–	–	–	221 110	–	221 110
Deferred taxation	–	–	–	6 304	–	6 304
Current assets						
Inventories	–	–	–	414 416	–	414 416
Trade and other receivables	–	120 403	–	21 951	–	142 354
Taxation receivable	–	–	–	136	–	136
Bank and cash balances	–	2 459	–	–	–	2 459
	–	122 862	–	719 677	–	842 539
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	–	–	–	–	4	4
Share premium	–	–	–	–	308 003	308 003
Shares to be issued	14 778	–	–	–	–	14 778
Retained earnings	–	–	–	–	185 623	185 623
Non-current liabilities						
Interest-bearing liabilities	–	–	3 453	–	–	3 453
Deferred taxation	–	–	–	995	–	995
Current liabilities						
Current portion of interest-bearing liabilities	–	–	559	–	–	559
Trade and other payables	–	–	191 875	9 611	–	201 486
Provisions	–	–	–	1 394	–	1 394
Amount owing for purchase of subsidiary	–	13 228	–	–	–	13 228
Taxation payable	–	–	–	40 018	–	40 018
Bank overdrafts	–	–	72 998	–	–	72 998
	14 778	13 228	268 885	52 018	493 630	842 539

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.2 Interest rate risk management

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how profit before taxation and equity would have been affected by changes in the interest rate that were reasonably possible at the reporting date.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
The company's interest rate profile consists of fixed and floating rate loans and bank balances which expose the company to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:				
Financial assets				
Loans granted and bank deposits at no interest	68 355	120 403	147 476	134 247
Loans granted and bank deposits linked to South African money market rates	2 233	2 459	–	90
	70 588	122 862	147 476	134 337
Financial liabilities				
Financing received and banking facilities at no interest	32 576	191 875	3 177	39 976
Financing received and banking facilities linked to South African prime rates	101 615	77 010	55 144	87 860
	134 191	268 885	58 321	127 836

The risk is managed by the company by maintaining an appropriate mix between fixed and floating rate liabilities and by the use of interest rate swap contracts detailed in note 5.

Interest rate sensitivity analysis

	Carrying value at balance sheet date R'000	Reasonable possible change %	Pre-tax income statement impact R'000
Financial assets			
Loans granted and bank deposits linked to South African money market rates	2 233	1,0%	22
			22
Financial liabilities			
Financing received and banking facilities linked to South African prime rates	101 615	1,0%	1 016
			1 016

Notes to the annual financial statements continued

for the year ended 31 August

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Credit risk management

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the company. The company minimised its risk by ensuring that counterparties are creditworthy institutions. If any doubt exists about the creditworthiness of a customer, arrangements will be made to obtain letters of credit.

Financial assets, which potentially subject the company to concentrations of credit risk, consist principally of cash and cash equivalents, short-term deposits, loans and receivables, investments and trade and other receivables.

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

The carrying amounts of financial assets included in the consolidated balance sheets represent the company's maximum exposure to credit risk in relation to these assets.

	Government/ parastatals R'000	Major listed corporates R'000	Other corporates R'000	Small and medium enterprises R'000	Other R'000	Total R'000
31 August 2009						
Financial assets that are neither past due nor impaired	41	3 026	336	23 147	238	26 788
Financial assets that are past due but not yet impaired						
Secured	2	5 344	1 597	18 603	–	25 546
Overdue less than 30 days	–	2 901	416	12 267	–	15 584
Between 30 and 60 days	2	1 470	875	1 348	–	3 695
Between 60 and 90 days	–	327	–	2 069	–	2 396
90 days and more	–	646	306	2 919	–	3 871
Unsecured	115	908	453	16 511	–	17 987
Overdue less than 30 days	25	509	387	9 280	–	10 201
Between 30 and 60 days	38	392	31	2 707	–	3 168
Between 60 and 90 days	–	4	13	3 276	–	3 293
90 days and more	52	3	22	1 248	–	1 325
Financial assets that are impaired	–	–	–	267	–	267
Carrying amount	50	–	209	3 655	84	3 998
Provision for impairment	(50)	–	(209)	(3 388)	(84)	(3 731)
Total credit exposure	158	9 278	2 386	58 528	238	70 588

	Government/ parastatals R'000	Major listed corporates R'000	Other corporates R'000	Small and medium enterprises R'000	Other R'000	Total R'000
25. FINANCIAL INSTRUMENTS (CONTINUED)						
25.3 Credit risk management (continued)						
31 August 2008						
Financial assets that are neither past due nor impaired	10 825	15 886	367	30 184	23	57 285
Financial assets that are past due but not yet impaired						
Secured	27	6 916	1 861	27 221	–	36 025
Overdue less than 30 days	24	3 976	1 368	21 596	–	26 964
Between 30 and 60 days	3	2 466	493	3 065	–	6 027
Between 60 and 90 days	–	469	–	2 027	–	2 496
90 days and more	–	5	–	533	–	538
Unsecured	178	4 316	2 086	22 806	79	29 465
Overdue less than 30 days	10	3 549	1 137	11 674	15	16 385
Between 30 and 60 days	57	580	773	4 848	64	6 322
Between 60 and 90 days	–	187	176	5 407	–	5 770
90 days and more	111	–	–	877	–	988
Financial assets that are impaired	–	–	–	87	–	87
Carrying amount	–	–	180	2 788	37	3 005
Provision for impairment	–	–	(180)	(2 701)	(37)	(2 918)
Total credit exposure	11 030	27 118	4 314	80 298	102	122 862

Collateral held against receivables

As a rule no collateral is held on trade and other receivables, apart from insurance and normal personal suretyships provided by certain individuals on behalf of certain trade debtors. Suretyships are not a pre-requisite for the company to grant terms to its customers and are obtained when it is normal industry practice and/or deemed prudent to do so.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Security held against trade receivables				
Certain trade receivables are insured, under certain conditions, with Credit Guarantee Insurance Corporation of Africa Limited.				
Exposure to credit losses				
Maximum exposure	66 553	112 449	–	18 903
Mitigated through securities held				
– Neither past due nor impaired	–	–	–	–
– Past due but not yet impaired	–	–	–	–
– Impaired	–	–	–	–
	66 553	112 449	–	18 903

Notes to the annual financial statements continued

for the year ended 31 August

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Liquidity risk management

Liquidity risk is the risk that the company will on due date be unable to meet a financial commitment. The cash requirements of the company are managed according to its needs from time to time. The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources and unutilised borrowing facilities are maintained.

The following tables detail the company's remaining contractual maturity for its financial liabilities based on the expected repayment profile. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be expected to pay. The tables include both interest and principal cash flows.

Maturity analysis:

	No terms R'000	Within 1 year R'000	2 years R'000	3-5 years R'000	Longer than 5 years R'000	Total R'000
31 August 2009						
Interest-bearing liabilities	–	600	1 370	–	–	1 970
Trade and other payables	–	32 576	–	–	–	32 576
Bank overdrafts	–	99 645	–	–	–	99 645
	–	132 821	1 370	–	–	134 191
31 August 2008						
Interest-bearing liabilities	–	559	3 453	–	–	4 012
Trade and other payables	–	191 875	–	–	–	191 875
Bank overdrafts	–	72 998	–	–	–	72 998
	–	265 432	3 453	–	–	268 885

25.5 Capital risk management

The company manages its capital to ensure that entities in the company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of debt, which includes interest-bearing liabilities disclosed in note 12, cash and cash equivalents and equity attributable to holders of the parent, comprising issued capital, reserves and retained earnings respectively.

26. DIRECTORS' EMOLUMENTS

Directors' remuneration, including direct and indirect benefits, for the period ended 31 August 2009 is as follows:

	Board and committee fees R'000	Salary R'000	Bonus R'000	Company benefits R'000	Expense allowance R'000	Total R'000
Non-executive directors						
AJ Phillips (non-executive Chairman)	165	–	–	–	–	165
NO Davies (resigned 1 August 2009) non-executive from 1 September 2008 – 31 March 2009. Executive from 1 April 2009 – 1 August 2009	90	–	–	–	–	90
W Hauser	150	–	–	–	–	150
DS Brouze	240	–	–	–	–	240
U Schäckermann (appointed 1 August 2009)	15	–	–	–	–	15
Executive directors						
RJ Friese (CEO) (resigned 31 March 2009)	–	2 458	908	208	–	3 574
BD Downs (resigned 1 August 2009)	–	1 041	86	67	–	1 194
NO Davies (resigned 1 August 2009) non-executive from 1 September 2008 – 31 March 2009, executive from 1 April 2009 – 1 August 2009	15	480	–	–	–	495
JO Freed	–	2 067	1 080	286	–	3 433
JR Freed	–	3 588	600	191	–	4 379
MR Petzer (resigned 12 June 2009)	–	599	114	15	–	728
JA Bennie (appointed 8 June 2009)	–	231	–	–	–	231
RE Moss (appointed 1 August 2009)	–	95	250	14	–	359
	675	10 559	3 038	781	–	15 053

Directors' remuneration, including direct and indirect benefits, for the period ended August 2008 was as follows:

	Board and committee fees R'000	Salary R'000	Bonus R'000	Company benefits R'000	Expense allowance R'000	Total R'000
Non-executive directors						
W Hauser	120	–	–	–	–	120
DS Brouze	–	–	–	–	–	–
AJ Phillips	–	–	–	–	–	–
NO Davies	–	–	–	–	–	–
R Jonah	–	–	–	–	–	–
Executive directors						
RJ Friese	–	3 281	–	–	–	3 281
BD Downs	–	1 150	–	–	–	1 150
JO Freed	–	3 117	–	–	–	3 117
D Rothlisberger	–	1 095	–	–	–	1 095
MR Petzer	–	–	–	–	–	–
	120	8 643	–	–	–	8 763

Notes to the annual financial statements continued

for the year ended 31 August

27. RELATED PARTIES

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

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

JO Freed, who is a director of New Way Power (Pty) Limited, is also a director and shareholder of Vonnie CC and Setpay Investments (Pty) Limited.

JR Moss, who is related to RE Moss, is also a director and shareholder of Straightprops (Pty) Limited.

RE Moss is a director of Austro Wood (Pty) Limited, as well as Austro Group 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	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
28. RELATED PARTY INFORMATION				
28.1 Related party transactions				
Interest paid (refer note 18)				
RE Moss (Director)	508	–	508	–
	508	–	508	–
Management/administration fees received				
Austro Group Limited	–	–	8 391	4 713
Austro Wood (Pty) Ltd	–	–	361	–
New Way Power (Pty) Ltd	–	–	4 351	–
	–	–	13 103	4 713
Management/administration fees paid				
Austro Wood (Pty) Ltd	–	–	361	–
New Way Power (Pty) Ltd	–	–	4 351	–
	–	–	4 712	–
Other fees paid				
84 Bluff Road Properties CC: rent paid (Q Dry, director)	333	116	–	–
84 Bluff Road Properties CC: building expenses incurred and invoiced (Q Dry, director)	–	85	–	–
Salamax 1987 (Pty) Limited: rent paid (DS Brouze, director)	337	–	337	–
Straightprops (Pty) Limited: rent paid (JR Moss)	741	737	–	–
Setpay Investments (Pty) Limited: rent paid	1 084	1 285	–	–
Neptune Plant Hire (Pty) Limited	–	237	–	–
Consulting (JR Moss)	143	–	–	–
Austrian Woodworking Machinery (Pty) Limited: rent paid	–	1 773	–	1 773
Austrian Woodworking Machinery (Pty) Limited: building expense incurred and invoiced	–	281	–	281
Vonnie CC: rent paid	720	838	–	838
	3 358	5 352	337	2 892

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
28. RELATED PARTY INFORMATION (CONTINUED)				
28.1 Related party transactions (continued)				
Intercompany sales				
Austro Engineering Cape (Pty) Limited		21 205	–	–
Austro Engineering KZN (Pty) Limited		22 883	–	–
2 nd Cut Pre-Owned Woodworking Equipment (Pty) Limited		2 186	–	–
Austro Wood (Pty) Limited	22 091	802	–	–
New Way Power (Pty) Limited	17 730	265	–	–
Quad Technical Services (Pty) Limited	–	48 204	–	–
Neptune Plant Hire (Pty) Limited	–	50	–	–
	39 821	95 595	–	–
Intercompany purchases				
Austro Wood (Pty) Limited	–	463	–	–
	–	463	–	–
28.2 Related party balances				
Net inter-group loan balances				
Austro Engineering Cape (Pty) Ltd	–	–	–	4 497
Austro Engineering KZN (Pty) Ltd	–	–	–	20 761
2 nd Cut Pre-Owned Woodworking Equipment (Pty) Ltd	–	–	–	2 091
Austro Wood (Pty) Ltd	–	–	105 380	–
New Way Power (Pty) Ltd	–	–	83 493	–
Quad Technical Services (Pty) Ltd	–	–	–	55 312
Quinlec Power (Pty) Ltd	–	–	–	16 714
Neptune Plant Hire (Pty) Ltd	–	–	–	–
	–	–	188 873	99 375
Other balances with related parties				
Salamax loan relating to lease of premises (DS Brouze, director)	86	–	86	–
Loan account – 84 Bluff Road Properties CC (Q Dry)	325	85	–	–
Austrian Woodworking Machinery (Pty) Limited: amount owing for rent	–	321	–	321
	411	406	86	321

29. EMPLOYEE BENEFITS

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 dates 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; and
- 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 the staff members up until that date, if not exercised.

There was no movement in the number of phantom shares held by employees during the year.

Notes to the annual financial statements continued

for the year ended 31 August

29. EMPLOYEE BENEFITS (CONTINUED)

29.1 Directors' participation in share-linked incentive schemes

Movement during the year:

MR Petzer

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

	2009 Number of shares '000	2008 Number of shares '000
Balance at beginning of year	600	600
Exercised	–	–
– Award date 1 May 2007		–
Termination of employment – lapsed	(600)	
Balance at end of year	–	600

RJ Friese

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

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

	2009 Number of shares '000	2008 Number of shares '000
Balance at beginning of year	2 000	3 000
Exercised	–	(1 000)
– Award date 1 March 2007		–
Termination of employment – lapsed	(2 000)	
Balance at end of year	–	2 000

29.2 Cash settled share-based payments

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

	2009 Number of shares Strike price R1,50 '000	2008 Number of shares Strike price R1,50 '000
At the beginning of the year	720	720
Exercised	–	–
Issued:		
Award date – 1 May 2007	–	–
Award date – 1 July 2007	–	–
Balance at the end of the year	720	720

30. CONTINGENT LIABILITY

There is a potential claim against the company of R10,2 million. Having taken appropriate legal advice the directors believe they can defend the action.

31 RESTRUCTURE EFFECTED AT THE YEAR ENDED

Restructure of the Gauteng operating Wood division from Austro Group Limited into Austro Wood (Pty) Ltd

On 31 August 2009, Austro Wood (Pty) Ltd acquired the business of the operating Wood division from Austro Group Limited. The assets and liabilities were disposed to Austro Wood (Pty) Ltd (previously Gearing Moss (Pty) Ltd), at carrying value.

	Carrying amounts/ Recognised values R'000
ASSETS	
Non-current assets	19 779
Plant and equipment	12 104
Goodwill	7 675
Current assets	94 631
Inventories	78 800
Trade and other receivables	11 756
Taxation receivable	2 543
Cash and cash equivalents	1 532
Total assets	114 410
EQUITY AND LIABILITIES	
Non-current liabilities	1 726
Deferred taxation	1 726
Current liabilities	118 866
Loans payable (intercompany)	77 225
Trade and other payables	7 404
Bank overdrafts	34 237
Total equity and liabilities	120 592
Net assets and liabilities	(6 182)
Settlement through loan account	6 182
Cash flow on disposal of business	–

Shareholders' analysis

as at 31 August

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	103	14,65	67 572	0,02
1 001 – 10 000 shares	329	46,80	1 549 570	0,36
10 001 – 100 000 shares	173	24,61	6 951 179	1,61
100 001 – 1 000 000 shares	54	7,68	18 081 894	4,19
1 000 001 shares and over	44	6,26	404 763 169	93,82
Totals	703	100,00	431 413 384	100,00

DISTRIBUTION OF SHAREHOLDERS

Banks	5	0,71	4 262 100	0,99
Close corporations	23	3,27	841 298	0,20
Director holdings	8	1,14	168 302 989	39,01
Endowment funds	4	0,57	47 950	0,01
Individuals	568	80,80	34 463 869	7,99
Insurance companies	5	0,71	14 382 701	3,33
Investment companies	8	1,14	14 169 106	3,28
Medical schemes	1	0,14	1 500	0,00
Mutual funds	10	1,42	62 852 000	14,57
Nominees and trusts	37	5,26	28 827 256	6,68
Other corporations	7	1,00	40 207 795	9,32
Private companies	21	2,99	12 083 846	2,80
Retirement funds	6	0,85	50 970 974	11,81
Totals	703	100,00	431 413 384	100,00

PUBLIC/NON-PUBLIC SHAREHOLDERS

Non-public shareholders	10	1,42	213 024 376	49,38
Directors and associates of the company holdings	8	1,14	168 302 989	39,01
Strategic holdings	2	0,28	44 721 387	10,37
Public shareholders	693	98,58	218 389 008	50,62
Totals	703	100,00	431 413 384	100,00

	Number of shares	%
BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE		
Brouze, DS	98 332 850	22,79
Public Investment Corporation	44 721 387	10,37
Quixley Global Incorporated	40 118 195	9,30
Downs, BD	32 881 250	7,62
Stanlib	30 995 536	7,18
Freed, JO	24 300 000	5,63
Totals	271 349 218	62,89

JSE statistics

for the year ended 31 August

	2009	2008
MARKET PRICE (CENTS PER ORDINARY SHARE)		
Closing 31 August	60	145
High for the year	160	300
Low for the year	36	125
Volume of units traded ('000) during the period	169 184 178	181 807 000
Number of transactions	1 541	5 888
Value of shares traded (R'000) during the period	95 339 203	433 485 000

Annual timetable of events

Financial year-end	31 August 2009
Announcement of annual results	November 2009
Annual Report distribution	December 2009
Annual General Meeting	2 March 2010
Announcement of interim results	April 2010

Notice of annual general meeting



AUSTRO GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2001/029771/06)

JSE CODE: ASO

ISIN: ZAE000090882

Notice is hereby given that the annual general meeting of shareholders of Austro Group Limited (the company) will be held at 10am on 2 March 2010 at 1125 Leader Road, Stormill Ext 4, Roodepoort, Gauteng for the following purposes:

1. To consider the annual financial statements for the financial year ended 31 August 2009;
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 (Act 61 of 1973), as amended (the Act):

SPECIAL RESOLUTION NUMBER 1: SHARE REPURCHASES

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

1. Repurchases of shares must be effected through the order book operated by the JSE trading system, and done without any prior understanding or arrangement between the company and the counter-party;
2. At any point in time, the company may 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 2009) may not in the aggregate exceed 20% (twenty percent) (or 10% where such acquisitions 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 repurchase;
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 (where the dates and quantities of shares to be repurchased during the prohibited period are fixed) is in place 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.

SPECIAL RESOLUTION NUMBER 1: SHARE REPURCHASES (continued)

The directors undertake that, 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, 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 International Financial Reporting Standards, will exceed the consolidated liabilities of the company and of the group after the repurchase; and
- the working capital, share capital and reserves of the company and of the group will be adequate for the purposes of the business of the company and its subsidiaries.

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

- Directors – page 22
- Major beneficial shareholders – page 58
- Directors' interests in ordinary shares – page 22
- Share capital of the company – page 41

Litigation statement

The directors, whose names appear on page 22 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 (twelve) months) a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names appear on page 22 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 Companies Act 61 of 1973 (as amended) and 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 2009 and up to the date of this notice.

Reasons for and effects of Special Resolution Number 1

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

ORDINARY RESOLUTION NUMBER 1: ISSUE OF SHARES FOR CASH

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

Notice of annual general meeting continued

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 agreed between the company and the party subscribing for the shares; and
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 agreed in writing between the company and the party/ies subscribing for the shares 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 and 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 G NZALO AS A DIRECTOR OF THE COMPANY

"Resolved that G Nzalo be re-elected as a director of the company."

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

ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF JO FREED AS A DIRECTOR OF THE COMPANY

"Resolved that JO Freed be re-elected as a director of the company."

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

ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF JA BENNIE AS A DIRECTOR OF THE COMPANY

"Resolved that JA Bennie be re-elected as a director of the company."

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

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

"Resolved that RE Moss be re-elected as a director of the company."

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

ORDINARY RESOLUTION NUMBER 7: RE-ELECTION OF U SCHÄCKERMANN AS A DIRECTOR OF THE COMPANY

"Resolved that U Schäckermann be re-elected as a director of the company."

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

ORDINARY RESOLUTION NUMBER 8: NON-EXECUTIVE DIRECTORS' REMUNERATION

"Resolved that the remuneration of the non-executive directors for the financial year ended 31 August, as set out in the annual report of which this notice forms part be, and is hereby confirmed and ratified."

ORDINARY RESOLUTION NUMBER 9: RE-APPOINTMENT OF AUDITORS

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

ORDINARY RESOLUTION NUMBER 10: SIGNATURE OF DOCUMENTATION

"Resolved that any director or the company secretary of the company be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of Special Resolution Number 1 and Ordinary Resolution Numbers 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 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 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 (Proprietary) Limited, 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
11 November 2009

REGISTERED ADDRESS

1125 Leader Avenue
Stormill Ext 4
Roodepoort
1724

PO Box 1914
Florida
1710

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001

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 000090882

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 10am on 2 March 2010 at 1125 Leader Road, Stormill Ext 4, Roodepoort, Gauteng, 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. General authority to effect share repurchases			
To pass ordinary resolutions:			
1. General authority to issue shares for cash			
2. To place the unissued shares under the control of the directors			
3. To re-elect G Nzalo as a director of the company			
4. To re-elect JO Freed as a director of the company			
5. To re-elect JA Bennie as a director of the company			
6. To re-elect RE Moss as a director of the company			
7. To re-elect U Schäckermann as a director of the company			
8. To ratify non-executive directors' remuneration			
9. To re-appoint PKF (Ihb) Inc as auditors of the company			
10. 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 _____ 2010

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, 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 the transfer secretaries 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 or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
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, The Mall Offices
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
1125 LEADER AVENUE, STORMILL EXT 4, ROODEPOORT, SOUTH AFRICA
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