

INTEGRATED  
ANNUAL REPORT

2013



**AUSTRO**  
GROUP LIMITED

## OUR INVESTMENT CASE

- › Exposure to large industry (power) with attractive growth prospects in Southern Africa
- › Businesses with market leading positions
- › Profitable operations
- › Extensive industry, public and private sector experience at director level
- › Strong cash and liquidity position
- › Strengthened management and strategic leadership
- › Alignment of executive team's interests with those of investors

## OUR STRATEGY GOING FORWARD

To capitalise on attractive growth prospects throughout sub-Saharan Africa by introducing new industrial energy platforms and developing these and existing platforms, over time, through a combination of organic and acquisitive growth.

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ANNUAL REPORT

2013



**AUSTRO**  
GROUP LIMITED



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# Definitions

<b>“Austro” or “the company” or “the group”</b>	Austro Group Limited, which operates through two business units: Power and Wood
<b>“the board”</b>	The board of directors of Austro Group Limited
<b>“CEO”</b>	Chief Executive Officer
<b>“the Companies Act”</b>	South African Companies Act, 71 of 2008, as amended
<b>“CSI”</b>	Corporate social investment
<b>“the current year”</b>	The year ending 31 August 2014
<b>“GRI”</b>	Global reporting initiative
<b>“HDI”</b>	Historically disadvantaged individual
<b>“IBC”</b>	Inside back cover
<b>“IFRS”</b>	International Financial Reporting Standards
<b>“JFN”</b>	JFN Management Proprietary Limited, retained by the group to provide strategic business and support services. Group CEO Paul Mansour, Financial Director Jarrod Friedman, Wood CEO Christian Neuberger and JFN CEO Steven Joffe are beneficiaries of JFN
<b>“John Deere”</b>	John Deere S.A.S
<b>“JSE”</b>	JSE Limited, incorporating the Johannesburg Securities Exchange, the main bourse in South Africa
<b>“King III Report”</b>	King Report on Corporate Governance for South Africa, 2009
<b>“Matase”</b>	Matase Power Systems Proprietary Limited, the proposed exclusive public sector distributor of Austro group products
<b>“Neptune”</b>	Neptune Plant Hire, a division of New Way Power in the group’s Power business unit, which provides temporary power in the form of diesel generators
<b>“New Way Power”</b>	New Way Power Proprietary Limited, a wholly-owned subsidiary of Austro in its Power business unit, which is involved in private power sales comprising the manufacture, supply, installation and maintenance of diesel generators and related components such as industrial engines, marine engines, alternators, switchgear and components
<b>“OEM”</b>	Original equipment manufacturer
<b>“Power”</b>	Power business unit incorporating New Way Power, Neptune and PowerO2
<b>“PowerO2”</b>	PowerO2 Proprietary Limited, a wholly-owned subsidiary of Austro in its Power business unit, which distributes internationally branded diesel engines and components
<b>“the previous year”</b>	The year ended 31 August 2012
<b>“Ricophase”</b>	Ricophase Proprietary Limited, which holds a 27,6% stake in Austro and is owned by David Brouze (via the David Brouze Trust), Steven Joffe (CEO of JFN) (via the SADES Family Trust), Paul Mansour (CEO of Austro), Jarrod Friedman (Financial Director of Austro) (via The JSF Family Trust) and Christian Neuberger (CEO of Wood)
<b>“SENS”</b>	News dissemination service of the JSE
<b>“SHEQ”</b>	Safety, health, environment and quality
<b>“Wood”</b>	Austro Proprietary Limited, a wholly owned subsidiary of Austro in its Wood business unit, which is involved in the distribution of professional woodworking equipment, tooling and edging
<b>“the year” or “the year under review”</b>	The year ended 31 August 2013

# Financial definitions

<b>“Adjusted EBITDA”</b>	Earnings before interest, taxation, depreciation and amortisation adjusted for non-recurring/extraordinary items
<b>“EBITDA”</b>	Earnings before interest, taxation, depreciation and amortisation
<b>“EPS”</b>	Earnings per share
<b>“FY2014”</b>	The financial year ending 31 August 2014
<b>“HEPS”</b>	Headline earnings per share
<b>“ROI”</b>	Return on investment



▶ **ABOUT THIS  
REPORT**

# About this report

Austro is an industrial supplies group that provides quality branded and in some segments locally manufactured, industrial equipment, related components and support services to a wide range of economic sectors in South Africa and sub-Saharan Africa. Clients range from heavy industrial, mining and construction groups to wholesalers, retailers, technology and telecommunications companies, banks and manufacturers.

The group currently comprises two key business units:

- Power, which incorporates:
  - Private Power Sales (New Way Power) – manufactures, supplies, installs and maintains diesel generators and distributes industrial engines, marine engines and components.
  - Temporary Power (Neptune) – which rents temporary power in the form of diesel generators.
- Wood, which incorporates the distribution and maintenance of professional woodworking equipment, tooling and edging.

Austro has been listed in the JSE's "Industrial Engineering" sector; "Industrial Machinery" sub-sector since 2007.

This integrated annual report presents the annual financial results and the economic, environmental, social and governance performance of the group for the year 1 September 2012 to 31 August 2013, and follows our report published in February 2013.

Content encompasses all divisions and subsidiaries of the company, as illustrated in the group structure on pages 10 to 11, across all regions of operation in South Africa and sub-Saharan Africa. The majority of group's revenue is generated by the Power business unit.

## Significant events

In the year under review Austro's leadership was reshaped with the appointments of a new CEO, Paul Mansour, and Financial Director, Jarrod Friedman, as well as divisional executives including Christian Neuberger, who was appointed CEO of Wood. In addition to the above appointments, Hiram Serretta was appointed as CEO of New Way Power subsequent to year-end. Advisor JFN was also contracted to provide strategic and business support services to Austro. Paul Mansour, Jarrod Friedman, Christian Neuberger and JFN CEO, Steven Joffe, are beneficiaries of JFN and, together with David Brouze, are significant shareholders in Austro through Ricophase.

Subsequent to year-end, Paul Baloyi, Nopasika Lila, Mpho Makwana and Paul O'Flaherty were appointed to the board.

The new executive and non-executive leadership, supported by JFN, is positioning Austro for growth. Our intention is to introduce new industrial energy platforms into Austro, which we believe will deliver appropriate returns on capital and have good growth prospects throughout sub-Saharan Africa. We intend developing these new and existing platforms over time, through a combination of organic and acquisitive growth.

The Wood business achieved a significant turnaround during the year following the implementation of a restructuring programme to align the cost base with revenue.

During the year, New Way Power instituted legal action to interdict and restrain each of Jonathan Freed (formerly CEO of New Way Power and director of Austro) and Justin Freed (formerly Sales Director of New Way Power and alternate director of Austro) from breaching restraint of trade undertakings, common law and other legal duties owed to the group.

The group was granted an interim interdict, pending the final determination of the matter by way of arbitration, which is scheduled to take place during



April 2014. The interim interdict restrains Jonathan Freed and Justin Freed, pending the April 2014 arbitration, for a period of 36 months from the date of termination of their respective employment with New Way Power (being 30 June 2013 and 30 September 2013, respectively), from directly or indirectly carrying on or being interested in any business which sells goods or renders services in competition with New Way Power, in accordance with the restraint of trade provisions contained in each of Jonathan Freed's and Justin Freed's respective service and restraint agreements with New Way Power.

At the date of this report, the group remains in discussions with John Deere regarding the conclusion of a new distributorship agreement in respect of the distribution of John Deere industrial engines and OEM engine spare parts.

All areas of the business are undergoing extensive scrutiny. To date certain gaps have been identified between current group practices and best practice in governance, health and safety, environment, financial controls, and human resources. Reporting on these areas in this integrated annual report is therefore forward-looking, reflecting the intended changes of the group going forward.

Further, an extensive review of property, plant, equipment and working capital was undertaken with a view to verifying their existence and valuation. The aim was to establish an accurate base going forward that will improve management of these assets. The review resulted in certain accounting adjustments, primarily to inventory. See notes 2 to 6 in the annual financial statements.

This report contains a snapshot of our strategy and our intended path towards sustainable development.

## Corporate information

The group's executive directors are Paul Mansour (CEO) and Jarrod Friedman (Financial Director). They can be contacted at the registered office of the company (see IBC).

Austro's integrated annual report 2013 is available in hard copy from the company secretary, on request, and is also posted on the group's website:

[www.austrogrouplimited.com](http://www.austrogrouplimited.com)

The company's contact details are disclosed on the IBC.

## Basis of preparation

Austro has considered and applied many of the recommendations contained in the *Discussion Paper on the Framework for Integrated Reporting and the Integrated Report* issued by the Integrated Reporting Committee of South Africa in January 2011, and the *draft International Integrated Reporting Framework*. The integrated annual report was further prepared based on the principles of the GRI. The group embraces the principles of inclusiveness, materiality, completeness and sustainability as set out in the Guidelines of the Global Reporting Initiative (GRI) G3 Framework and in the year ahead will take cognisance of GRI G4 Guidelines.

In line with King III, the integrated annual report provides a consolidated review of the group's financial, social, economic and environmental performance for the year 1 September 2012 to 31 August 2013. The report focuses on issues that materially impact Austro's ability to create and sustain value, as well as issues on which the company has a material impact in the course of business, and outlines how these issues have been integrated into our business strategy.

The report is primarily targeted at current shareholders and potential investors in the group, but also covers areas of interest to other stakeholders such as suppliers, employees, customers and government.

The annual financial statements have been prepared in accordance with IFRS, the requirements of the Companies Act, the Listings Requirements of the JSE, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

## Assurance

The combined assurance model of the group in its current format is set out below:

Business process	Nature of assurance	Status	Assurance provider	Integrated report disclosure
Annual Financial Statements	Unqualified audit	Assured	Grant Thornton	57

## Forward-looking statements

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 31 August 2013. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate. The company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, save as required to do so by legislation and/or regulation.

**Paul Mansour**  
CEO

**Jarrod Friedman**  
Financial Director

**Uli Schäckermann**  
Chairman Audit & Risk Committee

## Responsibility statement and review

The Audit & Risk Committee and the board acknowledge their responsibility to ensure the integrity of this report. It has been reviewed by the Audit & Risk Committee, the board, company secretary and sponsor. The annual financial statements included in this integrated annual report have been audited by the external auditors.

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## KEY DATA

Austro Group Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 2001/029771/06)

JSE share code: ASO  
ISIN: ZAE000090882  
JSE Main Board sector: Industrial Engineering  
Listing date: 2007  
Shares in issue: 395 292 923

Business units:

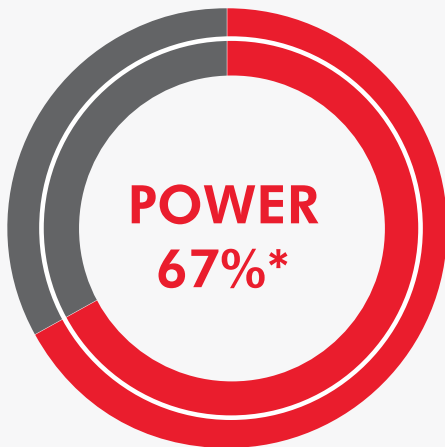
- Power
- Wood

Section One

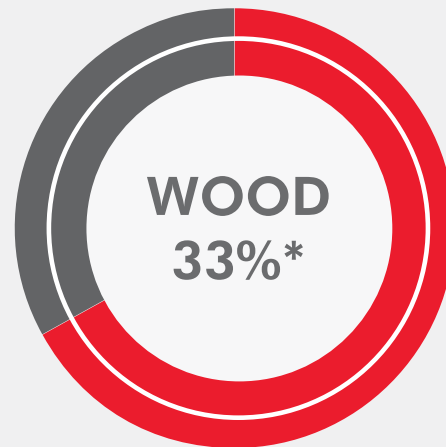
01

▶ **AUSTRO AT  
A GLANCE**





■ Power revenue contribution



■ Wood revenue contribution

Revenue  
**R344,3 million**

Adjusted EBITDA  
**R35,2 million**

Net tangible operating assets  
**R178,5 million**

Divisional CEO  
**Hyam Serretta**

Revenue  
**R171,6 million**

Adjusted EBITDA  
**R3,2 million**

Net tangible operating assets  
**R57,1 million**

Divisional CEO  
**Christian Neuberger**

\* Calculated with reference to revenue figures disclosed above



# AUSTRO GROUP LIMITED

100%

## Power



Established in 1983

### New Way Power

#### Private power sales

Manufactures, supplies, installs and maintains diesel generators

Best-in-class 30 000m<sup>2</sup> manufacturing facility

#### Industries served

- retailers
- heavy industrial
- mining and construction groups
- wholesalers
- technology and telecommunications companies
- banks
- manufacturers
- agriculture

#### Physical location

Headquarters in Alberton North, Gauteng with branches in Durban and Cape Town



Established in 1971

### Neptune

#### Temporary power

Specialises in temporary power solutions offering rental of diesel generators

Fleet of 121 generators from 4.5 KvA - 1000KvA with the necessary equipment and expertise to move them to site swiftly and safely

#### Industries served

- marine
- entertainment
- construction
- retail
- manufacturing
- medical

#### Physical location

Branches in Johannesburg and Cape Town



Established in 2013

### Power O<sup>2</sup>

Distributes international branded industrial and marine diesel engines and components

#### Industries served

- marine
- heavy industrial

#### Physical location

Branch in Johannesburg

49,9%



Matase has a branch in Johannesburg



JOHN DEERE



100%

## Wood

# AUSTRO

MACHINES, TOOLING, EDGING, TECHNICAL SUPPORT

Established in 1980

## Wood

*Woodworking equipment,  
tooling and edging*

Distributes and maintains professional  
woodworking equipment, tooling and edging  
South Africa's largest distributor of premium  
machines and tooling

*Industries served*

- hardware merchants
- furniture manufacturing industry
- kitchen and built-in cupboard  
manufacturers
- shopfitting

*Physical location*

Headquartered in Johannesburg with branches  
in Cape Town, Durban, East London



## 2013 ACHIEVEMENTS

- Leadership reshaped
- Comprehensive review of the group's financial position
- Restructuring of and sustainable turnaround in Wood
- Strengthening of divisional management
- Protection of New Way Power's market position
- Improved profitability

## FINANCIAL HIGHLIGHTS

Revenue up 20% to

**R502,7 million**

Adjusted EBITDA up 25% to

**R29,6 million**

Adjusted HEPS of

**5,0 cents**

- Reduced working capital
- Strong cash and liquidity position

## OUR ASSETS

Total assets

**R462,7 million**

People employed

**344**

Diesel generator rental fleet of

**121 diesel generators**

Section Two

▶ **LEADERSHIP**

02





# Chairman's report

## Changing of the guard

The year under review was one of significant change on all fronts. The new leadership and initiatives introduced saw positive results, with revenue up 20% and EBITDA of R13,4 million reversing 2012's restated R7,9 million loss. A more direct year-on-year comparison (removing inventory adjustments and the settlement of an onerous lease in Wood) saw a 25% increase in adjusted EBITDA to R29,6 million.

We end the year cash strong with a good liquidity position. The group remains net cash positive supported by a R45 million trading facility to underpin growth.

Specifically our leadership was strengthened with new executive appointments at group level and to head up the Wood business unit. In addition a new corporate advisor, JFN, was appointed to provide strategic and business support to Austro and supplement the new executive capacity. Subsequent to year-end the New Way Power team was strengthened following the appointment of a new CEO. Austro's executive team and the head of JFN are significant shareholders in the group through Ricophase (see 'Our shareholders now' below), and are therefore appropriately incentivised to drive growth for the benefit of all shareholders.

The board underwent further revision with the resignation of Jonathan Freed and the dismissal of former Wood CEO Charles Jacobs following a disciplinary enquiry in December 2012.

Subsequent to year-end Paul Baloyi, Nopasika Lila, Mpho Makwana and Paul O'Flaherty were appointed to the board effective 12 February 2014. We welcome our new directors and look forward to working together to drive further growth.

The new management team has decisively taken the reins, immediately reviewing and restructuring the business to improve profitability, acting to protect New Way Power's market position, reassessing the valuation of property, plant, equipment and working capital and developing a strategy to position Austro for growth. By year-end the success of their endeavours was already evident.

Under the new divisional CEO, Wood established a sustainable turnaround with a successful restructuring programme to align costs with revenue. Evaluation and redress of the manufacturing processes in the Power business unit are ongoing to boost workflow efficiencies and reduce wastage.

To date our litigation efforts have been positive with an interim interdict against Jonathan Freed and Justin Freed awarded, pending the final determination of the matter by way of arbitration, which is scheduled to take place during April 2014. The interim interdict restrains Jonathan Freed and Justin Freed, pending the April 2014 arbitration, for a period of 36 months from the date of termination of their respective employment with New Way Power (being 30 June 2013 and 30 September 2013, respectively), from directly or indirectly carrying on or being interested in any business which sells goods or renders services in competition with New Way Power, in accordance with the restraint of trade provisions contained in each of Jonathan Freed's and Justin Freed's respective service and restraint agreements with the company.

The extensive assessment of property, plant, equipment and working capital has established an accurate base to improve management of these assets going forward. The necessary adjustments, mainly to inventory, were recognised in these results.

Always mindful of our responsibility as a corporate citizen, we are also reviewing policies and procedures in human resources, IT, health and safety, environmental management and financial controls to align with international best practice.

## Our shareholders now

The involvement of the Ricophase consortium and its investment in the group during the year marked a watershed for Austro. Ricophase became an anchor investor with a 27,6% stake in the group. In addition, David Brouze controls a further 9,1% stake in Austro, bringing the combined shareholding to 36,7%.

Due to Ricophase and David Brouze's combined shareholding exceeding 35%, a mandatory offer to acquire the full share capital of Austro was triggered



in terms of the Companies Act. As a result of this mandatory offer Ricophase acquired an additional 5 225 shares in Austro at 55,2 cents per share.

Further changes to the group's shareholding during the year included the acquisition of additional shares by Peregrine Equities Proprietary Limited, bringing their stake up to 15,6% at 31 January 2014.

Market sentiment towards these changes appears to be positive, as reflected in the share price of 169 cents at 11 February 2014.

## Outlook

The new management and board are committed to building a regional industrial energy group in South and sub-Saharan Africa. This will be achieved by introducing new industrial energy platforms and developing these alongside existing platforms over time, through acquisitive and organic growth.

Sustainability is a key objective of management and the board. During the year our focus was necessarily on operational sustainability as a priority, given that management, financial position, financial performance and competitive positioning required redress. Towards the end of the year our focus broadened, and other aspects of sustainability in the wider context were reviewed.

Looking ahead the significant organisational challenges facing the group have for the most part been addressed. An improved foundation is now in place allowing the management team to focus on sustainability and position the group to pursue its growth strategy.

Times ahead though remain uncertain. The uncharted territory in global monetary conditions and a domestic economy with unsustainable fiscal imbalances will make us extra vigilant on the commitments we make in the next year.

## Thanks

I wish to thank management for their vision, commitment and effort and look forward to working together to grow the group from strength to strength. I also thank the Austro employees for their enthusiastic embrace of positive change.

**Tony Phillips**

*Independent Chairman  
17 February 2014*

# Directorate

## Executive

### PAUL MANSOUR (41), CA(SA)

*CEO*

Paul has more than 12 years' experience in investment banking in South Africa and the USA, advising both South African and international companies. He formerly served as a Director of Corporate Finance at BoE, ABSA and as Vice President at Merrill Lynch & Co. He is a personal shareholder in Ricophase, which owns 27,6% of Austro.



### JARROD FRIEDMAN (40), CA(SA)

*Financial Director*

Jarrold completed his articles at Grant Thornton Kessel Feinstein and joined Gold Reef Resorts Limited in 2000 where he was appointed Financial Director in 2001. He remained in that role until 2011. Jarrold also served as Company Secretary of Gold Reef Resorts Limited on a number of occasions throughout his tenure at the company. He is an indirect shareholder in Ricophase, which owns 27,6% of Austro.



## Non-executive

### DAVID BROUZE (50), CA(SA)

David is the founder and a Director of House of Busby, a leading wholesale and retail fashion group in South Africa, which he helped to successfully list. He is a significant shareholder in Austro (which he originally helped to list) and leads the consortium that controls Scharrig Mining. He is an indirect shareholder in Ricophase, which owns 27,6% of Austro. He also owns a 9,1% stake in Austro in his personal capacity.



### PAUL O'FLAHERTY (51) CA(SA)

Paul completed his articles at PricewaterhouseCoopers (previously Coopers and Lybrand) where he later became Partner. He previously served as Chief Financial Officer and Deputy CEO of Group Five Limited, Chief Financial Officer and acting CEO at Al Naboodah Construction Group LLC (UAE) and most recently Finance Director and Group Executive: Group Capital at Eskom Holdings Limited, where he was responsible for the funding and oversight of the capacity expansion programme. Paul is a member of the Issuer Regulation Advisory Committee of the JSE Limited.



## Independent non-executive

### ANTHONY (TONY) PHILLIPS (67), BSC

*Chairman*



Tony has extensive experience in the industrial sector, and was formerly CEO of Barloworld and Chairman of PPC. He is currently the non-executive Chairman of Mpack Limited, Wasteman Holdings Proprietary Limited, Newman Lowther and Associates, the Vice-Chairman of Kansai Plascon Africa Limited and a non-executive Director of Eqstra Holdings Limited.

### PAUL BALOYI (57) MBA, MDP, SEP (HARVARD)



Paul is Chairman of Talent Holdings Proprietary Limited and CAP Leverage Proprietary Limited. He previously served as the CEO of Development Bank of Southern Africa and DBSA Development Fund. Paul has 30 years' banking experience and is a council member of the Institute of Bankers. He currently serves as a Director of several JSE listed companies and other large companies including Bidvest Bank Limited, Old Mutual South Africa Limited and Basil Read Holdings Limited.

### NOPASIKA LILA (44) CA(SA)



Nopasika is Chief Financial Officer of Eskom Pension and Provident Fund. She also serves as an independent non-executive Director of Basil Read Holdings Limited and the Johannesburg Development Agency. Nopasika's vast experience covers finance, corporate governance, management, the retirement industry, strategic issues and training and development.

### MPHO MAKWANA (43) BADMIN (HONS), EDP



Mpho is currently Chairman of ArcelorMittal South Africa Limited and a director of Adcock Ingram Holdings Limited, Sephaku Holdings Limited, Nedbank Group Limited and Nedbank Limited. He is founder and Chairman of Epiteome Investments Proprietary Limited and serves as Chairman and trustee of various boards and organisations including The New LoveLife Trust, The Brand Union Proprietary Limited, ITNA Proprietary Limited, Biotherm Energy Proprietary Limited, LR Management Proprietary Limited and trustee of the Vumelana Transaction Advisory Fund. Mpho was Chairman of Eskom during 2010 and 2011 and was a member of Eskom's board of directors for almost nine years.

## GORDON NZALO (48), CA(SA)

*Certified Internal Auditor*

Gordon has extensive experience in risk management, corporate governance and internal audit services, both in the private and public sectors. He was previously a Partner with KPMG and PricewaterhouseCoopers where he was responsible for assurance and consultancy services. He is a board member of Vunani Limited and Chairman of its audit committee.



## ULI SCHÄCKERMANN (67), CA(SA)

*German*

After 34 years as a Partner in public practice, Uli has begun serving as an independent non-executive director to various companies. During his auditing career he audited and reviewed various listed entities including JSE Top 40 companies. He served on the IRBA Committee for Auditor Ethics and is currently a member of the investigation committee of the IRBA and serves on various other boards.



## Executive management

## HYRAM SERRETTA (40) BSc, MSc, MBA

*CEO New Way Power*

Hyrant was appointed as CEO of New Way Power subsequent to year-end. He was previously operations and logistics manager at SABMiller. Prior to that he spent 10 years in financial services at ABSA/Barclays Bank and Accenture in South Africa, the United States and the UK.



## CHRISTIAN NEUBERGER (48), MBA (VIENNA)

*CEO Wood*

Christian was previously Chief Operations Officer of Gold Reef Resorts Limited and has 19 years' experience in the gaming industry with Gold Reef Resorts Limited and its former international partner, Casinos Austria. He is a personal shareholder in Ricophase, which owns 27,6% of Austro.





# Governance structure

## THE BOARD

### EXECUTIVE

CEO

**PD Mansour**

FINANCIAL DIRECTOR

**JS FRIEDMAN**

### INDEPENDENT NON-EXECUTIVE

CHAIRMAN

**AJ Phillips**

**GS Nzalo**

**U Schäckermann**

**PM Makwana**

**PC Baloyi**

**NV Lila**

### NON-EXECUTIVE

**DS Brouze**

**PS O'Flaherty**

## Committees\*

### AUDIT & RISK

NUMBER OF  
INDEPENDENT DIRECTORS  
**3/3**

### REMUNERATION

NUMBER OF  
INDEPENDENT DIRECTORS  
**2/2**

### SOCIAL & ETHICS

NUMBER OF  
INDEPENDENT DIRECTORS  
**2/3**

\* at year-end

## Members

- **U Schäckermann (Chairman)**
- **GS Nzalo**
- **AJ Phillips**

### **By invitation**

- *PD Mansour*
- *JS Friedman*
- *Auditors*

## Responsibilities

- Financial statements and accounting practices
- Risk management and internal controls
- Oversight of policies and procedures
- Internal audit
- Appointment and assessment of independence of the external auditor

- **GS Nzalo (Chairman)**
- **AJ Phillips**

### **By invitation**

- *PD Mansour*
- *JS Friedman*

- Determining policy and framework for remuneration
- Determining short- and long-term incentives for group executives
- Assessing executive and non-executive directors' remuneration
- Ensuring that adequate disclosure is made of directors' remuneration
- Reviewing appropriate market information

- **AJ Phillips (Chairman)**
- **U Schäckermann**
- **PD Mansour**

### **By invitation**

- *JS Friedman*
- *H Serretta*
- *C Neuberger*
- *HR manager*
- *Health and Safety manager*

### Monitoring and reporting on:

- Labour and employment
- Health and public safety
- Social and economic development
- Consumer relations
- Good citizenship
- Environmental issues
- Wellbeing of employees
- Corporate ethics
- Empowerment

Section Three

▶ **A NEW ERA**

03





## Strategic direction

*A major globally competitive, sub-Saharan African industrial energy group, providing South African manufactured, branded capital and consumable goods to a broad range of economic sectors.*

## Our group values

We believe in a decentralised operational structure but where possible manage against some of the disadvantages of this approach. We allow each operation to develop their own values. We encourage the following:

Our values	What we mean by them
Respect for all our stakeholders	We aim to engage with all our stakeholders in a respectful manner, support them in achieving their ambitions while simultaneously forwarding the goals of the group. This includes integrity in all our dealings, as being respectful implies being honest.
Entrepreneurship	We encourage each other to think and act like entrepreneurs. This means developing insights to identify revenue opportunities, having the courage to pursue them and the passion to serve customers as if we all owned our business.
Freedom and accountability	We are given broad freedoms to act within the boundaries of our values to fulfil our responsibilities. We are all fully accountable for our actions.
Meritocracy	We are performance focused. Performance is rewarded by way of additional responsibility and compensation. The opposite holds true for poor performance.
Investing in our people	Our goals as a group can only become reality through the tireless efforts of our colleagues. We are committed to providing the tools and opportunities to ensure every colleague fulfils their potential.
Focus on communication	We understand that our actions are not undertaken in isolation, but that they impact a variety of stakeholders. We strive to communicate before, during and after we act so our organisation becomes a cohesive unit.



# Our group strategic objectives

STRATEGIC OBJECTIVE	RATIONALE
<b>Originate and execute organic growth opportunities</b>	<ul style="list-style-type: none"> <li>› To grow revenue and profitability and ensure continued development of new revenue sources so that businesses remain competitive and relevant</li> </ul>
<b>Build new industrial energy platforms</b>	<ul style="list-style-type: none"> <li>› To grow our revenue, profit base and market value thereby allowing the group to better capitalise on being a listed company</li> <li>› To focus on specific industries where we believe the addressable markets are sufficiently large, we can compete effectively and earn targeted returns on capital</li> </ul>
<b>Partner with leading global brands</b>	<ul style="list-style-type: none"> <li>› To leverage               <ul style="list-style-type: none"> <li>• brand recognition</li> <li>• technical expertise</li> <li>• marketing support</li> <li>• Research and development</li> </ul> </li> <li>in order to remain a strong competitor</li> </ul>
<b>Extend Sub-Saharan African footprint</b>	<ul style="list-style-type: none"> <li>› Increase market size that our products and services are exposed to</li> <li>› Access higher growth markets</li> <li>› Use geographical location and regional knowledge to compete effectively against other non-Africa based multinationals operating in Africa</li> </ul>
<b>Build a globally competitive manufacturing capability</b>	<ul style="list-style-type: none"> <li>› Build barriers to entry</li> <li>› Be cost competitive</li> <li>› Enhance margins</li> <li>› Strengthen relationship with our principals</li> <li>› Enhance our attractiveness and ability to partner with multinationals wishing to enter the sub-Saharan African market</li> <li>› Capitalise on proximity to high growth sub-Saharan African markets</li> <li>› Make an active contribution towards South Africa's economic and social objectives</li> </ul>
<b>Improve revenue mix</b>	<ul style="list-style-type: none"> <li>› Build a less volatile, more predictable and sustainable revenue stream by increasing our consumables component</li> </ul>
<b>Service a broad range of industries</b>	<ul style="list-style-type: none"> <li>› Reduce revenue and earnings volatility</li> </ul>
<b>Build sustainability across all our businesses</b>	<ul style="list-style-type: none"> <li>› Enhance the longevity of operations</li> <li>› Compete effectively</li> <li>› Ensure survival through economic downturns</li> </ul>
<b>Enhance our empowerment credentials</b>	<ul style="list-style-type: none"> <li>› Remain socially relevant</li> <li>› Improve our ability to access public sector business</li> <li>› Retain private sector business</li> </ul>

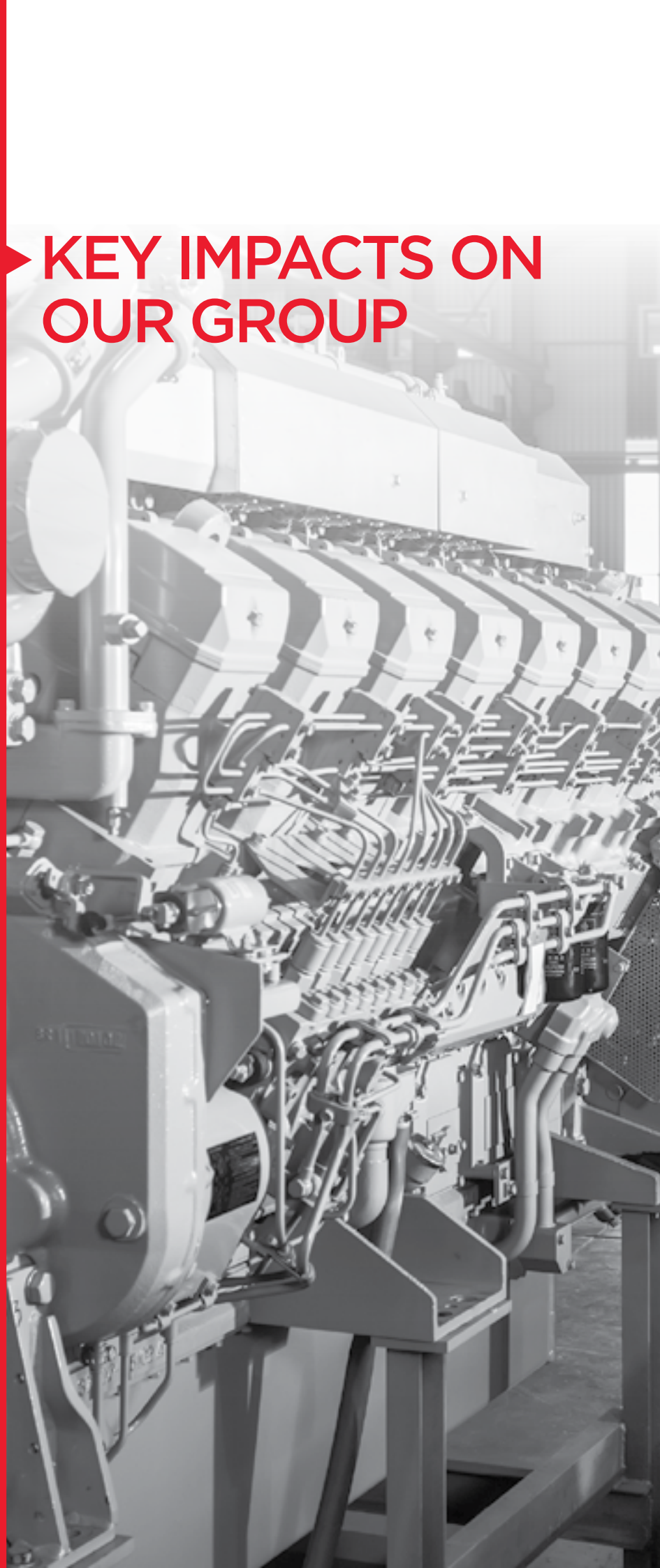


FY2013 PROGRESS	FOCUS FY2014
<ul style="list-style-type: none"> <li>› A pipeline of new business opportunities identified and in the process of being developed to bring them to market in a timely and capital efficient manner</li> </ul>	<ul style="list-style-type: none"> <li>› Continue identifying new business opportunities and bring existing pipeline of opportunities to market</li> </ul>
<ul style="list-style-type: none"> <li>› Focus areas identified and pipeline of acquisitive opportunities developed</li> </ul>	<ul style="list-style-type: none"> <li>› Execute on acquisition pipeline of opportunities</li> <li>› Continue to develop our acquisition pipeline</li> <li>› Deepen our focus</li> </ul>
<ul style="list-style-type: none"> <li>› Retained and built on relationships with John Deere, Mitsubishi, Doosan and Biesse</li> </ul>	<ul style="list-style-type: none"> <li>› Secure relationship with John Deere</li> <li>› Consolidate tooling product offering under Leitz agency</li> <li>› Obtain production and/or distribution rights for products from other global brands</li> </ul>
<ul style="list-style-type: none"> <li>› Higher volume of transactional based business into Africa</li> </ul>	<ul style="list-style-type: none"> <li>› Identify customers with effective Africa growth strategies and invest in-country to support them in achieving these objectives. This will establish a low risk presence in these markets and can be used as a “beachhead” to slowly expand our activities in these markets</li> </ul>
<ul style="list-style-type: none"> <li>› Improved manufacturing efficiencies</li> <li>› Focus on health and safety</li> <li>› Review of environmental practices</li> </ul>	<ul style="list-style-type: none"> <li>› Strengthen workforce through skills development</li> <li>› Enhance supply chain and working capital management skills</li> <li>› Benchmark ourselves against global manufacturing standards and move towards meeting these standards</li> <li>› Establish learnership and artisan programmes</li> </ul>
<ul style="list-style-type: none"> <li>› Renewed focus on parts, maintenance and service revenues</li> </ul>	<ul style="list-style-type: none"> <li>› Acquire companies offering consumable products</li> <li>› Organic growth of consumables businesses and other recurring revenue streams</li> </ul>
<ul style="list-style-type: none"> <li>› Improved understanding of industries with poor penetration but with attractive growth opportunities</li> </ul>	<ul style="list-style-type: none"> <li>› Begin marketing to industries that we currently do not service</li> <li>› Acquire companies whose products and services are used by a broad range of industries</li> </ul>
<ul style="list-style-type: none"> <li>› Identification of areas requiring improvement</li> </ul>	<ul style="list-style-type: none"> <li>› Development of:               <ul style="list-style-type: none"> <li>• Health, safety and environmental practices</li> <li>• Commercial policies, processes and procedures (without creating bureaucracy)</li> <li>• Internal financial controls</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>› Assessed where we currently stand and identified areas requiring improvement</li> </ul>	<ul style="list-style-type: none"> <li>› Improving all aspects of our B-BBEE scorecard</li> </ul>

Section Four

04

▶ **KEY IMPACTS ON  
OUR GROUP**





# Material issues

At Austro we define material issues as those risks that have a significant direct impact on our ability to create value. Our review of the group's operations during the year, with a view to improving profitability and sustainability, highlighted the absence of a formal risk register at group level, which further challenged our ability to accurately define material issues. In this light, in identifying our material issues below, we have used broad risk categories. (These do not necessarily comprise all the risks affecting the

group and are not presented in any particular order of priority. Additional risks and uncertainties not presently known to the group (or currently deemed immaterial) may become known or escalate and could affect the business or the group's operations.)

We intend to apply a more deliberate, critical mind to the definition of these material issues in the year ahead now that the group's operating platform is improving.

Material issues	Risk	Mitigation
<b>Foreign exchange volatility</b>	<ul style="list-style-type: none"> <li>Inability to pass on changes in input costs to customers to maintain gross margins</li> </ul>	<ul style="list-style-type: none"> <li>Forward exchange contracts which support prices charged to customers</li> <li>Inventory levels enable absorption of immediate exchange rate fluctuations for a certain amount of time</li> <li>Close monitoring of gross margins</li> <li>Competitors have no sustainable advantage in terms of managing this risk</li> </ul>
<b>Loss of major brand supplier</b>	<ul style="list-style-type: none"> <li>A major brand supplier discontinues supply of their product to Austro</li> </ul>	<ul style="list-style-type: none"> <li>Contractual relationships where possible</li> <li>Established relationships with multiple brand suppliers of the same product</li> <li>Maintain customer relationships to encourage migration to a different product where necessary</li> <li>Extensive focus on building relationships with brand suppliers</li> <li>Strict adherence to terms of credit</li> <li>Building representative businesses that are difficult for competitors to replicate</li> </ul>
<b>Loss of key executives</b>	<ul style="list-style-type: none"> <li>Loss of key executives including their expertise, supplier relationships and customer contacts</li> </ul>	<ul style="list-style-type: none"> <li>Market based compensation</li> <li>Short term incentives are built into compensation package</li> <li>Long term incentives are in the process of being considered</li> <li>Extensive interaction with executives to identify any issues</li> <li>Promoting a work culture that empowers executives</li> </ul>
<b>Credit risk</b>	<ul style="list-style-type: none"> <li>Large debtors' default</li> </ul>	<ul style="list-style-type: none"> <li>Strict compliance requirement of credit extension criteria</li> <li>Regular and extensive review of overdue debtors to ensure that remedial action is taken on a timely basis</li> <li>Well resourced credit collection function</li> </ul>
<b>Labour unrest</b>	<ul style="list-style-type: none"> <li>Labour unrest disrupts manufacturing process and inhibits ability to service customers</li> </ul>	<ul style="list-style-type: none"> <li>Extensive focus on building relationships with union representatives and members</li> <li>Developing a safe workplace environment</li> <li>Advance planning to mitigate the negative impact of labour unrest</li> </ul>
<b>Not meeting B-BBEE requirements</b>	<ul style="list-style-type: none"> <li>B-BBEE level below minimum scorecard requirements to transact with the public sector</li> <li>B-BBEE level below that of competitors thereby inhibiting competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Strategic goal of the group and performance indicator of executives to improve our B-BBEE rating</li> </ul>
<b>Slow economic growth</b>	<ul style="list-style-type: none"> <li>Slow economic growth impacts construction sector</li> </ul>	<ul style="list-style-type: none"> <li>Product sold into a diverse range of economic sectors</li> <li>Geographic expansion</li> <li>Focus on growing consumable type revenues</li> </ul>
<b>Regulatory compliance</b>	<ul style="list-style-type: none"> <li>Incurring fines/penalties</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Board, Audit &amp; Risk Committee and management provide oversight</li> </ul>



# Stakeholder engagement

In identifying our material issues, the known perceptions of our stakeholders in this regard were taken into account.

The table below sets out with whom we engage, how, and our method of integrating feedback. This is an evolving process to which we will apply more energy and focus in the future.

Stakeholder	What matters to them	How we engage	Responsibility for engagement
<b>Group</b>			
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Governance and reputation</li> <li>• Investment performance (capital appreciation and dividend flow)</li> <li>• Sustainability</li> <li>• Risk management</li> <li>• Growth strategy</li> <li>• Management competence and remuneration</li> <li>• Timeous, useful and relevant information</li> </ul>	<ul style="list-style-type: none"> <li>• Integrated report</li> <li>• SENS</li> <li>• Website</li> <li>• 1:1 meetings</li> <li>• Annual general meeting</li> <li>• Media releases and interviews</li> <li>• Annual and interim results presentations</li> <li>• Regulated media interaction</li> <li>• Going forward, interaction with investment analysts</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman, CEO and Financial Director</li> </ul>
<b>Lenders/providers of capital</b>	<ul style="list-style-type: none"> <li>• Cash generation</li> <li>• Profitability</li> <li>• Leverage/gearing</li> <li>• Working capital management</li> <li>• Corporate governance and compliance</li> <li>• Compliance with credit agreements</li> <li>• Risk management</li> <li>• Timeous, useful and relevant information</li> </ul>	<ul style="list-style-type: none"> <li>• Integrated report</li> <li>• Contractually required information flow</li> <li>• In-person meetings</li> <li>• Focus on relationship building</li> </ul>	<ul style="list-style-type: none"> <li>• CEO and Financial Director</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Job security</li> <li>• Compensation</li> <li>• Career development</li> <li>• Training</li> <li>• Quality of workplace environment</li> <li>• Quality of leadership</li> <li>• Occupational health and safety risks</li> <li>• Labour practices</li> <li>• Transformation</li> <li>• Appropriate tools to fulfil job responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Outcomes-based job descriptions</li> <li>• Performance management systems</li> <li>• Comprehensive contracts of employment</li> <li>• Personalised training programmes</li> <li>• Company communications</li> <li>• Compliance with relevant legislation</li> <li>• Strengthened health and safety policies and procedures</li> <li>• Culture of developing an attractive workplace environment</li> </ul>	<ul style="list-style-type: none"> <li>• Subsidiary CEOs, Direct Managers, HR Manager</li> </ul>



Stakeholder	What matters to them	How we engage	Responsibility for engagement
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Product quality</li> <li>• Responsive service and support</li> <li>• Pricing</li> <li>• Brand perception</li> <li>• Reputation</li> <li>• Security of supply</li> <li>• Empowerment credentials</li> </ul>	<ul style="list-style-type: none"> <li>• Customer contact</li> <li>• Customer relationship management</li> <li>• Focus on quality control</li> <li>• Representing reputable global brand</li> <li>• Competitive pricing/tendering within acceptable gross margin targets</li> <li>• B-BBEE scorecard</li> <li>• Websites</li> </ul>	<ul style="list-style-type: none"> <li>• Sales and support teams</li> </ul>
<b>Government</b>	<ul style="list-style-type: none"> <li>• Legal and tax compliance</li> <li>• Job creation</li> <li>• Transformation</li> </ul>	<ul style="list-style-type: none"> <li>• Extensive focus on tax and regulatory compliance employing professional advisors to the extent necessary</li> <li>• Timeous submission of regulatory and legislative documentation</li> <li>• Creation of employment opportunities where it makes business sense</li> </ul>	<ul style="list-style-type: none"> <li>• Group and subsidiary CEOs and Financial Directors</li> </ul>
<b>Supplier principals</b>	<ul style="list-style-type: none"> <li>• Quantity of purchases</li> <li>• In-country brand development</li> <li>• Payment in accordance with credit terms</li> <li>• Honouring representative agreements</li> <li>• Being trustworthy brand ambassadors</li> <li>• Business sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier agreements</li> <li>• Regular telephone and in-person engagements</li> <li>• Focus on building relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Group and subsidiary CEOs and Financial Directors</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Quantity of purchases</li> <li>• Payment in accordance with credit terms</li> <li>• Business sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Transactional documentation</li> <li>• Supplier agreements where applicable</li> <li>• Regular telephone and in-person engagements</li> <li>• Focus on building relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Subsidiary Financial Directors and operations officers</li> </ul>
<b>Unions</b>	<ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Fair and equitable treatment of members</li> <li>• Health and safety</li> <li>• Fair remuneration</li> <li>• Appropriate working conditions (physical and emotional)</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on building relationships with union representatives</li> <li>• Regular meetings with shop stewards and when necessary the National Union of Metalworkers of South Africa</li> <li>• Focus on regulatory compliance and employing professional advisors to the extent necessary</li> </ul>	<ul style="list-style-type: none"> <li>• Operations officers and HR manager</li> </ul>

Section Five

05

PERFORMANCE  
REVIEW





# Value added statement

The value added statement depicts the performance and efforts of management, employees and providers of capital. The statement further indicates the value added distribution to those contributing throughout the year.

	2013 R'000	2012 R'000
Revenue	502 709	417 531
Less: Cost of goods, services and expenses	(418 276)	(486 972)
<b>Value added:</b>	<b>84 433</b>	<b>(69 441)</b>
Indirect income	3 623	10 539
<b>Total wealth created</b>	<b>88 056</b>	<b>(58 902)</b>
<b>Distributed as follows:</b>		
<b>Employees</b>		
Remuneration and benefits	81 610	86 313
<b>Government</b>		
Taxes	(2 972)	4 702
<b>Providers of capital</b>		
Finance costs	1 723	4 065
Retained to develop future growth	7 695	(153 982)
<b>Value added</b>	<b>88 056</b>	<b>(58 902)</b>



# CEO's report

I was pleased to come on board to head Austro during the year, together with my Financial Director Jarrod Friedman. We see exciting potential in the group and look forward to unlocking value creating opportunities as we look to build a globally competitive regional industrial energy group.

This year has primarily been one of transition. There have been significant changes at group and operational executive level as well as the introduction of new, highly accomplished non-executive directors to our board. At the date of writing all key executive positions have been filled and I am proud of the team that is now in place to drive the group and its operations.

As a team we made significant headway in restructuring and righting the group's existing businesses, assisted by a generally improved trading environment. This reflected in higher revenues across the board, overall stable margins (despite some downward pressure in the Private Power Sales division) and an impressive turnaround at Wood under the guidance of new CEO Christian Neuberger.

Importantly, the group's new executives and JFN's leadership acquired a significant shareholding in Austro with material personal investment, meaning that the key executives are heavily invested in the success of our initiatives and aligned with Austro's remaining shareholders.

## Financial performance

Revenue grew 20% to R502,7 million with EBITDA of R13,4 million reversing the prior year's loss of R7,9 million. We did not declare a dividend in light of our objectives to grow.

The results are discussed in more detail in the Financial Director's report and the annual financial statements and accompanying notes.

## Operational review

### *Power*

The Private Power Sales segment continued to enjoy higher volumes as a result of buoyant markets in its areas of speciality, namely construction projects and data infrastructure. Market share gains were also achieved. Revenue increased 31% to R307,4 million (2012 Restated: R234,3 million) and gross profit grew 13% to R76,6 million (2012 Restated: R68,1 million). Margins of 25% were down year-on-year due to increasing pricing pressure in tenders and certain production inefficiencies, which are in the process of being rectified. Operating profit totalled R0,9 million, impacted by inventory write-offs. Adjusted EBITDA decreased 19% to R21,8 million (2012 Restated: R26,9 million), representing a margin relative to revenue of 7%.

The Temporary Power segment is a rapidly growing business. Revenue was up 32% to R30,5 million (2012: R23,1 million) and gross profit increased 29% to R21,8 million (2012: R16,9 million), representing a margin of 71,6%. Given the demand for rental equipment, the group intends expanding its fleet in the year ahead, utilising its in-house manufacturing capabilities. Adjusted EBITDA increased 24% to R13,4 million (2012 Restated: R10,8 million), representing a margin relative to revenue of 44%.

### *Wood*

The business unit benefited considerably from new management and a successful restructuring programme to align the cost base with revenue, reflected in a commendable turnaround. The onerous lease was also settled, significantly improving the financial position of this entity. Wood significantly reduced the restated prior year operating loss (before impairment of goodwill) of R34,9 million to R2,9 million (adjusted to exclude the onerous lease gain) on revenue of R171,6 million (2012: R160,4 million). Gross profit margins recovered to 32% from 25%.



### *Update on litigation and distributorship*

As set out earlier in this report, the group has been granted an interim interdict, pending the final determination of the matter by way of arbitration, which is scheduled to take place in April 2014, regarding the litigation instituted against Jonathan Freed and Justin Freed. The interim interdict restrains both for a period of 36 months from the date of termination of their employment from directly or indirectly carrying on or being interested in any business which sells goods or renders services in competition with New Way Power.

We remain in discussions with John Deere regarding the conclusion of a new distributorship for the distribution of John Deere industrial engines and OEM engine spare parts.

### *The coming year*

FY2014 for the group is one where operational executives have been tasked with building sustainability into our operations so that they can continue to compete effectively and are well positioned for growth. At group level we will be actively seeking out acquisition opportunities to deliver on our strategy and focus on improving our empowerment credentials.

Trading during the current financial year has been encouraging. However, prospects for the remainder of the year ahead remain uncertain given possible social disturbances ahead of the 2014 elections, the ability

of Eskom to continue to meet demand for power, a slowdown in consumer spend and the impact this may have on construction activity, as well as the effects of global monetary policy. Input costs, through Rand exchange rates, and the sectors that the group serves are closely linked to global monetary conditions and the performance of the global economy.

We maintain a neutral outlook for FY2014. Within Private Power Sales the sales order book remains strong and we plan to pursue organic growth opportunities while Temporary Power will invest in its fleet to meet growing demand for rentals. The restructuring undertaken during the 2013 financial year in Wood is expected to continue yielding benefits in the year ahead.

### **Appreciation**

I thank the entire team for welcoming me and my colleagues on board and being open to change. I also thank our customers and other stakeholders, especially our shareholders, for their continuing support.

**Paul Mansour**

CEO

17 February 2014



# Financial Director's report

Against the backdrop of an extensive group restructuring and review of plant and working capital, the group has enhanced returns to investors. With headline earnings of R7,2 million significantly up on FY2012's restated R25,8 million loss, HEPS increased to 1,8 cents per share compared to the previous restated loss of 6,5 cents per share.

We undertook a review of plant and working capital during the year in order to verify the existence and valuation of these assets, with particular emphasis on stock and debtors, to establish an accurate base going forward to improve management of these assets. The review resulted in certain accounting adjustments, primarily to inventory. (See 'Comparison with the prior year' below.)

Accordingly adjusted headline earnings of R19,7 million (2012 Restated: R5,8 million), which excludes *inter alia* the impact of these adjustments, translates to adjusted HEPS of 5,0 cents per share, representing an improvement of 3,5 cents per share.

## Comparison with the prior year

During the course of the FY2013 audit, several prior period errors were identified. These were adjusted in the prior period financial statements and resulted in restated results for FY2012. The details and financial implications of these errors include:

### Private Power Sales

#### *Overcapitalisation of overheads allocated to inventory:*

An over-allocation of indirect overheads to inventory occurred in the prior year as the ratio applied was

found to be incorrect. The consequent correction resulted in an increase in cost of sales and a decrease in inventory of R1,5 million in the prior year. The tax effect of this adjustment is an increase in the deferred tax asset and a decrease in the deferred tax income statement charge of R0,4 million.

#### *Consignment stock adjustment:*

Inventory delivered to third parties as consignment stock was incorrectly recognised as revenue in prior financial periods. The adjustment to correct this error resulted in an increase in inventory of R1,4 million and decreases in trade receivables of R2,1 million and in accumulated profit of R0,7 million, respectively. The tax effect of this adjustment was an increase in the deferred tax asset and a decrease in the deferred tax income statement charge of R0,2 million.

### Temporary Power

#### *Accumulated depreciation adjustment:*

Calculation errors were identified in the fixed asset register. The adjustment to correct this error resulted in an increase in accumulated depreciation and a decrease in accumulated profit of R3,9 million.

The effect of these prior year adjustments is a decrease in the reported FY2012 EPS - from a loss of 39,0 cents per share to a loss of 40,3 cents per share - and a decrease in HEPS from a loss of 5,3 cents per share to a loss of 6,5 cents per share.



## Financial overview

	% change	Audited for the 12 months ended 31 August 2013	Restated for the 12 months ended 31 August 2012	Restated for the 12 months ended 31 August 2011
		R'000	R'000	R'000
Revenue	20%	502 709	417 531	384 967
Gross profit	22%	154 308	126 620	128 111
EBITDA		13 389	(7 942)	5 650
Adjusted EBITDA	25%	29 584	23 654	12 127
Operating profit/(loss)		4 581	(22 447)	(3 491)
Earnings/(loss) per share and diluted earnings/(loss) per share (cents)		2,0	(40,3)	1,4
Headline earnings/(loss) per share and diluted headline earnings/(loss) per share (cents)		1,8	(6,5)	1,6
Adjusted headline earnings per share (cents)	240%	5,0	1,5	3,2
EBITDA margin		2,7%	(1,9%)	1,5%
Adjusted EBITDA margin		5,9%	5,7%	3,2%
Operating margin		0,9%	(5,4%)	(0,9%)

## Review of our results

Improved trading lifted the group's performance with growth in revenue realising positive earnings, a turnaround from the previous year's recorded loss. The gross profit margin remained stable, with margin pressure in Private Power Sales mitigated by healthy margins in Wood following a significant turnaround during the year.

EBITDA of R13,4 million was a considerable improvement on the previous year's loss of R7,9 million. To provide a more meaningful comparison we have elected to show adjusted EBITDA of R29,6 million which compares to R23,7 million in FY2012, an increase of 25% and which more appropriately demonstrates sustainable trading.

We also greatly improved the group's working capital position. Notwithstanding working capital adjustments and the growth in revenue, net working capital was down 10% from R189,7 million to R171,5 million. This was achieved through the gradual reduction of inventory to more acceptable levels and more efficient debtor

collections. The strengthened working capital position is reflected in continued strong cash flows. Cash generated by operations was up 98% to R30,5 million compared to a restated R17,5 million in FY2012.

Operating expenses escalated 11% (while revenue increased 20%), driven by new executive appointments and the appointment of JFN to supplement internal capacity. Our cash and liquidity positions remain strong with cash generated from operations up to R27,3 million. We ended the year with a cash balance of R40,3 million compared to the prior year's R34,4 million. External borrowing remains low at R6,5 million (2012: R7,8 million) generating a net cash position of R33,5 million compared to R26,6 million for FY2012. Liquidity was also strengthened by a R45 million trading facility.

## Capital expenditure

During the year we invested R13,1 million in capital expenditure (2012: R7,4 million excluding the acquisition of business combination), equating to 2,6% of revenue.



## Taxation

The group's effective tax rate is distorted by the partial recognition of deferred tax assets not previously recognised, arising from assessed losses primarily in Wood and at group level, to be utilised in the future. With the benefits of the restructuring in Wood beginning to reflect in its profitability, these assessed losses now have a greater probability of being utilised.

## Compliance

With the assistance of our sponsor and company secretary we endeavour to comply with all applicable legislation. The board's commitment to responsible corporate citizenship is evidenced by its adherence to the Code of Corporate Practices and Conduct as set out in the King III Report and compliance with the Companies Act and JSE Listings Requirements.

## Internal audit

Following the resignation of the internal auditor in June 2011 the group has remained without an internal audit function until now. Towards the end of 2013 the board took a decision to engage BDO Risk Advisory Services Proprietary Limited ("BDO") to provide an independent third party internal audit function to the group. This will include the review and ongoing evaluation of internal controls, policies and procedures, fraud and risk management from both an operational and financial perspective.

As part of their review process, BDO will assist with and consider the effectiveness of the group's risk management as well as the effectiveness of the company's corporate governance.

They are also intent on co-ordinating with the group's external auditors, Grant Thornton, in order to ensure that there is no duplication of effort and that significant risk areas are addressed. Where practical, internal audit will assist the external auditors with the finalisation of their external audit plan.

## Risk management

Management has identified the urgent need for a thorough risk management review and the identification of control weaknesses and remedial interventions to enable internal audit to perform their role constructively.

To this end, business process solutions specialists, Modus BPS, have been engaged to perform an extensive process and risk management review at New Way Power which may be extended to include Wood in the future.

In addition and with the help of BDO, a comprehensive risk management workshop will be held in the current year to facilitate focused risk assessments for areas across the group where these have not yet been formalised. The aim is to align risk management with the strategic focus of the group and this exercise will also help determine the detailed scope of internal audit.

## Insurance

During the year a comprehensive review of the group's insurance requirements was undertaken and existing cover was extended. The board is satisfied that risks are now adequately mitigated by insurance cover.

## Changes in accounting principles

During the year, no new accounting principles were adopted.

## Going concern assertion

The board has formally considered the going concern assertion for Austro and is of the opinion that it is appropriate for the forthcoming year.

**Jarrod Friedman**  
*Financial Director*  
17 February 2014



# B-BBEE scorecard

(internally calculated)

B-BBEE scorecard summary*		10 year scorecard	
Code	Weighting points	Points achieved	% of possible score
Code 100 - Measurement of the Ownership Element of Broad-Based Black Economic Empowerment	23	0.08	0.34%
Code 200 - Measurement of the Management and Control Element of Broad-Based Black Economic Empowerment	11	3.88	35.23%
Code 300 - Measurement of the Employment Equity Element of Broad-Based Black Economic Empowerment	18	2.05	11.37%
Code 400 - Measurement of the Skills Development Element of Broad-Based Black Economic Empowerment	15	0.00	0.00%
Code 500 - Measurement of the Preferential Procurement Element of Broad-Based Black Economic Empowerment	20	15.13	75.63%
Code 600 - Measurement of the Enterprise Development Element of Broad-Based Black Economic Empowerment	15	15.00	100.00%
Code 700 - Measurement of the Socio-Economic Development Element of Broad-Based Black Economic Empowerment	5	5.00	100.00%
<b>Possible points</b>	<b>107</b>		
<b>Points achieved</b>		<b>41.13</b>	
		Level 7	

\* This scorecard has not been verified by a ratings agency

Section Six

06

▶ **TRANSPARENCY  
AND  
ACCOUNTABILITY**





# Corporate governance

As the custodians of Austro's corporate governance, the board is committed to the principles of responsibility, accountability, fairness and transparency as per King III, and all that these entail and imply. The directors aim to integrate responsible corporate citizenship into the group's business strategy, audits and assessments and to embed sound governance practices in daily operations and processes.

The directors endeavour to achieve this leading by example. While there is currently no formal Code of Conduct or Code of Ethics in place, directors are expected to conform to the highest standards of integrous business conduct (emulated by all employees). Any incidents are dealt with swiftly and disciplinary action is implemented without exception. Further, the Social & Ethics Committee oversees the organisational integrity and ethics.

Austro's board intends preparing a Code of Ethics for adoption in FY2014. It is designed to provide guidance with regard to staff's ethical conduct in all areas, appropriate policies in respect of the safeguarding of assets and information, and the corrective measures to enforce these policies. It will also set out the group's values and practices over and above requirements of formal governance codes and legal requirements.

## Statement of compliance

In line with the King III Report's 'apply or explain' approach, the directors will continue to state the extent to which the company applies good corporate governance principles and to explain any non-compliance. (See 'Compliance framework' on page 40).

## The board

The board is the highest decision-making body within the group and is responsible and accountable for Austro's performance and affairs, and has full control over all the subsidiaries and divisions of the group.

Austro's unitary board changed during the year and subsequent to year-end comprises ten directors, two of whom are executives and two of whom are non-executive, with the remaining six being independent non-executives (one of whom is Chairman). This meets the King III requirement for a non-executive majority.

The role of the board is documented in a formal charter that defines matters reserved for directors' approval. The board's primary function is to determine the group's strategy, purpose, values and stakeholders relevant to its business. It also continually monitors the solvency and liquidity of the company as well as non-financial aspects. Further, it is responsible for the frameworks for the delegation of authority and ensuring compliance with all relevant laws, regulations and codes of best business practice, as well as appropriate stakeholder communication to protect and enhance the company's reputation.

The responsibilities of the Chairman and CEO, and those of other non-executive and executive directors, are clearly separated to ensure a balance of power. The Chairman provides leadership and guidance to the board and encourages proper deliberation on all matters requiring the board's attention while obtaining input from other directors.

The CEO is responsible for day-to-day operations and the controlled implementation of strategic and operational decisions. In this regard he is assisted by the Financial Director.

The independent non-executive directors are high merit individuals who objectively contribute a wide range of industry skills, knowledge and experience to the board's decision-making process. These directors are not involved in the daily operations of the company. Non-executive directors are also entitled to seek independent professional advice on any matters concerning the affairs of the group, at the company's expense.

The independence of directors is determined in line with recommendations as set out in King III.

During the year, Paul Mansour was appointed CEO and Jarrod Friedman was appointed Financial Director, effective 15 April 2013. In August 2013 Jonathan Freed resigned as a non-executive director and former Wood CEO Charles Jacobs was dismissed in December 2012 following a disciplinary enquiry.

Subsequent to year-end Paul Baloyi, Nopasika Lila, Mpho Makwana and Paul O'Flaherty were appointed to the board.



In line with the group's Memorandum of Incorporation ("MOI") one-third of the directors retire by rotation each year. Accordingly David Brouze, Uli Schäckermann and Gordon Nzalo will retire at the upcoming annual general meeting.

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.

Details of directors' attendance at board and board committee meetings during the year are set out below (the number in brackets indicates the total number of meetings held):

	Board	Audit & Risk Committee	Remuneration Committee	Social & Ethics Committee
<b>Executive directors</b>				
PS Mansour (CEO) <i>(appointed 15 April 2013)</i>	1(4)			
JS Friedman (Financial Director) <i>(appointed 15 April 2013)</i>	1(4)			
JO Freed	4(4)			1(1)
<b>Independent non-executive directors</b>				
AJ Phillips (Chairman) <sup>^</sup>	4(4)	3(3)	1(1)	1(1)
GS Nzalo <sup>~</sup>	4(4)	2(3)	1(1)	
U Schäckermann <sup>#</sup>	4(4)	3(3)		1(1)
<b>Non-executive director</b>				
DS Brouze	4(4)			

<sup>#</sup> Audit & Risk Committee Chairman

<sup>-</sup> Remuneration Committee Chairman

<sup>^</sup> Social & Ethics Committee Chairman

The board as a whole is responsible for the nomination and appointment of new directors, which is formal and transparent.

Directors are required to disclose their shareholdings, additional directorships and any potential conflicts of interest as well as any share dealings in the company's securities to the Chairman and sponsor.

A self-assessment exercise in respect of individual directors was not conducted during the year. Further, there is no formal succession plan in place. It is intended that these will be addressed going forward.

## Support functions

Access to the advice and services of the company secretary and to company records, information, documents and property is unrestricted.

The company secretary is Probity Business Services Proprietary Limited, an independent company secretarial practice providing company secretarial services to a number of JSE listed companies. The board is comfortable that its representative, Neville Toerien, is sufficiently qualified and skilled to act in accordance with and update directors in terms of the



King III Report and other relevant regulations and legislation.

The company secretary advises the board on procedures regarding meetings and generally ensures that an adequate corporate governance framework is maintained. The board is satisfied that an arm's length relationship is maintained between the company secretary and the board and its sub-committees.

The company secretary's independence was confirmed via an independence declaration and their competence was assessed by the Audit & Risk Committee.

## Board committees

Austro has an established Audit & Risk Committee, Remuneration Committee and Social & Ethics Committee to assist the board in discharging its responsibility of corporate governance. The terms of reference for each committee are outlined in formal documents.

There is transparency and full disclosure from board committees to the board in the form of verbal reports by committee chairmen at board meetings and the minutes of committee meetings are made available to the board at any time. The board is satisfied that all committees have satisfied their responsibilities during the year.

Attendance at committee meetings is set out on page 38.

The chairs of the committees or a nominated committee member attend the company's annual general meeting to answer any questions from stakeholders pertaining to them.

### *Audit & Risk Committee*

The committee met three times during the year. (See 'Audit & Risk Committee Report' on page 53.)

### *Remuneration Committee*

The committee met once during the year. (See 'Remuneration Report' on page 42.)

### *Social & Ethics Committee*

The committee is chaired by Tony Phillips and comprises one other independent non-executive director and the CEO Paul Mansour. The role of the committee is to ensure that the group's activities are conducted in an ethical fashion in accordance with accepted principles relating to social and environmental responsibility. Further, the committee is charged with ensuring that the group acts as a responsible corporate citizen, particularly in the context of the economic, social and environmental

challenges facing South Africa and the other countries in which Austro operates.

## IT governance

An IT steering committee has been established to assist with IT governance at the company and its subsidiaries. The committee is to comprise a board member and a representative from each subsidiary, as well as the IT Manager. The board requires assurance that Austro's IT investment delivers optimally in terms of expenditure and initiatives.

The IT Steering Committee will formally assist the board by:

- Establishing, implementing, and monitoring an IT charter and policies
- Establishing, implementing, and monitoring an IT internal control framework
- Ensuring that independent assurance on the effectiveness of the IT internal controls is obtained
- Advising on an IT strategy that is integrated with the overall strategy of the group
- Monitoring and evaluating significant IT investments and expenditure
- Monitoring the compliance with IT laws and related rules, codes and standards
- Monitoring the management of the information assets
- Advising the Audit & Risk Committee on IT-related risks

## Risk management

Risk management has not been adequately addressed thus far. The new leadership is presently remedying this to ensure that adequate controls and systems are put in place comprising a sound risk management framework.

Further Austro recently contracted BDO to undertake the group's internal audit function and guide Austro in implementing an effective risk management framework. They will start shortly with a thorough risk review. Once risks are identified, they will be ranked and graded and controls implemented.

BDO will provide an ongoing internal audit function to assess the effectiveness of these controls and provide the Audit & Risk Committee with a further pillar of assurance upon which the external auditors can rely.

The Audit & Risk Committee is responsible for the governance of risk on behalf of the board, which retain ultimate accountability in this regard.

# Compliance framework

## Legal compliance

The board is responsible for ensuring compliance with laws and regulations. New legislation that impacts the group is discussed at board meetings. The directors are assisted in this regard by the company secretary.

Chapter 2 of the company's King III compliance checklist is set out below. The full King III compliance checklist is available on the company website.

### Chapter 2: boards and directors

2.1	The board should act as the focal point for and custodian of corporate governance.	The board is the focal point and custodian of corporate governance at Austro.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	The board considers all aspects of risk, performance and sustainability in developing and executing strategy.
2.3	The board should provide effective leadership based on an ethical foundation.	The board provides effective leadership and is committed to the highest levels of corporate governance as a key driver of sustainability.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	Austro's Social & Ethics Committee reflects and effects the company's commitment to responsible corporate citizenship. In addition to compliance with King III, Austro has also adopted the principles of the GRI.
2.5	The board should ensure that the company's ethics are managed effectively.	The board has established a Social & Ethics Committee, which assists in ensuring that the company's ethics are managed effectively.
2.6	The board should ensure that the company has an effective and independent Audit Committee.	The Audit & Risk Committee is chaired by independent non-executive director U Schäckermann and further comprises two independent non-executive directors. The board is satisfied that the Audit & Risk Committee is effective.
2.7	The board should be responsible for the governance of risk.	The board retains ultimate responsibility for the control and management of risk. The Audit & Risk Committee's role is to assist the board in ensuring that Austro has a risk management framework in place that will enhance its ability to achieve its strategic objectives and the disclosure regarding risk is comprehensive, timely and relevant. The committee further assists the board in monitoring risk management.
2.8	The board should be responsible for information technology (IT) governance.	The board acknowledges that IT governance is an integral part of corporate governance and has established an IT steering committee to assist it with implementing an IT governance framework.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	The board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.
2.10	The board should ensure that there is an effective risk-based internal audit function.	The board has appointed BDO to implement an effective risk based internal audit function.
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	The board of Austro recognises and believes in the importance of developing and nurturing positive and stable relationships with key stakeholders as a key driver of business success.
2.12	The board should ensure the integrity of the company's integrated report.	The board continues to ensure that the integrated report provides, as far as possible, an accurate view of the group's accountability for financial, social and environmental sustainability and that this thinking permeates the entire business.
2.13	The board should report on the effectiveness of the company's system of internal controls.	The board, with the assistance of the Audit & Risk Committee, reviews and is responsible for the company's system of internal control. The Audit & Risk Committee is responsible for overseeing an independent internal audit which will assist management in assessing and reporting on the soundness of the company's system of internal control.
2.14	The board and its directors should act in the best interests of the company.	The board acknowledges its role as a trustee and steward of the interests and resources of the company. The board acts in accordance with the Board Charter. Stewardship of shareholders' investment, employees' livelihood and wellbeing, and the environment in which the group operates, are central to board decision-making at Austro.



## Chapter 2: boards and directors (continued)

2.15	The board should consider business rescue proceeding or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	The board monitors the company's solvency and liquidity. Business rescue has not been required.
2.16	The board should elect a Chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of Chairman of the board.	The Chairman of Austro, Tony Phillips, is an independent non-executive Chairman. The roles of CEO and Chairman are separate and clearly defined.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	The board has appointed Paul Mansour as CEO and a delegation of authority framework is in place and reviewed as necessary.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	<p>The board comprises a majority of non-executive directors, with eight non-executive directors, six of whom are independent, and two executive directors.</p> <p>The responsibilities of the Chairman and CEO and those of other non-executive and executive directors are clearly separated to ensure a balance of power and prevent any one director from exercising unfettered powers of decision-making. The Chairman provides leadership to the board in all deliberations, ensuring independent input, and oversees its efficient operation. The CEO is responsible for proposing, updating, implementing and maintaining the strategic direction of Austro as well as ensuring appropriately supervised and controlled daily operations. In this regard, the CEO is assisted by the Financial Director, Jarrod Friedman.</p> <p>The non-executive directors are high calibre individuals who objectively contribute a wide range of industry skills, knowledge and experience to the board's decision-making process. The independent non-executive directors are not involved in the daily operations of the company.</p>
2.19	Directors should be appointed through a formal process.	A formal and transparent appointment process is in place. The entire board is responsible for the appointment of new board members, including the CEO.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	A formal induction programme is conducted for new directors.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	The functions of the company secretary are outsourced to an independent third party. The board of Austro is satisfied with the skills and qualifications of Probita Business Services Proprietary Limited, an independent company secretarial practice providing company secretarial services to a number of JSE listed companies.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	There is no formal evaluation process currently in place. This will be addressed in the coming year and evaluations performed annually.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	<p>The board of Austro delegates certain functions without abdicating its own responsibilities to the following committees:</p> <p>Audit &amp; Risk Committee</p> <p>Remuneration Committee</p> <p>Social &amp; Ethics Committee</p>
2.24	A governance framework should be agreed between the group and its subsidiary boards.	This framework is being implemented along with delegation of authority to guide the CEOs of the subsidiaries.
2.25	Companies should remunerate directors and executives fairly and responsibly.	The group's Remuneration Committee oversees the remuneration policy for executive and senior management in line with best practice.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	The remuneration of directors and prescribed officers is disclosed in the integrated report annually.
2.27	Shareholders should approve the company's remuneration policy.	Consideration is being given to having shareholders endorse, by way of a non-binding advisory note, the company's remuneration policy at the annual general meeting.



# Remuneration report

The Remuneration Committee assists the board in ensuring that group remuneration and recruitment is aligned with Austro's overall business strategy, with the aim of enabling the group to attract and retain quality personnel who are culturally a good fit for the group and contribute towards creating long-term value for all stakeholders.

The committee is an independent and objective body which monitors and strengthens the credibility of the group's executive remuneration function. It is charged with determining the framework and policy for remuneration of the CEO, directors and other group executive management. The policy sets appropriate remuneration levels to attract, retain and motivate the calibre of directors and executives required for the group to operate successfully, while balancing the interests of the shareholders.

The committee determines the total remuneration package of the CEO, each executive group director and JFN, including bonuses, incentive payments and share options and/or conditional rights. It is responsible for setting targets for performance-related pay schemes operated by the group and motivates the board to seek shareholder approval for any long-term incentive programmes where necessary. It also approves service agreements, termination payments and compensation commitments for the CEO and the executive directors.

The Remuneration Committee ensures that executive remuneration is linked to individual performance criteria and the group's performance.

Since the committee considers and makes recommendations to the board on remuneration packages and policies it is authorised to seek any

information required from any employee at any time, and may further obtain external legal and/or other independent professional advice if deemed necessary, at the expense of the group.

The committee is also responsible for ensuring that adequate disclosure of directors' remuneration is set out in the integrated annual report.

The committee is chaired by Gordon Nzalo and further comprises independent non-executive Chairman Tony Phillips. Details of attendance of the committee are set out on page 38.

Executive directors who attend committee meetings by invitation are barred from deliberations in respect of their own or each other's remuneration.

Presently the group does not have an incentive scheme that covers all portfolio companies and encompasses all staff. A comprehensive performance management system is being developed which is expected to be implemented at New Way Power from the beginning of the 2015 financial year. If successful this system will be rolled out across the group. The performance management system will set out performance outputs and targets on an individual and/or team basis, whichever is most appropriate and practical. Meeting or exceeding these targets will result in the payment of cash incentives annually or bi-annually. Further, our intention is to begin awarding longer term incentives linked to the Austro share price to certain key senior executives who are in a position to influence the group's performance. The objective of this initiative will be to retain these key individuals and motivate them to assist in driving shareholder wealth creation on a long term basis.



## Remuneration levels

The three highest paid prescribed officers of Austro (excluding Austro executive directors) for the year are set out in the summary below:

31 August 2013	Position	Salaries (CTC) R	Incentives R	Total R
Wayne Freed	Head of New Way Power- Cape Town branch	899 695	1 070 735	1 970 430
Peter Dengler*	Chief Technical Officer of New Way Power	2 010 091	137 861	2 147 952
Rhys Abrahams*	Financial Director of New Way Power	1 999 791	146 597	2 146 388

\* Resigned subsequent to year-end

The annual fees for non-executive directors are set out in the table below:

Type of fee	Fee 2012/13 R	Proposed fee 2013/14 R
<b>Board</b>		
Chairman	334 000	354 040
Member	135 000	143 100
<b>Audit &amp; Risk Committee</b>		
Chairman	68 000	72 080
Member	33 500	35 510
<b>Remuneration Committee</b>		
Chairman	56 000	59 360
Member	33 500	35 510
<b>Social &amp; Ethics Committee</b>		
Chairman	56 000	59 360
Member	33 500	35 510

Section Seven

07

▶ **STAKEHOLDER  
OVERVIEW**





# Our people

## FY2013 Highlights

### Low

EMPLOYEE TURNOVER

### No incidents

OF LABOUR UNREST

### 64 new jobs

CREATED

Human Resources Manager Wynand Swart is responsible for employee relations. Non-discriminatory employment practices prevail. No incidents of discrimination were reported during the year. Should such incidents be reported an investigation is carried out and, if substantiated, a disciplinary enquiry convened, the outcome of which may lead to termination. There is a disciplinary and grievance policy in place which is communicated to all employees and outlined in their contracts of employment. Our policy of correction before dismissal is in line with the Labour Relations Act.

The majority of our workforce is employed at New Way Power's manufacturing facility. The manufacturing process is labour intensive, requiring semi-skilled workers with mechanical and electrical knowledge.

A performance appraisal system will be implemented in the current year across the group to better motivate and incentivise good performance, enhance productivity and highlight areas for training and development.

Austro employs  
**344 staff**

### Race

AFRICAN	WHITE
<b>177</b>	<b>134</b>
COLOURED	INDIAN
<b>24</b>	<b>9</b>

### Gender

MALE	FEMALE
<b>289</b>	<b>55</b>



### Labour relations

Every employee has the right to belong to a union and 19% of the workforce is covered by a collective agreement with the National Union of Metalworkers of South Africa. The group maintains open lines of communication with the union and is proactive in addressing concerns. This approach of mutual respect was reflected during the year with zero incidents of labour unrest.

### Employment equity

The group is compliant with the Employment Equity Act and the required reports are submitted timeously to the Department of Labour. The employment equity status is tabled below:

Category / level	2013			2012		
	Total	HDI	HDI %	Total	HDI	HDI %
Top management	7	1	14,3	13	1	7,7
Senior management	16	5	31,3	14	2	14,3
Professionally qualified	10	3	30,0	49	3	6,1
Skilled	120	30	25,0	89	12	13,5
Semi-skilled	86	78	90,7	25	20	80,0
Unskilled	105	98	93,3	166	160	96,4
Disabled	1	0	0	2	0	0
Total	344	210	61,0	358	198	55,3

### Skills development

During the year all factory staff at New Way Power received soft skills training. In addition, employees in operational roles received training specific to their positions.

### Health and safety

Given the manufacturing facility at New Way Power, health and safety is critical. This is currently a key focus of the review of current operational practices and manufacturing processes at the company. New Way Power has appointed Health and Safety Officers who receive ongoing training and toolbox talks are held regularly. During the year the Department of Labour conducted an inspection of all the businesses

in New Way Power's vicinity. No areas of concern were identified at New Way Power.

We are currently preparing to implement a NOSA system at the facility to formalise health and safety practices. An internal audit has identified areas for improvement and measures to address these areas are underway.

Notwithstanding the focus on New Way Power, new group-wide SHEQ policies are being formulated for all businesses. Once this stage is complete, roll-out will follow. Clear lines of responsibility have been established to ensure that these will be enforced.

In addition, it is intended that medicals will be introduced into the induction programme.



# Society

## Enterprise development

Our successful Enterprise Development initiative with Matase, in partnership with Thivhusiswi Simon Netshisaulu, is gaining traction. The objective is to facilitate the sale of generators by Matase to customers not serviced by Austro such as in the public sector. At the end of FY2013 Austro provided interest free loans of just under R0,5 million to Matase with no fixed repayment terms. New Way Power offers technical, administrative and managerial support to our enterprise development partner on an ongoing basis.

## CSI

During the year New Way Power donated a complete generator including enclosure and controls to Witkoppen Health & Welfare Centre. The centre is a non-profit organisation and comprehensive primary healthcare clinic which services 400 and 500 patients a day from informal settlements in the area. An alternative power source to ensure continual service delivery had become critical as power outages had a serious effect on lost care hours, damage to equipment and pharmacy stock losses due to the cold chain being broken.

Neptune supports the National Sea Rescue Institute monthly.



# Environmental conservation

Austro's primary environmental impact emanates from the consumption of energy and water and the production of waste at New Way Power. The ongoing analysis of the manufacturing processes at New Way Power includes reviewing the environmental management in this high impact operation.

During the year a fire risk assessment was conducted at New Way Power with regard to storage of hazardous waste. It is intended that a waste disposal contractor be appointed in the year ahead to remove hazardous waste such as fluids used in the manufacturing process, diesel and scrap metal.

The future implementation of a group-wide system is aimed at enhancing planning and tracking of

environmental impacts against set targets, with the intention that operations will generate less waste and scrap and conserve greater resources to reduce our environmental impact. This is a medium-term goal. Kicking off, an external consultant (Energy Management) has been appointed to analyse group consumption of electricity and water with a view to decreasing usage by improving efficiencies.



# Social & Ethics Committee Report

The Social & Ethics Committee's responsibility is to ensure that the company acts as a responsible corporate citizen and establishes ethical guidelines within which it should engage with its stakeholders and interact with the environment. Although management is tasked with overseeing the day-to-day operational sustainability of their respective areas of business and reporting thereon to the Social & Ethics Committee, the board remains ultimately responsible for the objectives which it has delegated to the Social & Ethics Committee.

The committee is chaired by Tony Phillips and further comprises independent non-executive director Uli Schäckermann and CEO Paul Mansour. Details of attendance are on page 38.

The purpose of the committee is to set the tone in respect of the board's approach to the ethical conduct of business and regularly monitor the group's activities with regard to any relevant legislation, other legal requirements or prevailing codes of best practice, in respect of the following:

- Social and economic development, including the group's standing in terms of the:
  - 10 principles set out in the United Nations Global Compact Principles
  - OECD recommendations regarding corruption
  - Employment Equity Act
  - Broad-Based Black Economic Empowerment Act
- Good corporate citizenship, including the group's:
  - promotion of equality, prevention of unfair discrimination and reduction of corruption
  - contribution to development of the communities in which our activities are predominantly

conducted or within which our products or services are predominantly marketed

- record of sponsorship, donations and charitable giving
- Environment, health and public safety, including the impact of the group's activities and its services
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws
- Labour and employment, including the group's:
  - standing in terms of the International Labour Organisation Protocol on decent work and working conditions
  - employment relationships and our contribution towards the educational development of our employees
- Corporate values and ethical standards (code of ethics), and ensuring that the company takes measures to achieve adherence to these in all aspects of the business

Although the committee still has much work to do it has a clear work plan and goals which cover all aspects of its terms of reference. These goals will take time to achieve and will most likely evolve as the business and regulatory environment changes. The board and committee regard these goals as being strategic to value creation and are committed to achieving them.

**Tony Phillips**

*Social & Ethics Committee Chairman  
17 February 2014*

# Section Eight

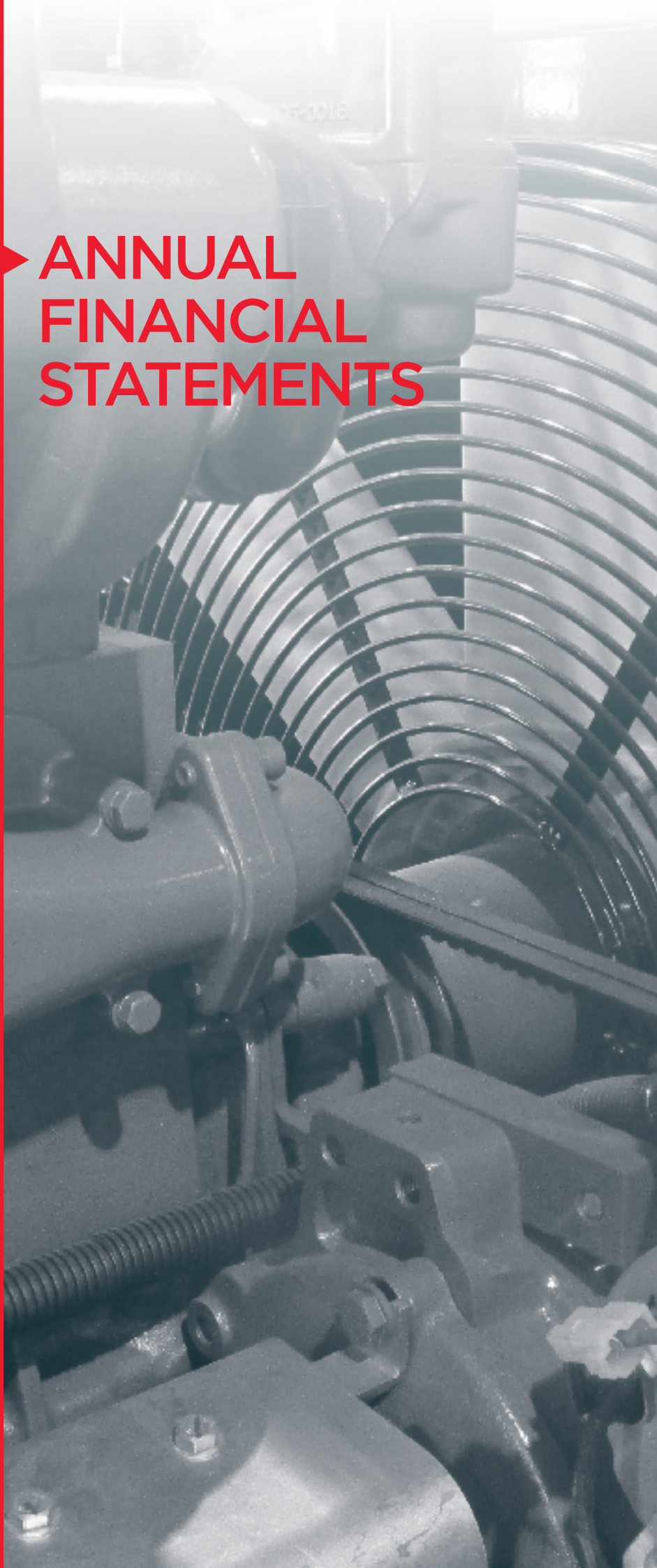
# 08

# ANNUAL FINANCIAL STATEMENTS

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

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These annual financial statements have been prepared under the supervision of Financial Director Jarrod Friedman CA(SA)





# Directors' responsibility statement

The directors are required in terms of the Companies Act 71 of 2008, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the group and company annual financial statements included in this report. It is their responsibility to ensure that the group and company annual financial statements present the state of affairs of the group as at the end of the financial year and the results of their operations and cash flows for the period then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the group and company annual financial statements.

The group and company annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk.

While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and

ethical behaviour are applied and managed within predetermined procedures and constraints

The directors have identified, based on the information and explanations given by management, that weaknesses exist in the current system of internal control. By setting revised standards for internal control and by partnering with an experienced external consultant, the directors will ensure that these weaknesses are addressed and risk is reduced to an acceptable level. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 August 2014 and, in the light of this review and the current financial position, are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements and group annual financial statements have been examined by the group's external auditors and their report is presented on page 55.

The annual financial statements and group annual financial statements set out on pages 56 to 101, which have been prepared on the going concern basis, were approved by the board of directors on 17 February 2014 and were signed on its behalf by:

**Paul Mansour**  
CEO  
17 February 2014

**Jarrod Friedman**  
Financial Director



# Certificate of the company secretary

For the year ended 31 August 2013, the company has lodged with the Companies and Intellectual Property Commission 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, correct and up to date in respect of the financial year reported on.



**Probity Business Services Proprietary Limited**

*Company secretary*

*17 February 2014*



# Audit & Risk Committee report

We are pleased to present our report for the financial year ended 31 August 2013.

## Composition and meeting attendance

The committee is chaired by independent non-executive director U Schäckermann and further consists of two independent non-executive directors, AJ Phillips and GS Nzalo. A short curriculum vitae for each of these directors has been set out on pages 15 to 17 demonstrating their suitable skills and experience. The Financial Director, external auditor, CEO and management attend meetings by invitation only.

During the year three meetings were held. Details of attendance are set out on page 38. It is intended to meet at least three times in a financial year going forward.

## Terms of reference

The committee has adopted formal terms of reference approved by the board and has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

## Statutory roles and responsibilities

### External Audit

The Audit & Risk Committee has satisfied itself that Grant Thornton (Jhb) Inc. and Ms Sóne Kock, the designated auditor, are independent of the company which review included consideration of the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The committee ensured that the appointment of the auditor complied with all legislation relating to the appointment of auditors.

In consultation with executive management, the committee agreed to the engagement letter, terms, audit plan and budgeted audit fees for FY2013.

There is a formal procedure that governs the process whereby the auditor is considered for non-audit services: the committee approves the terms of a master service agreement for the provision of non-audit services by the external auditor and the nature and extent of non-audit services that the external auditor may provide in terms of the agreed pre-approval policy.

### Financial statements

The committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with IFRS.

The Audit & Risk Committee recommended the annual financial statements for the year ended 31 August 2013, for approval to the board. The board has subsequently approved the annual financial statements, which will be open for discussion at the forthcoming annual general meeting.

## Delegated roles and responsibilities

### Integrated reporting and combined assurance

The committee fulfills an oversight role regarding the company's integrated report and the reporting process. The committee considered the company's sustainability information as disclosed in the integrated report and assessed its consistency with operational and other information known to committee members and with the annual financial statements. The committee also discussed the sustainability information with management and the Chairman of the Social & Ethics Committee. It is satisfied that the sustainability information is reliable and consistent with the financial results.

### Going concern

The committee has reviewed a documented assessment, including key assumptions prepared by management, of the going concern status of the company and has accordingly made recommendation to the board. The board's statement on the going concern status of the group and company, as supported by the committee, is set out on page 34 of the integrated annual report.



### *Risk and Internal audit*

BDO, an external risk specialist, has been appointed to fulfil the group's internal audit function and assist with risk management, including a review of existing controls. The group intends conducting a comprehensive risk assessment process in FY2014.

### *Evaluation of the committee*

The committee members were satisfied with the functioning of the committee. The board was satisfied that the committee members collectively have sufficient academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs and human resource management as required by Section 94(5) of the Companies Act, read with Regulation 42.

### *Evaluation: Financial Director*

In terms of JSE Listings Requirements, the Audit & Risk Committee has considered and satisfied itself of the appropriateness of the expertise and experience of the Financial Director Jarrod Friedman.

**Ulrich Schäckermann**

*Chairman of Audit & Risk Committee*

*17 February 2014*



# Independent Auditors' report

## To the shareholders of Austro Group Limited

### Report on the financial statements

We have audited the consolidated and separate financial statements of Austro Group Limited, set out on pages 58 to 101, which comprise the statements of financial position as at 31 August 2013 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with IFRS, the requirements of the Companies Act of South Africa and for such internal controls as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate 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 auditor considers internal controls 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 controls. 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Austro Group Limited as at 31 August 2013 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act of South Africa.

### Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 August 2013, we have read the Directors' Report, the Audit & Risk Committee's Report and the Declaration of the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

*Grant Thornton (Jhb) Inc.*

**Grant Thornton (Jhb) Inc.**

*Registered Auditors*

*Chartered Accountants (SA)*

*Registration Number 1994/001166/21*

*Per: SJ Kock*

*Johannesburg*

*17 February 2014*

# 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 2013.

## 1. Review of activities

### *Main business and operations*

Austro is an industrial supplies group that provides quality branded – in some segments, locally manufactured – industrial equipment, related components and support services to a wide range of economic sectors in South Africa and sub-Saharan Africa. Clients range from heavy industrial, mining and construction groups to wholesalers, retailers, technology and telecommunications companies, banks and manufacturers.

The group's activities are detailed in the Chairman's report (page 13) as well as in 'Key impacts on our group' (page 24).

### *Group results*

Revenue increased by 20,9% from R417,5 million to R502,7 million.

Operating profit before impairment of goodwill of R4,6 million compared to a loss of R22,5 million in 2012.

Headline earnings per share increased to 1,8 cents per share from a loss of 6,5 cents per share in 2012.

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

## 2. Share capital

There were 395 292 923 ordinary no par value shares in issue at 31 August 2013 (2012: 395 292 923).

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

## 3. Subsidiaries

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

## 4. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Changes
AJ Phillips (Chairman)	
PC Baloyi	Appointed 12 February 2014
DS Brouze	
JO Freed (Alternate JR Freed)	Resigned 27 August 2013
JS Friedman	Appointed 15 April 2013
C Jacobs	Dismissed 11 December 2012
NV Lila	Appointed 12 February 2014
PM Makwana	Appointed 12 February 2014
PD Mansour	Appointed 15 April 2013
GS Nzalo	
PS O'Flaherty	Appointed 12 February 2014
U Schäckermann	

In terms of the Memorandum of Incorporation GS Nzalo, U Schäckermann and DS Brouze will retire as directors at the upcoming annual general meeting.



## 5. Directors' shareholding

At the date of this report, the directors of Austro hold beneficially an aggregate of 101 993 080 shares constituting 25,80% 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:

	Direct beneficial	Description of indirect beneficial	Indirect beneficial	Total	Percentage of shares in issue at end of financial year
<b>2013</b>					
DS Brouze	36 089 945	Ricophase and minor children	55 002 613	91 092 558	23,04
PD Mansour	-	Ricophase	5 450 261	5 450 261	1,38
JS Friedman	-	Ricophase	5 450 261	5 450 261	1,38
<b>Total</b>	<b>36 089 945</b>		<b>65 903 135</b>	<b>101 993 080</b>	<b>25,80</b>
<b>2012</b>					
DS Brouze	107 408 695	Minor children	500 000	107 908 695	27,30
JR Freed	-	JRF Trust	4 050 000	4 050 000	1,02
JO Freed	-	Freed Trust	24 300 000	24 300 000	6,15
<b>Total</b>	<b>107 408 695</b>		<b>28 850 000</b>	<b>136 258 695</b>	<b>34,47</b>

## 6. Directors' emoluments

(Refer to note 27)

## 7. Company secretary

The secretary of the company is Probity Business Services Proprietary Limited.

The company secretary's independence was confirmed via an independence declaration and their competence was assessed by the Audit & Risk Committee.

## 8. Auditors

Grant Thornton (Jhb) Inc. will continue in office in accordance with the provisions of the Companies Act 71 of 2008, as amended.

## 9. Special resolution

The following special resolutions were passed by shareholders during the year (at the annual general meeting on 11 April 2013):

- General authority to effect share repurchases;

- Approval of non-executive directors' remuneration;
- Authority for financial assistance to related and inter-related companies; and
- Amendment to the memorandum of incorporation.

No special resolutions were passed by subsidiaries during the year.

## 10. Borrowing limitation

In terms of the memorandum of incorporation, the directors may exercise all powers of the company to borrow money as they consider appropriate. The borrowing powers of the directors are not limited.

## 11. Post-statement of financial position

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

*Johannesburg  
17 February 2014*



# Statements of financial position

as at 31 August 2013

		Group	Group	Group	Company	Company
		2013	Restated	Restated	2013	2012
	Notes	R'000	2012	2011	R'000	R'000
			R'000	R'000		
<b>Assets</b>						
<b>Non-current assets</b>						
Plant and equipment	2	40 987	39 165	38 018	51	108
Goodwill	3	95 544	95 544	229 742	-	-
Loans receivable	8	-	-	482	486	473
Deferred taxation	4	21 642	14 695	8 919	5 366	2 062
Investments in subsidiaries	5	-	-	-	253 956	253 956
		<b>158 173</b>	<b>149 404</b>	<b>277 161</b>	<b>259 859</b>	<b>256 599</b>
<b>Current assets</b>						
Inventories	6	170 298	196 995	179 284	-	-
Trade and other receivables	7	88 662	103 249	73 890	2 395	106
Taxation receivable		5 191	4 536	1 464	-	-
Loans to group companies	8	-	-	-	92 324	82 711
Cash and cash equivalents	9	40 338	34 415	48 988	13	49
		<b>304 489</b>	<b>339 195</b>	<b>303 626</b>	<b>94 732</b>	<b>82 866</b>
<b>Total assets</b>		<b>462 662</b>	<b>488 599</b>	<b>580 787</b>	<b>354 591</b>	<b>339 465</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
<b>Equity attributable to equity holders of parent</b>						
Stated capital	10	295 497	295 497	-	295 497	295 497
Share capital		-	-	4	-	-
Share premium		-	-	295 697	-	-
Retained income		69 399	61 495	220 890	33 730	42 275
		364 896	356 992	516 591	329 227	337 772
Non-controlling interest		(210)	(1)	-	-	-
		<b>364 686</b>	<b>356 991</b>	<b>516 591</b>	<b>329 227</b>	<b>337 772</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Finance lease obligation	11	3 984	5 263	-	-	-
Deferred taxation	4	4 038	-	-	-	-
Provision for onerous lease	13	-	12 291	-	-	-
		<b>8 022</b>	<b>17 554</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>						
Loan from group company	8	-	-	-	21 253	674
Interest free liabilities		-	-	3 426	-	-
Trade and other payables	12	87 440	110 557	60 662	4 111	1 019
Taxation payable		2	7	108	-	-
Finance lease obligation	11	2 512	2 523	-	-	-
Provision for onerous lease	13	-	967	-	-	-
		<b>89 954</b>	<b>114 054</b>	<b>64 196</b>	<b>25 364</b>	<b>1 693</b>
<b>Total liabilities</b>		<b>97 976</b>	<b>131 608</b>	<b>64 196</b>	<b>25 364</b>	<b>1 693</b>
<b>Total equity and liabilities</b>		<b>462 662</b>	<b>488 599</b>	<b>580 787</b>	<b>354 591</b>	<b>339 465</b>



# Consolidated statements of comprehensive income

for the year ended 31 August 2013

		Group	Group	Group	Company	Company
		2013	Restated	Restated	2013	2012
	Notes	R'000	2012	2011	R'000	R'000
			R'000	R'000		
Revenue	14	502 709	417 531	384 967	9 698	6 185
Cost of sales and services		(348 401)	(290 911)	(256 856)	-	-
<b>Gross profit</b>		<b>154 308</b>	<b>126 620</b>	<b>128 111</b>	<b>9 698</b>	<b>6 185</b>
Other income		1 759	4 525	1 877	-	-
Operating expenses		(135 291)	(121 996)	(127 002)	(20 885)	(5 466)
Inventory write-off		(13 231)	-	-	-	-
Obsolete inventory provision		(5 421)	(22 949)	(6 477)	-	-
Onerous lease effect		2 457	(8 647)	-	-	-
Impairment of goodwill		-	(134 197)	-	-	-
<b>Operating profit/(loss)</b>	15	<b>4 581</b>	<b>(156 644)</b>	<b>(3 491)</b>	<b>(11 187)</b>	<b>719</b>
Interest received	16	1 865	6 015	6 804	2	8 008
Interest paid	17	(1 723)	(4 065)	(3 942)	(664)	(1 028)
<b>Profit/(loss) before taxation</b>		<b>4 723</b>	<b>(154 694)</b>	<b>(629)</b>	<b>(11 849)</b>	<b>7 699</b>
Taxation income/(expense)	18	2 972	(4 702)	6 550	3 304	(2 171)
<b>Profit/(loss) for the year</b>		<b>7 695</b>	<b>(159 396)</b>	<b>5 921</b>	<b>(8 545)</b>	<b>5 528</b>
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income/(loss)</b>		<b>7 695</b>	<b>(159 396)</b>	<b>5 921</b>	<b>(8 545)</b>	<b>5 528</b>
<b>Total comprehensive income/(loss) attributable to:</b>						
Owners of the parent		7 904	(159 395)	5 921	(8 545)	5 528
Non-controlling interest		(209)	(1)	-	-	-
		<b>7 695</b>	<b>(159 396)</b>	<b>5 921</b>	<b>(8 545)</b>	<b>5 528</b>
<b>Profit/(loss) attributable to:</b>						
Owners of the parent		7 904	(159 395)	5 921	(8 545)	5 528
Non-controlling interest		(209)	(1)	-	-	-
		<b>7 695</b>	<b>(159 396)</b>	<b>5 921</b>	<b>(8 545)</b>	<b>5 528</b>
<b>Earnings per share</b>						
<b>Per share information</b>						
Earnings/(loss) per share (cents)	29	2.0	(40.3)	1.4	-	-
Headline earnings/(loss) per share (cents)	29	1.8	(6.5)	1.6	-	-

# Consolidated statements of changes in equity

## for the year ended 31 August 2013

Group	Stated/share capital R'000	Share premium R'000	Total stated/ share capital R'000	Retained income R'000	Total attributable to the owners of the parent R'000	Non-controlling interest R'000	Total equity R'000
<b>Group</b>							
Opening balance as previously reported	4	295 697	295 701	221 409	517 110	-	517 110
Adjustments							
Prior period errors (note 25)	-	-	-	(519)	(519)	-	(519)
<b>Balance at 01 September 2011 as restated</b>	<b>4</b>	<b>295 697</b>	<b>295 701</b>	<b>220 890</b>	<b>516 591</b>	<b>-</b>	<b>516 591</b>
Total comprehensive loss for the year	-	-	-	(159 395)	(159 395)	(1)	(159 396)
Share premium reduction due to share buy-back	-	(204)	(204)	-	(204)	-	(204)
Conversion to no par value shares	295 493	(295 493)	-	-	-	-	-
<b>Balance at 01 September 2012 as restated</b>	<b>295 497</b>	<b>-</b>	<b>295 497</b>	<b>61 495</b>	<b>356 992</b>	<b>(1)</b>	<b>356 991</b>
Opening balance as previously reported	295 497	-	295 497	66 999	362 496	(1)	362 495
Adjustments							
Prior period errors (note 25)	-	-	-	(5 504)	(5 504)	-	(5 504)
Total comprehensive income for the year	-	-	-	7 904	7 904	(209)	7 695
<b>Balance at 31 August 2013</b>	<b>295 497</b>	<b>-</b>	<b>295 497</b>	<b>69 399</b>	<b>364 896</b>	<b>(210)</b>	<b>364 686</b>
<b>Company</b>							
<b>Balance at 01 September 2011</b>	<b>4</b>	<b>295 697</b>	<b>295 701</b>	<b>36 747</b>	<b>332 448</b>	<b>-</b>	<b>332 448</b>
Total comprehensive income for the year	-	-	-	5 528	5 528	-	5 528
Share premium reduction due to share buy-back	-	(204)	(204)	-	(204)	-	(204)
Conversion to no par value shares	295 493	(295 493)	-	-	-	-	-
<b>Balance at 01 September 2012</b>	<b>295 497</b>	<b>-</b>	<b>295 497</b>	<b>42 275</b>	<b>337 772</b>	<b>-</b>	<b>337 772</b>
Total comprehensive loss for the year	-	-	-	(8 545)	(8 545)	-	(8 545)
<b>Balance at 31 August 2013</b>	<b>295 497</b>	<b>-</b>	<b>295 497</b>	<b>33 730</b>	<b>329 227</b>	<b>-</b>	<b>329 227</b>



# Consolidated statements of cash flows

for the year ended 31 August 2013

	Notes	Group 2013 R'000	Group Restated 2012 R'000	Group Restated 2011 R'000	Company 2013 R'000	Company 2012 R'000
<b>Cash flows from operating activities</b>						
Cash generated from/(utilised in) operations	19	27 346	15 444	79 859	(10 319)	5 942
Interest received		1 865	6 015	6 804	2	8 008
Interest paid		(1 723)	(4 065)	(3 942)	(664)	(1 028)
Dividends paid		-	-	(8 628)	-	-
Taxation (paid)/received	20	(597)	(13 651)	(8 113)	-	51
<b>Net cash inflows/(outflows) from operating activities</b>		<b>26 891</b>	<b>3 743</b>	<b>65 980</b>	<b>(10 981)</b>	<b>12 973</b>
<b>Cash flows from investing activities</b>						
Additions to plant and equipment	2	(13 130)	(7 366)	(5 140)	(8)	(11)
Proceeds on disposal of plant and equipment	21	3 452	2 523	1 340	-	-
Asset and liability acquisition	22	-	(10 026)	-	-	-
Movement in loans with group companies		-	-	-	20 966	(10 968)
Decrease/(increase) in loans receivable		-	482	(482)	(13)	(158)
<b>Net cash (outflows)/inflows from investing activities</b>		<b>(9 678)</b>	<b>(14 387)</b>	<b>(4 282)</b>	<b>20 945</b>	<b>(11 137)</b>
<b>Cash flows from financing activities</b>						
Reduction in share capital or buy back of shares	10	-	(204)	-	-	(204)
Interest-free liabilities paid		-	(3 426)	(3 426)	-	(3 426)
Finance lease payments		(1 290)	(299)	-	-	-
Share premium reduction due to share buy-back		-	-	(18 492)	-	-
Share premium reduction due to capital distribution declared out of share premium		-	-	(7 914)	-	-
Settlement of onerous lease		(10 000)	-	-	(10 000)	-
<b>Net cash outflows from financing activities</b>		<b>(11 290)</b>	<b>(3 929)</b>	<b>(29 832)</b>	<b>(10 000)</b>	<b>(3 630)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5 923</b>	<b>(14 573)</b>	<b>31 866</b>	<b>(36)</b>	<b>(1 794)</b>
Cash and cash equivalents at beginning of year		34 415	48 988	17 122	49	1 843
<b>Cash and cash equivalents at end of year</b>	<b>9</b>	<b>40 338</b>	<b>34 415</b>	<b>48 988</b>	<b>13</b>	<b>49</b>

# Segmental analysis

	Power			Wood			Head Office			Consolidation			Total		
	Audited 2013	Restated 2012	Restated 2011	Audited 2013	Restated 2012	Restated 2011	Audited 2013	Restated 2012	Restated 2011	Audited 2013	Restated 2012	Restated 2011	Audited 2013	Restated 2012	Restated 2011
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	344 263	262 817	258 566	171 586	160 443	136 198	9 698	6 185	1 375	(22 838)	(11 914)	(11 172)	502 709	417 531	384 967
Gross profit	98 894	86 046	86 248	55 414	40 574	41 863	9 698	6 185	1 375	(9 698)	(6 185)	(1 375)	154 308	126 620	128 111
Gross profit %	29%	33%	33%	32%	25%	31%	100%	100%	100%	-	-	-	31%	30%	33%
Profit/(loss) from operations before impairment of goodwill	6 228	11 722	6 695	9 541	(34 888)	(11 536)	(11 188)	719	1 350	-	-	-	4 581	(22 447)	(3 491)
EBITDA <sup>1</sup>	16 554	24 509	11 498	15 695	(27 048)	(3 192)	(11 124)	780	1 375	(7 736)	(6 183)	(4 031)	13 389	(7 942)	5 650
Adjusted EBITDA <sup>1</sup>	35 206	37 630	17 975	3 238	(8 573)	(3 192)	(1 124)	780	1 375	(7 736)	(6 183)	(4 031)	29 584	23 654	12 127
Capital expenditure	11 136	4 012	3 906	1 986	3 342	1 051	8	12	183	-	-	-	13 130	7 366	5 140
Depreciation	4 088	9 698	5 361	4 655	4 744	3 755	65	63	25	-	-	-	8 808	14 505	9 141
Taxation expense/(income)	2 432	4 746	856	(2 100)	(2 215)	(4 049)	(3 304)	2 171	(3 357)	-	-	-	(2 972)	4 702	(6 550)
Total assets	286 866	297 534	338 974	138 915	140 506	115 765	365 882	351 081	383 059	(329 001)	(300 522)	(257 011)	462 662	488 599	580 787
Inter-company	(30 032)	(13 487)	(53 960)	(32 154)	(33 507)	(33 877)	(104 105)	(94 801)	(116 657)	166 291	141 795	204 494	-	-	-
	256 834	284 047	285 014	106 761	106 999	81 888	261 777	256 280	266 402	-	-	-	462 662	488 599	580 787
Total liabilities	62 031	78 796	107 926	169 876	181 613	110 153	36 659	13 310	50 611	(170 587)	(142 111)	(204 494)	97 979	131 608	64 196
Inter-company	(9 284)	(13 317)	(73 860)	(124 448)	(116 188)	(85 046)	(32 549)	(12 290)	(45 588)	166 281	141 795	204 494	-	-	-
	52 747	65 479	34 066	45 428	65 425	25 107	4 110	1 020	5 023	-	-	-	97 979	131 608	64 196
Net tangible operating assets <sup>2</sup>	178 543	195 974	185 396	57 098	49 879	46 719	3 698	1 255	8 690	-	-	-	239 339	247 108	240 805
Number of employees	200	180	151	150	175	124	5	2	3	-	-	-	355	357	278

<sup>1</sup> All EBITDA figures exclude intercompany management fees

<sup>2</sup> Excludes goodwill which is all attributable to the Power segment



# Accounting policies

## 1. Presentation of Annual Financial Statements

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

### 1.1 Basis of preparation

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

### 1.2 Standards and interpretations affecting amounts reported in the current period

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 2013. The directors have not yet considered the impact of these to the financial statements.

#### STANDARDS IN ISSUE NOT YET EFFECTIVE

STANDARD	DETAILS OF AMENDMENT	ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 7: Financial Instruments: Disclosures	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.	1 January 2013
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.	Not yet determined
IFRS 10: Consolidated Financial Statements	New standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2013
	Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	1 January 2014
	IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must be accounted for at fair value under IFRS 9, Financial Instruments: Recognition and Measurement.	1 January 2014
IFRS 11: Joint Arrangements	New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.	1 January 2013
	Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	



STANDARD	DETAILS OF AMENDMENT	ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 12: Disclosure of Interests in Other Entities	New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	1 January 2013
	Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information.	1 January 2013
	New disclosures required for Investment entities (as defined in IFRS 10)	1 January 2013
IFRS 13: Fair Value Measurement	New guidance on fair value measurement and disclosure requirements.	1 January 2013
IAS 1: Presentation of Financial Statements	Annual Improvements 2009-2011 Cycle amendments clarifying the requirements for comparative information including minimum and additional comparative information required.	1 January 2013
IAS 12: Income Taxes	Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.	1 January 2013
IAS 16: Property, Plant and Equipment	Annual Improvements 2009-2011 Cycle amendments to the recognition and classification of servicing equipment.	1 January 2013
IAS 19: Employee Benefits	Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.	1 January 2013
IAS 27: Consolidated and separate	Consequential amendments resulting from the financial statements issue of IFRS 10,11 and 12.	1 January 2013
	Requirement to account for interests in 'Investment Entities' at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent	1 January 2013
IAS 28: Investments in Associates	Consequential amendments resulting from the issue of IFRS 10,11 and 12.	1 January 2013
IAS 32: Financial Instruments: Presentation	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the net related credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.	1 January 2013
	Annual Improvements 2009-2011 Cycle amendments to clarify the tax effect of distribution to holders of equity instruments.	1 January 2013
IAS 34: Interim Financial Reporting	Annual Improvements 2009-2011 Cycle amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities.	1 January 2013
IAS 36: Impairment of Assets	The amendment to IAS 36 clarifies the required disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	1 January 2014

INTERPRETATION	ANNUAL PERIODS BEGINNING ON OR AFTER
IFRIC Interpretation 21: Levies	1 January 2014



### 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.

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 IFRS3, which generally requires acquisition-date fair value;
- ii. the amount of any non-controlling interest in the acquiree measured in accordance with IFRS3; 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.

Transaction costs are capitalised where permissible in terms of IFRS.

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

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

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

### 1.4 Plant and equipment

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

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

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

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

ITEM	AVERAGE USEFUL LIFE
Plant and equipment	5 - 10 years
Office equipment	5 years
Computer equipment	3 years
Motor vehicles	5 - 10 years
Leasehold improvements	Lesser of used 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, in terms of the relevant lease period.

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.

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

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

## 1.7 Financial Instruments Classification

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

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

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the group's obligation

specified in the contract expire or are discharged or cancelled. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the group had a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### *Trade loans and other receivables*

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

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.

### *Trade and loans payable*

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

### *Cash and cash equivalents*

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

### *Financial liabilities*

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

## 1.8 Revenue recognition

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

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

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.

### 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 at 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 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 group confers substantially all the risks and rewards of ownership, are classified as finance leases. Assets acquired in terms of finance lease agreements are capitalised at fair value or, if lower, at the present value of the minimum lease payments. Finance lease payments are allocated using the effective interest rate method between finance costs and capital repayments.

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

Operating leases are those leases which do not meet the above definition. Operating lease rentals are charged against profit on a straight-line basis over the terms of the leases, and the difference between the actual lease payments and the straight-lined amount is accounted for as an asset or liability that is net present valued.

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.



### 1.13 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.

The recoverable amount of goodwill is estimated at least annually. The recoverable value in use or its fair value amount of an asset is calculated as the higher of its fair value, less cost to sell.

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

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

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

A previously recognised impairment loss is reversed if the recoverable amount of the asset increases as a result of a change in the estimate used to determine

the recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss in respect of goodwill is not reversed.

### 1.15 Employee benefits

#### Medical aid obligation

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

#### Post-retirement benefits

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

#### Employees' leave entitlement

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

#### Bonus obligations

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

### 1.16 Operating segments

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

### 1.17 Foreign currencies

#### Foreign currency transactions

Transactions denominated in foreign currencies are translated at the rates of exchange ruling on the transaction dates. Monetary items denominated



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

### 1.18 Management estimates

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

#### *Judgements made by management*

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

#### *Asset lives and residual values*

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

#### *Deferred tax assets*

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

#### *Impairment of assets*

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

### 1.20 Related party disclosures

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

# Notes to annual financial statements

## 2. Plant and equipment

Group	2013			2012		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Plant and equipment	60 206	(35 464)	24 742	54 910	(32 881)	22 029
Motor vehicles	22 362	(10 658)	11 704	20 821	(8 789)	12 032
Computer and office equipment	12 425	(9 167)	3 258	11 386	(7 951)	3 435
Leasehold improvements	2 548	(1 265)	1 283	2 485	(816)	1 669
<b>Total</b>	<b>97 541</b>	<b>(56 554)</b>	<b>40 987</b>	<b>89 602</b>	<b>(50 437)</b>	<b>39 165</b>

Group	2011		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Plant and equipment	49 576	(24 574)	25 002
Motor vehicles	16 234	(6 958)	9 276
Computer and office equipment	10 211	(6 811)	3 400
Leasehold improvements	805	(465)	340
<b>Total</b>	<b>76 826</b>	<b>(38 808)</b>	<b>38 018</b>

Company	2013			2012		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Computer and office equipment	203	(152)	51	195	(87)	108

### Reconciliation of plant and equipment - Group - 2013

	Carrying value opening balance R'000	Additions R'000	Disposals R'000	Depreciation allocated to cost of sales R'000	Depreciation included in operating expenses R'000	Closing net carrying value R'000
Plant and equipment	22 029	8 751	(1 640)	(1 619)	(2 779)	24 742
Motor vehicles	12 032	3 096	(837)	-	(2 587)	11 704
Computer and office equipment	3 435	1 220	(23)	-	(1 374)	3 258
Leasehold improvements	1 669	63	-	-	(449)	1 283
	<b>39 165</b>	<b>13 130</b>	<b>(2 500)</b>	<b>(1 619)</b>	<b>(7 189)</b>	<b>40 987</b>



### Reconciliation of plant and equipment - Group - 2012

	Carrying value opening balance R'000	Addition R'000	Disposals R'000	Prior year error R'000	Depreciation allocated to cost of sales R'000	Depreciation included in operating expenses R'000	Closing net carrying value R'000
Plant and equipment	25 002	8 095	(1 075)	(3 878)	(2 846)	(3 269)	22 029
Motor vehicles	9 276	6 464	(724)	-	(195)	(2 789)	12 032
Computer and office equipment	3 400	1 243	(31)	-	(10)	(1 167)	3 435
Leasehold improvements	340	1 680	-	-	(31)	(320)	1 669
	<b>38 018</b>	<b>17 482</b>	<b>(1 830)</b>	<b>(3 878)</b>	<b>(3 082)</b>	<b>(7 545)</b>	<b>39 165</b>

Included in additions are assets held under finance leases to the value of R8 million and assets acquired from EdgePro Proprietary Limited and EdgePro Natal Proprietary Limited with a cost of R2 million.

### Reconciliation of plant and equipment - Group - 2011

	Carrying value opening balance R'000	Additions R'000	Disposals R'000	Depreciation allocated to cost of sales R'000	Depreciation capitalised to inventory R'000	Depreciation included in operating expenses R'000	Closing net carrying value R'000
Plant and equipment	30 032	1 334	(440)	(2 158)	(227)	(3 539)	25 002
Motor vehicles	10 482	1 419	(801)	(258)	-	(1 566)	9 276
Computer and office equipment	2 458	1 961	(13)	-	-	(1 006)	3 400
Leasehold improvements	625	426	(325)	-	-	(386)	340
	<b>43 597</b>	<b>5 140</b>	<b>(1 579)</b>	<b>(2 416)</b>	<b>(227)</b>	<b>(6 497)</b>	<b>38 018</b>

### Reconciliation of plant and equipment - Company - 2013

	Carrying value opening balance R'000	Additions R'000	Depreciation R'000	Closing net carrying value R'000
Computer and office equipment	108	8	(65)	51

### Reconciliation of plant and equipment - Company - 2012

	Carrying value opening balance R'000	Additions R'000	Depreciation R'000	Closing net carrying value R'000
Computer and office equipment	159	11	(62)	108

### 3. Goodwill

Group	2013			2012		
	Cost R'000	Accumulated amortisation and impairments R'000	Carrying value R'000	Cost R'000	Accumulated amortisation and impairments R'000	Carrying value R'000
Goodwill	229 742	(134 198)*	95 544	229 742	(134 198)*	95 544

\* Difference to Statements of Comprehensive Income is due to rounding

Group	2011		
	Cost R'000	Accumulated amortisation and impairments R'000	Carrying value R'000
Goodwill	229 742	-	229 742

#### Reconciliation of goodwill - Group - 2013

	Carrying value opening balance R'000	Closing net carrying value R'000
Goodwill	95 544	95 544

#### Reconciliation of goodwill - Group - 2012

	Carrying value opening balance R'000	Impairment R'000	Closing net carrying value R'000
Goodwill	229 742	(134 198)*	95 544

\* Difference to Statements of Comprehensive Income is due to rounding

#### Reconciliation of goodwill - Group - 2011

	Carrying value opening balance R'000	Closing net carrying value R'000
Goodwill	229 742	229 742

	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
<b>Goodwill is made up as follows:</b>					
Power	95 544	95 544	192 621	-	-
Wood	-	-	37 121	-	-
	<b>95 544</b>	<b>95 544</b>	<b>229 742</b>	<b>-</b>	<b>-</b>

#### 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's), which are the segments, has been determined on the basis of value-in-use calculations.

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

A terminal value is calculated based on a growth rate of 6%. The after-tax rate used to discount the forecasted cash flows is 18%.

Based on the above calculations it was determined that no impairment was necessary for the year.



#### 4. Deferred taxation

	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
<i>The balance consists of:</i>					
Provision for leave pay and bonuses	3 043	1 804	1 240	554	-
Capital allowances	(6 232)	(6 492)	(5 431)	-	-
Provision for bad debts	1 695	1 407	-	-	-
Impairment provision	-	-	1 542	-	-
Provision for share-related incentives	371	-	-	371	-
Provision for onerous lease	-	3 712	-	-	-
Lease obligations	3 590	2 811	2 833	-	-
Provision for credit notes	50	68	142	-	-
Income received in advance	2 703	7 595	1 834	-	-
Prepayments	(92)	-	-	(18)	-
Share options	-	-	38	-	-
Tax losses	12 041	2 062	6 520	4 459	2 062
Finance lease liability	476	1 096	-	-	-
Prior year error (note 25)	-	632	201	-	-
Other	(41)	-	-	-	-
	<b>17 604</b>	<b>14 695</b>	<b>8 919</b>	<b>5 366</b>	<b>2 062</b>

#### *Reconciliation of deferred taxation*

Balance at beginning of the year	14 695	8 918	(315)	2 062	4 284
Provision for leave pay and bonuses	1 239	564	(669)	554	(180)
Provision for bad debts	288	1 407	-	-	-
Capital allowances	260	(1 061)	(2 025)	-	-
Provision for share-related incentives	371	-	-	371	-
Prepayments	(92)	-	1 484	(18)	-
Impairment provision	-	(1 542)	1 024	-	-
Provision for onerous lease	(3 712)	3 712	-	-	-
Lease obligations	779	(21)	1 848	-	-
Provision for credit notes	(18)	(74)	142	-	-
Income received in advance	(4 892)	5 761	765	-	-
Originating temporary difference on health care benefits	-	-	(83)	-	-
Share options	-	(38)	38	-	(38)
Tax losses	9 979	(4 458)	6 520	2 397	(2 004)
Prior year over provision	-	-	(11)	-	-
Finance lease liability	(620)	1 096	-	-	-
Prior year error	(632)	431	201	-	-
Other	(41)	-	-	-	-
<b>Balance at the end of the year</b>	<b>17 604</b>	<b>14 695</b>	<b>8 919</b>	<b>5 366</b>	<b>2 062</b>

	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
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*Disclosed on the statement of financial position as follows:*

Deferred taxation asset	21 642	14 695	8 918	5 366	2 062
Deferred taxation liability	(4 038)	-	-	-	-
	<b>17 604</b>	<b>14 695</b>	<b>8 918</b>	<b>5 366</b>	<b>2 062</b>

#### Tax losses

Tax losses at the end of the year	(59 959)	(40 510)	(23 288)	(15 925)	(7 365)
Utilised to raise a deferred tax asset	43 004	7 365	23 288	15 925	7 365
Available to reduce future taxable income	(16 955)	(33 145)	-	-	-
<b>Deferred taxation asset not raised on tax losses</b>	<b>2 038</b>	<b>10 366</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 5. Investments in subsidiaries

Name of company	Issued share capital R	Percentage held in subsidiaries 2013	Percentage held in subsidiaries 2012	Shares at cost 2013	Shares at cost 2012
New Way Power	100	100%	100%	219 120	219 120
Wood	10	100%	100%	34 836	34 836
Austro Tools Proprietary Limited	300	100%	100%	*	*
Matase	1 000	49.9%	49.9%	*	*
				253 956	253 956

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

Matase has been consolidated effective 1 September 2011. New Way Power owns 49,9% but has control over Matase because management and business decisions are made by New Way Power.

\* Amount less than R1 000



	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
Raw materials	39 682	35 795	45 886	-	-
Finished goods	116 950	166 203	114 075	-	-
Work in progress	17 221	13 322	7 037	-	-
Consumables	8 382	4 624	12 286	-	-
Gross inventories	182 235	219 944	179 284	-	-
Impairment provisions raised against inventories	(11 937)	(22 949)	-	-	-
	<b>170 298</b>	<b>196 995</b>	<b>179 284</b>	<b>-</b>	<b>-</b>

Inventories are valued at the lower of cost and net realisable value.

*Movement in impairment provision raised against inventories:*

Balance at the beginning of year	22 949	-	19 051	-	-
Impairment provision raised	5 421	22 949	6 477	-	-
Impairment provision utilised	(16 433)	-	(25 528)	-	-
	<b>11 937</b>	<b>22 949</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 7. Trade and other receivables

Gross trade receivables	84 339	102 082	74 561	-	-
Impairment provisions raised against trade receivables	(8 501)	(6 686)	(7 343)	-	-
Net trade receivables	75 838	95 396	67 218	-	-
Prepayments	1 553	6 779	2 654	64	93
Deposits	372	330	440	-	-
VAT	2 327	-	2 131	2 331	-
Other receivables	8 572	744	1 447	-	13
	<b>88 662</b>	<b>103 249</b>	<b>73 890</b>	<b>2 395</b>	<b>106</b>

There is a cession of the gross trade receivables of R92,3 million (2012: R64,1 million) to Standard Bank. This is a pledge of collateral against the banking facilities.

Trade receivables are stated at cost less impairment provisions.

*Movement in impairment provision raised against receivables*

Balance at the beginning of the year	6 686	7 343	2 430	-	-
Impairment provision raised	1 815	1 112	4 913	-	-
Impairment provision utilised	-	(1 769)	-	-	-
	<b>8 501</b>	<b>6 686</b>	<b>7 343</b>	<b>-</b>	<b>-</b>

### 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 a bad debt or when an amount previously provided against, is received.

	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
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## 8. Loans to (from) group companies

### *Subsidiaries*

New Way Power Proprietary Limited	-	-	-	(21 253)	(674)
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The loan bears interest at prime plus one percentage point and has no fixed maturity date, but may be repaid from time to time as mutually agreed by both parties.

Austro Proprietary Limited	-	-	-	92 324	82 711
----------------------------	---	---	---	--------	--------

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

Matase Power Systems Proprietary Limited	-	-	482	486	473
--	---	---	-----	-----	-----

The loan bears no interest and has no fixed repayment terms.

	-	-	482	71 557	82 510
--	---	---	-----	--------	--------

Non-current assets	-	-	482	486	473
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Current assets	-	-	-	92 324	82 711
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Current liabilities	-	-	-	(21 253)	(674)
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	-	-	482	71 557	82 510
--	---	---	-----	--------	--------

## 9. Cash and cash equivalents

### *Cash and cash equivalents consist of:*

Bank	40 184	34 218	48 815	13	43
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Short-term deposits	-	6	-	-	6
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Petty cash	154	191	173	-	-
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	40 338	34 415	48 988	13	49
--	--------	--------	--------	----	----

### *Banking facilities*

Other interest-bearing facilities: vehicle and asset finance, letters of credit, fleet management cards and credit cards	44 270	49 280	30 500	23 410	-
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	44 270	49 280	30 500	23 410	-
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### *Utilised facilities*

Other interest-bearing facilities: vehicle and asset finance, letters of credit, fleet management cards and credit cards	28 634	26 021	14 044	18 232	-
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### *Cession provided (pledge of collateral against the banking facility)*

Trade and other receivables	92 303	64 140	76 696	-	-
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	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
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## 10. Share capital

### Authorised

#### Stated capital

1 000 000 000 ordinary shares of no par value

10                      10                      -                      10                      10

#### Share capital

1 000 000 000 ordinary shares of R0,00001 each

-                      -                      10                      -                      -

**10                      10                      10                      10                      10**

### Issued

395 292 923 no par value shares

295 497                      295 497                      -                      295 497                      295 497

395 693 678 shares of R0,00001 each

-                      -                      4                      -                      -

Share premium

-                      -                      295 697                      -                      -

**295 497                      295 497                      295 701                      295 497                      295 497**

The unissued shares are under the control of the directors until the next annual general meeting subject to the provisions of the Companies Act, 71 of 2008, as amended.

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

### Share premium

Share premium on issued ordinary shares opening balance

-                      295 697                      322 103                      -                      295 697

Share premium reduction due to share buy back

-                      (204)                      (18 492)                      -                      (204)

Share premium reduction due to capital distribution declared out of share premium

-                      -                      (7 914)                      -                      -

Conversion to no par value shares

-                      (295 493)                      -                      -                      (295 493)

**-                      -                      295 697                      -                      -**

	Group	Group	Group	Company	Company
	2013	2012	2011	2013	2012
	R'000	R'000	R'000	R'000	R'000
<b>11. Finance lease obligation</b>					
<b>Minimum lease payments due</b>					
- within one year	2 827	3 181	-	-	-
- in second to fifth year inclusive	4 252	5 751	-	-	-
	7 079	8 932	-	-	-
Less: Future finance charges	(583)	(1 146)	-	-	-
<b>Present value of minimum lease payments</b>	<b>6 496</b>	<b>7 786</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Present value of minimum lease payments due</b>					
- within one year	2 512	2 523	-	-	-
- in second to fifth year inclusive	3 984	5 263	-	-	-
	6 496	7 786	-	-	-
Non-current liabilities	3 984	5 263	-	-	-
Current liabilities	2 512	2 523	-	-	-
	6 496	7 786	-	-	-

The group leases certain motor vehicles and equipment under finance leases.

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

## 12. Trade and other payables

Trade payables	40 597	55 724	34 039	-	-
Accruals	40 802	25 293	23 572	3 777	983
Income received in advance	2 978	27 122	2 758	-	-
Other payables	456	182	240	334	22
VAT	2 243	2 236	53	-	14
Other accrued expenses	364	-	-	-	-
	87 440	110 557	60 662	4 111	1 019

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 endeavours to ensure that all payables are paid within the credit time frame.



	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
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### 13. Provision for onerous lease

#### Onerous lease contract

Opening balance	13 258	-	-	-	-
Raised during the year	-	13 258	-	-	-
Reversed during the year	(13 258)	-	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>13 258</b>	<b>-</b>	<b>-</b>	<b>-</b>
Non-current liabilities	-	12 291	-	-	-
Current liabilities	-	967	-	-	-
	-	<b>13 258</b>	-	-	-

The Wood division provided for an onerous lease at one of its premises in the prior year. The Wood division moved out of the building which was subsequently sub-let but at an amount less than the Head Lease rental. The onerous lease was settled during the course of the 2013 financial year.

### 14. Revenue

Services rendered	61 971	16 239	40 046	9 698	6 185
Sale of goods	440 738	401 292	344 921	-	-
	<b>502 709</b>	<b>417 531</b>	<b>384 967</b>	<b>9 698</b>	<b>6 185</b>

### 15. Operating profit/(loss)

Operating profit/(loss) for the year is stated after accounting for the following:

#### Other income

Rental income received on the building which was sub-let	2 625	1 500	-	-	-
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#### Operating lease charges

Premises	33 417	32 191	25 005	10 131	168
Computer and office equipment	140	155	193	-	-
	<b>33 557</b>	<b>32 346</b>	<b>25 198</b>	<b>10 131</b>	<b>168</b>

(Profit)/loss on sale of plant and equipment	(952)	(693)	239	-	-
Loss on foreign exchange	1 581	1 254	1 223	-	-
Depreciation on plant and equipment	8 808	14 505	8 913	65	62
Employee cost and directors' emoluments	103 027	83 047	69 971	-	2 688
Employee contribution to retirement funds	-*	3 266	2 721	-	122
Share related incentive expense	1 326	(137)	137	-	(137)
Audit fees - Audit services	1 324	1 067	1 349	-	523
Audit fees - Non audit services provided by auditors	66	122	56	-	115

\*Amount is included in 'Employee cost and directors' emoluments'

## Summary of group leases

Lessee	Province	Escalation clause and renewal option	Lessor	Expiry date of lease
New Way Power	Cape	Monthly rental increases by 8% each year with renewal option	Neptune Investments Proprietary Limited	31 August 2014
New Way Power	Natal	Monthly rental increases by 7% each year, renewal escalation to be agreed upon	MBD Family Trust	31 March 2014
New Way Power	Cape	Monthly rental increases by 8% each year with renewal option	Septay Investments Proprietary Limited	30 November 2016
New Way Power	Gauteng	Monthly rental increases by 8% each year with renewal option	30-38 Jacoba, Alberton North Proprietary Limited	30 April 2019
Austro on behalf of Wood	Gauteng	Monthly rental increases by 9% each year with renewal option	Austrian Woodworking Machinery Proprietary Limited	31 August 2019
Wood	Natal	Monthly rental increases by 9% each year with renewal option	The Grid Group - Wingay Development Company Proprietary Limited	30 June 2016
Wood	Gauteng	Monthly rental increases by 8% each year with renewal option	Richard Road Properties Investments CC	31 March 2016
Wood	Cape	Monthly rental increases by 8% each year with renewal option	Edgepro Proprietary Limited	31 August 2016
Wood	East London	Monthly rental increases by 8% each year with renewal option	Flanegan's Property Trust	31 May 2017

No contingent rent is payable.

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



	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
<b>16. Interest received</b>					
Funds on deposits with banks	1 619	4 693	4 077	2	496
Interest received from related parties	-	-	2 495	-	7 512
Interest received from taxation authorities	-	-	1	-	-
Other	246	1 322	231	-	-
	<b>1 865</b>	<b>6 015</b>	<b>6 804</b>	<b>2</b>	<b>8 008</b>

## 17. Interest paid

Bank overdraft	600	3 455	3 905	-	1 028
Interest paid to related parties	-	-	-	664	-
Interest paid to taxation authorities	1	4	18	-	-
Other	1 122	606	19	-	-
	<b>1 723</b>	<b>4 065</b>	<b>3 942</b>	<b>664</b>	<b>1 028</b>

## 18. Taxation

### Major components of the tax (income)/expense

#### South African normal taxation

Current year	-	10 529	3 641	-	-
Prior year over provision	(63)	-	(1 820)	-	-
Secondary tax on companies	-	(51)	863	-	(51)
	<b>(63)</b>	<b>10 478</b>	<b>2 684</b>	<b>-</b>	<b>(51)</b>

#### Deferred taxation

Current year	(2 909)	(5 776)	(9 234)	(3 304)	2 222
	<b>(2 972)</b>	<b>4 702</b>	<b>(6 550)</b>	<b>(3 304)</b>	<b>2 171</b>

#### Reconciliation of taxation

Accounting profit/(loss)	4 723	(154 694)	(629)	(11 849)	7 699
Taxation at South African normal taxation rate	1 322	(43 314)	(176)	(3 318)	2 156

#### Tax effect of adjustments on taxable income

Permanent differences	(171)	37 701	2 038	14	66
Deferred tax effect income	-	-	(935)	-	-
Deferred tax asset not utilised/(raised) on assessed loss	-	10 366	(6 520)	-	-
Other income	-	-	(1 820)	-	-
Secondary tax on companies	-	(51)	863	-	(51)
Tax losses carried forward	(4 123)	-	-	-	-
<b>Taxation per statement of comprehensive income</b>	<b>(2 972)</b>	<b>4 702</b>	<b>(6 550)</b>	<b>(3 304)</b>	<b>2 171</b>

	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
Profit/(loss) before taxation	4 723	(154 694)	(629)	(11 849)	7 699
<b>Adjustments for:</b>					
Depreciation	8 808	14 505	8 913	65	62
Depreciation capitalised to inventory	-	-	227	-	-
(Profit)/loss on sale of assets	(952)	(693)	239	-	-
Interest received	(1 865)	(6 015)	(6 804)	(2)	(8 008)
Interest paid	1 723	4 065	3 942	664	1 028
Impairment loss	-	134 197	-	-	-
Movements in provisions	(3 258)	13 258	-	-	-
Impairment provision against inventories (utilised)/raised (refer note 6)	(11 012)	22 949	(19 051)	-	-
Impairment provision against trade and other receivables raised/(utilised) (refer note 7)	1 834	(657)	4 913	-	-
<b>Changes in working capital:</b>					
Decrease/(increase) in inventories	37 709	(32 416)	93 820	-	-
Decrease/(increase) in trade and other receivables	12 754	(28 702)	(3 643)	(2 289)	5 739
(Decrease)/increase in trade and other payables	(23 118)	49 647	(2 068)	3 092	(578)
	<b>27 346</b>	<b>15 444</b>	<b>79 859</b>	<b>(10 319)</b>	<b>5 942</b>

## 20. Taxation (paid)/received

Balance at beginning of the year	4 529	1 356	(4 073)	-	-
Current tax for the year recognised in profit or loss	63	(10 478)	(2 684)	-	51
Balance at end of the year	(5 189)	(4 529)	(1 356)	-	-
	<b>(597)</b>	<b>(13 651)</b>	<b>(8 113)</b>	<b>-</b>	<b>51</b>

## 21. Proceeds on disposal of plant and equipment

Book value of assets disposed	2 500	1 830	1 579	-	-
Profit/(loss) on disposal of plant and equipment	952	693	(239)	-	-
<b>Proceeds on disposal of plant and equipment</b>	<b>3 452</b>	<b>2 523</b>	<b>1 340</b>	<b>-</b>	<b>-</b>



	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
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## 22. Asset and liability acquisition

In September 2011, the group acquired the business of EdgePro Proprietary Limited and EdgePro Natal Proprietary Limited. The total consideration paid by the group for both businesses amounted to R10 million, settled in cash.

The acquisition was accounted for as an acquisition of assets and liabilities as the acquisition did not meet the criteria of an acquired business in terms of IFRS 3: Business Combinations.

### Total asset and liability acquisition

Plant and equipment	-	2 031	-	-	-
Inventories	-	8 244	-	-	-
Trade and other payables	-	(249)	-	-	-
	-	<b>10 026</b>	-	-	-

### Consideration paid

Cash	-	(10 026)	-	-	-
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### Net cash outflow on acquisition

Cash consideration paid	-	(10 026)	-	-	-
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### EdgePro Proprietary Limited

#### Fair value of assets acquired and liabilities assumed

Plant and equipment	-	1 000	-	-	-
Inventories	-	4 492	-	-	-
Trade and other payables	-	(129)	-	-	-
	-	<b>5 363</b>	-	-	-

### EdgePro Natal Proprietary Limited

#### Fair value of assets acquired and liabilities assumed

Plant and equipment	-	1 031	-	-	-
Inventories	-	3 752	-	-	-
Trade and other payables	-	(120)	-	-	-
	-	<b>4 663</b>	-	-	-

### Edging division consolidated from 1 September 2011

Revenue	-	15 156	-	-	-
Loss before taxation	-	(2 264)	-	-	-

	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
<b>23. Commitments</b>					
<b>Operating lease commitments</b>					
Computer and office equipment	307	145	575	-	-
Premises	118 619	183 803	195 955	-	-
	<b>118 926</b>	<b>183 948</b>	<b>196 530</b>	-	-

**These commitments accrue in the following periods:**

Due by August 2012	-	-	21 070	-	-
Due by August 2013	-	23 300	21 509	-	-
Due by August 2014	19 187	25 043	23 134	-	-
Due by August 2015	20 686	26 597	24 535	-	-
Due by August 2016	21 619	28 156	-	-	-
Due by August 2017	19 921	-	-	-	-
Thereafter	37 513	80 852	106 282	-	-
	<b>118 926</b>	<b>183 948</b>	<b>196 530</b>	-	-

**24. Retirement benefits***Defined contribution plan*

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

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

**25. Prior period errors**

During the current year audit several prior period errors were identified which have been adjusted in the prior period financial statements. The details and financial implications of these errors are outlined below.

*Private Power Sales*

**Overcapitalisation of overheads allocated to inventory:** The ratio applied to allocate indirect overheads to inventory was found to be incorrect and resulted in an over-allocation of indirect overheads to inventory in the prior year. The correction has resulted in an increase in cost of sales in the prior year and a decrease in inventory of R1,5 million. The tax effect of this adjustment is an increase in the deferred tax asset and a decrease in the deferred tax income statement charge of R0,4 million.

**Consignment stock adjustment:** Inventory delivered to third parties as consignment stock was incorrectly recognised as revenue in prior financial periods. The adjustment to correct this error resulted in an increase in inventory of R1,4 million, a decrease in trade receivables of R2,1 million and a decrease in accumulated profit of R0,7 million. The tax effect of this adjustment was an increase in the deferred tax asset and a decrease in the deferred tax income statement charge of R0,2 million.

*Temporary Power*

**Accumulated depreciation adjustment:** Calculation errors were identified in the fixed asset register. The adjustment to correct this error resulted in an increase in accumulated depreciation and a decrease in retained income of R3,9 million.

The effect of these prior period adjustments is a decrease in the reported 2012 EPS from a loss of 39,0 cents to a loss of 40,3 cents and a decrease in the reported 2012 HEPS from a loss of 5,3 cents to a loss of 6,5 cents.



The correction of these errors resulted in adjustments as follows:

Group

Reconciliation of equity at 31 August 2012

	As reported previously	Correction of errors	Restated
Plant and equipment	43 043	(3 878)	39 165
Goodwill	95 544	-	95 544
Deferred taxation	14 063	632	14 695
<b>Total non-current assets</b>	<b>152 650</b>	<b>(3 246)</b>	<b>149 404</b>
Inventories	197 117	(122)	196 995
Trade and other receivables	105 384	(2 136)	103 248
Taxation receivable	4 537	-	4 537
Cash and cash equivalents	34 415	-	34 415
<b>Total current assets</b>	<b>341 453</b>	<b>(2 258)</b>	<b>339 195</b>
Finance lease obligation	7 786	-	7 786
Trade and other payables	110 557	-	110 557
Provisions	13 258	-	13 258
Taxation payable	7	-	7
<b>Total liabilities</b>	<b>131 608</b>	<b>-</b>	<b>131 608</b>
<b>Total assets less total liabilities</b>	<b>362 495</b>	<b>(5 504)</b>	<b>356 991</b>
Stated capital	295 497	-	295 497
Retained income	66 999	(5 504)	61 495
Non-controlling interest	(1)	-	(1)
<b>Total equity</b>	<b>362 495</b>	<b>(5 504)</b>	<b>356 991</b>

Reconciliation of profit or loss for 2012

	As reported previously	Correction of errors	Restated
Revenue	417 531	-	417 531
Cost of sales	(289 374)	(1 537)	(290 911)
Gross profit	128 157	(1 537)	126 620
Other income	4 525	-	4 525
Operating expenses	(118 120)	(3 876)	(121 996)
Onerous lease effect	(8 647)	-	(8 647)
Obsolete inventory provision	(22 949)	-	(22 949)
Impairment of goodwill	(134 197)	-	(134 197)
Interest received	6 015	-	6 015
Interest paid	(4 065)	-	(4 065)
Net loss before tax	(149 281)	(5 413)	(154 694)
Taxation expense	(5 132)	430	(4 702)
<b>Net loss</b>	<b>(154 413)</b>	<b>(4 983)</b>	<b>(159 396)</b>

## Group

## Reconciliation of equity at 31 August 2011

	As reported previously	Correction of errors	Restated
Plant and equipment	38 018	-	38 018
Goodwill	229 742	-	229 742
Loans receivable	482	-	482
Deferred taxation	8 718	201	8 919
<b>Total non-current assets</b>	<b>276 960</b>	<b>201</b>	<b>277 161</b>
Inventories	177 869	1 415	179 284
Trade and other receivables	76 025	(2 135)	73 890
Taxation receivable	1 464	-	1 464
Cash and cash equivalents	48 988	-	48 988
<b>Total current assets</b>	<b>304 346</b>	<b>(720)</b>	<b>303 626</b>
Interest-free liabilities	3 426	-	3 426
Trade and other payables	60 662	-	60 662
Taxation payable	108	-	108
<b>Total liabilities</b>	<b>64 196</b>	<b>-</b>	<b>64 196</b>
<b>Total assets less total liabilities</b>	<b>517 110</b>	<b>(519)</b>	<b>516 591</b>
Share capital and share premium	295 701	-	295 701
Retained income	221 409	(519)	220 890
<b>Total equity</b>	<b>517 110</b>	<b>(519)</b>	<b>516 591</b>



## 26. Financial instruments

### Categories of financial instruments

	Financial liabilities at fair value	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Equity	Total
	R'000	R'000	R'000	R'000	R'000	R'000
<b>2013</b>						
<b>Assets</b>						
<b>Non-current assets</b>						
Plant and equipment	-	-	-	40 987	-	40 987
Goodwill	-	-	-	95 544	-	95 544
Deferred taxation	-	-	-	21 642	-	21 642
<b>Current assets</b>						
Inventories	-	-	-	170 298	-	170 298
Trade and other receivables	-	84 782	-	3 880	-	88 662
Taxation receivable	-	-	-	5 191	-	5 191
Cash and cash equivalents	-	40 338	-	-	-	40 338
	-	<b>125 120</b>	-	<b>337 542</b>	-	<b>462 662</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Stated capital	-	-	-	-	295 497	295 497
Non-controlling interest	-	-	-	-	(210)	(210)
Retained income	-	-	-	-	69 399	69 399
Finance lease obligation	-	-	3 984	-	-	3 984
Deferred taxation	-	-	-	4 038	-	4 038
<b>Current liabilities</b>						
Finance lease obligation	-	-	2 512	-	-	2 512
Trade and other payables	-	-	41 417	46 023	-	87 440
Taxation payable	-	-	-	2	-	2
	-	-	<b>47 913</b>	<b>50 063</b>	<b>364 686</b>	<b>462 662</b>

	Financial liabilities at fair value	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Equity	Total
<b>2012</b>						
<b>Assets</b>						
<b>Non-current assets</b>						
Plant and equipment	-	-	-	39 165	-	39 165
Goodwill	-	-	-	95 544	-	95 544
Deferred taxation	-	-	-	14 695	-	14 695
<b>Current assets</b>						
Inventories	-	-	-	196 995	-	196 995
Trade and other receivables	-	96 470	-	6 779	-	103 249
Taxation receivable	-	-	-	4 536	-	4 536
Cash and cash equivalents	-	34 415	-	-	-	34 415
	-	<b>130 885</b>	-	<b>357 714</b>	-	<b>488 599</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Stated capital	-	-	-	-	295 497	295 497
Non-controlling interest	-	-	-	-	(1)	(1)
Retained income	-	-	-	-	61 495	61 495
<b>Liabilities</b>						
Finance lease obligation	-	-	5 263	-	-	5 263
Provision for onerous lease	-	-	12 291	-	-	12 291
<b>Current liabilities</b>						
Finance lease obligation	-	-	2 523	-	-	2 523
Trade and other payables	-	-	55 906	54 651	-	110 557
Taxation payable	-	-	-	7	-	7
Provision for onerous lease	-	-	967	-	-	967
	-	-	<b>76 950</b>	<b>54 658</b>	<b>356 991</b>	<b>488 599</b>



	Financial liabilities at fair value	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Equity	Total
<b>2011</b>						
<b>Assets</b>						
<b>Non-current assets</b>						
Plant and equipment	-	-	-	38 018	-	38 018
Goodwill	-	-	-	229 742	-	229 742
Loans receivable	-	482	-	-	-	482
Deferred taxation	-	-	-	8 919	-	8 919
<b>Current assets</b>						
Inventories	-	-	-	179 284	-	179 284
Trade and other receivables	-	69 105	-	4 785	-	73 890
Taxation receivable	-	-	-	1 464	-	1 464
Cash and cash equivalents	-	48 988	-	-	-	48 988
	-	<b>118 575</b>	-	<b>462 212</b>	-	<b>580 787</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Share capital	-	-	-	-	4	4
Share premium	-	-	-	-	295 697	295 697
Retained income	-	-	-	-	220 890	220 890
<b>Liabilities</b>						
Interest-free liabilities	-	-	3 426	-	-	3 426
Trade and other payables	-	-	34 279	26 383	-	60 662
Taxation payable	-	-	-	108	-	108
	-	-	<b>37 705</b>	<b>26 491</b>	<b>516 591</b>	<b>580 787</b>

**Interest rate risk management**

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

This interest rate risk is managed through commercial banking facilities by the group's executive.

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

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

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

	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
<b>Financial assets</b>					
Loans granted and bank deposits at zero interest	84 782	96 470	69 587	94 719	106
Loans granted and bank deposits linked to South African money market rates	40 338	34 415	48 988	13	82 760
	<b>125 120</b>	<b>130 885</b>	<b>118 575</b>	<b>94 732</b>	<b>82 866</b>
<b>Financial liabilities</b>					
Financing received and banking facilities at zero interest	41 417	69 164	37 705	4 111	1 019
Financing received and banking facilities linked to South African prime rates	6 496	7 786	-	21 253	674
	<b>47 913</b>	<b>76 950</b>	<b>37 705</b>	<b>25 364</b>	<b>1 693</b>

**Interest rate sensitivity analysis**

	Carrying value at statement of financial position date R'000	Reasonable possible change %	Pre-tax statement of compre- hensive income impact R'000
<b>2013</b>			
Loans granted and bank deposits linked to South African money market rates	40 338	1%	403
<b>2012</b>			
Loans granted and bank deposits linked to South African money market rates	34 415	1%	344
<b>2011</b>			
Loans granted and bank deposits linked to South African money market rates	48 988	1%	490
<b>2013</b>			
Financing received and banking facilities linked to South African prime rates	6 496	1%	65
<b>2012</b>			
Financing received and banking facilities linked to South African prime rates	7 786	1%	78



### Credit risk management

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

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

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

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

#### 2013

	Government/ parastatals R'000	Major listed corporates R'000	Other corporates R'000	Small and medium enterprises R'000	Other R'000	Total R'000
Financial assets that are neither past due nor impaired	-	18 064	-	-	23 232	41 296
Financial assets that are past due but not impaired						
- Overdue less than 30 days	7	9 240	7 238	17 546	1 933	35 964
- Between 30 and 60 days	-	3 670	8 415	7 419	2 140	21 644
- Between 60 and 90 days	-	4 172	3 273	2 925	90	10 460
- 90 days and more	(6)	5 971	6 554	9 150	2 588	24 257
	1	23 053	25 480	37 040	6 751	92 325
Financial assets that are impaired						
- Carrying value	-	-	-	8 501	-	8 501
- Provision for impairment	-	-	-	(8 501)	-	(8 501)
	-	-	-	-	-	-
<b>Total credit exposure</b>	<b>1</b>	<b>41 117</b>	<b>25 480</b>	<b>37 040</b>	<b>29 983</b>	<b>133 621</b>

Included in the above are trade receivables to the value of R56,4 million with extended credit terms.

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

2012

	Government/ parastatals R'000	Major listed corporates R'000	Other corporates R'000	Small and medium enterprises R'000	Other R'000	Total R'000
Financial assets that are neither past due nor impaired	67	40 397	5 512	31 897	115	77 988
Financial assets that are past due but not impaired						
- Overdue less than 30 days	36	7 392	3 789	12 778	11	24 006
- Between 30 and 60 days	-	4 225	2 534	7 127	13	13 899
- Between 60 and 90 days	-	1 094	1 669	749	3	3 515
- 90 days and more	1 109	1 306	3 621	5 074	3	11 113
	1 145	14 017	11 613	25 728	30	52 533
Financial assets that are impaired						
- Carrying value	26	-	69	6 955	-	7 050
- Provision for impairment	(23)	-	(60)	(6 603)	-	(6 686)
	3	-	9	352	-	364
<b>Total credit exposure</b>	<b>1 215</b>	<b>54 414</b>	<b>17 134</b>	<b>57 977</b>	<b>145</b>	<b>130 885</b>

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

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

2011

	Government/ parastatals R'000	Major listed corporates R'000	Other corporates R'000	Small and medium enterprises R'000	Other R'000	Total R'000
Financial assets that are neither past due nor impaired	35	52 572	7 996	25 869	640	87 112
Financial assets that are past due but not impaired						
- Overdue less than 30 days	-	339	961	8 306	-	9 606
- Between 30 and 60 days	2	3 150	1 727	4 808	-	9 687
- Between 60 and 90 days	178	1 408	832	3 886	-	6 304
- 90 days and more	-	-	-	7 538	-	7 538
	180	4 897	3 520	24 538	-	33 135
Financial assets that are impaired						
- Carrying value	-	-	-	7 787	19	7 806
- Provision for impairment	-	-	-	(7 326)	(17)	(7 343)
	-	-	-	461	2	463
<b>Total credit exposure</b>	<b>215</b>	<b>57 469</b>	<b>11 516</b>	<b>50 868</b>	<b>642</b>	<b>120 710</b>

Included in the above are 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 (refer note 7).



### 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 and banking facilities.

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 and are 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
<b>2013</b>						
Finance lease obligation	-	2 512	1 994	1 990	-	6 496
Provision for onerous lease	-	-	-	-	-	-
Trade and other payables	-	82 219	-	-	-	82 219
	-	<b>84 731</b>	<b>1 994</b>	<b>1 990</b>	-	<b>88 715</b>
<b>2012</b>						
Finance lease obligation	-	2 523	1 984	3 279	-	7 786
Provision for onerous lease	-	967	1 224	3 366	7 701	13 258
Trade and other payables	-	81 199	-	-	-	81 199
	-	<b>84 689</b>	<b>3 208</b>	<b>6 645</b>	<b>7 701</b>	<b>102 243</b>
<b>2011</b>						
Interest-free liabilities	-	3 426	-	-	-	3 426
Trade and other payables	-	57 851	-	-	-	57 851
	-	<b>61 277</b>	-	-	-	<b>61 277</b>

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

### Foreign exchange risk

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

### Capital risk management

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

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

## 27. Directors' emoluments

Directors' emoluments paid to the directors of Austro, including direct and indirect benefits, for the period ended 31 August 2013 are as follows:

2013	Director fees R'000	Salary R'000	Commission R'000	Incentives R'000	Unrealised long term incentive scheme R'000	Contribution to pension /provident fund R'000	Contribution to medical aid R'000	Other benefits R'000	Total R'000
<b>Paid by Austro</b>									
AJ Phillips*	447	-	-	-	-	-	-	-	447
DS Brouze*	125	-	-	-	-	-	-	-	125
GS Nzalo*	214	-	-	-	-	-	-	-	214
U Schäckermann*	227	-	-	-	-	-	-	-	227
JS Friedman (a)	-	630	-	187 <sup>#</sup>	386 <sup>*</sup>	-	-	-	1 203
PD Mansour (b)	-	630	-	143 <sup>#</sup>	552 <sup>*</sup>	-	-	-	1 325
<b>Paid by subsidiaries</b>									
C Jacobs (c)	-	792	-	-	-	27	-	-	819
JO Freed (d)	-	3 132	-	-	-	-	20	-	3 152
JR Freed (e)	-	1 532	2 822	-	-	95	27	-	4 476
	<b>1 013</b>	<b>6 716</b>	<b>2 822</b>	<b>330</b>	<b>938</b>	<b>122</b>	<b>47</b>	<b>-</b>	<b>11 988</b>

# The incentives earned by PD Mansour and JS Friedman were received in their capacity as beneficiaries of JFN from the incentive paid by Austro to JFN

\* The unrealised gain earned by PD Mansour and JS Friedman relates to their share of the IFRS2 charge raised on the additional fee that will become payable to JFN in the future as detailed in note 30

- a) JS Friedman was appointed on 15 April 2013
- b) PD Mansour was appointed on 15 April 2013
- c) C Jacobs was dismissed on 11 December 2012
- d) JO Freed resigned on 27 August 2013
- e) JR Freed resigned on 30 September 2013



Directors' emoluments paid to the directors of Austro, including direct and indirect benefits, for the period ended 31 August 2012 are as follows:

2012	Director fees R'000	Salary R'000	Commission R'000	Incentives R'000	Unrealised long term incentive scheme R'000	Contribution to pension /provident fund R'000	Contribution to medical aid R'000	Other benefits R'000	Total R'000
<b>Paid by Austro</b>									
AJ Phillips*	424	-	-	-	-	-	-	-	424
DS Brouze*	135	-	-	-	-	-	-	-	135
GS Nzalo*	202	-	-	-	-	-	-	-	202
U Schäckermann*	203	-	-	-	-	-	-	-	203
T Le Roux (f)	-	963	-	45	-	66	-	74	1 148
P Sigsworth (g)	-	462	-	-	-	42	-	8	512
<b>Paid by subsidiaries</b>									
C Jacobs	-	2 378	-	-	-	162	-	4	2 544
JO Freed	-	2 752	-	-	-	-	14	150	2 916
JR Freed	-	1 274	1 562	-	-	90	61	199	3 186
	<b>964</b>	<b>7 829</b>	<b>1 562</b>	<b>45</b>	<b>-</b>	<b>360</b>	<b>75</b>	<b>435</b>	<b>11 270</b>

f) T Le Roux resigned on 31 August 2012

g) P Sigsworth resigned on 31 July 2012

Directors' emoluments paid to the directors of Austro, including direct and indirect benefits, for the period ended 31 August 2011 are as follows:

2011	Director fees R'000	Salary R'000	Commission R'000	Incentives R'000	Unrealised long term incentive scheme R'000	Contribution to pension /provident fund R'000	Contribution to medical aid R'000	Other benefits* R'000	Total R'000
<b>Paid by Austro</b>									
AJ Phillips*	399	-	-	-	-	-	-	-	399
DS Brouze*	126	-	-	-	-	-	-	-	126
GS Nzalo*	214	-	-	-	-	-	-	-	214
U Schäckermann*	189	-	-	-	-	-	-	-	189
P Sigsworth	-	1 159	-	410	-	72	-	-	1 641
<b>Paid by subsidiaries</b>									
C Jacobs	-	1 498	-	240	-	102	-	6	1 846
JO Freed	-	2 931	-	270	-	-	-	148	3 349
JR Freed	-	2 674	-	255	-	106	-	83	3 118
RE Moss (h)	-	433	-	100	-	30	-	1 718	2 281
	<b>928</b>	<b>8 695</b>	<b>-</b>	<b>1 275</b>	<b>-</b>	<b>310</b>	<b>-</b>	<b>1 955</b>	<b>13 163</b>

h) RE Moss resigned on 31 December 2010

+ Other benefits includes leave pay, medical aid contributions, settlement pay and expense allowances

\* Non-executive directors

## 28. Related parties

DS Brouze, who is a director of Austro, is an indirect shareholder of Austrian Woodworking Machinery Proprietary Limited.

DS Brouze, who is a director of Austro, is an indirect shareholder of Salamax 1987 Proprietary Limited.

DS Brouze, who is a director of Austro, is an indirect shareholder of 30-38 Jacoba Alberton North Proprietary Limited.

JO Freed, who was a director of Austro and New Way Power, is a member of Vonnie CC.

JO Freed, who was a director of Austro and New Way Power, is a director and shareholder of Septay Investments Proprietary Limited.

HT Heye, who is a director of New Way Power, is connected to Neptune Investments Proprietary Limited via his parents who are beneficiaries of a trust that owns 100% of Neptune Investments Proprietary Limited.

JFN was contracted to provide strategic and business support services to Austro. JS Friedman, who is a director of Austro, is also a director and shareholder of JFN. PD Mansour, who is a director of Austro, is a beneficiary of JFN. Cash incentives were paid and share related incentives were awarded to JFN during the year.

Ricophase is a 27,6% shareholder in Austro and is owned by DS Brouze (via the David Brouze Trust), who is a director of Austro, SB Joffe (via the SADES Family Trust), who is the CEO of JFN, PD Mansour, who is a director of Austro, JS Friedman (via The JSF Family Trust), who is a director of Austro and C Neuberger, who is a director of Wood.

U Schäckermann, who is a director of Austro, New Way Power and Wood is 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.

	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
<b>Loans receivable/(payable) inter-group</b>					
New Way Power	-	-	-	(21 253)	(674)
Wood	-	-	-	92 324	82 711
Matase	-	-	482	482	473
	-	-	482	71 553	82 510
<b>Other balances with related parties</b>					
Salamax 1987 Proprietary Limited	-	-	400	-	-
30-38 Jacoba Alberton North Proprietary Limited	-	(1 044)	586	-	-
Austrian Woodworking Machinery Proprietary Limited	-	-	252	-	-
	-	(1 044)	1 238	-	-



	Group 2013 R'000	Group 2012 R'000	Group 2011 R'000	Company 2013 R'000	Company 2012 R'000
<b>Related party transactions</b>					
<b>Interest received/(paid)</b>					
30-38 Jacoba Alberton North Proprietary Limited	-	-	2 495	-	-
Wood	-	-	-	-	5 769
New Way Power	-	-	-	(1 343)	1 743
	-	-	2 495	(1 343)	7 512
<b>Management/administration fees received</b>					
Wood	-	-	-	3 460	3 098
New Way Power	-	-	-	6 238	3 087
	-	-	-	9 698	6 185
<b>Management and incentive fees paid</b>					
JFN					
- Management fees	1 673	-	-	1 673	-
- Incentive	1 890	-	-	1 890	-
- IFRS 2 charge (refer to note 30)	1 325	-	-	1 325	-
	4 889	-	-	4 889	-
<b>Other fees paid</b>					
Salamax 1987 (Pty) Ltd: rent paid and settlement of lease	15 364	4 834	4 402	10 000	-
Septay Investments (Pty) Ltd: rent paid	806	720	624	-	-
Vonnie CC: rent paid	60	-	120	-	-
Austrian Woodworking Machinery (Pty) Ltd: rent paid	3 750	3 040	3 039	-	-
30-38 Jacoba Alberton North (Pty) Ltd: rent paid	10 649	1 307	6 123	-	-
Neptune Investments (Pty) Ltd: rent paid	340	303	217	-	-
JoVader Trading CC trading as Intercon Computer Services: risk management and high level IT support	-	13	121	-	-
	30 969	10 217	14 646	10 000	-

## 29. Earnings per share

### Basic earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year

	Group 2013 R'000	Group Restated 2012 R'000	Group Restated 2011 R'000
<b>Basic earnings/(loss) per share and diluted earnings/(loss) per share</b>			
From continuing operations (cents)	2.0	(40.3)	1.4

Basic earnings/(loss) per share and diluted earnings/(loss) per share were based on earnings of R7,9 million (2012: R159,4 million loss) (2011: R5,9 million) and a weighted average number of ordinary shares of 395 292 923 (2012: 395 294 018) (2011: 419 758 013).

### Reconciliation between earnings/(loss) and headline earnings/(loss)

Basic earnings/(loss)	7 904	(159 395)	5 921
<b>Adjusted for:</b>			
Net (profit)/loss on disposal of plant and equipment	(952)	(693)	239
Impairment of goodwill	-	134 197	-
Tax effect thereon	267	97	(33)
<b>Headline earnings/(loss)</b>	<b>7 219</b>	<b>(25 794)</b>	<b>6 127</b>
<b>Headline earnings/(loss) per share and diluted headline earnings/(loss) per share (cents)</b>	<b>1.8</b>	<b>(6.5)</b>	<b>1.6</b>

### Reconciliation between headline earnings/(loss) and adjusted headline earnings

Headline earnings	7 219	(25 794)	6 127
Onerous lease effect	(2 457)	8 674	-
Inventory write-off	13 231	-	-
Obsolete inventory provision	5 421	22 949	6 477
Tax effect thereon	(3 705)	-	-
<b>Adjusted headline earnings</b>	<b>19 709</b>	<b>5 802</b>	<b>12 604</b>
<b>Adjusted headline earnings per share (cents)</b>	<b>5,0</b>	<b>1,5</b>	<b>3,2</b>



### 30. Employee benefits

Share-related incentives were granted in terms of a phantom share incentive scheme. The incentives granted in 2011 have subsequently lapsed.

#### *Directors' participation in share-related incentive schemes*

The movement in the number of share-related incentive units held by directors is as follows:

	2013 Number of units '000	2012 Number of units '000	2011 Number of units '000
At the beginning of the year	-	2 000	4 000
Awarded	-	-	2 000
Lapsed	-	(2 000)	(4 000)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>2 000</b>

The details of each employee's number of share-related incentive units are set out below:

#### **RE Moss**

RE Moss was allocated 4 000 000 units at a strike price of 55 cents per unit which were to vest over a three-year period and were linked to performance criteria.

At the beginning of the year	-	-	4 000
Awarded	-	-	-
Lapsed	-	-	(4 000)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### **P Sigsworth**

P Sigsworth was allocated 2 000 000 units at a strike price of 50,62 cents per unit which were to vest over a three-year period.

At the beginning of the year	-	2 000	-
Awarded	-	-	2 000
Lapsed	-	(2 000)	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>2 000</b>

As part of the management agreement entered into with JFN commencing on 15 April 2013, and in order to align the interests of JFN with those of the company's shareholders, subject to this agreement not being terminated or canceled at any time prior to the first anniversary of the commencement date, on the earlier of (i) the termination of the management agreement (in the absence of an event of default on the part of JFN) or (ii) 31 December 2015 (the earlier of (i) and (ii) being referred to herein as the 'determination date'), JFN will become entitled to an additional fee, the quantum of which is to be referenced off any appreciation in the company's share price in excess of 47 cents over the period between the commencement date and the determination date in respect of a notional holding of 19 500 000 Austro shares (herein referred to as "units").

This additional fee has been valued at 31 August 2013 in accordance with IFRS2 with the expense relating thereto being recognised evenly over the vesting period. The FY2013 expense recognised amounted to R1 345 263.

Directors PD Mansour and JS Friedman, through JFN, are beneficiaries of this additional fee as detailed below:

#### PD Mansour

	2013 Number of units '000	2012 Number of units '000	2011 Number of units '000
At the beginning of the year	-	-	-
Allocation of units	8 000	-	-
<b>Balance at the end of the year</b>	<b>8 000</b>	<b>-</b>	<b>-</b>

#### JS Friedman

At the beginning of the year	-	-	-
Allocation of units	5 600	-	-
<b>Balance at the end of the year</b>	<b>5 600</b>	<b>-</b>	<b>-</b>

#### Remaining JFN beneficiaries

At the beginning of the year	-	-	-
Allocation of units	5 900	-	-
<b>Balance at the end of the year</b>	<b>5 900</b>	<b>-</b>	<b>-</b>

<b>Total JFN incentive</b>	<b>19 500</b>	<b>-</b>	<b>-</b>
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## IFRS2 share related incentive valuation

	2013 Valuation R'000	2012 Valuation R'000	2011 Valuation R'000
Balance at beginning of year	-	137	-
Fair value of cash- settled share-based payment transactions	-	-	137
Allocation of units	1 345	-	-
Lapse of units	-	(137)	-
<b>Liability at the end of the year</b>	<b>1 345</b>	<b>-</b>	<b>137</b>

### 31. Post-statement of financial position

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

Section Nine

09

**SHAREHOLDER  
INFORMATION**





# Shareholder analysis

at 31 August 2013

Shareholder spread	No of shareholders	%	No of shares	%
1 - 1 000 shares	56	11,72	31 556	0,01
1 001 - 10 000 shares	193	40,38	924 524	0,23
10 001 - 100 000 shares	143	29,91	6 094 862	1,54
100 001 - 1 000 000 shares	49	10,25	19 692 570	4,98
1 000 001 shares and over	37	7,74	368 549 411	93,24
<b>Totals</b>	<b>478</b>	<b>100,00</b>	<b>395 292 923</b>	<b>100,00</b>

Distribution of shareholders	No of shareholders	%	No of shares	%
Banks	5	1,05	7 019 025	1,78
Close corporations	13	2,71	3 051 891	0,76
Endowment funds	2	0,42	33 000	0,01
Individuals	387	80,96	206 421 682	52,22
Investment companies	1	0,21	50 019 001	12,65
Medical schemes	1	0,21	1 500	0,00
Mutual funds	3	0,63	20 010 559	5,06
Nominees & trusts	26	5,44	24 255 751	6,14
Other corporations	10	2,09	53 425 696	13,52
Private companies	26	5,44	30 200 335	7,64
Retirement funds	4	0,84	854 483	0,22
<b>Totals</b>	<b>478</b>	<b>100,00</b>	<b>395 292 923</b>	<b>100,00</b>

Public / non - public shareholders	No of shareholdings	%	No of shares	%
<b>Non - public shareholders</b>	<b>3</b>	<b>0,63</b>	<b>201 527 696</b>	<b>50,98</b>
Directors of the company	1	0,21	107 908 695	27,30
Strategic shareholder (more than 10%)	2	0,42	93 619 001	23,68
<b>Public shareholders</b>	<b>473</b>	<b>99,37</b>	<b>193 765 227</b>	<b>49,02</b>
<b>Totals</b>	<b>476</b>	<b>100,00</b>	<b>395 292 923</b>	<b>100,00</b>

Beneficial shareholders holding 5% or more	No of shares	%
Brouze, DS (including minor children)	107 908 695	27,30
Peregrine Equities Proprietary Limited	50 019 001	12,65
Quixley Global Incorporated	43 600 000	11,03
SB Joffe	37 681 250	9,53
BD Downs	20 000 000	5,06
<b>Totals</b>	<b>259 208 946</b>	<b>65,57</b>



## Breakdown of non-public holdings

Directors of the company	No of shares	%
DS Brouze	107 908 695*	27,17
<b>Totals</b>	<b>107 908 695</b>	<b>27,17</b>

\* includes 500 000 shares held by DS Brouze's minor children

Strategic shareholder (more than 10%)	No of shares	%
Peregrine Equities Proprietary Limited	50 019 001	12,65
Quixley Global Incorporated	43 600 000	11,03
<b>Totals</b>	<b>93 619 001</b>	<b>23,68</b>

Note: the acquisition of 109 000 000 shares by Ricophase Proprietary Limited had been concluded at 31 August 2013 but was not yet reflected in the shareholder register at this date.

## Shareholders' diary

Financial year-end	<b>August</b>
Preliminary annual results announcement	<b>21 November 2013</b>
Annual report posted	<b>February</b>
Annual general meeting	<b>14 May 2014</b>
Interim results announcement	<b>May</b>



*Austro Group Limited  
(Incorporated in the Republic of South Africa)  
(Registration number: 2001/029771/06)  
JSE share code: ASO  
ISIN: ZAE000090882  
("Austro" or "the company")*

Notice is hereby given that the annual general meeting of shareholders of Austro will be held at 10:30 on Wednesday, 14 May 2014 at 30-38 Jacoba Street, Alberton North, Gauteng for the following purposes:

1. To consider and adopt the annual financial statements (including the reports of the directors, the Audit & Risk Committee, the Social & Ethics Committee and of the independent auditors) for the financial year ended 31 August 2013.
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 Companies Act 71 of 2008, as amended (the "Companies Act" or "Act")

### Important dates to note

	<b>2014</b>
Record date for receipt of notice purposes	Friday, 21 February
Last day to trade in order to be eligible to participate in and vote at the annual general meeting	Friday, 2 May
Record date for voting purposes ("voting record date")	Friday, 9 May
Last day to lodge forms of proxy by 10:30am on	Monday, 12 May
Annual general meeting held at 10:30am on	Wednesday, 14 May
Results of annual general meeting released on SENS	Wednesday, 14 May

In terms of section 62(3)(e) of the Companies Act:

- A shareholder who is entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or two or more proxies to attend and participate in and vote at the annual general meeting in the place of the shareholder, by completing the form of proxy in accordance with the instructions set out therein; and

- A proxy need not be a shareholder of the company. Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a meeting. In this regard, all shareholders recorded in the registers of the company on the voting record date will be required to provide identification satisfactory to the Chairman of the annual general meeting. Forms of identification include valid identity documents, driver's licences and passports.

### **Special resolution number 1: share repurchases**

"Resolved that the directors be authorised by way of a general authority pursuant, *inter alia*, to sections 46 and 48 of the Companies Act, 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 any subsidiary) must be authorised thereto by its memorandum of incorporation;
4. The number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 September 2013) may not in the aggregate exceed 20% (twenty percent) (or 10% where such acquisitions are effected by a subsidiary) of the company's issued share capital as at the date of the passing of this special resolution;



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;
8. the board of directors of the company must resolve that the repurchase is authorised, the company and its subsidiaries have passed the solvency and liquidity test, as set out in section 4 of the Companies Act, and since that test was performed, there have been no material changes to the financial position of the company; and
9. the company's sponsor shall confirm the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to the company entering the market to proceed with the repurchase."

At least a 75% majority of votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of special resolution number 1.

*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 general authority, for a period of 12 months after the date of notice of this annual general meeting:

- the company and the group will be able to pay their debts in the ordinary course of business;
- the consolidated assets of the company and of the

group fairly valued in accordance with International Financial Reporting Standards, will exceed the consolidated liabilities of the company and of the group after the repurchase; and

- the working capital, share capital and reserves of the company and of the group will be adequate for the purposes of the business of the company and its subsidiaries.

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

- Directors – pages 15 to 17
- Directors' interests in ordinary shares – page 57
- Share capital of the company – page 77
- Major beneficial shareholders – page 103

### Litigation statement

The directors, whose names appear on pages 15 to 17 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, save for those disclosed on pages 5 to 6 of this integrated report.

### Directors' responsibility statement

The directors, whose names appear on pages 15 to 17 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 2013 and up to the date of this notice.

### Reason for and effect 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 repurchase 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 JSE Listings Requirements and the Companies Act, 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 resolutions:

2.1 Resolved 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 Companies 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:

#### **Non-executive directors**

The attendance fee structure for non-executive directors is set out in detail below:

Type of fee (per annum)	Existing fee in 2012/13 R	Proposed fee 2013/14 R
<b>Board</b>		
Chairman	R334 000	354 040
Member	R135 000	143 100
<b>Audit &amp; Risk Committee</b>		
Chairman	R68 000	72 080
Member	R33 500	35 510
<b>Remuneration Committee</b>		
Chairman	R56 000	59 360
Member	R33 000	35 510
<b>Social &amp; Ethics Committee</b>		
Chairman	R56 000	59 360
Member	R33 500	35 510

2.2 Resolved 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."

At least a 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of special resolution numbers 2.1 and 2.2 for them to be approved.

### **Reason for and effect of special resolution number 2.1**

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.

### **Reason for and effect of special resolution number 2.2**

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 related and inter-related companies**

"Resolved that the board of directors of the company may, subject to compliance with the requirements of the company's memorandum of incorporation, the Companies 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 Companies Act) to the company for any purpose or in connection with any matter, such authority to endure for a period of two years or until its renewal at the annual general meeting of the company to be held in respect of the ensuing financial year and further provided that inasmuch as the company's provision of financial assistance will at any time and all times be in excess of one-tenth of 1% of the company's net worth, the company hereby provides notice to its shareholders of the fact."

At least a 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of special resolution number 3 for it to be approved.

### **Reason for and effect of special resolution number 3**

The company would like the ability to continue to provide financial assistance, if necessary, 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.

### Notice in terms of section 45(5) of the Companies Act in respect of special resolution number 3

Notice is hereby given to shareholders of the company in terms of section 45(5) of the Act of a resolution adopted by the board authorising the company to provide such direct or indirect financial assistance as specified in the special resolution above:

- a) by the time that this notice of annual general meeting is delivered to shareholders of the company, the board will have adopted a resolution (“section 45 board resolution”) authorising the company to provide, at any time and from time to time during the period of 2 years commencing on the date on which the special resolution is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Act to any 1 or more related or inter-related companies or corporations of the company and/or to any 1 or more members of any such related or inter-related company or corporation and/or to any 1 or more persons related to any such company or corporation;
- b) the section 45 board resolution will be effective only if and to the extent that the special resolution under the heading “special resolution number 3” is adopted by the shareholders of the company, and the provision of any such direct or indirect financial assistance by the company, pursuant to such resolution, will always be subject to the board being satisfied that: (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Act, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Act; and
- c) in as much as the section 45 board resolution contemplates that such financial assistance will in the aggregate exceed one tenth of 1% of the company’s net worth at the date of adoption of such resolution, the company hereby provides notice of the section 45 board resolution to shareholders of the company.

### Ordinary resolution number 1: issue of shares for cash

“Resolved that the directors be authorised pursuant, *inter alia*, to the provisions of the Companies Act and the JSE Listings Requirements, 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 JSE Listings Requirements on the following bases:

1. the allotment and issue of the shares must be made to persons qualifying as public shareholders and not to related parties as defined in the 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 total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 59 293 938 shares, being 15% of the company’s issued shares as at the date of notice of this annual general meeting. Accordingly, any shares issued under this authority prior to this authority lapsing shall be deducted from the 59 293 938 shares the company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority;
4. in the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
5. the maximum discount at which the shares may be issued is 10% (ten percent) of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares; and
6. after the company has issued shares for cash which represent, on a cumulative basis, within the period that this authority is valid, 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 trade price of the shares over the 30 days prior to the date that the issue is agreed in writing and the effect of the issue on net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and if applicable, diluted earnings per share and diluted headline earnings per share.”

In terms of the JSE Listings Requirements at least a 75% majority of the votes cast by shareholders present or represented by proxy at the annual 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 JSE Listings Requirements and the provisions of the Companies Act, 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.”

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 2 for it to be approved.

### **Ordinary resolution number 3: re-election of DS Brouze as a director of the company**

“Resolved that DS Brouze who retires in terms of the company’s memorandum of incorporation and being eligible for re-election, be and is hereby re-elected as a director of the company.”

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 3 for it to be approved.

A brief *curriculum vitae* is set out on page 15 in the integrated annual report of which this notice forms part.

### **Ordinary resolution number 4: re-election of GS Nzalo as a director of the company**

“Resolved that GS Nzalo who retires in terms of the company’s memorandum of incorporation and being eligible for re-election, be and is hereby re-elected as a director of the company.”

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 4 for it to be approved.

A brief *curriculum vitae* is set out on page 17 in the integrated annual report of which this notice forms part.

### **Ordinary resolution number 5: re-election of U Schäckermann as a director of the company**

“Resolved that U Schäckermann who retires in terms of the company’s memorandum of incorporation and being eligible for re-election, be and is hereby re-elected as a director of the company.”

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 5 for it to be approved.

A brief *curriculum vitae* is set out on page 17 in the integrated annual report of which this notice forms part.

### **Ordinary resolution number 6: confirmation of appointment of PC Baloyi as director**

“Resolved that the appointment of PC Baloyi as director effective 12 February 2014 be and is hereby confirmed.”

A brief *curriculum vitae* is set out on page 16 in the integrated annual report of which this notice forms part.

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 6 for it to be approved.

### **Ordinary resolution number 7: confirmation of appointment of JS Friedman as director**

“Resolved that the appointment of JS Friedman as director effective 15 April 2013 be and is hereby confirmed.”

A brief *curriculum vitae* is set out on page 15 in the integrated annual report of which this notice forms part.

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 7 for it to be approved.

### **Ordinary resolution number 8: confirmation of appointment of NV Lila as director**

“Resolved that the appointment of NV Lila as director effective 12 February 2014 be and is hereby confirmed.”

A brief *curriculum vitae* is set out on page 16 in the integrated annual report of which this notice forms part.

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 8 for it to be approved.

### **Ordinary resolution number 9: confirmation of appointment of PM Makwana as director**

“Resolved that the appointment of PM Makwana as director effective 12 February 2014 be and is hereby confirmed.”

A brief *curriculum vitae* is set out on page 16 in the integrated annual report of which this notice forms part.

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 9 for it to be approved.

### **Ordinary resolution number 10: confirmation of appointment of PD Mansour as director**

“Resolved that the appointment of PD Mansour as director effective 15 April 2013 be and is hereby confirmed.”

A brief *curriculum vitae* is set out on page 15 in the integrated annual report of which this notice forms part.

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 10 for it to be approved.

### **Ordinary resolution number 11: confirmation of appointment of PS O’Flaherty as director**

“Resolved that the appointment of PS O’Flaherty as director effective 12 February 2014 be and is hereby confirmed.”

A brief *curriculum vitae* is set out on page 15 in the integrated annual report of which this notice forms part.

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 11 for it to be approved.

### **Ordinary resolution number 12: adoption of annual financial statements**

“Resolved that the annual financial statements of the company for the year ended 31 August 2013, including the directors’ report, the report of the Audit & Risk Committee and the report of the Social & Ethics Committee, be and are received and adopted.”

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 12 for it to be approved.

### **Ordinary resolution number 13: re-appointment of members of the Audit & Risk Committee**

“Resolved that the following directors be re-appointed by way of a separate vote as members of the Audit & Risk Committee with effect from the end of this annual general meeting in terms of section 94(2) of the Companies Act. The members as proposed by the board of directors are:

13.1 U Schäckermann (Chairman);

13.2 AJ Phillips; (shareholders to take note of his dual role as Chairman of the board and member of the Audit & Risk Committee);

13.3 GS Nzalo,

all of whom are independent non-executive directors.”

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution numbers 13.1, 13.2 and 13.3 for them to be approved.

### **Ordinary resolution number 14: re-appointment of auditors**

“Resolved that Grant Thornton (Jhb) Inc. (with S Kock being the designated audit partner) be re-appointed as auditors of the company.”

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 14 for it to be approved.

### **Ordinary resolution number 15: 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 and 3 and ordinary resolution numbers 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 which are passed by the shareholders in accordance with and subject to the terms thereof.”

At least a 50% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of ordinary resolution number 15 for it to be approved.

## **Quorum**

A quorum for the purposes of considering the resolutions above shall consist of three shareholders of the company personally present (and if the shareholder is a body corporate, the representative of the body corporate) and entitled to vote at the annual general meeting. In addition, a quorum shall comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services Proprietary Limited (Ground Floor, 70 Marshall Street, Johannesburg, 2001), for the purposes of being entitled to attend, participate in and vote at the annual general meeting is Friday, 9 May 2014.

## **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.

Attached to the form of proxy is an extract of section 58 of the Act, to which shareholders are referred.

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.

## Electronic participation

Shareholders or their proxies may participate in the meeting by way of telephone conference call. Shareholders or their proxies who wish to participate in the annual general meeting via the teleconference facility will be required to advise the company thereof by no later than Monday, 12 May 2014 by submitting, by email to the company secretary at pbs@probitysecretaries.co.za or by fax to be faxed to +27 11 327 7149, for the attention of Neville Toerien, relevant contact details including email address, cellular number and landline, as well as full details of the shareholder's title to the shares issued by the company and proof of identity, in the form of copies of identity documents and share certificates (in the case of certificated shareholders), and (in the case of dematerialised shareholders) written confirmation from the shareholder's CSDP confirming the shareholder's title to the dematerialised shares. Upon receipt of the required information, the shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the annual general meeting.

Shareholders who wish to participate in the annual general meeting by way of telephone conference call must note that they will not be able to vote during the annual general meeting. Such shareholders, should they wish to have their vote counted at the annual general meeting, must, to the extent applicable: (i) complete the form of proxy or (ii) contact their CSDP or broker, in both instances, as set out above.

**By order of the board**  
*Probity Business Services Proprietary Limited*  
 Company Secretary  
 17 February 2014

## AUSTRO REGISTERED ADDRESS

1125 Leader Avenue  
 Stormill Ext 4  
 Roodepoort, 1724

PO Box 1914  
 Florida, 1710

## TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited  
 Ground Floor  
 70 Marshall Street  
 Johannesburg, 2001

PO Box 61051  
 Marshalltown, 2107



# Form of proxy



*Austro Group Limited*  
*(Incorporated in the Republic of South Africa)*  
*(Registration number: 2001/029771/06)*  
*JSE share code: ASO*  
*ISIN: ZAE000090882*  
*("Austro" or "the company")*

For use by the holders of the company's certificated ordinary shares (certified shareholders) and/or dematerialised ordinary shares held through a Central Securities Depository Participant (CSDP) or broker who have selected "own-name" registration (own-name dematerialised shareholders) at the annual general meeting of the company to be held at 10:30 Wednesday, 14 May 2014, at 30-38 Jacoba Street, Alberton North, 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 Chairman 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	Against	Abstain
<b>To pass special resolutions:</b>			
1. General authority to effect share repurchases			
2. Non-executive director's fees			
2.1 Approval of the non-executive directors' fees for 2013/2014			
2.2 Approval of annual increase for non executive directors' fees			
3. Authority for financial assistance to related and inter-related companies			
<b>To pass ordinary resolutions</b>			
1. General authority to issue shares for cash			
2. To place unissued shares under the control of the directors			
3. Re-election of DS Brouze as director			
4. Re-election of GS Nzalo as director			
5. Re-election of U Schäckermann as director			
6. Confirmation of appointment of PC Baloyi as director			
7. Confirmation of appointment of JS Friedman as director			
8. Confirmation of appointment of NV Lila as director			
9. Confirmation of appointment of PM Makwana as director			
10. Confirmation of appointment of PD Mansour as director			
11. Confirmation of appointment of PS O'Flaherty as director			
12. Adoption of annual financial statements			
13. Re-appointment of Audit & Risk Committee members			
13.1 Re-election of U Schäckermann as Chairman			
13.2 Re-election of AJ Phillips as member			
13.3 Re-election of GS Nzalo as member			
14. Re-appointment Grant Thornton (Jhb) Inc. as auditors of the company			
15. 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 \_\_\_\_\_ 2014

Signature \_\_\_\_\_ Assisted by (if applicable) \_\_\_\_\_

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a member of the company. Each shareholder is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting.

Forms of proxy must be deposited at Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to PO Box 61051, Marshalltown, 2107 so as to arrive by no later than 10:30 Monday, 12 May 2014.

**Please read the notes on the reverse side hereof.**



## Notes to the form of proxy

This form of proxy is only to be completed by those ordinary shareholders who are:

- a) holding ordinary shares in certificated form; or
  - b) recorded in the sub-register in electronic form in their "own name", on the date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services Proprietary Limited, in order to vote at the annual general meeting, being Friday, 9 May 2014, and who wish to appoint another person to represent them at the annual general meeting.
1. Certificated shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company (being Computershare Investor Services Proprietary Limited that their shares are registered in their name.
  2. Beneficial shareholders whose shares are not registered in their "own name" but in the name of another, for example, a nominee, may not complete a form of proxy, unless a form of proxy is issued to them by a registered shareholder and they should contact the registered shareholder for assistance in issuing instruction on voting the shareholder's shares, or obtaining a proxy to attend, speak and, on a poll, vote at the annual general meeting.
  3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space, with or without deleting "the Chairman of the annual general meeting". 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.
  4. A shareholder's instructions to the proxy must be indicated by means of a tick or a cross in the appropriate box provided. However if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of shares in respect of which you desire to vote. If: (i) a shareholder fails to comply with the above; or (ii) gives contrary instructions in relation to any matter; or any additional resolution(s) which are properly put before the meeting; or (iii) the resolution listed in the form of proxy is modified or amended, the shareholder will be deemed to authorise the Chairman of the annual general meeting, if the Chairman is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the shareholder's votes exercisable thereat. If however the shareholder has provided further written instructions which accompany this form of proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in (i) to (iii) above, then the proxy shall comply with those instructions.
  5. The forms of proxy should be lodged at Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to PO Box 61051, Marshalltown, 2107 so as to be received by not later than 10:30 Monday, 12 May 2014.
  6. The completion and lodgement 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. In addition to the foregoing, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy, and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
  7. The Chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes, provided that, in respect of acceptances, the Chairman is satisfied as to the manner in which the shareholder(s) concerned wish(es) to vote.
  8. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.
  9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Computershare Investor Services Proprietary Limited or waived by the Chairman of the annual general meeting.
  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 Computershare Investor Services Proprietary Limited.
  11. Where there are joint holders of shares:
    - 12.1 any one holder may sign this form of proxy; and
    - 12.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
  12. If duly authorised, companies and other corporate bodies who are shareholders of the company having shares registered in their own name may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the annual general meeting by giving written notice of the appointment of that representative. This notice will not be effective at the annual general meeting unless it is accompanied by a duly certified copy of the resolution or other authority in terms of which that representative is appointed and is received at Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 by no later than 10:30 Monday, 12 May 2014.
  13. This form of proxy may be used at any adjournment or postponement of the annual general meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
  14. The foregoing notes contain a summary of the relevant provisions of section 58 of the Companies Act, 2008 (the "Companies Act"), as required in terms of that section.





# Contact details

## Registered office

1125 Leader Avenue  
Stormill Ext 4  
Roodepoort  
1724

PO Box 1914  
Florida  
1710

## Company secretary

Probity Business Services Proprietary Limited  
(Registration number 2000/002046/07)  
11 Cradock Avenue, Rosebank, 2196

## Auditors

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

## Corporate advisor, legal advisor and sponsor

Java Capital  
2 Arnold Road, Rosebank, 2196

## Bankers to the group

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

## Transfer Secretaries

Computershare Investor Services Proprietary Limited  
(Registration number 2004/00347/07)  
Ground Floor  
70 Marshall Street  
Johannesburg  
2001

PO Box 61051  
Marshalltown  
2107

## Directors

AJ Phillips (Chairman)  
PD Mansour (CEO)  
JS Friedman (Financial Director)  
PC Baloyi  
DS Brouze  
NV Lila  
PM Makwana  
GS Nzalo  
PS O'Flaherty  
U Schäckermann

**Company registration number**  
2001/029771/06



**AUSTRO**  
GROUP LIMITED

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