

INTEGRATED
ANNUAL REPORT

2011



AUSTRO
GROUP LIMITED

Austro Integrated Annual Report 2011

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About this report

This report is produced for the benefit of Austro Group's stakeholders who are identified in the sustainability review section.

This report encompasses the operations of the group's two divisions which together employ 278 people in South Africa. While the group does not operate or employ anyone outside of South Africa, we do sell either directly or through agents into other markets. These other markets are primarily in Africa and include Botswana, Kenya, Lesotho, Mauritius, Malawi, Moccambique, Namibia, Tanzania, Zambia and Zimbabwe. The group has also sold into Dubai.

While our systems have historically not been geared to provide financial information by country, we aim to introduce this functionality. In the meantime our best estimate is that approximately R30 million in revenue is derived from the countries named as other markets and we do not believe that any one country in this list accounts for 5% or more of group revenues.

In producing this report we have not placed any scope or boundary limitations on its content.

These consolidated financial statements for the reporting period 1 September 2010 to 31 August 2011 have been audited by PKF (Jhb) Inc. Their unqualified audit opinion is included.

Our approach to integrated reporting

This is the first year in which we are reporting in line with the principles outlined in the Global Reporting Initiative's (GRI) G3.1 Framework. Accordingly, we do not have reliable comparative information for a number of the indicators on which we are reporting. Where previous corresponding-period information is presented, we consider it comparable notwithstanding the consolidation of a number of business units within each of the divisions on which we report. We do not anticipate any further consolidation or any significant changes to the business in the coming year and therefore believe that we are establishing a base for reliable comparison in future years.

This report meets the standard of a C+ application level. External assurance on the integrated report has been provided by PKF (Jhb) Inc. and their report may be obtained from the group's website.

The following table identifies the location of standard disclosures in this report:

Disclosure	Section	Page number
Strategy and analysis 1.1	Chairman's review and Operating Review	8 and 12
Organisational profile (2.1 – 2.10)	About this report and group overview	Inside front cover and 3
Report parameters (3.1 – 3.8 & 3.12)	About this report and our approach to integrated reporting	Inside front cover and 1
Governance, commitments and engagement (4.1 – 4.4 & 4.14 – 4.15)	Corporate Governance report Sustainability review	26 15
Core performance indicators EC1 EN28, SO8, PR9 LA1, LA2, LA4, LA8, LA13, LA14	Chairman's review Sustainability review	8 15

www.austrogrouplimited.com

These consolidated financial statements were published on 17 November 2011 and have been prepared by Tania le Roux (CA)SA under the supervision of Philip Sigsworth (CA)SA.

The most recent previous annual report was distributed on 30 November 2010 and an interim report dealing only with financial performance was released on the JSE's Securities Exchange News Service (SENS) on 20 May 2011. Our shareholders and investors receive information in line with the JSE Limited ("JSE") Listings Requirements. All announcements are made through 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. Any stakeholder, including shareholders and employees, may make recommendations to the board of Austro Group Limited through the Group Financial Director or directly to the Chairman. Contact details for either individual may be obtained by e-mail at austro@austro.co.za or phone on +27 (0) 11 222 8300.

Any questions concerning this report or its contents should be addressed to the Group Financial Director.

Company profile

Austro Group Limited supplies specialised and quality branded industrial equipment and related supplies 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. The entities are wholly owned.

Our mission

Austro's mission is to become a significant 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.

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 industrial aluminium, plastic and woodworking machinery, tooling and edging, together with the relevant after-sales and technical services.



Austro Group Limited

NEW WAY POWER (PTY) LIMITED

AUSTRO WOOD (PTY) LIMITED



New Way

New Way



NEPTUNE PLANT HIRE

Neptune Plant Hire

AUSTRO

MACHINES, TOOLING, EDGING, TECHNICAL SUPPORT

Austro Woodworking
Machines & Supplies

MAIN SUPPLIER BRANDS



MITSUBISHI

BIESSE
WOOD DIVISION

FELDER



JOHN DEERE

Weinig



WEINIG
GROUP



Frevol

DOOSAN

MARATHON
ELECTRIC

STRIEBIG

TIMBERKING

Group overview continued

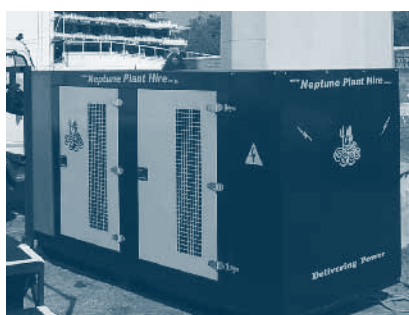
POWER AND RELATED INDUSTRY

NEW WAY POWER (PTY) LIMITED

New Way



Neptune Plant Hire



New Way

New Way is a major 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. 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 a fleet of diesel tankers provide a competitive edge and help in minimising customer downtime.

During the year, the business (consisting primarily of fixed assets) of Quad Technical ("Quad") was absorbed into New Way's premises and integrated into New Way to focus on providing for some of New Way's requirements. Quad's lease for a building in Germiston terminates in December 2011.

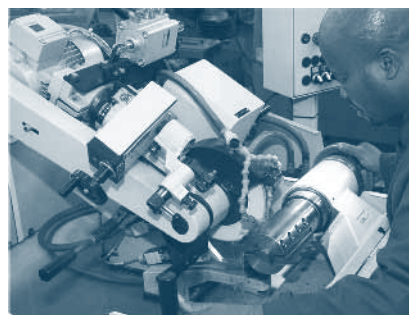
Quinlec has also been integrated into New Way and is no longer visible as a separate Austro Group brand. Quinlec was in operation in Durban. New Way Durban supplies, installs and services diesel generators and industrial engines.

Neptune Plant Hire ("Neptune")

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.

WOOD AND RELATED INDUSTRY

AUSTRO WOOD (PTY) LIMITED



WOODWORKING MACHINES AND TOOLS

Established in 1980, Austro has grown into South Africa's leading distributor of machines, machine tools, edging and glue for the woodworking industry. The division has distribution agreements with a number of the world's leading suppliers which has enabled the division to offer its customers a comprehensive range of products.

During the course of the year, management initiated a range of restructuring initiatives to increase the division's income from consumption-driven revenue. Revenue from the Austro machine tools division has increased materially since employing a new sales team in the division. Moreover, this division's product range has been expanded with the acquisition of two businesses specialising in the sale of edging effective from 1 September 2011.

During the year Gearing Moss Supplies was discontinued as a separate Austro Group brand and was incorporated into Austro. The Wood Division has replaced some of its product offering to the timber industry partly to ensure that the range of products it offers are more suitable to the African market. A number of products have now been sourced from the Far East.

The 2nd Cut business unit was also discontinued as part of the Wood Division during the year, as the result of a decision to exit the reconditioned machine market which Austro felt was not part of its core business.

Directorate



ANTHONY (TONY) PHILLIPS (65)
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 Mpact Limited, Kwikspace Modular Buildings (Pty) Limited, Newman Lowther and Associates, a non-executive director of Freeworld Coatings Limited and Eqstra Holdings Limited, and Chairman of Wasteman Holdings (Pty) Limited.



PHILIP SIGSWORTH (34)
Group Financial Director

Philip qualified as a Chartered Accountant (SA) while working for KPMG. He was a member of the firm's Financial Services audit team in Johannesburg and later an auditor based in KPMG's Reading office in the UK. Philip joined the G4S Group as Financial Director to the Kenyan subsidiary (G4S Security Services Kenya Limited) in 2006, later transferring to South Africa to serve as Financial Director to G4S' Secure Solutions and Cash Solutions operations. He joined Austro Group effective 24 November 2010.



ULI SCHÄCKERMANN (GERMAN) (65)
Independent Non-executive Director

Uli is a Chartered Accountant (SA) and after 34 years as a partner in public practice, Uli has now started 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.



DAVID BROUZE (47)
Non-executive Director

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



JONATHAN FREED (63)
Executive Director

With over 45 years' experience in the diesel engine and generator business, Jonathan brings to the group an extensive and unique insight into South Africa's generator industry.



CHARLES JACOBS (63)
Executive Director

Charles qualified as a Chartered Accountant (SA) with Deloitte and after graduating with a BCom his career has focused on regenerating distressed companies.



GORDON NZALO (46)

Independent Non-executive Director

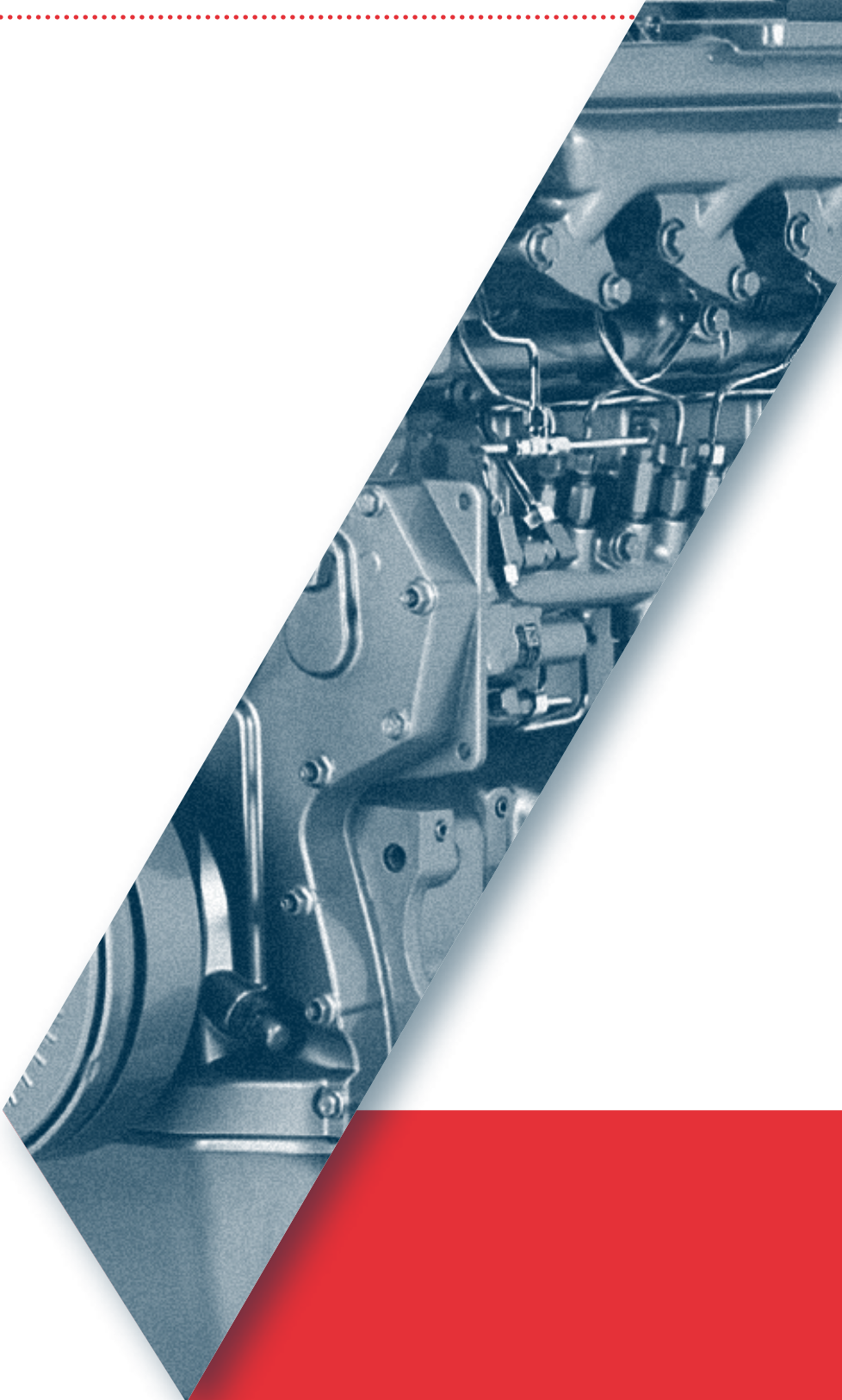
Gordon is a Chartered Accountant (SA) and a Certified Internal Auditor. He has extensive experience in risk management, corporate governance and internal audit services, both in the private and public sectors. Gordon was previously a partner with KPMG and PricewaterhouseCoopers where he was responsible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



JUSTIN FREED (38)

Alternate

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 19 years, and he is considered a leading expert in the industry.



Chairman's review



AJ Phillips – *Independent Non-executive Chairman*

PERFORMANCE AND OVERVIEW

The group consists of two divisions representing established brands in the industrial, mining, construction and infrastructure sectors. The group supplies specialised and quality industrial equipment to the South and southern African markets and services a solid client base, with no single customer representing more than 5% of group turnover.

2011 has been a poor year for the group. Hard earned profits have been dissipated by a number of issues:

- The Wood Division paid retrenchment and settlement packages to departing employees amounting to R2 million.
- Stock shortages were identified in the books of Quad. These had occurred as a result of poor controls and amounted to R11,1 million.
- Aside from the stock shortages in Quad, the group accounted for inventory impairments of R4,2 million.
- The Power Division's new premises in Alberton have increased the group's rent bill by R6 million but will allow a lease in Germiston to expire without renewal in December.
- A large warranty claim of R1,2 million.
- A single large bad debt provision of R2,3 million.

The net effect of these items was to reduce the profit before tax by R26,8 million, the result before these items compares more reasonably with last year's result of R33,7 million.

ECONOMIC CONTEXT

Uncertainty in global markets and the European debt crisis have had an impact on consumer and business confidence in South Africa and have contributed to a volatile currency. The South African Chamber of Commerce and Industry's business confidence index has declined in recent months and in August 2011 is 4,7 points (4,5%) below the August 2010 level.

Inflation in South Africa remains within the SARB's target levels. Although weakness in the domestic economy and interest yields could suggest to the Bank the need to reduce rates, no action has yet been taken.

Globally, the failure of political leaders to find solutions to the underlying problems in the USA and Europe is contributing to levels of uncertainty not seen for some considerable time.



OUR SUSTAINABILITY CHALLENGES AND STRATEGIES

A five-year review of Austro Group's performance reveals that the group experienced rapid growth in 2007 and 2008, in part as a result of acquisitions, in part as a result of relatively high levels of fixed investment in the economy and, of course, in part as a result of electricity outages. Keeping up with customer demand was the focus for the group during those years. The economic downturn which commenced in 2008 and is arguably still continuing has brought a period of consolidation to the group. Earnings per share have declined from 26,1 cents in 2008 to just 1,5 cents in the current year. This volatile performance against a backdrop of global economic uncertainty has helped to underscore the importance of sustainability to Austro Group.

RESPONSES

The board's response has been to identify short, medium and long-term objectives to answer sustainability issues. The immediate challenges to our sustainability are economic. Reversing the trend and creating shareholder value is the priority in the short-term.

The table on page 10 sets out economic value generated and distributed for the last two years. While the board believes that cost control in the group is generally sound, management of both the Wood and Power divisions of the group have been challenged to improve the value generated section of this table in the 2012 budget year and beyond. Strategies to achieve this include the exploration of new geographical markets (primarily in Africa), related and complementary markets in South Africa (particularly for the Wood Division) and strategic key account relationships. Work was done in the Wood Division during the year to identify the various markets in which the division operates and to devise appropriate strategies to maximise the group's penetration into these markets.

Another important strategy being developed in the Wood business is a strategy focused on shielding the group from economic volatility by shifting emphasis from the fixed investment arena of the economy to a recurring consumables and servicing model that builds longer term, more diverse and deeper relationships with customers. This strategy is particularly important in the context of continuing global uncertainty and the ever present threat of recession.

Chairman's review continued

ECONOMIC VALUE GENERATED AND DISTRIBUTED FOR THE YEAR ENDED 31 AUGUST 2011

	2011 R'000	2010 R'000
Direct economic value generated		
Revenue	387 102	401 943
Interest received	6 804	8 559
Other operating income	1 877	6 430
Sale of assets	(239)	1 047
Total economic value generated	395 544	417 979
Economic value distributed		
Operating costs	319 058	297 759
Employee wages and benefits	72 692	73 978
Payments to providers of capital	20 484	28 795
Payments to government	2 684	11 790
Community investments	567	36
Retained (deficit)/surplus	(19 941)	5 621
Total economic value distributed and retained	395 544	417 979

SOCIAL

We stated in our 2010 Annual Report: "The people of Austro are considered to be the company's most valuable asset".

While our people have been affected by the period of consolidation, the group continues to strive to provide a supportive workplace. Ensuring a safe environment and one conducive to a productive workforce is one of the group's priorities.

In reviewing and refining our strategies, the importance of our people has been kept firmly in mind. Indeed, in selecting the GRI G3.1 indicators on which to focus in this report it became clear that measuring and reporting on our employment and labour practices will provide management, the board and all other stakeholders with a clear insight into the effects of the volatile economy on our people and the effectiveness of our strategies to respond to that volatility. The indicators selected for discussion are presented in a separate section of this Annual Report.

During the year a permanent safety officer was appointed in the Power Division to monitor and, where possible, improve working conditions and the division's compliance with occupational health and safety legislation. The Wood Division continues to work closely with an occupational health and safety consultant and has a clinic in operation three days a week.

Much work has been done in the Wood Division to design appropriate management incentives and to align remuneration and other staff policies with the strategies being developed in the business to improve economic value generation. The board will implement the structures and practices necessary to empower the group's people to deliver the longer-term objectives. An example of one such practice is the education and training of staff. Strategy and budgeting sessions for management have been a feature of the year under review. On-the-job training of factory staff, which includes questions of health and safety, continue as in previous years.

Finally, a strategy in the social category is the improvement of the group's BEE credentials. The group has engaged a verification agency to provide scorecards for Head Office, Power and Wood for the financial year under review. While these are work in progress at the time of writing, it is anticipated that the group will make a modest start in this first rating exercise. More aggressive targets will be set for future years. It is intended to improve the Power and Wood division scores by at least one level each in the 2012 financial year.

ENVIRONMENTAL

The single biggest cost to the group is the cost of largely imported equipment. A list of our principals' brands is included in the report. To some extent it follows that the greatest impact the group has on the environment is through the distribution of machinery. A challenge to the group's sustainability is the growing awareness of environmental concerns and the possibility that competing products may be preferred over the group's products on environmental grounds.

A long-term objective is therefore to report on the GRI G3.1 indicators that concern the impact of the group's products on the environment and to consider this information in the context of import and supplier relationship decisions. We anticipate that this objective will be made somewhat easier by virtue of the quality of the suppliers to Austro Group. The majority of our suppliers have already considered the environmental impact of their products and are constantly innovating and working to minimise any negative impacts. (John Deere, Mitsubishi and Biesse discuss the importance of sustainability and the environment on their own websites and the initiatives that they are taking are documented).

LOOKING AHEAD

Notwithstanding the difficult economic context, the budgets produced by management for the 2012 year are in line with the board's objective to improve shareholder value. Accordingly, the group anticipates a better 2012 particularly as there is no further consolidation planned in the 2012 year.

A further reduction in inventory levels is planned and the group should continue to generate cash.

CONCLUSION

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 to the board Philip Sigsworth as our Group Financial Director and Charles Jacobs as the Managing Director of our Wood Division.

I also extend my thanks to Richard Moss who was the Managing Director of our Wood Division and resigned from the board on 31 December 2010.



AJ Phillips
Chairman

14 November 2011

Operating review

OVERVIEW

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

The year ended 31 August 2011 saw revenue contract by 3,7% in what was a very internally focused year for the group. Despite the relatively small decline in revenue, the 2011 year shows a 72% decrease in earnings per share. This is primarily the result of a number of write-offs and provisions. Some are mentioned in the chairman's review or in the more detailed sections below.

A continued focus on inventory levels and the tidying up of some legacy business units during the year means that the group's statement of financial position remains robust.

An interim cash capital distribution of 2,0 cents was declared and paid on 18 July 2011, but no final dividend or cash capital distribution has been declared.

Austro Group did not receive any awards during the year under review.

STRATEGY

The group operates in two distinct divisions, New Way Power (Pty) Limited and Austro Wood (Pty) Limited. Within each division, 2011 saw the complete integration of a number of legacy operating units.

In the case of New Way Power, this means that the Quad and Quinlec businesses have been absorbed under the New Way brand. The division will therefore allow a lease in Germiston to expire without renewal at the end of the calendar year. It also means that some departed employees will not be replaced.

In the case of Austro Wood, Gearing Moss is now integrated under the Austro Wood brand and 2nd Cut has been discontinued. With these consolidation exercises concluded, the group is well-positioned in terms of structures in place, leading brands and a 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 management of working capital remained a focus for the group during the year resulting in a R76,2 million reduction in inventory levels.

Trade and other payables decreased by R2,1 million during the year (2010: increase of R27,7 million) and other receivables, deposits, VAT and prepayments increased by R3,7 million, reducing total cash generated. Nonetheless, the group was able to increase cash and cash equivalents by R31,9 million and utilise R18,5 million to buy back shares.

During the year a specific repurchase of 16 685 889 shares from Richard Moss (the former managing director of the Wood Division) and various parties related to him was completed.

The group also bought back 19 033 817 shares through general share buy-backs during the year and 400 755 shares subsequent to 26 August 2011 (the date of the shareholder analysis presented in this report).

The statement of financial position at year-end reflects no non-current liabilities with the remaining payment for the acquisition of Neptune Plant Hire (Pty) Ltd due in February 2012.

A deferred tax asset of R8,7 million has been raised, primarily to recognise that the group will benefit from the utilisation of tax losses available in the holding company and Austro Wood (Pty) Ltd. Accordingly, the group statement of comprehensive income incorporates

a deferred tax credit of R9 million. The group expects to enjoy the cash benefit of this deferred tax balance in the coming two or three years. A positive cash flow is again expected in 2012.

The 3,7% deterioration in revenue was caused by a reduction in revenue in the Power Division (6,5%). The Wood Division saw a 2% improvement in revenue.

The group posted a loss from operations for the year, the most material items contributing to this loss are discussed in the sections that follow.

Power

The division's 6,5% deterioration in revenue is largely due to the Quad business activities where revenue fell by 45,5%. The year saw the manager of this business unit leave the group and Quad's business relocated to New Way's Alberton premises where its future direction will be determined by New Way's management team. Neptune's revenue fell by 5,5% primarily as a result of tough competition. The balance of the division saw revenue fall by 0,5%.

Profit before tax in the division fell by 71% to R9,2 million (2010: 32,1 million). Inventory in the former Quad business unit was impaired by R11,1 million. This adjustment alone accounts for almost half of the deterioration in performance. Other negative items include a significant bad debt provision, a warranty claim and inventory impairments in New Way – these items in aggregate amount to R4,7 million.

Prospects for the year ahead

The 2012 year is set to be a year of greater external focus for the division with plans to extend sales to countries outside of South Africa and plans to generate new sales or cost savings utilising the assets of the former Quad business unit as a more integrated component of New Way. The division estimates that sales into other African countries amounted to approximately R13,95 million in 2011. New Way aims to significantly increase the relative contribution of sales into other African countries to total revenue, leading to growth in total revenues above inflation in the mid- to long-term. It is also management's intention to exploit opportunities arising from the now integrated Quad business unit.

South Africa experienced very few power outages during the year; there is still uncertainty as to whether or not these will resume when the economy proceeds to full capacity. The corporate sector continues to take account of the uncertainty in Eskom in its risk management strategies and the division is ready to meet additional demand should any outages occur.

“The management of working capital remained a focus for the group during the year resulting in a R76,2 million reduction in inventory levels”

Operating review continued

Wood

Despite a 2,0% increase in revenue, the Wood Division saw an extensive decline in performance reporting a loss before tax of R9,1 million for the year (2010: profit of R1,6 million). Much of this deterioration in performance is explained by a relatively small number of large items including retrenchment costs of R2 million and inventory impairments of R3,2 million. Foreign exchange gains in 2010 became foreign exchange losses in 2011, the swing amounting to almost R1 million.

A number of the items mentioned as well as some costs not mentioned are seen as an investment in the division's future. The inventory impairments, for example, were costs incurred in recognition of the reality that some of the division's inventory would be difficult to sell. Initiatives have therefore been taken to clean up the statement of financial position. A number of costs have been incurred in consultancy fees, training, strategic workshops and other activities fundamental in developing a new strategy for this division.

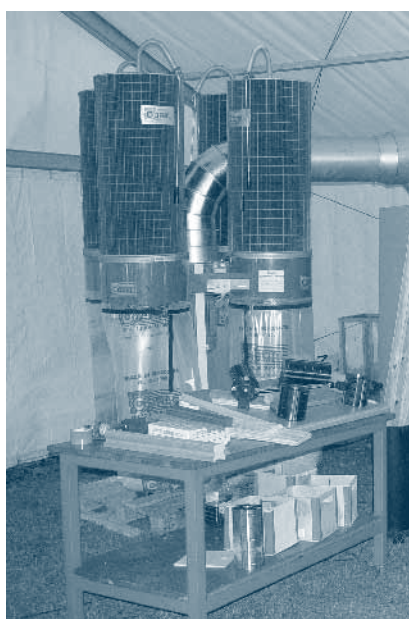
Prospects for the year ahead

Effective 1 September 2011 the division acquired two edging businesses (for more information see the directors' report). These acquisitions are budgeted to deliver additional revenue in the division in the coming year without the addition of significant fixed costs. The division's key account strategy and a number of initiatives designed to increase the relative significance of the tools and service divisions are expected to create a more sustainable base for recurring revenue in future years.

LOOKING AHEAD

Prospects for the year ahead have been discussed by division. To recap these prospects for the group as a whole, revenue is expected to grow out of new African markets, the edging business acquisitions and strong organic growth resulting from new strategies in both divisions.

It is evident from the preceding narrative that there were a number of items affecting the group's performance in 2011 that for the most part are unlikely to be repeated and certainly unlikely to be repeated at the same magnitude in 2012. The group is well positioned to take advantage of an economic recovery should one occur as there is considerable surplus operational capacity available in both divisions.



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. Through a process of considering those who have the ability to influence our group, those to whom the group is accountable by law or regulation, those who depend on the products and services offered by the group and those who live in the places in which our group operates, we have determined that our key stakeholders include shareholders, potential investors, employees, customers, suppliers, government and the communities within which our group companies operate. As ours is a small group and the number of stakeholders mentioned is not extensive, we do not exclude engagement with any of them.

Applying the GRI's principle that information presented in this report should cover topics that would substantively influence the assessments and decisions of stakeholders, we set out in the table below the key topics that we believe are material to our stakeholders based on such a definition of materiality:

Topic	Challenge	Strategy	Affected stakeholders	Indicator or report content
Financial performance	Globally there are threats of recession. Our group has historically been adversely affected in times of reduced fixed investment	Understanding our markets and potential markets better with a view to expansion into related and complementary markets or geographic expansion and to focus more on recurring revenue streams	All	Chairman's review, operating review and financial statements
Occupational health and safety, our labour practices and the continuity of our workforce	The work that we do poses some risks to our people, ensuring these risks are managed and minimised is important to us	We engage appropriate experts either as employees or consultants and strive to ensure compliance with relevant legislation and improvement	Employees, Government	The "our people" section of this report
B-BBEE	Remaining competitive and embracing diversity in South Africa	We are undertaking a B-BBEE verification exercise and evolving our practices to better achieve best practice	All	B-BBEE scorecard pending
The environmental impact of our products	We live in an ever more environmentally aware and responsible society, our products need to remain competitive	We partner with global leaders, who take the environmental impact of their products seriously and strive for constant improvement	Customers, Shareholders, Suppliers	Chairman's review
Community investment	We aim to contribute to the communities in which we operate	Apart from the Enterprise Development initiatives that we have in place we look to make donations that make as much of a difference as possible	Our communities	This report
Compliance with laws and regulations, including environmental laws and laws and regulations concerning the provision and use of products and services	Legislation is increasingly complicated. Ensuring our compliance with all applicable legislation is a demanding task	Our board, audit and risk committees along with management and the internal audit function provide oversight and help to keep the business informed of relevant developments. During the year under review we have not identified any significant fines or non-monetary sanctions for non-compliance with any laws or regulations	All	This report

Sustainability review continued

As outlined in the Chairman's review the immediate priority for the group, a subject often raised by shareholders, is economic sustainability. We consider this a question that affects all of our stakeholders and as the economic sustainability of the group is fundamental to its continued existence, we consider this topic of paramount importance to the organisation itself in these turbulent times. We believe that an application of the GRI's 'Guidance on Defining Report Content' and 'Applying the Report Content principles' would lead any informed stakeholder to the same conclusion.

Accordingly, the operating review which focuses on our performance, precedes the sustainability review section of our annual report which delves into some of the other key topics.

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 and professional advancement. 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.

We have chosen to better analyse and understand our success in the management of our people by selecting a number of GRI indicators relevant to our employees and reporting on these. This is done by division in the two sections that follow. As we anticipated, given the period of consolidation and re-engineering through which the group has come, these indicators reflect the difficulties of the past year and are a base from which we will improve.

As each of the divisions in our group employ a relatively small number of employees, engagement with employees and channels by which employees may make recommendations to the highest governing body of the group and the company for which they work are quite informal. Middle and senior management hold regular meetings with employees giving them a forum to raise concerns and make recommendations and when a more independent mode of communication is required employees communicate through the unions and shop stewards, who then engage with management. During the past year a number of issues related to remuneration and job responsibilities have come to the fore and are being addressed by the various HR processes in place in the group.

New Way Power

Scale of our workforce

It is clear from the table below that the majority of New Way's workforce is male and located in Johannesburg. This is not surprising when one understands the location of New Way's largest facility in Alberton and the labour intensive and physical nature of the work performed by the majority of the company's employees. We are pleased that the majority of our employees are engaged in permanent contracts and for the coming year we aim to maintain the percentage of the workforce in permanent employment at 90% or more. We believe that given the nature of the work that we perform our workforce is gender balanced and we aim to keep this balance by maintaining the female composition of our workforce at 10% or more in the year ahead.

Total workforce table (NWLA1)

	EMPLOYMENT CONTRACT*			REGION			Total
	Permanent	Fixed term	Total	Johannesburg	Cape Town	Durban	
Male	126	5	131	111	16	4	131
Female	18	2	20	17	2	1	20
	144	7	151	128	18	5	151

* All of the above are employees, there are no supervised workers on site. All employees are full-time employees.

There are no significant seasonal variations in employment numbers.

Employee turnover

The employee turnover table (NWLA2) gives some insight into employee turnover numbers and rates. It is apparent from the "employees leaving employment" data and rates that the same stresses that have influenced our financial performance in the past year have affected our employees. These stresses are described in various sections of this report. Specifically those that have impacted our workforce include the relocation and consolidation of activities into fewer locations. The occupation of larger and more appropriate premises in Alberton has also allowed New Way to better streamline operations, which has meant that some departing employees have not been replaced.

In terms of future targets, management aims to reduce the 2011 "employees leaving employment" rates in the 2012 year to no more than 30% and to halve the 2011 rate in the 2013 year.

Collective bargaining

As at 31 August 2011, 66 of our 151 employees were covered by collective bargaining agreements. This represents a percentage of 43,7%. While we encourage freedom of association as suggested by this percentage, we do not target increased collective bargaining participation among our employees as we seek to engage directly with them in building a better work environment.

Employee turnover table (NWLA2)

New employee hires

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	9	7	1	17	-	2	1	3	9	9	2	20
Cape Town	-	-	1	1	-	-	-	-	-	-	1	1
Durban	-	-	1	1	-	-	-	-	-	-	1	1
	9	7	3	19	-	2	1	3	9	9	4	22

Employees leaving employment

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	15	29	8	52	-	6	1	7	15	35	9	59
Cape Town	1	1	-	2	-	-	-	-	1	1	-	2
Durban	4	4	2	10	1	-	1	2	5	4	3	12
	20	34	10	64	1	6	2	9	21	40	12	73

Total employee numbers

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	27	71	13	111	1	11	5	17	28	82	18	128
Cape Town	1	10	5	16	-	2	-	2	1	12	5	18
Durban	-	-	4	4	-	1	-	1	-	1	4	5
	28	81	22	131	1	14	5	20	29	95	27	151

Sustainability review continued

Employee turnover table (NWLA2 continued)

New employee hire rates

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
All locations	32%	9%	14%	15%	–	14%	20%	15%	31%	9%	15%	15%
Johannesburg	33%	10%	8%	15%	–	18%	20%	18%	32%	11%	11%	16%
Cape Town	–	–	20%	6%	–	–	–	–	–	–	20%	6%
Durban	–	–	25%	25%	–	–	–	–	–	–	25%	20%

Employees leaving employment rates

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
All locations	71%	42%	45%	49%	100%	43%	40%	45%	72%	42%	44%	48%
Johannesburg	56%	41%	62%	47%	–	55%	20%	41%	54%	43%	50%	46%
Cape Town	100%	10%	–	13%	–	–	–	–	100%	8%	–	11%
Durban	100%*	100%*	50%	250%	100%*	–	100%*	200%	100%*	400%	75%	240%

*There were no employees in this category at yearend

HIV/AIDS and serious diseases

Assistance Programmes

Programme recipients	Education/Training		Counselling		Prevention/Risk Control		Treatment	
	Yes	No	Yes	No	Yes	No	Yes	No
Workers	√			√	√			√
Workers' families		√		√	√			√
Community members		√		√		√		√

Table: NWLA8

While the table above relates to all serious diseases, our workers are subject to the same relatively high risk of HIV/AIDS as all workers in South Africa. Therefore we focus on educating our workforce on the subject of sexually transmitted diseases or specifically HIV/AIDS each year.

Risk/prevention is in the form of clear policies and procedures instituted in the workplace to ensure that in the event of an accident that might expose workers to HIV/AIDS, all affected employees know how to respond. The company's induction programme contributes to prevention. Occupational health and safety is important to the company and disease prevention is considered in developing health and safety policies and procedures. Particularly with the employment of a permanent health and safety officer in the year under review, our commitment is to improve and refine these procedures in 2012.

Employee and governance body diversity

As Austro Group operates in South Africa, we measure our diversity in the context of prevailing broad-based black economic empowerment legislation and related codes. Accordingly in the tables that follow, we distinguish between white and non-white employees.

The board of directors of New Way Power (Pty) Ltd is entirely male, 11% non-white. 56% of the board are aged 30-50 and the remaining 44% are over 50.

By 2013 we aim to have improved female participation on the board of directors and once the B-BBEE verification exercise (currently underway) is completed, we will review equity targets for the coming three to five years. We expect to communicate more detail in the 2012 annual report. The full table of relevant indicators is set out in table NWLA13.

Employee diversity table (NWLA13)

	% of employees per employee category by gender		% of non-white employees by employee category by gender		% of employees per employee category by age and by gender					
	Male	Female	Male	Female	Male			Female		
					<30	30-50	>50	<30	30-50	>50
Core Operations:			65%	–	23%	62%	15%	–	–	–
Board of directors	100%	–	17%	–	–	67%	33%	–	–	–
Senior management	100%	–	25%	–	–	25%	75%	–	–	–
Junior management	100%	–	–	–	–	100%	–	–	–	–
Workforce	100%	–	71%	–	26%	62%	11%	–	–	–
Support functions:			15%	13%	9%	37%	17%	2%	26%	9%
Board of directors	100%	–	–	–	–	33%	67%	–	–	–
Senior management	–	–	–	–	–	–	–	–	–	–
Junior management	83%	17%	17%	–	–	50%	33%	–	17%	–
Workforce	58%	42%	16%	16%	11%	36%	11%	2%	29%	11%
Total across functions:			47%	5%	18%	53%	16%	1%	9%	3%
Board of directors	100%	–	11%	–	–	56%	44%	–	–	–
Senior management	100%	–	25%	–	–	25%	75%	–	–	–
Junior management	88%	13%	13%	–	–	63%	25%	–	13%	–
Workforce	86%	14%	52%	5%	21%	53%	11%	1%	10%	4%

Ratio of basic salary and remuneration of women to men by employee category

As the table NWLA13 indicates, there are no female employees in the core operations function, nor in the support function board of directors or senior management categories, therefore there is no ratio to calculate for those employee categories.

In the case of the remaining support function categories, the relationship is as set out in the table below:

	Basic salary	Remuneration
Junior management	43%	39%
Workforce	77%	82%

Table: NWLA14

These ratios require some interpretation. In the case of junior management, there is only one female employee in this category, which suggests that averaging is not appropriate. In the balance of the workforce there are quite diverse duties. Given the small size of our support function and within the "support workforce" category a wide range of responsibilities, a simple calculation may be misleading. Nonetheless we strive to ensure no gender bias in our remuneration practices.

Given the small number of comparisons available for this indicator, information has not been presented by locations of operation and this is not seen as significant.

Sustainability review continued

Austro Wood

Scale of our workforce

Total workforce table (AWLA1)

	Employment contract*			Region			Total
	Permanent	Fixed term	Total	Johannesburg	Cape Town	Durban	
Male	99	1	100	84	8	8	100
Female	26	1	27	22	3	2	27
	125	2	127	106	11	10	127

* All of the above are employees, there are no supervised workers on site. All employees are full-time employees.

There are no significant seasonal variations in employment numbers.

We expect the scale of our operations in Durban and Cape Town to increase, particularly in light of two small acquisitions made and effective 1 September 2011 that will see us venturing into edging. We aim to maintain the gender ratios evident above into 2012 and beyond as we consider them to be appropriate to our business.

Employee turnover table (AWLA2)

New employee hires

	Male			Total	Female			Total	Total			Total
	<30	30-50	>50		<30	30-50	>50		<30	30-50	>50	
Johannesburg	3	15	4	22	3	4	-	7	6	19	4	29
Cape Town	-	1	-	1	-	-	-	-	-	1	-	1
Durban	1	-	-	1	-	-	-	-	1	-	-	1
	4	16	4	24	3	4	-	7	7	20	4	31

Employees leaving employment

	Male			Total	Female			Total	Total			Total
	<30	30-50	>50		<30	30-50	>50		<30	30-50	>50	
Johannesburg	2	11	3	16	2	4	1	7	4	15	4	23
Cape Town	-	1	-	1	-	-	-	-	-	1	-	1
Durban	1	1	-	2	-	-	-	-	1	1	-	2
	3	13	3	19	2	4	1	7	5	17	4	26

Total employee numbers

	Male			Total	Female			Total	Total			Total
	<30	30-50	>50		<30	30-50	>50		<30	30-50	>50	
Johannesburg	11	53	21	85	5	13	3	21	16	66	24	106
Cape Town	-	8	-	8	2	1	-	3	2	9	-	11
Durban	3	5	-	8	-	2	-	2	3	7	-	10
	14	66	21	101	7	16	3	26	21	82	24	127

New employee hire rates (AWLA2 continued)

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
All locations	29%	24%	19%	24%	43%	25%	–	27%	33%	24%	17%	24%
Johannesburg	27%	28%	19%	26%	60%	31%	–	33%	38%	28%	17%	27%
Cape Town	–	13%	–	13%	–	–	–	–	–	11%	–	9%
Durban	33%	–	–	14%	–	–	–	–	33%	–	–	11%

Employees leaving employment rates

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
All locations	21%	20%	14%	19%	29%	25%	33%	27%	24%	21%	17%	20%
Johannesburg	18%	20%	14%	19%	40%	31%	33%	33%	25%	22%	17%	21%
Cape Town	–	13%	–	13%	–	–	–	–	–	11%	–	9%
Durban	33%	25%	–	29%	–	–	–	–	33%	17%	–	22%

Employee turnover

The employee turnover table (AWLA2) gives some insight into employee turnover numbers and rates. The employee hire and leaving rates are not far apart, but are both higher than the company expects to see in future years. The 2011 year was a year of significant change for the Wood division with the creation of a comprehensive new strategy, vision and objectives. It is well understood that change is a difficult process for most people to go through. This has led to the departure of a number of employees who did not wish to adapt and to the recruitment of new team members enthusiastic about delivering the company's new strategy. The company is currently working to a three year plan and expects the turnover rates set out in the table to reduce by 25% in the 2012 year and to halve by the end of the 2013 year.

Collective bargaining

As at 31 August 2011, 41 (32%) of our 127 employees were covered by collective bargaining agreements. While we encourage freedom of association as suggested by this percentage, we do not target increased collective bargaining participation among our employees as we seek to engage directly with them in building a better work environment.

HIV/AIDS and serious diseases

Assistance Programmes

Programme recipients	Education/Training		Counselling		Prevention/Risk Control		Treatment	
	Yes	No	Yes	No	Yes	No	Yes	No
Workers		√	√		√		√	
Workers' families		√		√		√		√
Community members		√		√		√		√

Table: AWLA8

As in the case of New Way Power, Austro Wood's workers are subject to the same relatively high risk of HIV/AIDS as all workers in South Africa. The company did not provide any direct education or training interventions in the year under review but does operate a clinic three days a week. Initial counselling is available through this clinic and the professionals who run it.

Treatment dispensed to workers from this clinic is free of charge.

Sustainability review continued

As in the case of New Way Power, risk and prevention is in the form of clear policies and procedures in place in the workplace to ensure that in the event of an accident that might expose workers to HIV/AIDS, that all affected employees know how to respond. Occupational health and safety is important to the Company and disease prevention is considered in developing health and safety policies and procedures, which have in the past year been reviewed and developed with the help of an external consultant.

Employee and governance body diversity

The board of Austro Wood is white and male, 50% of the board are aged 30-50 and 50% of the board are over 50.

By 2013 we aim to have improved female participation on the board of directors and once the B-BBEE verification exercise (currently underway) is completed, we will review equity targets for the coming three to five years. We expect to communicate more detail in the 2012 annual report.

The full table of relevant indicators is set out in tables AWLA13 (A to C).

Ratio of basic salary and remuneration of women to men by employee category

Table AWLA14 sets out the relationships in remuneration paid to men and women by employee categories. As there are not many individuals in each category, some of the resulting ratios appear extreme either way. It is perhaps therefore more useful to look at the totals by management category, which demonstrate that, in general, remuneration is not gender biased.

Given the small number of employees outside of Johannesburg, the information presented is aggregated across all regions.

Table: AWLA13 – A

% of employees per employee category by gender

Management Category	Distri- bution		Finance and admin		Production		Technician		Warehouse		Sales and marketing	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
All categories	100%	64%	36%	15%	85%	4%	96%	10%	90%	7%	93%	
Board	–	–	100%	–	–	–	–	–	–	–	100%	
Senior Management	–	100%	–	–	–	–	100%	–	–	–	100%	
Middle Management	–	67%	33%	–	–	–	–	–	100%	–	100%	
Junior Management	100%	100%	–	–	100%	–	100%	–	100%	–	100%	
None	100%	78%	22%	17%	83%	4%	96%	14%	86%	10%	90%	

Table: AWLA13 – B

% of non-white employees by employee category by gender

Management Category	Distri- bution		Finance and admin		Technician		Technician		Ware- house Male	Sales and marketing	
	Male	Female	Male	Female	Male	Female	Male	Female		Male	
All categories	100%	70%	30%	13%	87%	11%	89%	100%	12%	88%	
Middle Management	–	100%	–	–	–	–	–	100%	–	100%	
Junior Management	100%	–	–	–	100%	–	–	100%	–	–	
None	100%	67%	33%	15%	85%	11%	89%	100%	14%	86%	

Table: AWLA13 – C

% of employees per employee category by age and by gender

Management Category	Board	Senior Management	Middle Management	Junior Management	Non-management
All ages and both genders	5%	3%	7%	6%	79%
Female					
<30					
Finance and admin					100%
Production					100%
Technician					100%
Sales and marketing					100%
30-50					
Finance and admin		8%	17%	8%	67%
Production					100%
Warehouse					100%
Sales and marketing					100%
>50					
Finance and admin					100%
Male					
<30					
Finance and admin					100%
Production					100%
Technician					100%
Warehouse					100%
Sales and marketing					100%
30-50					
Distribution				13%	88%
Finance and admin	40%		20%		40%
Production				21%	79%
Technician		6%		6%	89%
Warehouse			33%	17%	50%
Sales and marketing	6%	12%	12%		71%
>50					
Distribution					100%
Finance and admin	75%				25%
Production					100%
Technician					100%
Warehouse					100%
Sales and marketing	17%		33%	17%	33%

Sustainability review continued

Table: AWLA14: Ratio of basic salary and remuneration of women to men by employee category

Management category:	Finance and admin	Production	Technician	Warehouse	Sales and marketing	Total
Senior Management	N/A	N/A	N/A	N/A	N/A	109%
Middle Management	78%	N/A	N/A	N/A	N/A	89%
Junior Management	N/A	N/A	N/A	N/A	N/A	129%
None	122%	84%	25%	190%	99%	95%

OUR COMMUNITIES

One aspect of our drive to be responsible corporate citizens is to make a positive impact on the communities in which we operate. During the year we were pleased to make modest donations to Tumelo Home for the mentally handicapped and through Neptune Plant Hire (our generator rental division) to sponsor generators for the Organ Donor Foundation's "biggest walk 2010" and Diabetes SA's "Cape Town Global Diabetes Run/Walk". In addition we sponsored, over an extended period, a generator for Green Day Markets, which was established to raise funds for Sea Point High School (a school with predominantly black learners). The value of these donations and sponsorships was R153 611.

We aim to increase our financial and other contributions to the communities in which we operate as our financial performance improves in line with the short-term strategies of the board.



Philip Sigsworth, Solly Khuthama (of Tumelo Home) and Jonathan Freed with some of the staff and residents of Tumelo Home.

Enterprise development

In addition to the charitable donations mentioned, we embarked on an Enterprise Development initiative during the year by, along with Simon Netshisaulu, creating Matase Power Systems (Pty) Ltd, an Enterprise Development vehicle aimed at establishing the economic participation of black persons in the sale of generators. Matase intends to secure contracts not previously serviced by Austro Group. Our role is to help them achieve this. In the 2011 year Austro Group provided interest free loans with no fixed repayment terms of R471 099 to this venture, to allow Matase Power Systems to commence operations. Simon, a director of Matase, is also provided office support by New Way Power.

Our intention in the coming year is to provide additional technical, administrative and managerial support to Matase.

Corporate governance report

The directors acknowledge the importance of sound corporate governance and subscribe to the King Code of Governance principles and King Report on Governance known as King III. The board is committed to the highest standards of corporate governance and continually monitors 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, including economic, social and environmental. Delegating authority in respect of pre-approved matters to board committees or management does not in any way detract from the board's obligation to discharge its duties and responsibilities.

The unitary board is chaired by an independent non-executive director and comprises a further three non-executive directors (two of 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, and the Group Financial Director.

The company defines the terms non-executive and independent in accordance with the King III Code, as follows:

An independent non-executive director is a non-executive director who:

- does not represent a controlling or major shareholder;
- does not have a direct or indirect interest in the company;
- has not been employed by the company in the past three financial years;
- is not a member of the immediate family of an individual who has, in the past three financial years, been employed by the company in an executive capacity;
- is not a professional advisor to the company;
- is free from any business or other relationship with the company;
- does not receive remuneration which is contingent upon the performance of the company.

The role of non-executive Chairman is strictly separated in accordance with King III. 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 convened when necessary. Directors are briefed timeously and comprehensively in advance of these meetings, and are supplied with information to enable them to discharge their responsibilities. Meetings are conducted in accordance with a formal agenda which ensures that all substantive matters are properly addressed.

Directors' attendance at board meetings	28 October 2010	15 November 2010	22 February 2011	17 May 2011	1 September 2011
AJ Phillips (Chairman) ⁺	P	P	P	P	P
DS Brouze [*]	P	P	P	P	P
JO Freed (Alt JR Freed)	P	P	P	P	P
C Jacobs ³	N/A	N/A	P	P	P
RE Moss ²	P	P	N/A	N/A	N/A
GS Nzalo ⁺	P	A	P	P	P
U Schäckermann ⁺	P	P	A	P	P
P Sigsworth (FD) ¹	N/A	N/A	P	P	P

¹: Appointed 24 November 2010

²: Resigned 31 December 2010

³: Appointed 4 February 2011

A: Apology/Absent

P: Present/Participated

N/A: Not Applicable

⁺Independent non-executive

*Non-executive

Directors for re-election at the annual general meeting: JO Freed, C Jacobs and G Nzalo.

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, including economic, social and environmental. The board (assisted by the Audit and Risk 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 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 obtain prior clearance and to report their share dealings to the Chairman who, with the Company Secretary and Sponsor, ensures that these announcements are released 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 independent non-executive directors, AJ Phillips (Chairman) and G Nzalo. 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 divisional 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. Non-executive directors' remuneration is approved by shareholders at the annual general meeting. Directors' emoluments are set out in the directors' report in 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.

Members' attendance at Remuneration Committee meetings	28 October 2010	22 February 2011	1 September 2011
AJ Phillips (Chairman)	P	P	P
GS Nzalo	P	P	P
DS Brouze	-	P<	P<
U Schäckermann	P<	-	P<

A: Apology/Absent

P: Present/Participated

N/A: Not Applicable

< Attended by invitation

The three most highly paid employees who are not directors of Austro Group Limited were as follows:

	R
RE Abrahams	2 090 552
PA Dengler	2 059 370
WA Freed	1 485 316

Corporate governance report continued

Audit and Risk Committee

The Audit and Risk Committee is governed by a formal Audit and Risk Committee Charter. It comprises independent non-executive directors AJ Phillips, GS Nzalo and U Schäckermann (who chairs the committee). The Audit and Risk 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 divisional Managing Directors and Group Financial Director attend meetings by invitation. Further meetings are convened when necessary. In view of the size of the company, risk and risk-related issues, including economic, social and environmental, are included in the scope of the committee.

The Audit Committee sets the principles for and gives prior approval for 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.

During the year under review this committee began to outline the terms of a new approach to internal audit within the group. The initial exercise intended to occur in the last quarter of 2011 is a risk workshop exercise to be facilitated by BDO. This will help the committee to update and augment risk registers previously produced by management with the benefit of greater independence in the process.

Members' attendance at Audit and Risk Committee meetings	26 October 2010	24 March 2011	10 May 2011	1 September 2011
U Schäckermann (Chairman)	P	P	P	P
GS Nzalo	P	P	P	P
AJ Phillips	P	P	P	P
P Sigsworth (FD)	P<	P<	P<	P<

A: Apology/Absent

P: Present/Participated

N/A: Not Applicable

< Attended by invitation

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.

During the year the group's internal auditor resigned. The audit committee has taken the opportunity, as mentioned above, to consider a new outsourcing approach to internal audit for Austro Group. This new approach will incorporate third party experts when necessary and peer review within the group. The first exercise to be undertaken under this new internal audit approach will be a risk assessment exercise.

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.

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.

Additional internal control activities are introduced on an ongoing basis (as necessary) to enhance the process of mitigating risk exposure where appropriate.

KING III

The following table sets out the board's assessment of the group's compliance with the King III Code, the table indicates those areas in which the board believes there is full compliance, partial compliance and areas in which our non-compliance is under review:

KING III COMPLIANCE CHECKLIST

1	Ethical leadership and corporate citizenship	C	PC	UR	Explanation/action
	Effective leadership based on an ethical foundation		√		A code of ethics has not been formalised for the group and codes in place in the subsidiary companies are under review.
	Responsible corporate citizen		√		The company's strategies and policies in relation to economic, social and environmental impacts are documented in this report. Partial compliance as this is the first year of thinking as broadly as we now do.
	Effective management of company's ethics			√	See the first point above.
	Assurance statement on ethics in integrated report			√	We will perform a more detailed assessment and make an appropriate statement in future.
2	Boards and directors	C	PC	UR	Explanation/action
	The Board is the focal point for and custodian of corporate governance	√			
	Strategy, risk, performance and sustainability are inseparable		√		Our understanding of sustainability has not previously been articulated or thought through in the context of a framework, we acknowledge that strategies to respond to this understanding are still being developed and will become more comprehensive.
	Directors act in the best interests of the company		√		We are reviewing incentive schemes and the mechanisms by which we align the interests of individual directors with the best interests of the group as a whole.
	The Chairman of the Board is an independent non-executive director	√			
	Framework for the delegation of authority has been established	√			
	The Board has a majority of non-executive directors who are independent	√			
	Directors are appointed through a formal process	√			
	Formal induction and ongoing training of directors is conducted		√		Training is available to directors. There is currently no formal induction process.
	The Board is assisted by a competent, suitably qualified and experienced Company Secretary	√			
	Regular performance evaluations of the Board, its committees and the individual directors		√		While evaluations are undertaken, there is room for improvement and appraisal of individual directors is not undertaken currently.
	Appointment of well-structured committees and oversight of key functions	√			

Corporate governance report continued

2	Boards and directors	C	PC	UR	Explanation/action
	An agreed governance framework between the group and its subsidiary Boards is in place		√		There is no formal governance framework regulating the relationship between the group Board and subsidiary Boards, however it should be noted that all subsidiaries are wholly owned.
	Directors and executives are fairly and responsibly remunerated	√			
	Remuneration of directors and senior executives is disclosed	√			
	The company's remuneration policy is approved by its shareholders		√		The remuneration philosophy and policies of the group are adequately covered in this annual report.
3	Internal audit	C	PC	UR	Explanation/action
	Effective risk-based internal audit		√		As discussed in various reports in this document, the group is implementing a new internal audit process that will see some internal audit work outsourced and various other internal activities taking place. For part of the year under review, the group employed a full-time internal auditor.
	Written assessment of the effectiveness of the company's system of internal controls and risk management		√		Please refer to the corporate governance section of this report for more detail.
	Internal Audit is strategically positioned to achieve its objectives			√	As explained above, internal audit is under review.
4	Audit committee	C	PC	UR	Explanation/action
	Effective and independent	√			
	Suitably skilled and experienced independent non-executive directors		√		As the board chairman, AJ Phillips should not be a member of the audit committee according to King III, however the board has deferred the appointment of an additional independent non-executive director until the financial performance of the group can, in the opinion of the board, support such an additional appointment. In the meantime, the committee will make use of the invaluable contribution by Mr Phillips who is a board member with many years of experience.
	Chaired by an independent non-executive director	√			
	Oversees integrated reporting		√		This is the first year of integrated reporting and the process needs to be formalised.
	A combined assurance model is applied to improve efficiency in assurance activities			√	This is one of the first objectives planned for the new internal audit process. The construction and documentation of a combined assurance framework for the group will be overseen by BDO.
	Satisfies itself of the expertise, resources and experience of the company's finance function	√			
	Oversees Internal Audit	√			

4	Audit committee	C	PC	UR	Explanation/action
	Integral to the risk management process		√		The risk management process needs to be defined more clearly which is work in progress at present.
	Oversees the External Audit process	√			
	Reports to the Board and shareholders on how it has discharged its duties	√			
5	Compliance with laws, codes, rules and standards	C	PC	UR	Explanation/action
	The Board ensures that the company complies with relevant laws	√			
	The Board and directors have a working understanding of the relevance and implications of non-compliance		√		This is still in progress and some directors need to undergo training in this regard.
	Compliance risk forms an integral part of the company's risk management process		√		Refer to comments above concerning internal audit and risk management.
	The Board has delegated to management the implementation of an effective compliance framework and processes	√			
6	Governing stakeholder relationships	C	PC	UR	Explanation/action
	Appreciation that stakeholders' perceptions affect a company's reputation	√			
	Management proactively deals with stakeholder relationships	√			
	There is an appropriate balance between its various stakeholder groupings	√			
	Equitable treatment of stakeholders	√			
	Transparent and effective communication to stakeholders	√			
	Disputes are resolved effectively and timeously	√			
7	The governance of information technology	C	PC	UR	Explanation/action
	The Board is responsible for information technology (IT) governance	√			
	IT is aligned with the performance and sustainability objectives of the company		√		There are a number of system implementations underway (particularly in the Wood Division) to ensure greater IT support for the group's objectives.
	Management is responsible for the implementation of an IT governance framework			√	While a group IT steering committee is in place, IT risks assessments are outstanding from the Power Division.
	The Board monitors and evaluates significant IT investments and expenditure		√		There have not been any significant IT investments or expenditure in the year under review, but we intend to do more to report on the subject to the Board in future.

Corporate governance report continued

7	The governance of information technology	C	PC	UR	Explanation/action
	IT is an integral part of the company's risk management		√		We are currently improving business continuity and disaster recovery plans.
	IT assets are managed effectively	√			
	The Risk Committee and Audit Committee assist the Board in carrying out its IT responsibilities		√		As mentioned, while a group IT steering committee has been established with participation by these Board committees, some risk assessment work is outstanding.
8	The governance of risk	C	PC	UR	Explanation/action
	The Board is responsible for the governance of risk and setting levels of risk tolerance		√		The various processes described above to better identify and understand risk need to be satisfactorily completed before we may be said to comply.
	The Risk Committee assists the Board in carrying out its risk responsibilities		√		As above.
	The Board delegates the risk management plan to management		√		As above.
	The Board ensures that risk assessments and monitoring is performed on a continual basis			√	As above.
	Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks			√	As above.
	Management implements appropriate risk responses		√		This will be more comprehensively answered at the conclusion of various risk assessment exercises underway.
	The Board receives assurance on the effectiveness of the risk management process			√	As above.
	Sufficient risk disclosure to stakeholders			√	As above.
9	Integrated reporting and disclosure	C	PC	UR	Explanation/action
	Ensures the integrity of the company's integrated report	√			
	Sustainability reporting and disclosure is integrated with the company's financial reporting	√			
	Sustainability reporting and disclosure is independently assured	√			

C – Compliant

PC – Partially Compliant

UR – Under Review

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 annual 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 annual 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 annual financial statements support the viability of the group and company.

The annual 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 annual financial statements were approved by the directors on 14 November 2011 and are signed on their behalf.



AJ Phillips
Chairman



P Sigsworth
Group Financial Director

Statement of compliance by the Company Secretary

For the year ended 31 August 2011, the company has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act (71 of 2008), as amended, and all such returns are true, accurate and up to date.



Probity Business Services (Pty) Limited
Company Secretary

Johannesburg
14 November 2011

Independent auditors' report

TO THE SHAREHOLDERS OF AUSTRO GROUP LIMITED

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, statement of financial position as at 31 August 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 75.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 2011, 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 of South Africa.

PKF (Jhb) Inc.

PKF (Jhb) Inc.

Registered Auditors Chartered Accountants (SA)

Registration number: 1994/001166/21

Johannesburg

14 November 2011

Per: SJ 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 2011.

NATURE OF BUSINESS

Company profile

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

The group's activities are detailed in the Chairman's and Operating Review as well as in the Sustainability Review.

GROUP RESULTS

- Revenue decreased by 3,7% to R387,1 million
- Operating loss of R2,8 million (2010: profit of R36,6 million)
- Headline earnings per share decreased by 69,2%

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

SHARE CAPITAL

Number of ordinary shares in issue at 31 August 2011: 395 693 678.

During the year, the company bought back and cancelled 35 719 706 ordinary shares.

The unissued ordinary shares are under the control of the directors until the next annual general meeting. The directors do not, however, have the authority to issue shares for cash.

SUBSIDIARIES

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

DIRECTORS

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

Non-executive directors

AJ Phillips (Chairman)*
DS Brouze
GS Nzalo*
U Schäckermann*
* *Independent*

Executive directors

P Sigsworth¹
JO Freed (Alternate JR Freed)
RE Moss²
C Jacobs³

¹ *Appointed 24 November 2010*

² *Resigned 31 December 2010*

³ *Appointed 4 February 2011*

In terms of the articles of association, JO Freed, C Jacobs and G Nzalo will retire as directors at the upcoming annual general meeting and, being eligible, all offer themselves for re-election.

Directors' report *continued*

DIRECTORS' SHAREHOLDING

At the date of this report, the directors of Austro hold beneficially an aggregate of 136 258 695 shares constituting 34,44% of the total issued share capital of Austro.

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

Director	Direct beneficial	Description of indirect beneficial	Indirect beneficial	Total	Percentage
2011					
DS Brouze	107 408 695	Related parties	500 000	107 908 695	27,27
JR Freed	–	JRF Trust	4 050 000	4 050 000	1,02
JO Freed	–	Freed Trust	24 300 000	24 300 000	6,14
Total	107 408 695		28 850 000	136 258 695	34,43
2010					
DS Brouze	107 408 695	Related parties	500 000	107 908 695	25,01
JR Freed	–	JRF Trust	4 050 000	4 050 000	0,94
JO Freed	–	Freed Trust	24 300 000	24 300 000	5,63
RE Moss	–	Richard Moss Family Trust	14 238 889	14 238 889	3,30
Total	107 408 695		43 088 889	150 497 584	34,88

Since year-end to the date of this report there has been no change in directors' shareholdings. The further reduction in share capital arising from the repurchase of 400 755 shares disclosed as a subsequent event will have insignificantly affected the percentages above.

DIRECTORS' EMOLUMENTS

	Total 2011 R	Total 2010 R
AJ Phillips*	399 000	340 000
DS Brouze*	126 000	120 000
JO Freed	3 348 979	2 817 403
JR Freed	3 117 972	3 083 338
C Jacobs	1 846 000	–
U Schäckermann*	189 000	210 000
JA Bennie	–	931 216
RE Moss	2 281 476	1 409 094
GS Nzalo*	214 000	132 500
P Sigsworth	1 640 791	–
	13 163 218	9 043 551

* Non-executive

COMPANY SECRETARY

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

AUDITORS

PKF (Jhb) Inc. will continue in office in accordance with the provisions of the South African Companies Act, 2008 (as amended).

SPECIAL RESOLUTION

The following special resolutions were passed by shareholders during the year:

- at the annual general meeting on 1 March 2011 (and registered by the CIPC on 11 March 2011): General authority for the company, or subsidiary, to effect share repurchases;
- at a special general meeting on 17 March 2011 (and registered by the CIPC on 1 April): specific authority to buyback 16 685 889 ordinary shares.

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-STATEMENT OF FINANCIAL POSITION

The group acquired the businesses of EdgePro (Pty) Limited and EdgePro Natal (Pty) Limited (without acquiring shares in either of these companies), effective 1 September 2011. The JSE issued a ruling that these acquisitions did not need to be aggregated in terms of section 9 of the listings requirements and accordingly no announcement was made on SENS. The principal asset acquired was inventory. The total purchase consideration for these businesses was R10 026 198 settled in cash. These acquisitions were made in support of Austro Wood's strategy, allowing the Wood Division to supply edging to existing and new customers.

The company executed share repurchases in late August 2011 as set out below. As the settlement date for each of these trades is after 26 August 2011 (the last Friday of the month and the date at which the share register used for purposes of this report was produced), these trades are disclosed as subsequent events:

Trade date	Number of shares purchased	Total consideration paid
23 August	47 000	23 719
25 August	284 755	146 511
29 August	64 000	32 939
30 August	5 000	2 585
	400 755	205 754

Johannesburg
14 November 2011

Report of the audit committee

The audit committee also fulfils the function of the risk committee under a charter that sets out the functions and responsibilities of the combined committee. Their report in relation to the risk committee work is contained in the corporate governance section of the annual financial statements.

The committee has three members, AJ Phillips, GS Nzalo and U Schäckermann, who chairs the committee. All members are independent non-executive directors.

The committee meets regularly, at least four times per year and further meetings are convened when required. The external auditors, the internal auditors and Group Financial Director as well as the Managing Directors of the subsidiaries are invited to all meetings and have a right to be heard at these meetings. In accordance with the requirements of the Companies Act, 2008 the audit committee has:

- Nominated PKF (Jhb) Inc. as independent auditor of the company and SJ Kock as responsible individual.
- Determined the fees to be paid to the auditor and the terms of engagement.
- Ensured that the appointment of the auditor complies with the Companies Act, 2008.
- Ensured that all additional non-audit services provided by the auditor were pre-approved by the audit committee and are in terms of the Companies Act, 2008.

The audit committee has satisfied itself that the auditor is independent of the company. During the year an internal audit of significant internal financial controls was performed.

As required by the JSE Listing Requirements and based on the recommendation contained in the King Code for Governance Principles (King III), the committee has assessed the performance of the group financial director and believes that he possesses the appropriate expertise and experience to meet his responsibilities in that position. The committee is satisfied with the expertise and resources within the finance function.

The committee believes that the accounting practices and the internal financial controls are appropriate and effective.

Roodepoort
14 November 2011

Consolidated statements of financial position

as at 31 August

	Notes	GROUP		COMPANY	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
ASSETS					
Non-current assets					
		276 959	273 403	258 714	254 020
Plant and equipment	2	38 018	43 597	159	–
Goodwill	3	229 742	229 742	–	–
Loans receivable		482	–	315	–
Deferred taxation	4	8 717	64	4 284	64
Investment in subsidiaries	5	–	–	253 956	253 956
Current assets					
		304 347	372 160	78 757	146 765
Inventories	6	177 869	254 053	–	–
Trade and other receivables	7	76 025	75 160	5 845	2 165
Taxation receivable		1 465	557	–	–
Loans receivable	5	–	–	71 069	104 168
Cash and cash equivalents	8	48 988	42 390	1 843	40 432
Total assets					
		581 306	645 563	337 471	400 785
EQUITY AND LIABILITIES					
Capital and reserves					
		517 110	545 705	332 448	352 982
Share capital	9	4	4	4	4
Share premium	10	295 697	322 103	295 697	322 103
Accumulated profits		221 409	223 598	36 747	30 875
Non-current liabilities					
		–	3 805	–	3 426
Interest-free liabilities	11	–	3 426	–	3 426
Deferred taxation	4	–	379	–	–
Current liabilities					
		64 196	96 053	5 023	44 377
Current portion of interest-free liabilities	11	3 426	3 426	3 426	3 426
Trade and other payables	12	60 662	62 730	1 597	1 168
Taxation payable		108	4 629	–	4 000
Bank overdraft	13.1	–	25 268	–	35 783
Total equity and liabilities					
		581 306	645 563	337 471	400 785
Number of shares in issue		395 693 678	431 413 384	–	–
Weighted average number of shares		419 758 013	431 413 384	–	–
Net asset value		517 110	545 705	–	–
Goodwill		229 742	229 742	–	–
Tangible net asset value		287 368	315 963	–	–
Net asset value per share (cents)		130,7	126,5	–	–
Tangible net asset value per share (cents)		72,6	73,2	–	–

Consolidated statements of comprehensive income

for the year ended 31 August

	Notes	GROUP		COMPANY	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
Revenue	14	387 102	401 943	9 165	14 668
Cost of sales and services		(258 271)	(242 655)	–	–
Gross profit		128 831	159 288	9 165	14 668
Operating income		1 877	6 430	–	24
Operating expenses		(133 479)	(129 082)	(7 815)	(8 735)
(Loss)/profit from operations	15	(2 771)	36 636	1 350	5 957
Interest received	16	6 804	8 559	11 427	3 766
Interest paid	17	(3 942)	(11 538)	(1 634)	(9 164)
Profit before taxation		91	33 657	11 143	559
Taxation income/(expense)	18	6 348	(10 527)	3 357	(1 770)
Profit/(loss) for the year		6 439	23 130	14 500	(1 211)
Other comprehensive income/(loss) for the year		–	–	–	–
Total comprehensive income/(loss) for the year		6 439	23 130	14 500	(1 211)
Earnings per share (cents)	27	1,5	5,4	–	–
Headline earnings per share (cents)	27	1,6	5,2	–	–
Dividends per share (cents)		2,0	4,0	–	–
Capital distribution declared out of share premium (cents)		2,0	–	–	–

Consolidated statements of cash flows

for the year ended 31 August

	Notes	GROUP		COMPANY	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
Net cash inflows/(outflows) from operating activities		65 980	120 894	(5 574)	(21 487)
Cash generated by operations	19	79 859	150 392	(1 876)	1 869
Interest received		6 804	8 559	11 427	3 766
Interest paid		(3 942)	(11 538)	(1 634)	(9 164)
Dividends paid		(8 628)	(17 257)	(8 628)	(17 257)
Taxation paid	20	(8 113)	(9 262)	(4 863)	(701)
Net cash (outflows)/inflows from investing activities		(4 282)	(965)	32 600	84 705
Plant and equipment acquired – to maintain operations or restructured	2	(5 140)	(7 212)	(184)	–
Proceeds on disposal of plant and equipment	21	1 340	6 247	–	–
(Increase)/decrease in loans receivable		(482)	–	32 784	84 705
Net cash outflows from financing activities		(29 832)	(5 395)	(29 832)	(3 425)
Interest-free liabilities paid		(3 426)	(3 425)	(3 426)	–
Interest-bearing liabilities paid		–	(1 970)	–	(3 425)
Share premium reduction due to share buy-back		(18 492)	–	(18 492)	–
Share premium reduction due to capital distribution declared out of share premium		(7 914)	–	(7 914)	–
Net increase/(decrease) in cash and cash equivalents		31 866	114 534	(2 806)	59 793
Cash and cash equivalents at beginning of year		17 122	(97 412)	4 649	(55 144)
Cash and cash equivalents at end of year		48 988	17 122	1 843	4 649

Consolidated statements of changes in equity

for the year ended 31 August

	Notes	GROUP		COMPANY	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
Share capital and share premium	9;10	295 701	322 107	295 701	322 107
Balance at beginning of year		322 107	322 107	322 107	322 107
Share premium reduction due to share buy-back		(18 492)	–	(18 492)	–
Share premium reduction due to capital distribution declared out of share premium		(7 914)	–	(7 914)	–
Accumulated profits		221 409	223 598	36 747	30 875
Balance at beginning of year		223 598	217 725	30 875	49 343
Total comprehensive income/(loss) for the year		6 439	23 130	14 500	(1 211)
Dividend paid		(8 628)	(17 257)	(8 628)	(17 257)
Total capital and reserves		517 110	545 705	332 448	352 982

Financial position segmental analysis

	Power R'000	%	Wood R'000	%	Total R'000	%
2011						
Assets	463 749	79,8	117 557	20,2	581 306	100
Capital and reserves	427 171	82,6	89 939	17,4	517 110	100
Liabilities	36 578	57,0	27 618	43,0	64 196	100
Additions to non-current assets	3 997	77,8	1 143	22,2	5 140	100
2010						
Assets	493 991	76,5	151 572	23,5	645 563	100
Capital and reserves	439 490	80,5	106 215	19,5	545 705	100
Liabilities	54 501	54,6	45 357	45,4	99 858	100
Additions to non-current assets	4 891	67,8	2 321	32,2	7 212	100

Comprehensive income segmental analysis

	Power R'000	%	Wood R'000	%	Total R'000	%
2011						
Revenue	250 904	64,8	136 198	35,2	387 102	100
Gross Intersegment	251 199 (295)		136 198 -		387 397 (295)	
Profit/(loss) before taxation	9 175	10 082,4	(9 084)	(9 982,4)	91	100
Gross Intersegment	9 470 (295)		(9 084) -		386 (295)	
Depreciation (Loss)/profit on sale of plant and equipment	5 372 (284)	58,8 118,8	3 768 45	41,2 (18,8)	9 140 (239)	100 100
Interest received	3 919	57,6	2 885	42,4	6 804	100
Interest paid	(857)	21,7	(3 085)	78,3	(3 942)	100
Taxation income	620	9,8	5 728	90,2	6 348	100
2010						
Revenue	268 426	66,8	133 517	33,2	401 943	100
Gross Intersegment	285 631 (17 205)		143 238 (9 721)		428 869 (26 926)	
Profit before taxation	32 102	95,4	1 555	4,6	33 657	100
Gross Intersegment	49 307 (17 205)		11 276 (9 721)		60 583 (26 926)	
Depreciation	5 052	53,3	4 427	46,7	9 479	100
Profit on sale of plant and equipment	290	27,7	757	72,3	1 047	100
Interest received	6 702	78,3	1 857	21,7	8 559	100
Interest paid	(8 195)	71,0	(3 343)	29,0	(11 538)	100
Taxation expense	(10 224)	97,1	(303)	2,9	(10 527)	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 AC 500 standards of interpretation as issued by the Accounting Practices Board and the requirements of the South African Companies Act of 2008 and the JSE Limited Listings Requirements.

1.1 Basis of preparation

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

1.2 Standards and interpretations affecting amounts reported in the current period

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

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

A number of new accounting standards, amendments to standards and interpretations have been published by the International Accounting Standards Board. However, they have not yet become effective and have thus not been applied to the group annual financial statements for 2011. The group has not yet assessed the impact that these standards have on the future financial statements. The following are those which are considered to affect the group:

Standards in issue not yet effective

Standard	Details of amendment	Annual periods beginning on or after
IFRS 3: Business Combinations	• Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS	1 January 2011
	• Measurement of non-controlling interests	1 January 2011
	• Unreplaced and voluntarily replaced share-based payment awards	1 January 2011
IFRS 7: Financial Instruments: Disclosures	• Clarification of disclosures	1 January 2011
	• Additional disclosure on transfer transactions of financial assets	1 July 2011
IFRS 9: Financial Instruments	• New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement	1 January 2013
IAS 1: Presentation of Financial Statements	• Clarification of statement of changes in equity	1 January 2011
	• New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity	1 July 2011

1. ACCOUNTING POLICIES (CONTINUED)

1.2 Standards and interpretations affecting amounts reported in the current period (continued)

Standard	Details of amendment	Annual periods beginning on or after
IFRS 10: Consolidated Financial Statements	<ul style="list-style-type: none">• New standard that replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess	1 January 2013
IFRS 12: Disclosure of Interest in other entities	<ul style="list-style-type: none">• New and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special-purpose vehicles and other off-balance sheet vehicles	1 January 2013
IFRS 13: Fair Value Measurement	<ul style="list-style-type: none">• New guidance on fair value measurement and disclosure requirements	1 January 2013
IAS 24: Related Party Disclosure	<ul style="list-style-type: none">• Simplification of the disclosure requirements for government-related entities• Clarification of the definition of related party	1 January 2011 1 January 2011
IAS 27: Consolidated and Separate Financial Statements	<ul style="list-style-type: none">• Transition requirements for amendments arising as a result of IAS 27• Consequential amendments resulting from the issue of IFRS 10, 11 and 12 operations	1 January 2011 1 January 2013
IAS 34: Interim Financial Reporting	<ul style="list-style-type: none">• Significant events and transactions	1 January 2011

1.3 Basis of consolidation

Subsidiary companies and other controlled entities

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

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

Business combinations

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

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

Cost is the aggregate of:

- (i) the consideration transferred measured in accordance with this IFRS, which generally required acquisition-date fair value;
- (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and
- (iii) in a business combination achieved in stages (see paragraphs 41 and 42), the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

All acquisition related costs are expensed.

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of consolidation (continued)

Business combinations (continued)

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 or losses on transactions are eliminated on consolidation.

1.4 Plant and equipment

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

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

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

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

The residual value, which is defined as the estimated amount that an entity will currently obtain from the disposal if the asset was already of the age and in the condition expected at the end of its useful life, is re-assessed at each year-end together with the useful life of the asset.

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

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

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

1.5 Goodwill

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

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

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

1.6 Inventories

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

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

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Inventories (continued)

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

1.7 Financial instruments

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

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

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

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. For trade receivables a provision is raised against the receivable and movements in the provision are written off in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

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.

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (CONTINUED)

1.8 Revenue recognition

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

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

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

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

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

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

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

1.9 Cost of sales and services

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

1.10 Finance costs

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

1.11 Taxation

Current

The charge for current tax is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the statement of financial position date. To the extent that the current tax is unpaid, a liability is recognised and if a refund is due at the year-end an asset is raised.

Secondary Taxation on Companies

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

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

Deferred tax

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

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

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Taxation (continued)

Deferred tax (continued)

Deferred tax is calculated at the tax rates enacted or substantially enacted at statement of financial position date and are expected to apply when the related deferred tax asset is realised or deferred liability is settled and is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

1.12 Lease obligations

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

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

1.13 Provisions, contingent liabilities and contingent assets

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

Provisions are recognised at the present value of the estimated costs required to settle the obligation.

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

1.14 Impairment of assets

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

For goodwill that has an indefinite useful life, the recoverable amount is estimated at least annually. The recoverable amount of an asset is calculated as the higher of its fair value, less cost to sell.

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

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

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

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (CONTINUED)

1.14 Impairment of assets (continued)

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 pre-payments or accruals in the statement of financial position. There are no post-retirement benefit obligations for former employees.

Post-retirement benefits

Certain group companies provide for retirement benefits for employees by payments to independently administered defined-contribution pension and provident funds. Current contributions are charged against income as incurred. The group's obligation ceases once the amounts due for the period have been settled.

Employees' leave entitlement

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

Bonus obligations

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

1.16 Operating segments

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

1.17 Foreign currencies

Foreign currency transactions

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

1.18 Management estimates

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

Judgements made by management

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

Asset lives and residual values

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

1. ACCOUNTING POLICIES (CONTINUED)

1.18 Management estimates (continued)

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 statement of financial position date for cash-settled share-based payments. Changes in the fair value of the liability are recognised in profit or loss.

1.20 Related party disclosures

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

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	Leasehold improvements R'000	Total R'000
2. PLANT AND EQUIPMENT					
2011					
Cost	49 576	16 234	10 211	805	76 826
Accumulated depreciation	(24 574)	(6 958)	(6 811)	(465)	(38 808)
Net carrying value	25 002	9 276	3 400	340	38 018
Movement summary					
Carrying value opening balance	30 032	10 482	2 458	625	43 597
Additions	1 334	1 419	1 961	426	5 140
Disposal	(440)	(801)	(13)	(325)	(1 579)
Depreciation	(5 924)	(1 824)	(1 006)	(386)	(9 140)
Depreciation included in operating expenses	(3 539)	(1 566)	(1 006)	(386)	(6 497)
Depreciation capitalised to inventory	(227)	-	-	-	(227)
Depreciation allocated to cost of sales	(2 158)	(258)	-	-	(2 416)
Closing net carrying value 31 August 2011	25 002	9 276	3 400	340	38 018
2010					
Cost	48 807	16 045	8 306	1 898	75 056
Accumulated depreciation	(18 775)	(5 563)	(5 848)	(1 273)	(31 459)
Net carrying value	30 032	10 482	2 458	625	43 597
Movement summary					
Carrying value opening balance	34 392	13 037	2 735	900	51 064
Additions	4 278	1 749	1 074	111	7 212
Disposal	(2 806)	(2 375)	(19)	-	(5 200)
Depreciation	(5 832)	(1 929)	(1 332)	(386)	(9 479)
Closing net carrying value 31 August 2010	30 032	10 482	2 458	625	43 597
COMPANY					
2011					
Cost	-	-	184	-	184
Accumulated depreciation	-	-	(25)	-	(25)
Net carrying value	-	-	159	-	159
Movement summary					
Additions	-	-	184	-	184
Depreciation	-	-	(25)	-	(25)
Closing net carrying value 31 August 2011	-	-	159	-	159
2010					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Closing net carrying value 31 August 2010	-	-	-	-	-

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
3. GOODWILL				
Cost	229 742	229 742	-	-
Accumulated amortisation and impairments	-	-	-	-
Net carrying value	229 742	229 742	-	-
Movement summary				
Balance at beginning of the year	229 742	229 742	-	-
Closing net carrying value	229 742	229 742	-	-
Power	192 621	192 621	-	-
Wood	37 121	37 121	-	-
Closing net carrying value	229 742	229 742	-	-

Impairment review

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

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

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

A terminal value is calculated based on a growth rate of 8%. The rate used to discount the forecast pre-tax cash flows is 21,47%. The value of goodwill determined on this basis exceeds the carrying value at year-end.

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
4. DEFERRED TAXATION				
Balance at the beginning of the year	(315)	(1 578)	64	108
Temporary differences per statement of comprehensive income	9 032	1 263	4 220	(44)
Provision for leave pay and bonuses	(669)	24	116	(248)
Capital allowances	(2 025)	3 356	-	2 043
Prepaid expenses	1 484	(1 714)	-	-
Impairment provision	1 024	(461)	-	(113)
Restructure	-	(1 726)	-	(1 726)
Lease obligations	1 847	851	-	-
Provision for credit notes	142	-	-	-
Income received in advance	765	1 069	-	-
Recoupment of plant and equipment	(83)	83	-	-
Share options	38	-	38	-
Tax losses	6 520	(230)	4 066	-
Prior year over provision	(11)	11	-	-
Balance at the end of the year	8 717	(315)	4 284	64
The balance consists of:				
Provision for leave pay and bonuses	1 240	1 909	180	64
Capital allowances	(5 431)	(3 406)	-	-
Prepaid expenses	-	(1 484)	-	-
Impairment provision	1 542	518	-	-
Lease obligations	2 832	985	-	-
Provision for credit notes	142	-	-	-
Income received in advance	1 834	1 069	-	-
Recoupment of plant and equipment	-	83	-	-
Share options	38	-	38	-
Tax losses	6 520	-	4 066	-
Prior year over provision	-	11	-	-
	8 717	(315)	4 284	64
Disclosed on the statement of financial position as follows:				
Deferred taxation asset	8 717	64	4 284	64
Deferred taxation liability	-	(379)	-	-
	8 717	(315)	4 284	64
Tax losses				
Tax losses at the end of the year	(23 288)	(26 622)	(14 523)	(26 622)
Utilised to raise a deferred tax asset	23 288	-	14 523	-
Available to reduce future taxable income	-	(26 622)	-	(26 622)
Deferred taxation asset not raised on tax losses	-	7 454	-	7 454

	Issued share capital	Loans receivable 2011 R'000	Loans receivable 2010 R'000	Shares at cost 2011 R'000	Shares at cost 2010 R'000	Percentage held in subsidiaries 2011 %	Percentage held in subsidiaries 2010 %
5. INVESTMENT IN SUBSIDIARIES							
New Way Power (Pty) Limited	100	19 900	41 349	219 120	219 120	100	100
Austro Wood (Pty) Limited	10	51 169	62 819	34 836	34 836	100	100
Austro Tools (Pty) Limited	300	–	–	–	–	100	100
		71 069	104 168	253 956	253 956		

The loans receivable bear interest at prime plus one percentage point and have no fixed maturity date, but may be repaid from time to time as mutually agreed by both parties.

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
6. INVENTORIES				
Raw materials	45 886	147 388	–	–
Finished goods	112 660	104 909	–	–
Work in progress	7 037	10 951	–	–
Consumables	12 286	9 856	–	–
Gross inventories	177 869	273 104	–	–
Impairment provisions raised against inventories	–	(19 051)	–	–
	177 869	254 053	–	–
Inventories are valued at the lower of cost and net realisable value.				
Movement in impairment provision raised against inventories:				
Balance at the beginning of the year	19 051	22 881	–	–
Impairment provision raised	6 477	2 497	–	–
Impairment provision utilised	(25 528)	(6 327)	–	–
	–	19 051	–	–
7. TRADE AND OTHER RECEIVABLES				
Gross trade receivables	76 696	74 609	–	2 081
Impairment provisions raised against trade receivables	(7 343)	(2 430)	–	–
Net trade receivables	69 353	72 179	–	2 081
Pre-payments	2 654	2 081	35	60
Deposits	440	292	–	–
Other receivables	1 447	191	5 810	–
Value added tax	2 131	417	–	24
	76 025	75 160	5 845	2 165

There is a cession of the gross trade receivables of R76,7 million (2010: R62,4 million) to Standard Bank Limited.

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

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
7. TRADE AND OTHER RECEIVABLES (continued)				
Movement in impairment provision raised against receivables				
Balance at the beginning of the year	2 430	3 731	–	–
Impairment provision raised	4 913	83	–	–
Impairment provision utilised	–	(1 384)	–	–
	7 343	2 430	–	–

Basis of raising provisions against receivables

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

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

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

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
8. CASH AND CASH EQUIVALENTS				
Bank	48 815	42 191	1 843	40 432
Petty cash	173	199	–	–
	48 988	42 390	1 843	40 432
9. SHARE CAPITAL				
Authorised				
1 000 000 000 (2010: 1 000 000 000) shares of R0,00001 each	10	10	10	10
Issued				
395 693 678 (2010: 431 413 384) 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 the Companies Act.

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
10. SHARE PREMIUM				
Share premium on issued ordinary shares opening balance	322 103	322 103	322 103	322 103
Share premium reduction due to share buy back	(18 492)	–	(18 492)	–
Share premium reduction due to capital distribution declared out of share premium	(7 914)	–	(7 914)	–
	295 697	322 103	295 697	322 103

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
11. INTEREST-FREE LIABILITIES				
HT Heye and Austro Group Limited agreements, purchase of subsidiary Neptune Plant Hire (Pty) Limited which subsequently became a division of New Way Power (Pty) Limited:				
Non-current portion	–	3 426	–	3 426
Current portion	3 426	3 426	3 426	3 426
	3 426	6 852	3 426	6 852
	Repayable within 1 year	Repayable within 2 – 5 years	Repayable beyond 5 years	Total
2011				
Interest-free liabilities				
Future minimum payments	3 426	–	–	3 426
	3 426	–	–	3 426
2010				
Interest-free liabilities				
Future minimum payments	3 426	3 426	–	6 852
	3 426	3 426	–	6 852

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

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
12. TRADE AND OTHER PAYABLES				
Trade payables	34 039	33 387	–	511
Accruals	23 572	11 523	1 304	657
Income received in advance	2 758	5 966	–	–
Other payables	240	10 569	240	–
Value added tax	53	1 285	53	–
	60 662	62 730	1 597	1 168

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

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

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

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
13.1 BANK OVERDRAFT				
Standard Bank Limited	–	25 268	–	35 783
	–	25 268	–	35 783
13.2 BANK FACILITIES				
Available facilities				
Bank overdraft facility	–	75 000	–	75 000
Other interest-bearing facilities: vehicle and asset finance, letters of credit, fleet management cards and credit cards	30 500	5 585	30 500	5 585
	30 500	80 585	30 500	80 585
Utilised facilities				
Bank overdraft facility	–	25 268	–	35 783
Other interest-bearing facilities: vehicle and asset finance, letters of credit, fleet management cards and credit cards	14 044	–	14 044	–
	14 044	25 268	14 044	35 783
Cession provided				
Trade and other receivables	76 696	62 378	–	–
	76 696	62 378	–	–
14. REVENUE				
Services rendered	58 433	52 678	9 165	14 668
Sale of goods	328 669	349 265	–	–
	387 102	401 943	9 165	14 668

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
15. PROFIT/(LOSS) FROM OPERATIONS				
Profit/(loss) from operations is stated after taking into account the following items:				
Profit/(loss) on foreign exchange				
Profit on foreign exchange	–	3 001	–	–
Loss on foreign exchange	(1 223)	–	–	–
	(1 223)	3 001	–	–
Depreciation				
Plant and equipment	5 924	5 832	–	–
Motor vehicles	1 824	1 929	–	–
Computer and office equipment	1 006	1 332	25	–
Leasehold improvements	386	386	–	–
	9 140	9 479	25	–
Directors' emoluments of Austro Group Limited (detailed analysis by director provided in note 25)				
Non-executive directors	928	803	928	803
Executive directors	12 235	8 241	1 641	2 340
	13 163	9 044	2 569	3 143
Employees, excluding directors' emoluments of Austro Group Limited				
Salaries and wages	56 808	62 535	2 191	915
Employer contributions to retirement funds	2 721	2 399	190	160
	59 529	64 934	2 381	1 075
Share option valuation				
Valuation expense	137	–	137	–
	137	–	137	–
Operating lease and rental charges				
Computer and office equipment	193	–	–	–
Premises	25 005	20 244	154	–
	25 198	20 244	154	–

Notes to the annual financial statements *continued*

for the year ended 31 August

15. PROFIT/(LOSS) FROM OPERATIONS *(continued)*

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

Lessee	Province	Escalation clause and renewal option	Lessor	Expiry date of lease
New Way (Pty) Limited	Cape	Monthly rent shall increase by 8% each year, renewal escalation to be agreed upon	Neptune Investments (Pty) Limited	31 August 2011
New Way (Pty) Limited	Natal	Monthly rent shall increase by 7,4% each year, renewal escalation to be agreed upon	MBD Family Trust	31 March 2014
New Way (Pty) Limited	Cape	Monthly rent shall increase by 8% each year, with renewal option	Septy Investments (Pty) Limited	30 November 2011
New Way (Pty) Limited	Gauteng	Monthly rent shall increase by 8% each year, with renewal option	30-38 Jacoba, Alberton North (Pty) Limited	30 April 2019
Austro Group Limited on behalf of Austro Wood (Pty) Limited	Gauteng	Monthly rent shall increase by 9% each year, with renewal option	Austrian Woodworking Machinery (Pty) Limited	31 August 2019
Austro Group Limited on behalf of Austro Wood (Pty) Limited	Gauteng	Monthly rent shall increase by the greater of 9% or the consumer price index each year, with renewal option	Salamax 1987 (Pty) Limited	31 July 2019
Austro Wood (Pty) Limited	Natal	Monthly rent shall increase by 9% each year, with renewal option	The Grid Group – Wingay Development Company (Pty) Limited	30 June 2016
Austro Wood (Pty) Limited	Gauteng	Monthly rent shall increase by 8% each year, with renewal option	Richard Road Properties Investments CC	31 March 2016

No contingent rent is payable.

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

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Profit/(loss) on disposal of plant and equipment				
Profit on disposal of plant and equipment	45	1 047	–	–
Loss on disposal of plant and equipment	(284)	–	–	–
	(239)	1 047	–	–
Audit fees				
Audit services	1 349	1 379	447	267
Non-audit services provided by auditors	56	76	27	–
	1 405	1 455	474	267
16. INTEREST RECEIVED				
Funds on deposits with banks	4 077	4 581	392	3 693
Interest received from related parties	2 495	3 324	11 034	65
Interest received from taxation authorities	1	540	1	–
Other	231	114	–	8
	6 804	8 559	11 427	3 766

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
17. INTEREST PAID				
Bank overdraft	3 905	11 556	1 634	9 524
Interest paid to related parties	–	65	–	–
Interest paid/(reversed) to taxation authorities	18	(99)	–	(360)
Other	19	16	–	–
	3 942	11 538	1 634	9 164
18. TAXATION				
South African normal taxation				
Current year	3 641	11 109	–	–
Prior year over provision	(1 820)	(751)	–	–
Secondary tax on companies				
Current year	863	1 726	863	1 726
Prior year over provision	–	(294)	–	–
Deferred taxation				
Current year	(9 032)	(1 493)	(4 220)	44
Prior year under provision	–	230	–	–
	(6 348)	10 527	(3 357)	1 770
Reconciliation of taxation				
Taxation at South African normal taxation rate	25	9 425	3 120	156
Permanent differences	2 038	300	114	11
Tax losses current year	(934)	–	(3 388)	(123)
Tax losses prior year	–	(123)	–	–
Deferred tax asset raised on assessed loss	(6 520)	–	(4 066)	–
Prior year adjustment normal taxation	(1 820)	(844)	–	–
Prior year adjustment deferred taxation	–	230	–	–
Current year adjustment normal taxation	–	18	–	–
Capital gains taxation current year	–	14	–	–
Secondary tax on companies	863	1 507	863	1 726
Taxation per statement of comprehensive income	(6 348)	10 527	(3 357)	1 770
19. CASH GENERATED FROM/(UTILISED IN) OPERATIONS				
Profit before taxation	91	33 657	11 143	559
Adjusted for:				
Depreciation	9 140	9 479	25	–
Loss/(profit) on disposal of plant and equipment	239	(1 047)	–	–
Net interest paid/(received)	(2 862)	2 979	(9 793)	5 398
Impairment provision against inventories utilised (refer note 6)	(19 051)	(3 830)	–	–
Impairment provision against trade and other receivables (utilised)/raised (refer note 7)	4 913	(1 301)	–	–
Cash from operations before working capital movements	(7 530)	39 937	1 375	5 957
Decrease/(increase) in working capital	87 389	110 455	(3 251)	(4 088)
Decrease in inventories	95 235	85 887	–	–
Increase in trade and other receivables	(5 778)	(3 086)	(3 680)	(2 079)
(Decrease)/increase in trade and other payables	(2 068)	27 654	429	(2 009)
Cash generated from/(utilised in) operations	79 859	150 392	(1 876)	1 869

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
20. TAXATION PAID				
Taxation payable at the beginning of year	(4 072)	(1 544)	(4 000)	(2 975)
Taxation per the statement of comprehensive income	(2 684)	(11 790)	(863)	(1 726)
Taxation (receivable)/payable at the end of the year	(1 357)	4 072	–	4 000
	(8 113)	(9 262)	(4 863)	(701)
21. PROCEEDS ON DISPOSAL OF PLANT AND EQUIPMENT				
Book value of assets disposed	1 579	5 200	–	–
(Loss)/Profit on disposal of plant and equipment	(239)	1 047	–	–
Proceeds on disposal of plant and equipment	1 340	6 247	–	–
22. COMMITMENTS				
Capital commitments				
Austro Wood (Pty) Limited had committed to acquire the businesses of EdgePro (Pty) Limited and EdgePro Natal (Pty) Limited at year-end. For more information refer to the Directors' report and the heading: past-statement of financial position.				
Operating lease commitments				
Computer and office equipment	575	–	–	–
Premises	195 955	94 895	–	–
	196 530	94 895	–	–
These commitments accrue in the following periods:				
Due by August 2011	–	8 355	–	–
Due by August 2012	21 070	7 940	–	–
Due by August 2013	21 509	8 543	–	–
Due by August 2014	23 134	9 312	–	–
Due by August 2015	24 535	–	–	–
Thereafter	106 282	60 745	–	–
	196 530	94 895	–	–

23. RETIREMENT BENEFITS

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

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

	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
24. FINANCIAL INSTRUMENTS						
24.1 Categories of financial instruments						
2011						
ASSETS						
Non-current assets						
Plant and equipment	–	–	–	38 018	–	38 018
Goodwill	–	–	–	229 742	–	229 742
Loans receivable	–	482	–	–	–	482
Deferred taxation	–	–	–	8 717	–	8 717
Current assets						
Inventories	–	–	–	177 869	–	177 869
Trade and other receivables	–	71 240	–	4 785	–	76 025
Taxation receivable	–	–	–	1 465	–	1 465
Cash and cash equivalents	–	48 988	–	–	–	48 988
	–	120 710	–	460 596	–	581 306
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	–	–	–	–	4	4
Share premium	–	–	–	–	295 697	295 697
Accumulated profits	–	–	–	–	221 409	221 409
Current liabilities						
Current portion of interest-free liabilities	–	–	3 426	–	–	3 426
Trade and other payables	–	–	57 851	2 811	–	60 662
Taxation payable	–	–	–	108	–	108
	–	–	61 277	2 919	517 110	581 306

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
24. FINANCIAL INSTRUMENTS (CONTINUED)						
24.1 Categories of financial instruments (continued)						
2010						
ASSETS						
Non-current assets						
Plant and equipment	–	–	–	43 597	–	43 597
Goodwill	–	–	–	229 742	–	229 742
Deferred taxation	–	–	–	64	–	64
Current assets						
Inventories	–	–	–	254 053	–	254 053
Trade and other receivables	–	72 662	–	2 498	–	75 160
Taxation receivable	–	–	–	557	–	557
Cash and cash equivalents	–	42 390	–	–	–	42 390
	–	115 052	–	530 511	–	645 563
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	–	–	–	–	4	4
Share premium	–	–	–	–	322 103	322 103
Accumulated profits	–	–	–	–	223 598	223 598
Non-current liabilities						
Interest-free liabilities	–	–	3 426	–	–	3 426
Deferred taxation	–	–	–	379	–	379
Current liabilities						
Current portion of interest-free liabilities	–	–	3 426	–	–	3 426
Trade and other payables	–	–	55 479	7 251	–	62 730
Taxation payable	–	–	–	4 629	–	4 629
Bank overdraft	–	–	25 268	–	–	25 268
	–	–	87 599	12 259	545 705	645 563

24.2 Interest rate risk management

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

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

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



	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
24. FINANCIAL INSTRUMENTS (CONTINUED)				
24.2 Interest rate risk management (continued)				
The group's interest rate profile consists of floating rate loans and bank balances which expose the company to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:				
Financial assets				
Loans granted and bank deposits at no interest	71 722	72 662	5 845	106 333
Loans granted and bank deposits linked to South African money market rates	48 988	42 390	72 912	40 432
	120 710	115 052	78 757	146 765
Financial liabilities				
Financing received and banking facilities at no interest	61 277	62 331	5 023	8 020
Financing received and banking facilities linked to South African prime rates	–	25 268	–	35 783
	61 277	87 599	5 023	43 803

	Carrying value at statement of financial position date R'000	Reasonable possible change %	Pre-tax statement of comprehensive income impact R'000
Interest rate sensitivity analysis			
2011			
Financial assets			
Loans granted and bank deposits linked to South African money market rates	48 988	1	490
			490
Interest rate sensitivity analysis			
2010			
Financial assets			
Loans granted and bank deposits linked to South African money market rates	42 390	1	424
			424
Financial liabilities			
Financing received and banking facilities linked to South African prime rates	25 268	1	253
			253

24.3 Credit risk management

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

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

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

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

Notes to the annual financial statements continued

for the year ended 31 August

	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
24. FINANCIAL INSTRUMENTS (CONTINUED)						
24.3 Credit risk management (continued)						
2011						
Financial assets that are neither past due nor impaired	35	52 572	7 996	25 869	640	87 112
Financial assets that are past due but not yet impaired	180	4 897	3 520	24 538	–	33 135
Overdue less than 30 days	–	339	961	8 306	–	9 606
Between 30 and 60 days	2	3 150	1 727	4 808	–	9 687
Between 60 and 90 days	178	1 408	832	3 886	–	6 304
90 days and more	–	–	–	7 538	–	7 538
Financial assets that are impaired	–	–	–	461	2	463
Carrying amount	–	–	–	7 787	19	7 806
Provision for impairment	–	–	–	(7 326)	(17)	(7 343)
Total credit exposure	215	57 469	11 516	50 868	642	120 710

Included in the above are the trade receivables to the value of R22,1 million with extended credit terms.

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

	Government/ parastatals R'000	Major listed corporates R'000	Other corporates R'000	Small and medium enterprises R'000	Other R'000	Total R'000
2010						
Financial assets that are neither past due nor impaired	–	49 811	8 792	5 558	354	64 515
Financial assets that are past due but not yet impaired						
Secured	220	9 080	15 869	23 288	–	48 457
Overdue less than 30 days	22	5 142	7 312	13 096	–	25 572
Between 30 and 60 days	29	78	2 261	6 810	–	9 178
Between 60 and 90 days	–	764	1 120	637	–	2 521
90 days and more	169	3 096	5 176	2 745	–	11 186
Unsecured	–	–	–	2 080	–	2 080
Overdue less than 30 days	–	–	–	1 402	–	1 402
Between 30 and 60 days	–	–	–	–	–	–
Between 60 and 90 days	–	–	–	678	–	678
90 days and more	–	–	–	–	–	–
Financial assets that are impaired	–	–	–	–	–	–
Carrying amount	–	50	1 127	1 007	246	2 430
Provision for impairment	–	(50)	(1 127)	(1 007)	(246)	(2 430)
Total credit exposure	220	58 891	24 661	30 926	354	115 052

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Liquidity risk management

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

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

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

The tables include both interest and principal cash flows.

	No terms 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
2011						
Interest-free liabilities	–	3 426	–	–	–	3 426
Trade and other payables	–	57 851	–	–	–	57 851
	–	61 277	–	–	–	61 277
2010						
Interest-free liabilities	–	3 426	3 426	–	–	6 852
Trade and other payables	–	55 479	–	–	–	55 479
Bank overdraft	–	25 268	–	–	–	25 268
	–	84 173	3 426	–	–	87 599

24.5 Capital risk management

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

The capital structure of the group consists of debt, cash and cash equivalents and equity attributable to holders of the parent, comprising issued capital, reserves and retained earnings.

Notes to the annual financial statements continued

for the year ended 31 August

25. DIRECTORS' EMOLUMENTS

Directors' emoluments including direct and indirect benefits, for the period ended 31 August 2011 is as follows:

Directors of Austro Group Limited

	Settlement pay R'000	Board and committee fees R'000	Salary R'000	Bonus R'000	Company benefits R'000	Expense allowance R'000	Contri- butions to pension or provident fund scheme R'000	Total R'000
Non-executive directors								
AJ Phillips	–	399	–	–	–	–	–	399
DS Brouze	–	126	–	–	–	–	–	126
GS Nzalo	–	214	–	–	–	–	–	214
U Schäckermann	–	189	–	–	–	–	–	189
Executive directors								
C Jacobs	–	–	1 498	240	–	6	102	1 846
JA Bennie	–	–	–	–	–	–	–	–
JO Freed	–	–	2 931	270	64	84	–	3 349
JR Freed	–	–	2 674	255	83	–	106	3 118
P Sigsworth	–	–	1 159	410	–	–	72	1 641
RE Moss	1 498	–	433	100	220	–	30	2 281
	1 498	928	8 695	1 275	367	90	310	13 163

Company benefits include leave pay and medical aid contributions.

For details of directors' participation in the group's phantom share scheme, refer to note 28. No amounts have been included in the above in respect of phantom shares as none were exercised during the period.

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

Directors' emoluments including direct and indirect benefits for the period ended 31 August 2010 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	340	–	–	–	–	340
GS Nzalo	133	–	–	–	–	133
U Schäckermann	210	–	–	–	–	210
DS Brouze	120	–	–	–	–	120
Executive directors						
JO Freed	–	2 399	270	64	84	2 817
JR Freed	–	2 763	150	171	–	3 084
JA Bennie	–	818	48	65	–	931
RE Moss	–	1 194	100	115	–	1 409
	803	7 174	568	415	84	9 044

26. 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.

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

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

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

RE Moss, was a director of Austro Group Limited and Austro Wood (Pty) Limited.

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

Q Dry, who was a key executive of New Way Power (Pty) Limited, was also a director and shareholder of 84 Bluff Road Properties CC.

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

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

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

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

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
26. RELATED PARTIES (CONTINUED)				
26.1 Related party transactions				
Interest received				
New Way Power (Pty) Limited: interest received on insurance premiums	-	-	-	23
Austro Wood (Pty) Limited: interest received on insurance premiums	-	-	-	42
30-38 Jacoba Alberton North (Pty) Limited: Property loan (DS Brouze, director)	2 495	3 259	-	-
	2 495	3 259	-	65
Interest paid				
Austro Group Limited	-	65	-	-
	-	65	-	-
Management/administration fees received				
Austro Group Limited	-	-	9 165	14 668
	-	-	9 165	14 668
Management/administration fees paid				
Austro Wood (Pty) Limited	-	-	4 590	5 041
New Way Power (Pty) Limited	-	-	4 575	9 627
	-	-	9 165	14 668
Other fees paid				
84 Bluff Road Properties CC: rent paid (Q Dry, director)	-	338	-	-
Salamax 1987 (Pty) Limited: rent paid (DS Brouze, director)	4 402	6 659	-	-
Straightprops (Pty) Limited: rent paid (JR Moss, related to RE Moss, director)	-	1 220	-	-
Septay Investments (Pty) Limited: rent paid (JO Freed, director)	624	-	-	-
Vonnie CC: rent paid (JO Freed, director)	120	720	-	-
Austrian Woodworking Machinery (Pty) Limited: rent paid (DS Brouze, director)	3 039	4 069	-	-
30-38 Jacoba Alberton North (Pty) Limited (Property rental for Alberton) (DS Brouze, director)	6 123	4 080	-	-
Austro Wood (Pty) Limited: rent paid Neptune Investments (Pty) Limited: rent paid (HT Heye, director, connection via parents)	-	-	154	144
	217	240	-	-
JoVader Trading CC trading as Intercon Computer Services risk management and high level IT support (U Schäckermann, director)	121	-	-	-
	14 646	17 326	154	144
Inter-company sales				
Austro Wood (Pty) Limited	-	9 721	-	-
New Way Power (Pty) Limited	9 797	17 205	-	-
	9 797	26 926	-	-

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
26. RELATED PARTIES (CONTINUED)				
26.2 Related party balances				
In trade and other receivables and (trade and other payables):				
Austro Group Limited				
New Way Power (Pty) Limited	-	-	-	(1 664)
Austro Wood (Pty) Limited	-	-	-	(417)
New Way Power (Pty) Limited				
Austro Group Limited	-	1 664	-	-
Austro Wood (Pty) Limited	-	(60)	-	-
Austro Wood (Pty) Limited				
Austro Group Limited	-	417	-	-
New Way Power (Pty) Limited	-	60	-	-
		2 081		(2 081)
Other balances with related parties				
Salamax payable relating to rental of premises (DS Brouze, director)	400	-	-	-
30-38 Jacoba Alberton North (Pty) Ltd (Property rental for Alberton)	586	(4 080)	-	-
30-38 Jacoba Alberton North (Pty) Ltd (Property)	-	750	-	-
Austrian Woodworking Machinery (Pty) Limited relating to rental of premises (DS Brouze, director)	252	(265)	-	-
	1 238	(3 595)		
Loans receivable intergroup				
New Way Power (Pty) Limited	-	-	19 900	41 349
Austro Wood (Pty) Limited	-	-	51 169	62 819
	-	-	71 069	104 168
27. EARNINGS PER SHARE				
Number of shares in issue	395 693 678	431 413 384		
Weighted average number of shares	419 758 013	431 413 384		
Earnings per share (cents)	1,5	5,4		
Total comprehensive income for the year	6 439	23 130		
Weighted average number of shares	419 758 013	431 413 384		
Headline and diluted earnings per share (cents)	1,6	5,2		
Headline earnings	6 645	22 230		
Weighted average number of shares	419 758 013	431 413 384		
Reconciliation of earnings to headline earnings:	6 645	22 230		
Total comprehensive income for the year	6 439	23 130		
Net loss/(profit) on disposal of plant and equipment	239	(1 047)		
Tax effect thereon	(33)	147		

Notes to the annual financial statements continued

for the year ended 31 August

28. EMPLOYEE BENEFITS

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

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

The award dates of the phantom shares are indicated below.

The vesting criteria of the phantom shares are as follows:

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

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

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

Directors' participation in share-linked incentive schemes

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

	2011 Number of shares '000	2010 Number of shares '000
At the beginning of the year	4 000	–
Issued:		
Award date – 1 June 2010	–	8 000
Award date – 24 November 2010	2 000	–
Exercised	–	–
Termination of employment – lapsed	(4 000)	(4 000)
Balance at the end of the year	2 000	4 000

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

RE Moss

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

The strike price was R0,55.

	2011 Number of shares '000	2010 Number of shares '000
Balance at beginning of year	4 000	–
Exercised	–	–
Issued:		
Award date – 1 June 2010	–	4 000
Termination of employment – lapsed	(4 000)	–
Balance at the end of the year	–	4 000

28. EMPLOYEE BENEFITS (continued)

JA Bennie

JA Bennie was allocated 4 000 000 phantom shares and they vest over a three-year period. The strike price was R0,55.

	2011 Number of shares '000	2010 Number of shares '000
Balance at beginning of year	-	-
Exercised	-	-
Issued:		
Award date – 1 June 2010	-	4 000
Termination of employment – lapsed	-	(4 000)
Balance at the end of the year	-	-

P Sigsworth

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

	2011 Number of shares '000	2010 Number of shares '000
Balance at beginning of year	-	-
Exercised	-	-
Issued:		
Award date – 24 November 2010	2 000	-
Balance at the end of the year	2 000	-

The remuneration committee agreed in September 2011 to allocate an additional 2 000 000 phantom shares to P Sigsworth with an award date of 24 November 2011 or such later date as the annual report and group results are published.

IFRS 2 phantom share valuation and expense

	2011 Valuation R'000	2010 Valuation R'000
Balance at beginning of year	-	-
Independent valuation of the fair value of the cash-settled share-based payment transactions	(137)	-
Liability at the end of the year	(137)	-

Scheme	Grants outstanding '000	Average value per grant (cents)	Outstanding life years	Expected cost R'000	Expensed R'000
Phantom Shares	2 000	14,92	5,23	298	(137)

Grant date	Vesting date	Term	Grants out- standing '000	Strike (cents) (cents)	Value per grant (cents) (cents)	MtM liability R'000	Expense for reporting period R'000
24 November 2010	24 November 2011	5,23	660	50,62	15,21	77	77
24 November 2010	24 November 2012	5,23	660	50,62	15,02	38	38
24 November 2010	24 November 2013	5,23	680	50,62	14,55	22	22
			2 000			137	137

Notes to the annual financial statements continued

for the year ended 31 August

28. EMPLOYEE BENEFITS (continued)

Independent fair valuation of the incentive awards made by Austro Group Limited

Method:

Employees will partake in the increase in value of Austro ordinary shares between the exercise date and the grant date. The exercise date can occur at any point in time after the vesting period, as a result the economic position is similar to holding a Bermudan call option (which may be exercised anytime between two specified dates, the vesting date and expiry date) on a dividend paying stock. The Binomial tree model on a dividend paying stock is used to price this option. In essence, the Bermudan is a non-standard American option whereby early exercise is restricted to only taking place after the vesting period.

This is a cash-settled share-based payment scheme. The total amount to be expensed over future periods is taken as the mark-to-market expected cost of the grant less the expenses recognised to prior reporting date. This total amount to be expensed is spread evenly over the period from prior reporting date (in this instance the grant date) to vesting date.

Assumptions:

Valuation Share Price

Closing price on 31 August 2011 R0,51

Volatility

Two-year historical share price volatility 45,17%

Interest Rates

Zero yield curve anchored on 31 August 2011 based on swap rates 5,39%–6,90%

Dividend Yield

Based on current dividend of 4 cents 7,84%

Grant (Strike) Price

As per first tranche R0,5062

Vesting Period

Up to 33% on or after the first anniversary of the grant date	24 November 2011
Up to 66% on or after the second anniversary of the grant date	24 November 2012
Up to 100% on or after the third anniversary of the grant date	24 November 2013

Expiration Date

Six years from the grant date 24 November 2016

A four-year daily historical horizon (this is the longest price history available for Austro Group Limited) was used to calculate the daily volatility, and annualised assuming 252 trading days in a year. No relevant data was found for implied volatilities for a single share option on Austro Group Limited.

This valuation is based on market consistent methods and assumptions.

Shareholders analysis

as at 26 August 2011

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	73	12,76	44 670	0,01
1 001 – 10 000 shares	242	42,31	1 157 325	0,29
10 001 – 100 000 shares	165	28,85	7 313 681	1,85
100 001 – 1 000 000 shares	52	9,09	16 609 012	4,20
1 000 001 shares and over	40	6,99	370 568 990	93,65
Totals	572	100,00	395 693 678	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks	6	1,05	17 649 573	4,46
Close corporations	21	3,67	3 200 347	0,81
Director holdings	7	1,22	136 258 695	34,43
Individuals	466	81,47	77 241 488	19,52
Insurance companies	3	0,52	3 077 857	0,78
Investment companies	5	0,87	28 769 750	7,27
Mutual funds	6	1,05	35 005 839	8,85
Nominees and trusts	29	5,07	30 309 680	7,66
Other corporations	10	1,75	50 111 796	12,66
Private companies	17	2,97	12 573 270	3,18
Retirement funds	2	0,36	1 495 383	0,38
Totals	572	100,00	395 693 678	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	8	1,40	180 193 695	45,54
Directors of the company	7	1,23	136 258 695	34,43
Strategic shareholder (more than 10%)	1	0,17	43 935 000	11,10
Public shareholders	564	98,60	215 499 983	54,46
Totals	572	100,00	395 693 678	100,00
BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE				
Brouze DS (direct and indirect beneficial)			107 908 695	27,27
Quixley Global Incorporated			43 935 000	11,10
Downs BD (direct beneficial)			33 381 250	8,44
Peregrine			25 847 125	6,53
Hermes			24 350 000	6,15
Freed JO (The Freed Trust) (indirect beneficial)			24 300 000	6,14

JSE statistics

for the year ended 31 August

	2011	2010
MARKET PRICE PER ORDINARY SHARE (CENTS)		
Closing 31 August	51	54
High for the year	60	66
Low for the year	45	44
Volume of units traded during the period	73 013 407	123 683 398
Number of transactions	751	1 449
Value of shares traded during the period (Rand)	37 069 886	63 833 732

Annual timetable of events

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

Notice of annual general meeting



AUSTRO GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2001/029771/06)

JSE Code: ASO

ISIN: ZAE000090882

Notice is hereby given that the annual general meeting of shareholders of Austro Group Limited (the company) will be held at 10:00 on Wednesday, 25 January 2012 at 1125 Leader Road, Stormill Ext 4, Roodepoort, Gauteng for the following purposes:

1. To consider the annual financial statements (including the reports of the directors, the audit and risk committee, and of the independent auditors) for the financial year ended 31 August 2011;
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 71 of 2008), 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 basis:

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 counterparty;
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 2011) 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 5 (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 released on SENS prior to commencement of the prohibited period;
7. 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 JSE Listings Requirements which may be applicable from time to time; and
8. 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 terms of the Act, the passing of Special Resolution Number 1 requires the approval of a 75% majority of voting rights exercised on the resolution.

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

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

The directors 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 buy-back 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.

Notice of annual general meeting continued

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 JSE Listings Requirements for purposes of this general authority:

- Directors – pages 6 and 7
- Directors' interests in ordinary shares – page 36
- Share capital of the company – page 56
- Major beneficial shareholders – page 75

Litigation statement

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

Directors' responsibility statement

The directors, whose names appear on pages 6 and 7 of the annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the 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 Act, and the JSE Listings Requirements.

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 2011 and up to the date of this notice.

Reasons for and effects of Special Resolution Number 1

The reason for Special Resolution Number 1 is to afford directors of the company or a subsidiary of the company general authority to effect a buy-back 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.

SPECIAL RESOLUTION NUMBER 2: APPROVAL OF DIRECTORS' REMUNERATION FOR THEIR SERVICES AS DIRECTORS

"To consider and if deemed fit, to pass, with or without modification, the following special resolution:

- that the fees per financial year payable by the company to the non-executive directors for their services as directors (in terms of section 66 of the Act) be and are hereby approved for a period of two years from the passing of this resolution or until its renewal, whichever is the earliest, as follows:

	Annual Fee	
Board Chairman	R315 000	(payable by way of retainer of R275 000, and R10 000 for each of the envisaged four meetings)
Non-executive director	R126 000	(payable by way of retainer of R86 000, and R10 000 for each of the envisaged four meetings)
Audit and Risk Committee Chairman	R63 000	
Audit Committee member	R31 500	
Remuneration and Nomination Committee Chairman	R52 500	
Remuneration and Nomination Committee member	R31 500	

- that an annual increase to be determined by the Remuneration Committee and the Board, but not exceeding 10% of the fees payable for the preceding financial year to the non-executive directors for their services as directors, be and is hereby approved for a period of two years from the passing of this resolution or until its renewal, whichever is the earliest."

In terms of the Act, the passing of Special Resolution Number 2 requires the approval of a 75% majority of voting rights exercised on the resolution.

Reasons for and effects of Special Resolution Number 2

To obtain shareholder approval by way of a special resolution in accordance with section 66 of the Act for the payment by the company of remuneration of each of the non-executive directors of the company for each non-executive director's services as a non-executive director.

As the fees payable to non-executive directors are, from time to time, benchmarked to other companies with a similar market capitalisation taking into account the estimated time and the other requirements of directors, an annual increase not exceeding 10% is proposed for approval in the subsequent year.

SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE TO INTER-RELATED COMPANIES

"Resolved that, to the extent required by the Act, the Board of directors of the company may, subject to compliance with the requirements of the company's Memorandum of Incorporation, the Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance in terms of section 45 of the Act by way of loans, guarantees, the provisions of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related (as defined in the Act) to the company for any purpose or in connection with any matter, such authority to endure until the annual general meeting of the company to be held in respect of the ensuing financial year."

In terms of the Act, the passing of Special Resolution Number 3 requires the approval of a 75% majority of voting rights exercised on the resolution.

Reason for and effect of Special Resolution Number 3

The company, when the need previously arose, had to provide loans to and guarantee loans or other obligations of subsidiaries and was not precluded from doing so in terms of its articles of association or in terms of the Companies Act, 61 of 1973, as amended. The company would like the ability to continue to provide financial assistance, if necessary, also in other circumstances, in accordance with Section 45 of the Act. This authority is necessary for the company to continue to provide financial assistance in appropriate circumstances. Under the Act, the company will, however, require the special resolution referred to above to be adopted, provided that the Board of directors of the company be satisfied that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company and, immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test contemplated in the Act. In the circumstances and in order to, *inter alia*, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in Special Resolution Number 3. Therefore, the reason for, and effect of, Special Resolution Number 3 is to permit the company to provide direct or indirect financial assistance (within the meaning attributed to that term in Section 45 of the Act) to the entities referred to in Special Resolution Number 3 above.

SPECIAL RESOLUTION NUMBER 4: CONVERSION OF SHARES

"Resolved that the ordinary shares in the company (comprising both the issued shares and the authorised and unissued shares) be and are hereby converted from ordinary shares with a nominal par value of R0,00001 each into shares of no par value on the basis that each existing share of R0,00001 be converted into one ordinary share with no par value in terms of article 8.7 of the company's existing memorandum of incorporation and that the memorandum of incorporation of the company be amended accordingly."

In terms of the Act, the passing of Special Resolution Number 4 requires the approval of a 75% majority of voting rights exercised on the resolution.

Reasons for and effect of Special Resolution Number 4

The reason for Special Resolution Number 4 is to convert all the ordinary shares of the company from ordinary shares with a par value of R0,00001 each into ordinary shares of no par value in compliance with the requirements of the Act.

The effect of Special Resolution Number 4 is that the company's ordinary shares will be converted from 1 000 000 000 authorised ordinary shares with a par value of R0,00001 each and 395 292 923 issued ordinary shares with a par value of R0,00001 each into 1 000 000 000 authorised ordinary shares of no par value and 395 292 923 issued ordinary shares of no par value.

Shareholders are referred to the report of the board of the company in respect of the proposed resolution to convert Austro's par value shares into no par value shares set out in Annexure B.

SPECIAL RESOLUTION NUMBER 5: ADOPTION OF NEW MEMORANDUM OF INCORPORATION

"Resolved that, subject to Special Resolution Number 4 above being passed by the requisite majority of shareholders and accordingly adopted in terms of Section 16(1) of the Act, the company's existing memorandum of incorporation shall be and is hereby substituted in their entirety with the Memorandum of Incorporation tabled at this meeting and initialled by the Chairman for identification purposes and attached to this notice as Annexure A (the "new Memorandum of Incorporation"). The new Memorandum of Incorporation will take effect from the date of approval of this Special Resolution Number 5."

In terms of the Act, the passing of Special Resolution Number 5 requires the approval of a 75% majority of voting rights exercised on the resolution.

The new Memorandum of Incorporation is available for inspection at the company's registered office, being 1125 Leader Avenue, Stormill Ext 4, Roodepoort from 18 November 2011 to 25 January 2012.

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 (fifteen months), to allot and issue ordinary shares for cash subject to the Rules and Requirements of the JSE on the following bases:

Notice of annual general meeting continued

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 JSE Listings Requirements;
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;
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 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party(ies) 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 thirty 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 JSE Listings Requirements 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 the Companies Act 2008 (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."

In terms of the Act, the passing of Ordinary Resolution Number 2 requires the approval of more than 50% of voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER 3: RE-ELECTION OF JO FREED, AS A DIRECTOR OF THE COMPANY

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

In terms of the Act, the passing of Ordinary Resolution Number 3 requires the approval of more than 50% of voting rights exercised on the resolution.

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

ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF C JACOBS, AS A DIRECTOR OF THE COMPANY

"Resolved that C Jacobs be re-elected as a director of the company."

In terms of the Act, the passing of Ordinary Resolution Number 4 requires the approval of more than 50% of voting rights exercised on the resolution.

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

ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF G NZALO, AS A DIRECTOR OF THE COMPANY

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

In terms of the Act, the passing of Ordinary Resolution Number 5 requires the approval of more than 50% of voting rights exercised on the resolution.

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

ORDINARY RESOLUTION NUMBER 6: RE-APPOINTMENT OF MEMBERS OF THE AUDIT AND RISK COMMITTEE

"Resolved that the following directors be re-appointed as members of the Audit and Risk Committee:

- U Schäckermann (Chairman);
- AJ Phillips;
- G Nzalo."

In terms of the Companies Act 2008, the passing of Ordinary Resolution Number 6 requires the approval more than 50% of voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER 7: RE-APPOINTMENT OF AUDITORS

"Resolved that PKF (Jhb) Inc (with S Kock being the designated audit partner) be re-appointed as auditors of the company."

In terms of the Act, the passing of Ordinary Resolution Number 7 requires the approval of more than 50% of voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER 8: SIGNATURE OF DOCUMENTATION

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

In terms of the Act, the passing of Ordinary Resolution Number 8 requires the approval of more than 50% of voting rights exercised on the resolution.

VOTING AND PROXIES

A shareholder of the company entitled to attend and vote at the annual 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, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107) to be received at least 48 hours prior to the annual general meeting. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual 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.

Important dates to note:

- Record date to receive this notice
- Record date to participate in and vote at the annual general meeting

Friday, 25 November 2011
Friday, 20 January 2012

By order of the board



Probity Business Services (Pty) Limited

Company Secretary

14 November 2011

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

Annexure A



THE COMPANIES ACT, NO. 71 OF 2008 (AS AMENDED)
MEMORANDUM OF INCORPORATION
of
AUSTRO GROUP LIMITED
a public company
Registration Number: 2001/029771/06
Registration Date: 12 December 2001

WHEREBY IT IS AGREED AS FOLLOWS:

1. INTERPRETATION

- 1.1. In this Memorandum of Incorporation, unless the context clearly indicates a contrary intention, the following words and expressions bear the meanings assigned to them and cognate expressions bear corresponding meanings –
- 1.1.1. **"Act"** means the Companies Act, No. 71 of 2008, as amended, consolidated or re-enacted from time to time, and includes all schedules to such Act;
 - 1.1.2. **"the Board"** means the board of Directors from time to time of the Company;
 - 1.1.3. **"Certificated Securities"** means Securities issued by the Company that are not Uncertificated Securities;
 - 1.1.4. **"Central Securities Depository"** has the meaning set out in section 1 of the Securities Services Act;
 - 1.1.5. **"Commission"** means the Companies and Intellectual Property Commission established by section 185 of the Act;
 - 1.1.6. **"Company"** means the company named on the first page of this document, duly incorporated under the registration number endorsed thereon;
 - 1.1.7. **"Director"** means a member of the Board as contemplated in section 66 of the Act, or an alternate director, and includes any person occupying the position of a director or alternate director, by whatever name designated;
 - 1.1.8. **"Electronic Communication"** has the meaning set out in section 1 of the Electronic Communications and Transactions Act, No 25 of 2002;
 - 1.1.9. **"IFRS"** means the International Financial Reporting Standards, as adopted from time to time by the International Accounting Standards Board, or its successor body, and approved for use in South Africa from time to time by the Financial Reporting Standards Council established in terms of section 203 of the Act;
 - 1.1.10. **"JSE"** means the exchange, licensed under the Securities Services Act, operated by JSE Limited (Registration number 2005/022939/06), a public company duly incorporated in South Africa;
 - 1.1.11. **"JSE Listings Requirements"** means the Listings Requirements of the JSE applicable from time to time;
 - 1.1.12. **"Participant"** has the meaning set out in section 1 of the Securities Services Act;
 - 1.1.13. **"Prescribed Officer"** means a person who, within the Company, performs any function that has been designated by the Minister in terms of section 66(10) of the Act, as defined in the Act;
 - 1.1.14. **"Regulations"** means the regulations published in terms of the Act from time to time;
 - 1.1.15. **"Republic"** means the Republic of South Africa;
 - 1.1.16. **"Securities"** means –
 - 1.1.16.1. any shares, notes, bonds, debentures or other instruments, irrespective of their form or title, issued, or authorised to be issued, by the Company; or
 - 1.1.16.2. anything falling within the meaning of "securities" as set out in section 1 of the Securities Services Act, and includes shares held in a private company;
 - 1.1.17. **"Securities Register"** means the register of issued Securities of the Company required to be established in terms of section 50(1) of the Act and referred to in clause 10 hereof;
 - 1.1.18. **"Securities Services Act"** means the Securities Services Act, No 36 of 2004, including any amendment, consolidation or re-enactment thereof;
 - 1.1.19. **"SENS"** means the Securities Exchange News Service established and operated by the Listings Division of the JSE;
 - 1.1.20. **"Share"** means one of the units into which the proprietary interest in the Company is divided;
 - 1.1.21. **"Shareholder"** means the holder of a Share who is entered as such in the Securities Register, subject to the provisions of section 57 of the Act;
 - 1.1.22. **"Solvency and Liquidity Test"** has the meaning attributed thereto in section 4 of the Act;
 - 1.1.23. **"Sub-register"** means the record of Uncertificated Securities administered and maintained by a Participant, which forms part of the Securities Register in terms of the Act;
 - 1.1.24. **"Uncertificated Securities"** means any "securities" defined as such in section 29 of the Securities Services Act; and
 - 1.1.25. **"Uncertificated Securities Register"** means the record of uncertificated securities administered and maintained by a Participant or Central Securities Depository, as determined in accordance with the rules of the Central Securities Depository.
- 1.2. In this Memorandum of Incorporation, unless the context clearly indicates otherwise –
- 1.2.1. words and expressions defined in the Act and which are not defined herein shall have the meanings given to them in the Act;
 - 1.2.2. a reference to the Act shall include reference to the Regulations;
 - 1.2.3. a reference to a section by number refers to the corresponding section of the Act;
 - 1.2.4. a reference to a clause by number refers to a corresponding provision of this Memorandum of Incorporation;
 - 1.2.5. in any instance where there is a conflict between a provision (be it expressed, implied or tacit) of this Memorandum of Incorporation and –
 - 1.2.5.1. an alterable or elective provision of the Act, the provision of this Memorandum of Incorporation shall prevail to the extent of the conflict; and

- 1.2.5.2. an unalterable or non-elective provision of the Act, the unalterable or non-elective provision of the Act shall prevail to the extent of the conflict unless the Memorandum of Incorporation imposes on the Company a higher standard, greater restriction, longer period of time or similarly more onerous requirement, in which event the relevant provision of this Memorandum of Incorporation shall prevail to the extent of the conflict;
- 1.2.6. clause headings are for convenience only and are not to be used in its interpretation;
- 1.2.7. an expression which denotes –
 - 1.2.7.1. any gender includes the other genders;
 - 1.2.7.2. a natural person includes a juristic person and vice versa; and
 - 1.2.7.3. the singular includes the plural and vice versa;
- 1.2.8. if the due date for performance of any obligation in terms of this Memorandum of Incorporation is a day which is not a business day then (unless otherwise stipulated), the due date for performance of the relevant obligation shall be the immediately succeeding business day;
- 1.2.9. any words or expressions defined in any clause shall, unless the application of any such word or expression is specifically limited to that clause, bear the meaning assigned to such word or expression throughout the whole of this Memorandum of Incorporation;
- 1.2.10. any reference to a notice shall be construed as a reference to a written notice, and shall include a notice which is transmitted electronically in a manner and form permitted in terms of the Act and/or the Regulations.
- 1.3. Any reference in this Memorandum of Incorporation to –
 - 1.3.1. “**days**” shall be construed as calendar days unless qualified by the word “business”, in which instance a “business day” will be any day other than a Saturday, Sunday or public holiday as gazetted by the government of the Republic from time to time;
 - 1.3.2. “**law**” means any law of general application, as amended and re-enacted from time to time, and includes the common law and any statute, constitution, decree, treaty, regulation, directive, ordinance, by-law, order or any other enactment of legislative measure of government (including local and provincial government) statutory or regulatory body which has the force of law; and
 - 1.3.3. “**writing**” means legible writing and in English and includes printing, typewriting, lithography or any other mechanical process, as well as any electronic communication in a manner and a form permitted in terms of the Act and/or the Regulations.
- 1.4. The words “include” and “including” mean “include without limitation” and “including without limitation”. The use of the words “include” and “including” followed by a specific example or examples shall not be construed as limiting the meaning of the general wording preceding it.
- 1.5. Unless otherwise provided, defined terms appearing in this Memorandum of Incorporation in title case shall be given their meaning as defined, while the same terms appearing in lower case shall be interpreted in accordance with their plain English meaning.
- 1.6. Unless specifically otherwise provided, any number of days prescribed shall be determined by excluding the first and including the last day or, where the last day falls on a day that is not a business day, the next succeeding business day.
- 1.7. Where figures are referred to in numerals and in words, and there is any conflict between the two, the words shall prevail, unless the context indicates a contrary intention.
- 1.8. Any reference herein to “this Memorandum of Incorporation” shall be construed as a reference to this Memorandum of Incorporation as amended from time to time.
- 1.9. Whenever any person is required to act “as an expert and not as an arbitrator” in terms of this Memorandum of Incorporation, then –
 - 1.9.1. the determination of the expert shall (in the absence of manifest error) be final and binding;
 - 1.9.2. subject to any express provision to the contrary, the expert shall determine the liability for his or its charges, which shall be paid accordingly;
 - 1.9.3. the expert shall be entitled to determine such methods and processes as he or it may, in his or its sole discretion, deem appropriate in the circumstances provided that the expert may not adopt any process which is manifestly biased, unfair or unreasonable;
 - 1.9.4. the expert shall consult with the relevant Parties (provided that the extent of the expert’s consultation shall be in his or its sole discretion) prior to rendering a determination; and
 - 1.9.5. having regard to the sensitivity of any confidential information, the expert shall be entitled to take advice from any person considered by him or it to have expert knowledge with reference to the matter in question.

2. JURISTIC PERSONALITY

- 2.1. The Company is a pre-existing company as defined in the Act and, as such, continues to exist as a public company as if it had been incorporated and registered in terms of the Act, as contemplated in item 2 of the Fifth Schedule to the Act, and this Memorandum of Incorporation replaces and supersedes the Memorandum and Articles of Association of the Company applicable immediately prior to the filing hereof.
- 2.2. The Company is incorporated in accordance with and governed by –
 - 2.2.1. the unalterable provisions of the Act, save to the extent that this Memorandum of Incorporation imposes on the Company a higher standard, greater restriction, longer period of time or similarly more onerous requirement;
 - 2.2.2. the alterable provisions of the Act, subject to the limitations, extensions, variations or substitutions set out in this Memorandum of Incorporation; and
 - 2.2.3. the other provisions of this Memorandum of Incorporation.

3. LIMITATION OF LIABILITY

No person shall, solely by reason of being an incorporator, Shareholder or Director of the Company, be liable for any liabilities or obligations of the Company.

4. POWERS OF THE COMPANY

- 4.1. The Company has all of the legal powers and capacity contemplated in the Act, and no provision contained in this Memorandum of Incorporation should be interpreted or construed as negating, limiting, or restricting those powers in any way whatsoever.
- 4.2. The legal powers and capacity of the Company are not subject to any restrictions, limitations or qualifications, as contemplated in section 19(1)(b)(ii) of the Act.

5. SPECIAL CONDITIONS

This Memorandum of Incorporation does not contain any special conditions applicable to the Company as contemplated in section 15(2)(b) or (c) of the Act.

Annexure A continued

6. CONSTRUCTIVE NOTICE

The Board shall be responsible for assessing if and when a person should be provided with a copy of a document relating to the Company notwithstanding that such document has been filed or is made available for inspection at an office of the Company, so that such person must be regarded as having received actual notice or knowledge of the contents of such document.

7. ACQUISITION AND CESSATION OF RIGHTS

A person –

- 7.1. acquires the rights associated with any particular securities of the Company when that person's name is entered in the Company's Securities Register as a person to whom those securities have been issued; and
- 7.2. ceases to have the rights associated with any particular securities of the Company when the transfer to another person, re-acquisition by the Company of those Securities has been entered in the Company's Securities Register.

8. ISSUE OF SHARES AND VARIATION OF RIGHTS

- 8.1. The Company is authorised to issue –
 - 8.1.1. 1,000,000,000 ordinary no par value Shares, of the same class, each of which ranks *pari passu* in respect of all rights and entitles the holder to – **[LR 10.5(a)]**
 - 8.1.1.1. vote on any matter to be decided by the Shareholders of the Company and to 1 (one) vote in respect of each Share held by a Shareholder in the case of a vote by means of a poll and to vote at every general meeting or annual general meeting, in person or by proxy; **[LR 10.5(b)]**
 - 8.1.1.2. participate proportionally in any distribution made by the Company; and
 - 8.1.1.3. receive proportionally the net assets of the Company upon its liquidation;
- 8.2. The Board shall not have the power to –
 - 8.2.1. increase or decrease the number of authorised Shares of any class of the Company's Shares; or
 - 8.2.2. consolidate and reduce the number of the Company's issued and authorised Shares of any class;
 - 8.2.3. subdivide its Shares of any class by increasing the number of its issued and authorised Shares of that class without an increase of its capital;
 - 8.2.4. reclassify any classified Shares that have been authorised but not issued; or
 - 8.2.5. classify any unclassified Shares that have been authorised but not issued; or
 - 8.2.6. determine the preferences, rights, limitations or other terms of any Shares, and such powers shall only be capable of being exercised by the Shareholders by way of a special resolution of the Shareholders and amendment to the Memorandum of Incorporation. **[LR 10.5(d)]**
- 8.3. Each Share issued by the Company has associated with it an irrevocable right of the Shareholder to vote on any proposal to amend the preferences, rights, limitations and other terms associated with that Share. The variation of any preferences, rights, limitations and other terms associated with any class of Shares as set out in this Memorandum of Incorporation may be enacted only by an amendment of this Memorandum of Incorporation approved by special resolution of the ordinary Shareholders. If any amendment of the Memorandum of Incorporation relates to the variation of any preferences, rights, limitation and other Share terms attaching to any other class of Shares already in issue, that amendment must not be implemented without a special resolution, taken by the holders of Shares in that class at a separate meeting. In such instances, the holders of such Shares will be allowed to vote at the meeting of ordinary Shareholders subject to clause 22.2. No resolution of Shareholders of the Company shall be proposed or passed, unless a special resolution of the holders of the Shares in that class approve the amendment **[LR 10.5 (c) and (e)]**
- 8.4. The authorisation and classification of shares, the creation of any class of shares, the conversion of one class of shares into one or more other classes, the consolidation of securities, the sub-division of securities, the change of the name of the Company, the increase of number of Shares, and, subject to clause 8.3, the variation of any preferences, rights, limitations and other terms associated with each class of Shares as set out in this Memorandum of Incorporation may be changed only by an amendment of this Memorandum of Incorporation by special resolution of the ordinary Shareholders and in accordance with the JSE Listings Requirements, to the extent required, save if such an amendment is ordered by a court in terms of section 16(1)(a) of the Act. **[LR 10.5(d), LR 10.5(e) and LR 10.9(c)]**
- 8.5. No Shares may be authorised in respect of which the preferences, rights, limitations or any other terms of any class of Shares may be varied in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7) of the Act. **[LR 10.5(g)]**
- 8.6. The Company may only issue Shares which are fully paid up and freely transferable and only within the classes and to the extent that those Shares have been authorised by or in terms of this Memorandum of Incorporation. **[LR 10.2(a)]**
- 8.7. The Board may, subject to clause 8.12 and the further provisions of this clause 8.7, resolve to issue Shares of the Company at any time, but –
 - 8.7.1. only within the classes and to the extent that those Shares have been authorised by or in terms of this Memorandum of Incorporation; and
 - 8.7.2. only to the extent that such issue has been approved by the Shareholders in general meeting, either by way of a general authority (which may be either conditional or unconditional) to issue Shares in its discretion or a specific authority in respect of any particular issue of Shares, in accordance with the JSE Listings Requirements, provided that, if such approval is in the form of a general authority to the Directors, it shall be valid only until the next annual general meeting of the Company or for 15 (fifteen) months from the date of the ordinary resolution, whichever is the earlier, and it may be varied or revoked by any general meeting of the Shareholders prior to such annual general meeting. **[LR 10.1]**
- 8.8. Alterations of share capital, authorised shares and rights attaching to a classes of Shares; all issues of Shares for cash and all issues of options and convertible securities granted or issued for cash must, in addition to the foregoing provisions, be in accordance with the JSE Listings Requirements. **[LR 10.9(a) and (c)]**
- 8.9. All Securities of the Company for which a listing is sought on the JSE and all Securities of the same class as Securities of the Company which are listed on the JSE must, notwithstanding the provisions of section 40(5) of the Act, but unless otherwise required by the Act, only be issued after the Company has received the consideration approved by the Board for the issuance of such Securities. **[LR 10.2(a)]**
- 8.10. Subject to section 40(5) to (7), when the Company has received the consideration approved by the Board for the issuance of any Shares –
 - 8.10.1. those Shares are fully paid up (section 40(4)(a)); and

- 8.10.2. the Company must issue those Shares and cause the name of the holder to be entered in the Company's Securities Register in accordance with sections 49 to 56 of the Act (section 40(4)(b)). For the sake of clarity, at the time when the Company has received the consideration approved by the Board for the issuance of Shares, such Shares shall at that time, in the absence of anything to the contrary specified in the resolution to issue such Shares as to the timing of the issue, be treated as having been issued by the Company.
- 8.11. Subject to what may be authorised by the Act, the JSE Listings Requirements and at meetings of Shareholders in accordance with clause 8.13, and subject to clause 8.14, the Board may only issue unissued Shares if such Shares have first been offered to existing ordinary Shareholders in proportion to their shareholding on such terms and in accordance with such procedures as the Board may determine, unless such Shares are issued for the acquisition of assets by the Company. **[LR 10.1]**
- 8.12. Notwithstanding the provisions of clauses 8.2, 8.8, 8.13 and 8.14, any issue of Shares, Securities convertible into Shares, or rights exercisable for Shares in a transaction, or a series of integrated transactions shall, in accordance with the provisions of section 41(3) of the Act, require the approval of the Shareholders by special resolution if the voting power of the class of Shares that are issued or are issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% (thirty percent) of the voting power of all the Shares of that class held by Shareholders immediately before that transaction or series of integrated transactions.
- 8.13. Notwithstanding the provisions of clause 8.11, the Shareholders may at a general meeting authorise the Directors to issue Shares of the Company at any time and/or grant options to subscribe for Shares as the Directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE, if so required under the JSE Listings Requirements, and comply with the JSE Listings Requirements. **[LR 10.1]**
- 8.14. Except to the extent that any such right is specifically included as one of the rights, preferences or other terms upon which any class of Shares is issued or as may otherwise be provided in this Memorandum of Incorporation (as is set out in clause 8.11), no Shareholder shall have any pre-emptive or other similar preferential right to be offered or to subscribe for any additional Shares issued by the Company.

9. CERTIFICATED AND UNCERTIFICATED SECURITIES

- 9.1. Securities of the Company are to be issued in certificated or uncertificated form, as shall be determined by the Board from time to time. Except to the extent otherwise provided in the Act, the rights and obligations of Security holders shall not be different solely on the basis of their Securities being Certificated Securities or Uncertificated Securities and each provision of this Memorandum of Incorporation applies with respect to any Uncertificated Securities in the same manner as it applies to Certificated Securities, unless otherwise stated or indicated by the context.
- 9.2. Any Certificated Securities may cease to be evidenced by certificates, and thereafter become Uncertificated Securities.
- 9.3. Any Uncertificated Securities may be withdrawn from the Uncertificated Securities Register, and certificates issued evidencing those Securities at the election of the holder of those Uncertificated Securities. A holder of Uncertificated Securities who elects to withdraw all or part of the Uncertificated Securities held by it in an Uncertificated Securities Register, and obtain a certificate in respect of those withdrawn Securities, may so notify the relevant Participant or Central Securities Depository as required by the rules of the Central Securities Depository.
- 9.4. After receiving notice from a Participant or Central Securities Depository, as the case may be, that the holder of Uncertificated Securities wishes to withdraw all or part of the Uncertificated Securities held by it in an Uncertificated Securities Register, and obtain a certificate in respect thereof, the Company shall –
- 9.4.1. immediately enter the relevant Security holder's name and details of its holding of Securities in the Securities Register and indicate on the Securities Register that the securities so withdrawn are no longer held in uncertificated form; and
- 9.4.2. within 10 (ten) business days (or 20 (twenty) business days in the case of a holder of Securities who is not resident within the Republic) prepare and deliver to the relevant person a certificate in respect of the Securities and notify the Central Securities Depository that the Securities are no longer held in uncertificated form.
- 9.5. The Company may charge a holder of its Securities a reasonable fee to cover the actual cost of issuing any certificate as contemplated in this clause.
- 9.6. At the request of the Company, and on payment of the fee prescribed in the Act or the Regulations, if any, a Participant or Central Securities Depository, as determined in accordance with the rules of the Central Securities Depository, must furnish the Company with all details of the Company's uncertificated securities reflected in the uncertificated Securities Register.

10. SECURITIES REGISTER

- 10.1. The Company must establish or cause to be established a Securities Register in the form prescribed by the Act and the Regulations and maintain the Securities Register in accordance with the prescribed standards.
- 10.2. As soon as practicable after issuing any Securities the Company must enter or cause to be entered in the Securities Register, in respect of every class of Securities it has issued –
- 10.2.1. the total number of Uncertificated Securities;
- 10.2.2. with respect to Certificated Securities –
- 10.2.2.1. the names and addresses of the persons to whom the Certificated Securities were issued;
- 10.2.2.2. the number of Certificated Securities issued to each of them;
- 10.2.2.3. in the case of Securities other than Shares as contemplated in section 43 of the Act, the number of those Securities issued and outstanding, and the names and addresses of the registered owners of the Securities and any holders of beneficial interests therein; and
- 10.2.2.4. any other prescribed information.
- 10.3. If the Company has issued Uncertificated Securities, or has issued Securities that have ceased to be Certificated Securities as contemplated in clause 9.2, a record must be administered and maintained by a Participant or Central Securities Depository, in the prescribed form, as the Uncertificated Securities Register, which –
- 10.3.1. forms part of the Securities Register; and
- 10.3.2. must contain, with respect to all Uncertificated Securities contemplated in this clause 10, any details referred to in clause 10.2.2, read with the changes required by the context or as determined by the rules of the Central Securities Depository.
- 10.4. The Securities Register or Uncertificated Securities Register maintained in accordance with the Act shall be sufficient proof of the facts recorded in it, in the absence of evidence to the contrary.
- 10.5. Unless all the Shares rank equally for all purposes, the Shares, or each class of Shares, and any other Securities, must be distinguished by an appropriate numbering system.

Annexure A continued

- 10.6. A certificate evidencing any Certificated Securities of the Company –
- 10.6.1. must state on its face –
 - 10.6.1.1. the name of the Company;
 - 10.6.1.2. the name of the person to whom the Securities were issued; and
 - 10.6.1.3. the number and class of Shares and designation of the series, if any, evidenced by that certificate;
 - 10.6.2. must be signed by 2 (two) persons authorised by the Board, which signatures may be affixed or placed on the certificate by autographic, mechanical or electronic means; and
 - 10.6.3. is proof that the named Security holder owns the Securities, in the absence of evidence to the contrary.
- 10.7. A certificate remains valid despite the subsequent departure from office of any person who signed it.
- 10.8. If, as contemplated in clause 10.5, all of the Shares rank equally for all purposes, and are therefore not distinguished by a numbering system –
- 10.8.1. each certificate issued in respect of those Shares must be distinguished by a numbering system; and
 - 10.8.2. if the Share has been transferred, the certificate must be endorsed with a reference number or similar device that will enable each preceding holder of the Share in succession to be identified,
- provided that in terms of Schedule 5 of the Act, if the Company is a pre-existing company (as defined in the Act), the failure of any Share certificate to satisfy the provisions of clauses 10.6 to 10.8 is not a contravention of the Act and does not invalidate that certificate.

11. TRANSFER OF SECURITIES

- 11.1. The instrument of transfer of any Certificated Securities shall be signed by both the transferor and the transferee and the transferor shall be deemed to remain the holder of such Certificated Securities until the name of the transferee is entered in the Securities Register. The Directors may, however, in their discretion in such cases as they deem fit, dispense with requiring the signature of the transferee on the instrument of transfer.
- 11.2. Subject to such restrictions as may be applicable, (whether by virtue of the preferences, rights, limitations or other terms associated with the Securities in question), but in no way derogating from the provisions of clauses 8.6 and 12 regarding Shares and Securities being freely transferable, any Shareholder or holder of other Securities may transfer all or any of its Certificated Securities by instrument in writing in any usual or common form or any other form which the Directors may approve.
- 11.3. Every instrument of transfer shall be delivered to the principal place of business of the Company, accompanied by –
- 11.3.1. the certificate issued in respect of the Certificated Securities to be transferred; and/or
 - 11.3.2. such other evidence as the Company may require to prove the title of the transferor, or his or her right to transfer the Certificated Securities.
- 11.4. All authorities to sign transfer deeds or other instruments of transfer granted by holders of Securities for the purpose of transferring Certificated Securities which may be lodged, produced or exhibited with or to the Company at its registered office shall, as between the Company and the grantor of such authorities, be taken and deemed to continue and remain in full force and effect, and the Company may allow the same to be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at such of the Company's offices at which the authority was first lodged, produced or exhibited. Even after the giving and lodging of such notice, the Company shall be entitled to give effect to any instruments signed under the authority to sign and certified by any officer of the Company as being in order before the giving and lodging of such notice. **[LR 10.2(b)]**
- 11.5. All instruments of transfer, when registered, shall either be retained by the Company or disposed of in such manner as the Directors shall from time to time decide. Any instrument of transfer which the Directors may decline to register shall (unless the Directors shall resolve otherwise) be returned on demand to the person who lodged it.
- 11.6. The transfer of Uncertificated Securities may be effected only –
- 11.6.1. by a Participant or Central Securities Depository;
 - 11.6.2. on receipt of an instruction to transfer sent and properly authenticated in terms of the rules of a Central Securities Depository or an order of a Court; and
 - 11.6.3. in accordance with section 53 of the Act and the rules of the Central Securities Depository.
- 11.7. Transfer of ownership in any Uncertificated Securities must be effected by debiting the account in the Uncertificated Securities Register from which the transfer is effected and crediting the account in the Uncertificated Securities Register to which the transfer is effected, in accordance with the rules of the Central Securities Depository.
- 11.8. Securities transfer tax and other legal costs payable in respect of any transfer of Securities pursuant to this Memorandum of Incorporation will be paid by the Company to the extent that the Company is liable therefor in law, but shall, to that extent, be recoverable from the person acquiring such Securities.

12. NO LIEN

It is recorded for the avoidance of doubt that fully paid Securities shall not be subject to any lien in favour of the Company and shall be freely transferable. **[LR 10.12]**

13. TRANSMISSION OF SECURITIES

- 13.1. The executor of the estate of a deceased sole holder of a Security shall be the only person recognised by the Company as having any title to such Security. In the case of a Security registered in the names of 2 (two) or more holders, the survivor or survivors, or the executor of the estate of any deceased Shareholder, as determined by the Board, shall be the only person recognised by the Company as having any title to the Security. Any person who submits proof of his appointment as the executor, administrator, trustee, curator, or guardian in respect of the estate of a deceased Shareholder or holder of other Securities ("Security Holder") of the Company, or of a Security Holder whose estate has been sequestrated or of a Security Holder who is otherwise under a disability or as the liquidator of any body corporate which is a Security Holder of the Company, shall be entered in the Securities Register *nomine officii*, and shall thereafter, for all purposes, be deemed to be a Security Holder. **[LR 10.13]**
- 13.2. If when called upon by the Directors to do so the executor fails to register the deceased's Securities in its name or the names of the heir or legatees, the Securities shall not be capable of being forfeited, but shall continue to be registered in the names of the deceased or the executor's name *nomine officio*.

- 13.3. Subject to the provisions of clause 13.1, any person becoming entitled to any Security by virtue of the death of a Security Holder shall, upon producing such evidence that he has such title or rights as the Directors think sufficient, have the right either to have such Security transferred to himself or to make such other transfer of the Security as such Security Holder could have made, provided that in respect of a transfer other than to himself –
- 13.3.1. the Directors shall have the same right to refuse or suspend registration as they would have had in the case of a proposed transfer of such Security by such Security Holder before his death; and
- 13.3.2. a person becoming entitled to any Security shall not, unless and until he is himself registered as a Security Holder in respect of such Security, be entitled to exercise any voting or other right attaching to such Security or any other right relating to meetings of the Company.

14. DEBT INSTRUMENTS

The Board may authorise the Company to issue secured or unsecured debt instruments as set out in section 43(2) of the Act, but no special privileges associated with any such debt instruments as contemplated in section 43(3) of the Act may be granted, and the authority of the Board in such regard is limited by this Memorandum of Incorporation. **[LR 10.10]**

15. CAPITALISATION SHARES [LR 10.6]

- 15.1. Provided such transaction(s) has/have been approved by the JSE, if so required under the JSE Listings Requirements, (and the JSE Listings Requirements have been complied with), the Board shall, in accordance with section 47 of the Act, have the power or authority to –
- 15.1.1. approve the issue of any authorised Shares, as capitalisation Shares, on a pro rata basis to the Shareholders of one or more classes of Shares; or
- 15.1.2. issue Shares of one class as capitalisation Shares in respect of Shares of another class; or
- 15.1.3. resolve to permit Shareholders, that are entitled, to elect to receive a cash payment in lieu of a capitalisation Share.
- 15.2. The Board may not resolve to offer a cash payment in lieu of awarding a capitalisation Share, as contemplated in clause 15.1.3, unless the Board –
- 15.2.1. has considered the Solvency and Liquidity Test as required by section 46, on the assumption that every such Shareholder would elect to receive cash; and
- 15.2.2. is satisfied that the Company would satisfy the Solvency and Liquidity Test immediately upon the completion of the distribution.

16. BENEFICIAL INTERESTS IN SECURITIES

The Company's issued Securities may be held by, and registered in the name of, one person for the beneficial interest of another person as set out in section 56(1) of the Act.

17. FINANCIAL ASSISTANCE

The Board may authorise the Company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any Securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any such Securities, as set out in section 44 of the Act, and the authority of the Board in this regard is not limited or restricted by this Memorandum of Incorporation.

18. ACQUISITION BY THE COMPANY OF ITS OWN SHARES

- 18.1. Subject to the JSE Listings Requirements, the provisions of section 48 of the Act and the further provisions of this clause 18 –
- 18.1.1. the Board may determine that the Company acquire a number of its own Shares; and
- 18.1.2. the Board of any subsidiary of the Company may determine that such subsidiary acquire Shares of the Company, but –
- 18.1.2.1. not more than 10% (ten percent), in aggregate, of the number of issued Shares of any class may be held by, or for the benefit of, all of the subsidiaries of the Company, taken together; and
- 18.1.2.2. no voting rights attached to those Shares may be exercised while the Shares are held by that subsidiary and it remains a subsidiary of the Company.
- 18.2. Any decision by the Company to acquire its own Shares must satisfy the JSE Listings Requirements and the requirements of section 46 of the Act and, accordingly, the Company may not acquire its own Shares unless –
- 18.2.1. for as long as it is required in terms of the JSE Listings Requirements, the acquisition has been approved by a special resolution of the Shareholders in terms of the JSE Listings Requirements, whether in respect of a particular repurchase or generally approved by Shareholders and unless such acquisition otherwise complies with sections 5.67 to 5.69 of the JSE Listings Requirements (or such other sections as may be applicable from time to time); **[LR 10.9(b)]**
- 18.2.2. the acquisition –
- 18.2.2.1. is pursuant to an existing legal obligation of the Company, or a court order; or
- 18.2.2.2. the Board, by resolution, has authorised the acquisition;
- 18.2.3. it reasonably appears that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed acquisition; and
- 18.2.4. the Board, by resolution, has acknowledged that it has applied the Solvency and Liquidity Test and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the proposed acquisition.
- 18.3. A decision of the Board referred to in clause 18.1.1 –
- 18.3.1. must be approved by a special resolution of the Shareholders if any Shares are to be acquired by the Company from a Director or prescribed officer of the Company, or a person related to a Director or prescribed officer of the Company; and
- 18.3.2. is subject to the requirements of sections 114 and 115 of the Act if considered alone, or together with other transactions in an integrated series of transactions, it involves the acquisition by the Company of more than 5% (five percent) of the issued Shares of any particular class of the Company's Shares.
- 18.4. Notwithstanding any other provision of this Memorandum of Incorporation, the Company may not acquire its own Shares, and no subsidiary of the Company may acquire Shares of the Company if, as a result of that acquisition, there would no longer be any Shares of the Company in issue other than –
- 18.4.1. Shares held by one or more subsidiaries of the Company; or
- 18.4.2. convertible or redeemable Shares.

Annexure A continued

19. RECORD DATE FOR EXERCISE OF SHAREHOLDER RIGHTS

- 19.1. The record date for the purpose of determining which Shareholders are entitled to –
- 19.1.1. receive notice of a Shareholders' meeting;
 - 19.1.2. participate in and vote at a Shareholders' meeting;
 - 19.1.3. decide any matter by written consent or by Electronic Communication;
 - 19.1.4. receive a distribution; or
 - 19.1.5. be allotted or exercise other rights,
- shall be determined by the Board, provided that, for as long as the JSE Listings Requirements apply to the Company, such record date shall be the record date as required by the JSE Listings Requirements. **[LR 10.15]**
- 19.2. Such record date must be published to the Shareholders in a manner that satisfies the JSE Listings Requirements and any other prescribed requirements.

20. SHAREHOLDERS' MEETINGS

- 20.1. The Board, or any prescribed officer of the Company authorised by the Board, is entitled to call a Shareholders' meeting at any time.
- 20.2. Subject to the provisions of section 60 of the Act, dealing with the passing of resolutions of Shareholders otherwise than at a meeting of Shareholders, and clause 25.4 of this Memorandum of Incorporation, the Company shall hold a Shareholders' meeting –
- 20.2.1. at any time, that the Board is required by –
 - 20.2.1.1. the Act, to hold a meeting;
 - 20.2.1.2. the JSE Listings Requirements, to refer a matter to Shareholders for decision; or **[LR 10.11(d)]**
 - 20.2.1.3. this Memorandum of Incorporation, to hold a meeting; or
 - 20.2.2. whenever required in terms of the Act to fill a vacancy on the Board; or
 - 20.2.3. when required in terms of clause 20.3 or by any other provision of this Memorandum of Incorporation.
- 20.3. The Board shall call a meeting of Shareholders if 1 (one) or more written and signed demands by Shareholders calling for such a meeting are delivered to the Company and–
- 20.3.1. each such demand describes the specific purpose for which the meeting is proposed; and
 - 20.3.2. in aggregate, demands for substantially the same purpose are made and signed by the holders, as of the earliest time specified in any of those demands, of at least 10% (ten percent) of the voting rights entitled to be exercised in relation to the matter proposed to be considered at the meeting.
- 20.4. In addition to other meetings of the Company that may be convened from time to time, the Company shall convene an annual general meeting of its Shareholders once in each calendar year, but no more than 15 (fifteen) months after the date of the previous annual general meeting.
- 20.5. Subject to the provisions of the JSE Listings Requirements, any such annual general meeting –
- 20.5.1. shall be capable of being held by Electronic Communication in accordance with the further provisions of this Memorandum of Incorporation; and
 - 20.5.2. shall not be capable of being held in accordance with the provisions of section 60 of the Act set out in clause 25.
- 20.6. Each annual general meeting of the Company contemplated in clause 20.4 shall provide for at least the following business to be transacted –
- 20.6.1. the presentation of the directors' report, audited financial statements for the immediately preceding financial year of the Company and an audit committee report;
 - 20.6.2. the election of Directors, to the extent required by the Act and by clause 26.7 of this Memorandum of Incorporation;
 - 20.6.3. the appointment of an auditor and an audit committee for the following financial year;
 - 20.6.4. the sanctioning or declaration of distributions; and **[LR 10.11(g)]**
 - 20.6.5. any matters raised by the Shareholders, with or without advance notice to the Company.
- 20.7. Each annual general meeting of the Company contemplated in clause 20.4 or any special general meeting of the Company may provide for the passing and adoption of special resolutions, contemplated in clauses 28.1 and 28.4 of this Memorandum of Incorporation, relating to the following business –
- 20.7.1. the settling of Directors' remuneration for the 2 (two) year period following the annual general meeting or special general meeting at which the resolution is approved; and
 - 20.7.2. the granting of financial assistance in terms of section 45 of the Act.
- 20.8. Save as otherwise provided herein, the Company is not required to hold any other Shareholders' meetings other than those specifically required by the Act and the JSE Listings Requirements.
- 20.9. The Board may determine the location of any Shareholders' meeting, and the Company may hold any such meeting in the Republic or in any foreign country, and the authority of the Board and the Company in this regard is not limited or restricted by this Memorandum of Incorporation.
- 20.10. Every Shareholder's meeting shall be reasonably accessible within the Republic for electronic participation by Shareholders, irrespective of whether the meeting is held in the Republic or elsewhere.
- 20.11. All meetings (whether called for the passing of special or ordinary resolutions) shall be called on not less than 15 (fifteen) business days' notice. **[LR 10.11(a) & (b)]**
- 20.12. The quorum for a Shareholders' meeting to begin or for a matter to be considered, shall be at least 3 (three) Shareholders entitled to attend and vote and present in person. In addition –
- 20.12.1. a Shareholders' meeting may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
 - 20.12.2. a matter to be decided at a Shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda. **[LR 10.11(h)]**
- 20.13. The time periods specified in sections 64(4) and (5) of the Act apply to the Company without variation and, accordingly, if within 1 (one) hour after the appointed time for a meeting to begin, the requirements of clause 20.12 –

- 20.13.1. for that meeting to begin have not been satisfied, the meeting may be postponed, without any motion, vote or further notice, for 1 (one) week;
- 20.13.2. for consideration of a particular matter to begin have not been satisfied –
 - 20.13.2.1. if there is other business on the agenda of the meeting, consideration of that matter may be postponed to a later time in the meeting without any motion or vote; or
 - 20.13.2.2. if there is no other business on the agenda of the meeting, the meeting may be adjourned, without any motion or vote, for 1 (one) week, provided that the person intended to chair a meeting that cannot begin due to the operation of clause 20.12 may extend the 1 (one) hour limit allowed in clause 20.13 for a reasonable period on the grounds that –
- 20.13.3. exceptional circumstances affecting weather, transportation or Electronic Communication have generally impeded or are generally impeding the ability of Shareholders to be present at the meeting; or
- 20.13.4. one or more particular Shareholders, having been delayed, have communicated an intention to attend the meeting, and those Shareholders, together with others in attendance, would satisfy the requirements of clause 20.12.
- 20.14. The accidental omission to give notice of any meeting to any particular Shareholder or Shareholders shall not invalidate any resolution passed at any such meeting.
- 20.15. The Company shall not be required to give further notice of a meeting that has been postponed or adjourned in terms of clause 20.13 unless the location for the meeting is different from –
 - 20.15.1. the location of the postponed or adjourned meeting; or
 - 20.15.2. the location announced at the time of adjournment, in the case of an adjourned meeting.
- 20.16. If at the time appointed in terms of clause 20.13 for a postponed meeting to begin, or for an adjourned meeting to resume, the requirements of clause 20.12 have not been satisfied, the Shareholders present in person or by proxy will be deemed to constitute a quorum.
- 20.17. After a quorum has been established for a meeting, or for a matter to be considered at a meeting, all the Shareholders forming part of the quorum must be present at the meeting for the matter to be considered at the meeting. **[LR 10.11(h)]**
- 20.18. The maximum period allowable for an adjournment of a Shareholders' meeting is as set out in section 64(12) of the Act, without variation.
- 20.19. The chairperson, if any, of the Board shall preside as chairperson at every Shareholder's meeting.
- 20.20. If there is no such chairperson, or if at any meeting he or she is not present within 15 (fifteen) minutes after the time appointed for holding the meeting or is unwilling to act as chairperson, the Directors present shall choose 1 (one) of their number to be chairperson. If no Director is willing to act as chairperson or if no Director is present within 15 (fifteen) minutes after the time appointed for commencement of the meeting, the Shareholders present shall choose one of their number to be chairperson of the meeting.
- 20.21. The chairperson of a Shareholders' meeting may –
 - 20.21.1. appoint any firm or persons to act as scrutineers for the purpose of checking any powers of attorney received and for counting the votes at the meeting;
 - 20.21.2. act on a certificate given by any such scrutineers without requiring production at the meeting of the forms of proxy or himself counting the votes.
- 20.22. If any votes were counted which ought not to have been counted or if any votes were not counted which ought to have been counted, the error shall not vitiate the resolution, unless –
 - 20.22.1. it is brought to the attention of the chairperson at the meeting; and
 - 20.22.2. in the opinion of the chairperson of the meeting, it is of sufficient magnitude to vitiate the resolution.
- 20.23. Any objection to the admissibility of any vote (whether on a show of hands or on a poll) shall be raised –
 - 20.23.1. at the meeting or adjourned meeting at which the vote objected to was recorded; or
 - 20.23.2. at the meeting or adjourned meeting at which the result of the poll was announced, and every vote not then disallowed shall be valid for all purposes. Any objection made timeously shall be referred to the chairperson of the meeting, whose decision shall be final and conclusive.
- 20.24. Even if he is not a Shareholder –
 - 20.24.1. any Director; or
 - 20.24.2. the company's attorney and/or advisors (or where the company's attorneys and/or advisors are a firm, any partner or director thereof), may attend and speak at any Shareholders' meeting, but may not vote, unless he is a Shareholder or the proxy or representative of a Shareholder.
- 20.25. Every shareholder shall be entitled to vote at every general meeting or annual general meeting in person or by proxy. **[LR 10.5(b)]**

21. SHAREHOLDERS' MEETINGS BY ELECTRONIC COMMUNICATION

- 21.1. Subject to the provisions of the JSE Listings Requirements, the Company may conduct a Shareholders' meeting entirely by Electronic Communication or provide for participation in a meeting by Electronic Communication, as set out in section 63 of the Act, and the power of the Company to do so is not limited or restricted by this Memorandum of Incorporation. Accordingly –
 - 21.1.1. any Shareholders' meeting may be conducted entirely by Electronic Communication; or
 - 21.1.2. one or more Shareholders, or proxies for Shareholders, may participate by Electronic Communication in all or part of any Shareholders' meeting that is being held in person, so long as the Electronic Communication employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other and without an intermediary, and to participate reasonably effectively in the meeting.
- 21.2. Any notice of any meeting of Shareholders at which it will be possible for Shareholders to participate by way of Electronic Communication shall inform Shareholders of the ability to so participate and shall provide any necessary information to enable Shareholders or their proxies to access the available medium or means of Electronic Communication, provided that such access shall be at the expense of the Shareholder or proxy concerned.

22. VOTES OF SHAREHOLDERS

- 22.1. Subject to any special rights or restrictions as to voting attached to any Shares by or in accordance with this Memorandum of Incorporation, at a meeting of the Company –
 - 22.1.1. every person present and entitled to exercise voting rights shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise;

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- 22.1.2. where the Share capital of the Company has no par value, on a poll any person who is present at the meeting, whether as a Shareholder or as proxy for a Shareholder, has the number of votes determined in accordance with the voting rights associated with the Securities held by that Shareholder; and
- 22.1.3. the holders of Securities other than ordinary Shares shall not be entitled to vote on any resolution at a meeting of Shareholders, except as provided in clause 22.2. **[LR 10.5 (c)]**
- 22.2. If any resolution is proposed as contemplated in clause 8.3, the holders of such Shares ("**Affected Shareholders**") shall be entitled to vote at the meeting of ordinary Shareholders as contemplated in clause 22.1, provided that –
- 22.2.1. the votes of the Shares of that class held by the Affected Shareholders ("**Affected Shares**") shall not carry any special rights or privileges and the Affected Shareholder shall be entitled to 1 (one) vote for every Affected Share held; and
- 22.2.2. the total voting rights of the Affected Shareholders in respect of the Affected Shares shall not be more than 25% (twenty-five percent) of the total votes (including the votes of the ordinary Shareholders) exercisable at that meeting (with any cumulative fraction of a vote in respect of any Affected Shares held by an Affected Shareholder rounded down to the nearest whole number). **[LR 10.5(c) & (e)]**
- 22.3. Voting shall be conducted by means of a polled vote in respect of any matter to be voted on at a meeting of Shareholders if a demand is made for such a vote by –
- 22.3.1. at least 5 (five) persons having the right to vote on that matter, either as Shareholders or as proxies representing Shareholders, as set out in section 63(7)(a) of the Act; or
- 22.3.2. a Shareholder who is, or Shareholders who together are, entitled, as Shareholders or proxies representing Shareholders, to exercise at least 10% (ten percent) of the voting rights entitled to be voted on that matter, as set out in section 63(7)(b) of the Act; or
- 22.3.3. the chairperson of the meeting.
- 22.4. At any meeting of the Company a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of clause 22.3, and unless a poll is so demanded, a declaration by the chairperson that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or defeated, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn.
- 22.5. If a poll is duly demanded, it shall be taken in such manner as the chairperson directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. In computing the majority on the poll, regard shall be had to the number of votes to which each Shareholder is entitled.
- 22.6. In the case of an equality of votes, whether on a show of hands or on a poll, the chairperson of the meeting at which the show of hands takes place, or at which the poll is demanded, shall not be entitled to a second or casting vote.
- 22.7. A poll demanded on the election of a chairperson (as contemplated in clause 20.20) or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairperson of the meeting directs. The demand for a poll shall not prevent the continuation of a meeting for the transaction of any business other than the question upon which the poll has been demanded.
- 22.8. Where there are joint registered holders of any Share, any 1 (one) of such persons may exercise all of the voting rights attached to that Share at any meeting, either personally or by proxy, as if he or she were solely entitled thereto. If more than 1 (one) of such joint holders is present at any meeting, personally or by proxy, the person so present whose name stands first in the Securities Register in respect of such Share shall alone be entitled to vote in respect thereof.
- 22.9. The Board of any Company or the controlling body of any other entity or person that holds any Securities of the Company may authorise any person to act as its representative at any meeting of Shareholders of the Company, in which event the following provisions will apply –
- 22.9.1. the person so authorised may exercise the same powers of the authorising Company, entity or person as it could have exercised if it were an individual holder of Shares; and
- 22.9.2. the authorising Company, entity or person shall lodge a resolution of the directors of such Company or controlling body of such other entity or person confirming the granting of such authority, and certified under the hand of the chairperson or secretary thereof, with the Company before the commencement of any Shareholders' meeting at which such person intends to exercise any rights of such Shareholder, unless excused from doing so by the chairperson of such meeting.

23. PROXIES AND REPRESENTATIVES

- 23.1. Any Shareholder may at any time appoint any natural person (or two or more natural persons concurrently), including a natural person who is not a Shareholder, as a proxy to –
- 23.1.1. participate in, and speak and vote at, a Shareholders' meeting on behalf of that Shareholder; or
- 23.1.2. give or withhold written consent on behalf of that Shareholder to a decision contemplated in section 60 of the Act, provided that a Shareholder may appoint more than 1 (one) proxy to exercise voting rights attached to different Securities held by the Shareholder.
- 23.2. A proxy appointment –
- 23.2.1. must be in writing, dated and signed by the Shareholder; and
- 23.2.2. remains valid for –
- 23.2.2.1. 1 (one) year after the date on which it was signed; or
- 23.2.2.2. any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in the Act or expires earlier as contemplated in the Act.
- 23.3. The holder of a power of attorney or other written authority from a Shareholder may, if so authorised thereby, represent such Shareholder at any meeting of the Company and such holder shall deliver the power of attorney or other written authority (if any), or a copy thereof, to the Company before such holder exercises any rights of the Shareholder at a Shareholders' meeting.

- 23.4. All of the remaining provisions of the Act relating to the appointment and revocation of proxies and the rights of proxies generally shall apply and, in particular –
- 23.4.1. a Shareholder's proxy may delegate the proxy's powers to another person as set out in section 58(3)(b) of the Act;
- 23.4.2. a Shareholder or his proxy must deliver to the Company a copy of the instrument appointing a proxy not later than 48 (forty-eight) hours before the commencement of the meeting at which the proxy intends to exercise that Shareholder's rights; and
- 23.4.3. unless the instrument appointing a proxy provides otherwise, a Shareholder's proxy may decide, without direction from the Shareholder, whether to exercise or abstain from exercising any voting right of the Shareholder, as set out in section 58(7) of the Act, and none of such rights or powers are limited, restricted or varied by this Memorandum of Incorporation.
- 23.5. Every instrument of proxy shall, as far as circumstances permit, be substantially in the following form, or in such other form as the Directors may approve from time to time –

I/We _____

being a shareholder of _____ Limited do hereby appoint

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the chairperson of the meeting as my/our proxy to vote or abstain from voting on my/our behalf at the meeting of the Company to be held at

_____ on

_____ and at any adjournment thereof as follows:

	In favour of	Against	Abstain
Special Resolution 1			
Ordinary Resolution 1			

(Indicate instruction to proxy by way of a cross in space provided above). Except as instructed above or if no instructions are inserted above, my/our proxy may vote as he/she thinks fit.

Signed this _____ day of _____ in the year of 2011.

Shareholder's Signature _____

(Note – A shareholder entitled to attend, speak and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead, and such proxy need not be a shareholder of the Company.)

24. SHAREHOLDERS' RESOLUTIONS

- 24.1. For an ordinary resolution to be approved it must be supported by more than 50% (fifty percent) of the voting rights of Shareholders exercised on the resolution, as provided in section 65(7) of the Act.
- 24.2. For a special resolution to be approved it must be supported by the holders of at least 75% (seventy-five percent) of the voting rights exercised on the resolution, as provided in section 65(9) of the Act. **[LR 10.11(a)]**
- 24.3. No matters, except –
- 24.3.1. those matters set out in section 65(11) of the Act; or
- 24.3.2. any other matter required by the Act or this Memorandum of Incorporation to be resolved by means of a special resolution; or
- 24.3.3. for so long as the Company's securities are listed on the JSE, any other matter required by the JSE Listings Requirements to be resolved by means of a special resolution in terms of the JSE Listings Requirements, require a special resolution adopted at a Shareholders' meeting of the Company.
- 24.4. In the event that any Shareholder abstains from voting in respect of any resolution, such Shareholder will, for the purposes of determining the number of votes exercised in respect of that resolution, be deemed not to have exercised a vote in respect thereof.

25. SHAREHOLDERS ACTING OTHER THAN AT A MEETING

- 25.1. In accordance with the provisions of section 60 of the Act, but subject to clause 25.4, a resolution that could be voted on at a Shareholders' meeting (other than in respect of the election of Directors) may instead be –
- 25.1.1. submitted by the Board for consideration to the Shareholders entitled to exercise the voting rights in relation to the resolution; and
- 25.1.2. voted on in writing by such Shareholders within a period of 20 (twenty) business days after the resolution was submitted to them.
- 25.2. A resolution contemplated in clause 25.1 –
- 25.2.1. will have been adopted if it is supported by persons entitled to exercise sufficient voting rights for it to have been adopted as an ordinary or special resolution, as the case may be, at a properly constituted Shareholders' meeting; and
- 25.2.2. if adopted, will have the same effect as if it had been approved by voting at a meeting.
- 25.3. Within 10 (ten) business days after adopting a resolution in accordance with the procedures provided in this clause 25, the Company shall deliver a statement describing the results of the vote, consent process, or election to every Shareholder who was entitled to vote on or consent to the resolution.
- 25.4. The provisions of this clause 25 shall not apply to any Shareholder meetings that are called for in terms of the JSE Listings Requirements (which for the avoidance of any doubt, must be held in person) or the passing of any resolution in terms of clause 26.2 or to any annual general meeting of the Company. **[LR 10.11(c)]**.

26. COMPOSITION AND POWERS OF THE BOARD OF DIRECTORS

- 26.1. In addition to the minimum number of Directors, if any, that the Company must have to satisfy any requirement, in terms of the Act, to appoint an audit committee and a social and ethics committee, the Board must comprise at least 4 (four) Directors and the Shareholders shall be entitled, by ordinary resolution, to determine such maximum number of Directors as they from time to time shall consider appropriate. **[LR 10.16(a)]**
- 26.2. Subject to clause 26.9.1, all Directors shall be elected by an ordinary resolution of the Shareholders at a general or annual general meeting of the Company and no appointment of a Director in accordance with a resolution passed in terms of section 60 of the Act shall be competent. **[LR 10.16(b)] [LR 10.16(h)]**
- 26.3. Every person holding office as a Director, prescribed officer, company secretary or auditor of the Company immediately before the effective date of the Act will, as contemplated in item 7(1) of Schedule 5 to the Act, continue to hold that office.
- 26.4. In any election of Directors –
- 26.4.1. the election is to be conducted as a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, with the series of votes continuing until all vacancies on the Board have been filled; and
- 26.4.2. in each vote to fill a vacancy –
- 26.4.2.1. each vote entitled to be exercised may be exercised once; and
- 26.4.2.2. the vacancy is filled only if a majority of the votes exercised support the candidate.
- 26.5. The Company shall only have elected Directors and there shall be no appointed or *ex officio* Directors as contemplated in section 66(4) of the Act.
- 26.6. Apart from satisfying the qualification and eligibility requirements set out in section 69 of the Act, a person need not satisfy any eligibility requirements or qualifications to become or remain a Director or a prescribed officer of the Company.
- 26.7. No Director shall be appointed for life or for an indefinite period and the Directors shall rotate in accordance with the following provisions of this clause 26.7 – **[LR 10.16(j)]**
- 26.7.1. at each annual general meeting referred to in clause 20.4, 1/3 (one-third) of the Directors for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to 1/3 (one-third), but not less than 1/3 (one-third), shall retire from office, provided that if a Director is appointed as Managing Director or as an employee of the Company in any other capacity, he or she shall not, while he or she continues to hold that position or office, be subject to retirement by rotation and he or she shall not, in such case, be taken into account in determining the rotation or retirement of Directors; **[LR 10.16(g)]**
- 26.7.2. the Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot;
- 26.7.3. a retiring Director may be re-elected, provided he is eligible for election; **[LR 10.16(g)]**
- 26.7.4. the Company, at the general meeting at which a Director retires in the above manner, or at any other general meeting, may fill the vacancy by electing a person thereto, provided that the Company shall not be entitled to fill the vacancy by means of a resolution passed in accordance with clause 25; **[LR 10.16(g)]**
- 26.7.5. if at any meeting at which an election of Directors ought to take place the offices of the retiring Directors are not filled, unless it is expressly resolved not to fill such vacancies, the meeting shall stand adjourned and the further provisions of this Memorandum of Incorporation, including clauses 20.13 to 20.16 (inclusive) will apply *mutatis mutandis* to such adjournment, and if at such adjourned meeting the vacancies are not filled, the retiring Directors, or such of them as have not had their offices filled, shall be deemed to have been re-elected at such adjourned meeting.
- 26.8. The Board shall, through its nomination committee constituted in terms of clause 32, provide the Shareholders with a recommendation in the notice of the meeting at which the re-election of a retiring Director is proposed, as to which retiring Directors are eligible for re-election, taking into account that Director's past performance and contribution. Sufficient time shall be allowed between the date of such notice and the date of the general meeting or annual general meeting at which the re-election of the Director is to be proposed to allow nominations to reach the Company's office from any part in the Republic. **[LR 10.16(g) and (h)]**
- 26.9. The Board has the power to –
- 26.9.1. fill any vacancy on the Board on a temporary basis, as set out in section 68(3) of the Act, provided that such appointment must be confirmed by the Shareholders, in accordance with clause 24.2, at the next annual general meeting of the Company, as required in terms of section 70(3)(b)(i) of the Act; and **[LR 10.16(c)]**
- 26.9.2. exercise all of the powers and perform any of the functions of the Company, as set out in section 66(1) of the Act, and the powers of the Board in this regard are only limited and restricted as contemplated in this clause 26.
- 26.10. The Directors may at any time and from time to time by power of attorney appoint any person or persons to be the attorney or attorneys and agent(s) of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors in terms of this Memorandum of Incorporation) and for such period and subject to such conditions as the Directors may from time to time think fit. Any such appointment may, if the Directors think fit, be made in favour of any company, the shareholders, directors, nominees or managers of any company or firm, or otherwise in favour of any fluctuating body of persons, whether nominated directly or indirectly by the Directors. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorneys and agents as the Directors think fit. Any such attorneys or agents as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.
- 26.11. Save as otherwise expressly provided herein, all cheques, promissory notes, bills of exchange and other negotiable or transferable instruments, and all documents to be executed by the Company, shall be signed, drawn, accepted, endorsed or executed, as the case may be, in such manner as the Directors shall from time to time determine.
- 26.12. All acts performed by the Directors or by a committee of Directors or by any person acting as a Director or a member of a committee shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the Directors or persons acting as aforesaid, or that any of them were disqualified from or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.
- 26.13. If the number of Directors falls below the minimum number fixed in accordance with this Memorandum of Incorporation, the remaining Directors must as soon as possible and in any event not later than 3 (three) months from the date that the number falls below such minimum,

fill the vacancy/ies in accordance with clause 26.9.1 or convene a general meeting for the purpose of filling the vacancies, and the failure by the Company to have the minimum number of Directors during the said 3 (three) month period does not limit or negate the authority of the board of Directors or invalidate anything done by the board of Directors while their number is below the minimum number fixed in accordance with this Memorandum of Incorporation. **[LR 10.16(d)]**

- 26.14. The Directors in office may act notwithstanding any vacancy in their body, but if after the expiry of the 3 (three) month period contemplated in clause 26.13, their number remains below the minimum number fixed in accordance with this Memorandum of Incorporation, they may, for as long as their number is reduced below such minimum, act only for the purpose of filling vacancies in their body in terms of section 68(3) of the Act or of summoning general meetings of the Company, but not for any other purpose. **[LR 10.16(d)]**
- 26.15. A Director of the Company may hold any other office or place of profit under the Company (except that of auditor) or any subsidiary of the Company in conjunction with the office of Director, for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a Director) and otherwise as a disinterested quorum of the Directors may determine. **[LR 10.16(e)]**
- 26.16. A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, provided that the appointment and remuneration in respect of such other office must be determined by a disinterested quorum of Directors. **[LR 10.16(e)]**
- 26.17. Each Director and each alternate Director, prescribed officer and member of any committee of the Board (whether or not such latter persons are also members of the Board) shall, subject to the exemptions contained in section 75(2) of the Act and the qualifications contained in section 75(3) of the Act, comply with all of the provisions of section 75 of the Act in the event that they (or any person who is a related person to them) has a personal financial interest in any matter to be considered by the Board.

27. DIRECTORS' MEETINGS

- 27.1. Save as may be provided otherwise herein, the Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.
- 27.2. The Directors may elect a chairperson and a deputy chairperson and determine the period for which each is to hold office. The chairperson, or in his absence the deputy chairperson, shall be entitled to preside over all meetings of Directors. If no chairperson or deputy chairperson is elected, or if at any meeting neither is present or willing to act as chairperson thereof within 10 (ten) minutes of the time appointed for holding the meeting, the Directors present shall choose 1 (one) of their number to be chairperson of such meeting. **[LR 10.16(i)]**
- 27.3. In addition to the provisions of section 73(1) of the Act, any Director shall at any time be entitled to call a meeting of the Directors.
- 27.4. The Board has the power to –
 - 27.4.1. consider any matter and/or adopt any resolution other than at a meeting contemplated in section 74 of the Act and, accordingly, any decision that could be voted on at a meeting of the Board may instead be adopted by the written consent of a majority of the Directors, given in person or by Electronic Communication, provided that each Director has received notice of the matter to be decided; **[LR 10.16(j)]**
 - 27.4.2. conduct a meeting entirely by Electronic Communication, or to provide for participation in a meeting by Electronic Communication, as set out in section 73(3) of the Act, provided that, as required by such section, the Electronic Communication facility employed ordinarily enables all persons participating in the meeting to communicate concurrently with each other without an intermediary and to participate reasonably effectively in the meeting; **[LR 10.16(j) – incorrectly numbered as a second LR 10.16(i)]**
 - 27.4.3. determine the manner and form of providing notice of its meetings contemplated in section 73(4) of the Act, provided that –
 - 27.4.3.1. the notice period for the convening of any meeting of the Board will be at least 7 (seven) days unless the decision of the Directors is required on an urgent basis which justifies a shorter period of notice, in which event the meeting may be called on shorter notice. The decision of the chairperson of the Board, or failing the chairperson for any reason, the decision of any (two) directors as to whether a matter should be decided on an urgent basis, and the period of notice to be given, shall be final and binding on the directors;
 - 27.4.3.2. an agenda of the matters to be discussed at the meeting shall be given to each Director, together with the notice referred to in clause 27.4.3.1;
 - 27.4.4. proceed with a meeting despite a failure or defect in giving notice of the meeting, as provided in section 73(5) of the Act, and the powers of the Board in respect of the above matters are not limited or restricted by this Memorandum of Incorporation.
- 27.5. The quorum requirement for a Directors' meeting (including an adjourned meeting), the voting rights at such a meeting, and the requirements for approval of a resolution at such a meeting are as set out in section 73(5) of the Act, subject only to clause 27.5.5, and accordingly –
 - 27.5.1. if all of the Directors of the Company –
 - 27.5.1.1. acknowledge actual receipt of the notice convening a meeting; or
 - 27.5.1.2. are present at a meeting; or
 - 27.5.1.3. waive notice of a meeting,the meeting may proceed even if the Company failed to give the required notice of that meeting or there was a defect in the giving of the notice;
 - 27.5.2. a majority of the Directors must be present at a meeting before a vote may be called at any meeting of the Directors;
 - 27.5.3. each Director has 1 (one) vote on a matter before the Board;
 - 27.5.4. a majority of the votes cast in favour of a resolution is sufficient to approve that resolution;
 - 27.5.5. in the case of a tied vote –
 - 27.5.5.1. the chairperson may not cast a deciding vote in addition to any deliberative vote; and
 - 27.5.5.2. the matter being voted on fails. **[LR 10.16(i)]**
- 27.6. Resolutions adopted by the Board –
 - 27.6.1. must be dated and sequentially numbered; and
 - 27.6.2. are effective as of the date of the resolution, unless any resolution states otherwise.
- 27.7. Any minutes of a meeting, or a resolution, signed by the chairperson of the meeting, or by the chairperson of the next meeting of the Board, are evidence of the proceedings of that meeting, or the adoption of that resolution, as the case may be.
- 27.8. Minutes of all board meetings, resolutions and directors' declarations shall be kept in accordance with the provisions of section 24 of the Act.

28. DIRECTORS' COMPENSATION AND FINANCIAL ASSISTANCE

- 28.1. The Company may pay remuneration to the Directors for their services as Directors in accordance with a special resolution approved by the Shareholders within the previous 2 (two) years, as set out in sections 66(8) and (9) of the Act, and the power of the Company in this regard is not limited or restricted by this Memorandum of Incorporation.
- 28.2. Any Director who –
- 28.2.1. serves on any executive or other committee; or
 - 28.2.2. devotes special attention to the business of the Company; or
 - 28.2.3. goes or resides outside South Africa for the purpose of the Company; or
 - 28.2.4. otherwise performs or binds himself to perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director,
- may be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a Director, as a disinterested quorum of the Directors may from time to time determine. **[LR 10.16(f)]**
- 28.3. The Directors may also be paid all their travelling and other expenses necessarily incurred by them in connection with –
- 28.3.1. the business of the Company; and
 - 28.3.2. attending meetings of the Directors or of committees of the Directors of the Company. **[LR 10.16(f)]**
- 28.4. The Board may, as contemplated in and subject to the requirements of section 45 of the Act, authorise the Company to provide financial assistance to a Director, prescribed officer or other person referred to in section 45(2) of the Act, and the power of the Board in this regard is not limited or restricted by this Memorandum of Incorporation.

29. MANAGING DIRECTOR

- 29.1. The Directors may from time to time appoint 1 (one) or more of their body to the office of Managing Director for such term and at such remuneration as they may think fit (subject only to the requirements of sections 66(8) and (9) of the Act, and may revoke such appointment subject to the terms of any agreement entered into in any particular case, provided that the period of office of a Managing Director appointed in terms of an agreement shall be for a maximum period of 5 (five) years at any one time. A Director so appointed shall be subject to retirement in the same manner as the other Directors except during the period of his agreement, and his appointment shall terminate if he ceases for any reason to be a Director.
- 29.2. Subject to the provisions of any contract between himself and the Company, a Managing Director shall be subject to the same provisions as to disqualification and removal as the other Directors of the Company.
- 29.3. The Directors may from time to time entrust to and confer upon a Managing Director for the time being such of the powers exercisable in terms of this Memorandum of Incorporation by the Directors as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions, as they think expedient; and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

30. INDEMNIFICATION OF DIRECTORS

- 30.1. The Company may –
- 30.1.1. advance expenses to a Director or directly or indirectly indemnify a Director in respect of the defence of legal proceedings, as set out in section 78(4) of the Act;
 - 30.1.2. indemnify a Director in respect of liability as set out in section 78(5) of the Act; and/or
 - 30.1.3. purchase insurance to protect the Company or a Director as set out in section 78(7) of the Act,
- and the power of the Company in this regard is not limited, restricted or extended by this Memorandum of Incorporation.
- 30.2. The provisions of clause 30.1 shall apply *mutatis mutandis* in respect of any former Director, prescribed officer or member of any committee of the Board, including the audit committee.

31. BORROWING POWERS

- 31.1. The Directors may from time to time exercise all of the powers of the Company to –
- 31.1.1. borrow for the purposes of the Company such sums as they think fit; and
 - 31.1.2. secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of Securities, mortgage or charge upon all or any of the property or assets of the Company.
- 31.2. For the purposes of clause 31.1, the borrowing powers of the Company shall be unlimited.

32. COMMITTEES OF THE BOARD

- 32.1. The Board may –
- 32.1.1. appoint committees of Directors and delegate to any such committee any of the authority of the Board as contemplated in section 72(1) of the Act; and/or
 - 32.1.2. include in any such committee persons who are not Directors, as contemplated in section 72(2)(a) of the Act, and the power of the Board in this regard is not limited or restricted by this Memorandum of Incorporation.
- 32.2. The authority of a committee appointed by the Board as contemplated in sections 72(2)(b) and (c) of the Act is not limited or restricted by this Memorandum of Incorporation.
- 32.3. If and for as long as it is required to do so in terms of the Act or the Regulations and unless the Company is exempted from doing so by the Tribunal in terms of section 72(5) of the Act, the Board must appoint a social and ethics committee having the powers and functions prescribed in terms of section 72 of the Act and the Regulations.
- 32.4. If and for as long as any of the Company's Securities are listed on the JSE, the Board shall appoint such Board committees as are required by the JSE Listings Requirements, having such functions and powers as are prescribed by or in terms of the JSE Listings Requirements.
- 32.5. The Company must further appoint an audit committee in the manner and for the purposes set out in Part D of Chapter 3 of the Act.

33. ANNUAL FINANCIAL STATEMENTS

- 33.1. The Company shall keep all such accurate and complete accounting records, in English, as are necessary to enable the Company to satisfy its obligations in terms of –
 - 33.1.1. the Act;
 - 33.1.2. the Regulations;
 - 33.1.3. any other law with respect to the preparation of financial statements to which the Company may be subject; and
 - 33.1.4. this Memorandum of Incorporation.
- 33.2. The Company shall each year prepare annual financial statements within 6 (six) months after the end of its financial year, or such shorter period as may be appropriate to provide the required notice of an annual general meeting in terms of section 61(7) of the Act.
- 33.3. The Company shall appoint an auditor each year at its annual general meeting. If the Company appoints a firm as its auditor, any change in the composition of the members of that firm shall not by itself create a vacancy in the office of auditor.
- 33.4. The annual financial statements of the Company must be prepared and audited in accordance with the provisions of section 30 of the Act.
- 33.5. A copy of the annual financial statements must be sent to Shareholders, alternatively a notice of the publication of the annual financial statements setting out the required steps to obtain a copy of the annual financial statements may be sent to Shareholders by Electronic Communication at least 15 (fifteen) business days before the date of the annual general meeting of the Company at which such annual financial statements will be considered. **[LR 10.19]**
- 33.6. The annual financial statements shall be prepared on a basis that is not inconsistent with any unalterable or non-elective provision of the Act and shall –
 - 33.6.1. satisfy, as to form and content, the financial reporting standards of IFRS; and
 - 33.6.2. subject to and in accordance with IFRS –
 - 33.6.2.1. present fairly the state of affairs and business of the Company and explain the transactions and financial position of the business of the Company;
 - 33.6.2.2. show the Company's assets, liabilities and equity, as well as its income and expenses;
 - 33.6.2.3. set out the date on which the statements were produced and the accounting period to which they apply; and
 - 33.6.2.4. bear on the first page thereof a prominent notice indicating that the annual financial statements have been audited and the name and professional designation of the person who prepared them.

34. COMPANY SECRETARY

- 34.1. The Company must appoint a company secretary.
- 34.2. The company secretary must have the requisite knowledge of, or experience with, relevant laws and be a permanent resident of the Republic.
- 34.3. The Board must fill any vacancy in the office of company secretary within 60 (sixty) business days after such vacancy arises by a person whom the Directors consider to have the requisite knowledge and experience.

35. DISTRIBUTIONS

- 35.1. Subject to the provisions of the Act, and particularly section 46, the Company may make a proposed distribution if such distribution –
 - 35.1.1. is pursuant to an existing legal obligation of the Company, or a court order; or
 - 35.1.2. is authorised by resolution of the Board, and in compliance with the JSE Listings Requirements. **[LR 10.8]**
- 35.2. No distribution shall bear interest against the Company, except as otherwise provided under the conditions of issue of the Shares in respect of which such distribution is payable.
- 35.3. Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.
- 35.4. The Directors may from time to time declare and pay to the Shareholders such interim distributions as the Directors consider to be appropriate.
- 35.5. No larger distribution shall be declared by the Company in general meeting than is recommended by the Directors, but the Company in general meeting may declare a smaller distribution. **[LR 10.17(a)]**
- 35.6. All unclaimed distributions will be held by or on behalf of the Company for the benefit of the Shareholder concerned until claimed, provided that distributions unclaimed for a period of 3 (three) years from the date on which they were declared may be declared forfeited by the Board for the benefit of the Company. The Directors may at any time annul such forfeiture upon such conditions (if any) as they think fit. All unclaimed monies, other than distributions, that are due to any Shareholder/s shall be held by the Company in trust for an indefinite period until lawfully claimed by such Shareholder/s. **[LR 10.17(c)]**
- 35.7. Any distribution, interest or other sum payable in cash to the holder of a Share may be paid by cheque or warrant sent by post and addressed to –
 - 35.7.1. the holder at his registered address; or
 - 35.7.2. in the case of joint holders, the holder whose name appears first in the Securities Register in respect of the share, at his registered address; or
 - 35.7.3. such person and at such address as the holder or joint holders may in writing direct.
- 35.8. Every such cheque or warrant shall –
 - 35.8.1. be made payable to the order of the person to whom it is addressed; and
 - 35.8.2. be sent at the risk of the holder or joint holders.
- 35.9. The Company shall not be responsible for the loss in transmission of any cheque or warrant or of any document (whether similar to a cheque or warrant or not) sent by post as aforesaid.
- 35.10. A holder or any one of two or more joint holders, or his or their agent duly appointed in writing, may give valid receipts for any distributions or other monies paid in respect of a Share held by such holder or joint holders.

Annexure A continued

- 35.11. When such cheque or warrant is paid, it shall discharge the Company of any further liability in respect of the amount concerned.
- 35.12. A distribution may also be paid in any other way determined by the Directors, and if the directives of the Directors in that regard are complied with, the Company shall not be liable for any loss or damage which a Shareholder may suffer as a result thereof.
- 35.13. Without detracting from the ability of the Company to issue capitalisation Shares, any distribution may be paid wholly or in part –
 - 35.13.1. by the distribution of specific assets; or
 - 35.13.2. by the issue of Shares, debentures or securities of the Company or of any other company; or
 - 35.13.3. in cash; or
 - 35.13.4. in any other way which the Directors or the Company in general meeting may at the time of declaring the distribution determine.
- 35.14. Where any difficulty arises in regard to such distribution, the Directors may settle that difficulty as they think expedient, and in particular may fix the value which shall be placed on such specific assets on distribution.
- 35.15. The Directors may –
 - 35.15.1. determine that cash payments shall be made to any Shareholder on the basis of the value so fixed in order to secure equality of distribution; and
 - 35.15.2. vest any such assets in trustees upon such trusts for the benefit of the persons entitled to the distribution as the Directors deem expedient.
- 35.16. Any distribution must be made payable to Shareholders registered as at a date subsequent to the date of declaration thereof or the date of confirmation thereof, whichever is the later date. **[LR 10.17(b)]**

36. COMPANY AND ACCOUNTING RECORDS

All records of the Company contemplated in section 24 of the Act and all accounting records contemplated in section 28 of the Act, shall be kept and maintained, and shall be accessible at or from the registered office of the Company (sections 25 and 28(2)).

37. ACCESS TO COMPANY RECORDS

- 37.1. Each person who holds or has a beneficial interest in any Securities issued by the Company is entitled to inspect and copy, without any charge for any such inspection or upon payment of no more than the prescribed maximum charge for any such copy, the information contained in the records of the Company referred to in section 26(1) of the Act, being –
 - 37.1.1. this Memorandum of Incorporation, and any amendments or alterations thereof;
 - 37.1.2. a record of the Directors, including the details of any person who has served as a Director, for a period of 7 (seven) years after that person has ceased to serve as a Director, and any information relating to such persons referred to in section 24(5) of the Act;
 - 37.1.3. all –
 - 37.1.3.1. reports presented at an annual general meeting of the Company for a period of 7 (seven) years after the date of any such meeting; and
 - 37.1.3.2. annual financial statements required by the Act for a period of 7 (seven) years after the date on which each such particular statements were issued;
 - 37.1.4. notice and minutes of all Shareholders' meetings, including –
 - 37.1.4.1. all resolutions adopted by them, for 7 (seven) years after the date each such resolution was adopted; and
 - 37.1.4.2. any document that was made available by the Company to the holders of Securities in relation to each such resolution;
 - 37.1.5. any written communications sent generally by the Company to all holders of any class of the Company's Securities, for a period of 7 (seven) years after the date on which each of such communications was issued; and
 - 37.1.6. the Securities Register.
- 37.2. A person not contemplated in clause 37.1 has a right to inspect the Securities Register and the register of Directors of the Company upon payment of an amount not exceeding the prescribed maximum fee, as set out in the Act, for any such inspection.
- 37.3. A person who wishes to inspect the Uncertificated Securities Register may do so only through the Company in terms of section 26 of the Act, and in accordance with the rules of the Central Securities Depository. Within 5 (five) business days after the date of a request for inspection, the Company must produce a record of the Uncertificated Securities Register, which record must reflect at least the details referred to in section 50(3)(b) of the Act at the close of business on the day on which the request for inspection was made.

38. PAYMENT OF COMMISSION

- 38.1. The Company may pay a commission at a rate not exceeding 10% (ten percent) of the issue price of a Share to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any Shares of the Company or for procuring or agreeing to procure, whether absolutely or conditionally, subscriptions for any Shares of the Company. **[LR 10.14]**
- 38.2. Commission may be paid out of capital or profits, whether current or accumulated, or partly out of the one and partly out of the other.
- 38.3. Such commission may be paid in cash or, if authorised by the Company in general meeting, by the allotment of fully or partly paid-up Shares, or partly in one way and partly in the other.
- 38.4. The Company may, on any issue of Shares, pay such brokerage as may be lawful.

39. NOTICES

- 39.1. All notices shall be given by the Company to each Shareholder of the Company and simultaneously to the Issuer Services Division of the JSE, and shall be given in writing in any manner authorised by the JSE Listings Requirements and the Regulations, and particularly Table CR 3 annexed to the Regulations. All notices shall, in addition to the above, be released through SENS provided that, in the event that the Shares or other Securities of the Company are not listed on the JSE, all the provisions of this Memorandum of Incorporation relating to the publication of notices via SENS shall no longer apply and such notices shall thereafter only be published in accordance with the provisions of the Act. **[LR 10.11 (e) and (f)]**
- 39.2. Each Shareholder of the Company –
 - 39.2.1. shall notify in writing to the Company an address, which address shall be his registered address for the purposes of receiving written notices from the Company by post and if he has not named such an address he shall be deemed to have waived his right to be so served with notices; and
 - 39.2.2. may notify in writing to the Company an email address and/or facsimile number, which address shall be his address for the purposes of receiving notices by way of Electronic Communication. **[LR10.11(e)]**

- 39.3. Any Shareholder whose address in the Securities Register is an address not within South Africa shall be entitled to have notices served upon him at such address. **[LR 10.18]**
- 39.4. In the case of joint holders of a Share, all notices shall, unless such holders otherwise in writing request and the Directors agree, be given to that Shareholder whose name appears first in the Securities Register and a notice so given shall be deemed sufficient notice to all the joint holders.
- 39.5. Any notice sent by any means permitted in Table CR 3 annexed to the Regulations shall be deemed to have been delivered as provided for that method of delivery in such Table.
- 39.6. Every person who by operation of law, transfer or other means whatsoever becomes entitled to any Share, shall be bound by every notice in respect of that Share which, previously to his name and address being entered in the Securities Register, was given to the person from whom he derives his title to such Share.
- 39.7. Any notice or document delivered or sent by post to or left at the registered address of any Shareholder in pursuance of this Memorandum of Incorporation shall, notwithstanding that such Shareholder was then deceased, and whether or not the Company has notice of his death, be deemed to have been duly served in respect of any Shares, whether held solely or jointly with other persons by such Shareholder, until some other person be registered in his stead as the sole or joint holder thereof, and such service shall for all purposes of this Memorandum of Incorporation be deemed a sufficient service of such notice or document on his heirs, executors or administrators, and all persons (if any) jointly interested with him in any such Shares.

40. AMENDMENT OF THE MEMORANDUM OF INCORPORATION

- 40.1. Every provision of this Memorandum of Incorporation is capable of amendment in accordance with sections 16, 17 and 152(6)(b) of the Act. There is accordingly no provision of this Memorandum of Incorporation which may not be amended as contemplated in sections 15(2)(b) and (c) of the Act.
- 40.2. This Memorandum of Incorporation may only be altered or amended –
 - 40.2.1. in compliance with a court order on the basis set out in section 16(1)(a) of the Act; or
 - 40.2.2. by way of special resolution of the Shareholders in compliance with the provisions of section 16(1)(c) of the Act, read with the provisions of this Memorandum of Incorporation and the remaining provisions of the Act. **[LR 10.5(d)]**
- 40.3. In the circumstances where the Memorandum of Incorporation is proposed to be amended to remove or eliminate a specific inconsistency or contravention of –
 - 40.3.1. the Act, which provision of this Memorandum of Incorporation is void in terms of section 15(1)(b) or could be declared void by a court of law in terms of section 218(1); and/or
 - 40.3.2. any Shareholders' agreement;
 the Shareholders undertake not to object to that amendment on the grounds contemplated in section 164(2)(a) or demand that the Company pay the Shareholder fair value for all of the shares held by that person, in terms of section 164 of the Act.
- 40.4. Save as set out in clause 40.2 above, this Memorandum of Incorporation is not capable of amendment by any other method. The provisions of section 16(1)(b) shall accordingly not apply to this Memorandum of Incorporation, nor shall any other alterable provisions of the Act which permit a method of altering or amending the Memorandum of Incorporation not set out in clause 40.2 above, apply to this Memorandum of Incorporation.
- 40.5. An amendment of this Memorandum of Incorporation will take effect from the later of –
 - 40.5.1. the date on, and time at, which the Commission accepts the filing of the notice of amendment contemplated in section 16(7) of the Act; and
 - 40.5.2. the date, if any, set out in the said notice of amendment,
 save in the case of an amendment that changes the name of the Company, which will take effect from the date set out in the amended registration certificate issued by the Commission.
- 40.6. Notices of general meetings and annual general meetings shall be delivered to all Shareholders in compliance with section 62(1) of the Act.

41. COMPANY RULES

The Board is prohibited from making any rules as contemplated in section 15(3) of the Act and the Board's capacity to make such rules is hereby excluded. **[LR 10.4]**

Annexure B

REPORT ON THE CONVERSION OF AUSTRO GROUP LIMITED'S SHARES INTO NO PAR VALUE SHARES

1. Background

- 1.1. The Companies Act, 2008 (Act 71 of 2008) (the "Companies Act 2008") does not permit the creation of par value shares or shares with a nominal value. In terms of the transitional arrangements detailed in Schedule 5 of the Companies Act 2008 and the Companies Regulations 2011 (the "Regulations"), pre-existing companies that already have par value shares in issue are allowed to retain such shares but cannot authorise any new par value shares after 1 May 2011.
- 1.2. Austro Group Limited ("Austro" or "the Company") has shares with a par value of R0,00001 each with 1 000 000 000 authorised shares, 395 292 923 of which are issued. Austro intends to convert its shares into shares of no par value in order to be compliant with the Companies Act 2008 and the Regulations.
- 1.3. In terms of:
 - 1.3.1. Regulation 31(5) as read with Regulation 31(6) of the Regulations, a company may amend its Memorandum of Incorporation (which in case of a pre-existing company comprises its memorandum and articles of association) to effect a conversion of its authorised and issued shares of par value to shares of no par value without charge at any time after 1 May 2011 by way of a special resolution of the Company's shareholders;
 - 1.3.2. Article 8.7 of Austro's existing Memorandum of Incorporation, Austro may from time to time, by way of special resolution of its shareholders, convert any shares into shares of no par value.
- 1.4. Austro shareholders are being asked, at a general meeting of Austro shareholders to be held on or about Wednesday, 25 January 2012 (the "general meeting"), to approve the special resolution required to authorise the conversion of Austro's authorised and issued shares of R0,00001 each ("existing shares") into shares of no par value, on the basis that each existing share will be converted into 1 (one) no par value share.
- 1.5. The special resolution approving the conversion of Austro's existing shares into shares of no par value is subject to 75% of Austro shareholders present, in person or by proxy, voting in favour of the resolution at the general meeting relating to the conversion.
- 1.6. Regulation 31(7) of the Regulations requires the board of a company to prepare a report in respect of a proposed resolution to convert any par value shares into no par value shares (the "Report"). This document constitutes the Report in relation to the proposed conversion.

2. The Report

- 2.1. In terms of Regulation 31(7) of the Regulations the Report is required to, at a minimum:
 - 2.1.1. state all information relevant to the value of the securities affected by the proposed conversion;
 - 2.1.2. identify holders of the Company's securities affected by the proposed conversion;
 - 2.1.3. describe the material effects that the proposed conversion will have on the rights of the holders of the conversion of the Company's securities affected by the proposed conversion; and
 - 2.1.4. evaluate any material adverse effects of the proposed arrangement against the compensation that any of those persons will receive in terms of the arrangement.
- 2.2. *Information relevant to the value of the securities affected by the proposed conversion*
 - 2.2.1. The securities affected by the proposed conversion are the authorised and issued ordinary shares in the share capital of Austro currently comprising 1 000 000 000 authorised shares of R0,00001 each of which 395 292 923 shares of R0.00001 each have been issued.
 - 2.2.2. Austro has no other class of authorised or issued shares.
 - 2.2.3. Information in relation to the historic net asset value, earnings, headline earnings and dividends in respect of Austro shares is detailed in the historical financial statements of Austro for the three years ended 31 August 2008, 2009 and 2010 available on the Company's website at www.austro.co.za and for inspection at the company's registered offices, being 1125 Leader Avenue, Stormill Ext 4, Roodepoort, 1724.
 - 2.2.4. Information in relation to the net asset value, earnings, headline earnings and dividends in respect of Austro shares is detailed in the financial statements of Austro for the year ended 31 August 2011 as set out in the annual report in which this report is contained.
 - 2.2.5. Given that the percentage of the issued shares capital of Austro held by a shareholder and the rights attaching to that shareholder will be unaffected by the proposed conversion, the proposed conversion will have no impact on the historic net asset value, earnings and headline earnings applicable to an Austro shareholder's shareholding in the Company.
- 2.3. *Holders of the Company's securities affected by the proposed conversion*

The proposed conversion will affect the holders of Austro's ordinary shares who comprise the holders of all of Austro's issued shares of R0,00001 each. However, the only effect on Austro shareholders will be that such holder will for every par value share previously held will now become the holder of 1 share of no par value, which shares will represent the same percentage of the total issued shares as previously held by that shareholder.

2.4. *Material effects of the proposed conversion on Austro shareholders*

- 2.4.1. The proposed conversion results in the conversion of each share of R0,00001 each into 1 (one) share of no par value.
 - 2.4.2. Accordingly, after the proposed conversion, each shareholder will own 1 (one) share of no par value for every Austro share they held before the proposed conversion and the no par value shares they hold will represent the same proportion of the total issued share capital of Austro as the par value shares they held represented of the total issued share capital of Austro before the conversion.
 - 2.4.3. Article 11.1 of Austro's Memorandum of Incorporation distinguishes between the holders of par value shares and no par value shares in respect of voting at general meeting conducted by way of a poll providing that *"On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the securities held by him bears to the aggregate amount of the nominal value of all the securities of that class issued by the company or if the securities do not have a par value, shall be entitled to 1 (one) vote in respect of each security he holds"*.
 - 2.4.4. Given that Austro has only one class of shares in issue with the same par value, the effect of article 11.1 is that a shareholder enjoys the same effective voting rights on a poll whether the shares in question are par value or no par value shares. By way of example:
 - 2.4.4.1. prior to the proposed conversion a shareholder who holds 10 000 000 shares of R0,00001 each with a nominal value of R100,00 (representing 2,5% of the 395 292 923 Austro shares in issue with an aggregate nominal value of R3 952,93) is entitled to 2,5% of the total votes exercisable by holders of Austro's ordinary shares;
 - 2.4.4.2. after the proposed conversion, the same shareholder would hold 10 000 000 no par value shares (representing 2,5% of the 395 292 923 Austro no par value shares in issue) would be entitled to 10 000 000 votes representing 2,5% of the 395 292 923 votes exercisable by the holders of Austro's ordinary no par value shares.
 - 2.4.5. The proposed conversion has no other impact on any of the rights attaching to the Austro shares and the no par value shares will confer on a Austro shareholder all of the same rights as they enjoyed as the holder of par value shares before the proposed conversion including (without limitation) rights to participate in the profits of Austro on winding up.
- 2.5. *Evaluation of material adverse effects of the proposed conversion against compensation offered*
- 2.5.1. As detailed in paragraph 2.4 above the proposed conversion has no adverse effects on Austro shareholders as they are in the same position and enjoy the same rights before and after the proposed conversion.
 - 2.5.2. There is no compensation being offered in the context of the proposed conversion as there are no adverse effects of the proposed conversion on Austro shareholders.

3. Other provisions of Regulation 31

In terms of Regulation 31(9) of the Regulations, an Austro shareholder affected by the proposed conversion who believes that the proposal does not adequately protect their rights or otherwise fails to satisfy the requirements of the Companies Act 2008 may apply to the High Court for an order and the High Court may make any order that is just and reasonable in the circumstances.

Form of proxy



AUSTRO GROUP LIMITED

(Registration number 2001/029771/06)

(Austro or the company)

JSE code: ASO

ISIN: ZAE000090882

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 materialised shareholders) at the annual general meeting of the company to be held at 10:00 on Wednesday, 25 January 2012, 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/her,

2. _____ or failing him/her,

3. the chairperson of the annual general 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			
2.	Approval of non-executive directors' remuneration 2011/2012			
3.	Authority for financial assistance to inter-related companies			
4.	Conversion of shares			
5.	Adoption of new Memorandum of Incorporation			
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.	Re-election of JO Freed as director			
4.	Re-election of C Jacobs as director			
5.	Re-election of G Nzalo as director			
6.	Re-appointment of audit and risk committee			
7.	To re-appoint PKF (Jhb) Inc as auditors of the company			
8.	To authorise the signature of documentation			

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

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

Signed this _____ day of _____ 2012

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 annual general meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. 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 any resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. Forms of proxy must be lodged at or posted to Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received not less than 48 hours prior to the annual general meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual 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 annual 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 annual 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 of the company.
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, REGISTERED OFFICE AND POSTAL ADDRESS

1125 Leader Avenue
Stormill Ext 4
Roodepoort, 1724

PO Box 1914
Florida, 1710
South Africa

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, 2196

PO Box 85392, Emmarentia, 2029

AUDITORS

PKF (Jhb) Inc. Per: S Kock
Registered Auditors
42 Wierda Road West
Wierda Valley
Sandton, 2196

JSE CODE

ASO

ISIN

ZAE000090882

TRANSFER SECRETARIES

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

PO Box 61051, Marshalltown, 2107

Telephone: +27 11 370-5000

Facsimile: +27 11 688-5200

SPONSOR

Java Capital Trustees and Sponsors (Pty) Limited
(a sponsor registered with the JSE Limited)
2 Arnold Road, Rosebank, 2196

PO Box 471917, Parklands, 2121

Telephone: +27 11 283-0000

Facsimile: +27 11 283-0065



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