



INTEGRATED
ANNUAL REPORT

2012



AUSTRO
GROUP LIMITED

Austro Integrated Annual Report 2012

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Report scope and boundary

This report is produced for the benefit of Austro Group Limited's stakeholders who are identified in the sustainability review section and covers the period 1 September 2011 to 31 August 2012.

This report covers the operations of the group's two divisions, Power and Wood, and includes the holding company and its subsidiaries. The consolidated data incorporate all entities controlled by Austro Group Limited (herein after referred to as "Austro" or "the group" or "Austro Group" or "the company").

The report deals with the material challenges and opportunities facing the group.

In addition to statutory and King III requirements, Austro reports annually to stakeholders on aspects of the group's activities which provide integrated information regarding ongoing management of our business. This integrated report covers the material economic, social and environmental aspects of the group and it addresses the risks and governance framework.

A change since the 2011 report is the inclusion of Matase Power Systems (Pty) Ltd ("Matase") by New Way Power (Pty) Ltd, effective from 1 September 2011, with a shareholding of 49,9%. Matase is co-owned by Thivhusiswi Simon Netshisaulu. Matase is an Enterprise Development vehicle aimed at establishing the economic participation of black persons in the sale of generators. Matase secures contracts from customers not previously serviced by Austro Group. New Way Power provides technical, administrative and managerial support to Matase.

The group acquired the businesses of EdgePro (Pty) Ltd and EdgePro Natal (Pty) Ltd ("the edging business"), effective 1 September 2011. The JSE Limited ("JSE") issued a ruling that these acquisitions did not need to be aggregated in terms of Section 9 of the JSE Listings Requirements and, accordingly, no announcement was released on the JSE Securities Exchange News Service ("SENS"). The principal assets acquired were inventories and no goodwill arose from these acquisitions. The total purchase consideration for these businesses was R10,03 million settled in cash. These acquisitions were made in support of Austro's strategy, allowing the Wood Division to supply edging to existing and new customers.

Our approach to integrated reporting

This is the second year in which we are reporting in line with the principles outlined in the Global Reporting Initiative's (GRI) G3.1 Framework.

The group embraces the principles of inclusiveness, materiality, completeness and sustainability context as set out in the Guidelines of the Global Reporting Initiative (GRI) G3 Framework. In the prior period, a GRI content level check was performed by the group's external auditors PKF (Jhb) Inc, confirming the group's compliance with an application level C. The assurance report is available on the group's website. This year's report is based on the content presented in the prior period and hence a content level check was not obtained in the current period. Whilst external assurance was not obtained on the non-financial information presented in the 2012 integrated report, we do recognise the importance of obtaining such assurance and intend to obtain external assurance in future reporting periods.

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

Disclosure	Section	Page number
Strategy and analysis 1.1	Chairman's review and Operating review	8 and 12
Organisational profile (2.1 – 2.10)	Report scope and boundary, group structure and group overview	Inside front cover and 1, 2 and 3
Report parameters (3.1 – 3.8 and 3.12)	Report scope and boundary engagement and our approach to integrated reporting	Inside front cover and 1
Governance, commitments and engagement (4.1 – 4.4 and 4.14 – 4.15)	Corporate governance report Stakeholder engagement Sustainability review	32 15 16
Core performance indicators EC1 EN28, SO8, PR9 LA1, LA2, LA8, LA13, LA14	Chairman's review Sustainability review	8 16

The group employs 358 people in South Africa. While the group does not operate or employ anyone outside of South Africa, we do sell, either directly or through agents, into other markets. These other markets are primarily in Africa and include: Botswana, Namibia, Mozambique, Zambia, Zimbabwe, Congo, Malawi, Angola, Lesotho, Uganda, Swaziland, Mauritius, Kenya, Ghana and Ethiopia.

While our systems have historically not been geared to provide financial information by country, we aim to introduce this functionality.

In the meantime our best estimate is that approximately R29,8 million in revenue is derived from the countries named as other markets and we do not believe that any one country in this list accounts for 5% or more of group revenues.

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

The consolidated financial statements for the reporting period 1 September 2011 to 31 August 2012 have been audited by PKF (Jhb) Inc. Their unqualified audit opinion is included.

The reviewed condensed consolidated financial statements were released on SENS on 19 November 2012 and this integrated annual report was published on 28 February 2013 and has been prepared by Tania le Roux (CA)SA, under the supervision of the Austro Group Limited board.

The most recent previous integrated annual report was distributed on 30 November 2011 and an interim report dealing only with interim financial performance was released on SENS on 24 May 2012. Our shareholders and investors receive information in line with the JSE Listings Requirements. All announcements are made through SENS and, where appropriate or required, in the print and electronic media. The board of the company is pro-active in providing information to the public and the media is welcomed and seen as a valuable partner in sharing information. All information is provided within the constraints of the JSE Listings Requirements. Any stakeholder, including shareholders and employees, may make recommendations to the board of Austro Group Limited through the Chairman. Contact details for either individual may be obtained by e-mail at austro@austro.co.za or phone on +27 (0) 11 222 8300.

www.austrogrouplimited.com

Group structure

Austro Group Limited is listed in the "Industrial Engineering" sector and "Industrial Machinery" sub-sector of the JSE. The group listed on the JSE in February 2007.

The group outsources services to a small degree to extended service dealers to supply customers in the rest of sub-Saharan Africa.

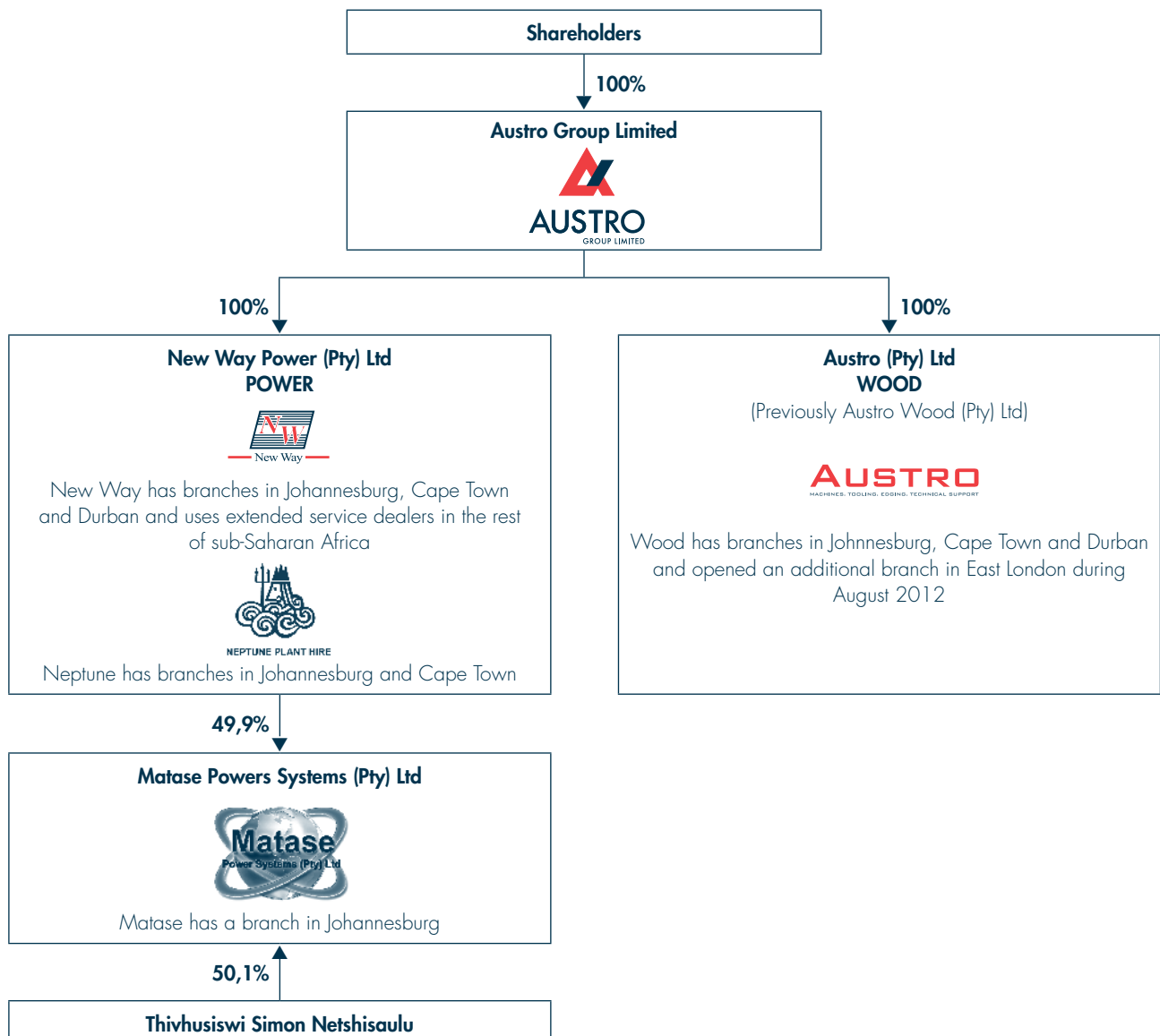
Austro Group Limited has two focused business offerings:

POWER

- the production, supply and rental of generators and related components such as industrial engines, marine engines, alternators and switch-gear offered to the generator manufacture and supply industry; and

WOOD

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



Group overview

Austro Group Limited supplies specialised and quality branded industrial equipment and related supplies to corporate, commercial and infrastructure markets in South Africa and other African markets. The group services clients ranging from heavy industrial, construction and mining groups to wholesalers, retailers and manufacturers. The group's two main businesses have each been in existence for almost 30 years. The entities are wholly owned.

Our vision

Austro Group Limited's vision is to become a significant player in the complementary industrial suppliers and construction-related sectors.

Core values

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

MAIN SUPPLIER BRANDS

NEW WAY POWER (PTY) LTD



AUSTRO (PTY) LTD



Group overview continued

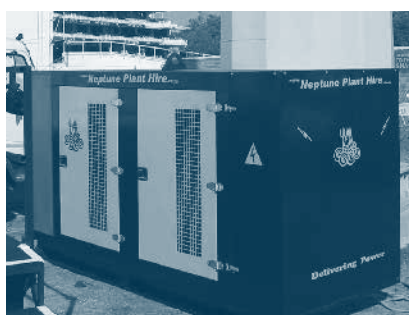
POWER AND RELATED INDUSTRY

NEW WAY POWER (PTY) LTD

New Way



Neptune Plant Hire



New Way Power (Pty) Ltd

New Way is a major supplier of commercial generators in sub-Saharan Africa. It also provides pumping equipment (used for dewatering, irrigation and fire suppression systems), marine propulsion (used in the fishing industry and high-end leisure craft), industrial components, Mitsubishi transport refrigeration and industrial diesel engines (used by original equipment manufacturers).

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

New Way holds the sole distribution rights in sub-Saharan Africa for John Deere industrial and marine diesel engines. Other exclusive distributorships held by the company include Mitsubishi Heavy Industries, Doosan Infracore and Marathon Electric.

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

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

Neptune Plant Hire (a division of New Way Power (Pty) Ltd) ("Neptune")

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

WOOD AND RELATED INDUSTRY

AUSTRO (PTY) LTD



AUSTRO (PTY) LTD ("WOOD")

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

The company changed its name from Austro Wood (Pty) Ltd to Austro (Pty) Ltd.

The company has completed its capital expenditure programme to increase the division's consumption-driven revenue stream, with new specialised sharpening equipment which was installed in Durban and East London.

New equipment agencies for the packaging industry have been acquired. A number of successful installations have been completed with great potential for expansion, as the equipment is not industry specific.

Management continues the focus on expansion of the saw milling sector, with its portable saw mill range that has resulted in expansion into Zambia and other central African countries.

Wood's South African market share of Computerised Numerical Control ("CNC") equipment has increased substantially with installation numbers last seen in the run up to 2007.

Directorate



ANTHONY (TONY) PHILLIPS (66)
Independent Non-executive Chairman

Tony brings many years of experience in the industrial sector to the group. Well-known and respected for his previous role as CEO of Barloworld and Chairman of PPC, Tony adds enormous value in terms of the group's strategy in the specialised Industrial Supplies sector.

He is currently also non-executive chairman of Mpac Limited and Newman Lowther and Associates, the vice-chairman of Kansai Plascon Africa Limited and a non-executive director of Eqstra Holdings Limited, and Chairman of Wasteman Holdings (Pty) Ltd.



ULI SCHÄCKERMANN (GERMAN) (66)
Independent Non-executive Director

Uli is a Chartered Accountant (SA) and after 34 years as a partner in public practice, Uli has now started to serve as independent non-executive director. During his auditing career he audited and reviewed various listed entities including JSE Top 40 companies. He serves on the IRBA Committee for Auditor Ethics and various other boards.



GORDON NZALO (47)
Independent Non-executive Director

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



JONATHAN FREED (64)
Executive Director

With over 46 years' experience in the diesel engine and generator business, Jonathan brings to the group an extensive and unique insight into South Africa's generator industry.



JUSTIN FREED (39)
Alternate

Justin is an alternate executive director to Jonathan Freed. He is currently the Sales Director for New Way. His knowledge and expertise in the industrial engine and generator industry has been developed over the last 20 years, and he is considered a leading expert in the industry.



DAVID BROUZE (48)
Non-executive Director

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

Governance structure

Board

- **Audit and Risk Committee**
- **Remuneration and Nomination Committee**
- **Social and Ethics Committee**

Chairman's review



AJ Phillips – *Independent Non-executive Chairman*

PERFORMANCE AND OVERVIEW

Revenues were higher at R417,5 million versus R387,1 million last year with gains in revenue of R6,7 million in Power (2,7%) and R23,7 million in Wood (17,4%). Operating profit remained the same at a level of R128 million for the two comparable years, implying a reduction in margins.

Generally the South African economy has been fragile, business confidence remains weak and labour issues have contributed to the softening of the Rand, in particular versus the US Dollar.

Relatively low interest rates have not had a major impact on Austro Group Limited because of its cash position. (However interest received is lower than last year for this reason.) Wage settlements would appear to be continuing to exceed inflation and are exerting pressure on operating margins.

The relatively stable electricity supply mitigated against impulse buying of emergency power units particularly during the winter months.

OUR SUSTAINABILITY CHALLENGES AND STRATEGIES

The challenges facing the two parts of the business are somewhat different.

In Power the most important issues are the protection and maintenance of margins and the successful entry into African markets north of the Limpopo.

Cost control and complementary markets are the priorities in Wood. The former has not been successfully managed, but the acquisition of the edging business has had a favourable impact on the revenue line. Subsequent to the year-end sharp reductions in employment costs have been implemented. While revenues remain at current levels the Wood group cannot incur expenses which exceed its gross margin.



SOCIAL

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

The Power Division has a permanent safety officer to monitor and, where possible, improve working conditions and the division's compliance with occupational health and safety legislation. The Wood Division continues to work closely with an occupational health and safety consultant.

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

Austro Group Limited received a level 5 rating, New Way Power (Pty) Ltd a level 8 rating and Matase Power Systems (Pty) Ltd is a level 3 contributor in terms of the Broad-based Black Economic Empowerment scorecard. Scorecards for Power and Wood are work in progress and it is anticipated that the divisions will make a modest start in the first rating exercise. The Social and Ethics Committee was formed and has met once. Responsible people have been appointed to assist the committee to implement uniform approaches in Power and Wood.

Chairman's review continued

ECONOMIC VALUE GENERATED AND DISTRIBUTED FOR THE YEAR ENDED 31 AUGUST 2012 (TABLE ECI)

	2012	2011
	R'000	R'000
Direct economic value generated		
Revenue	417 531	387 102
Interest received	6 015	6 804
Other operating income	4 523	1 877
Sale of assets	693	(239)
Total economic value generated	428 762	395 544
Economic value distributed		
Operating costs	352 775	319 058
Employee wages and benefits	86 313	72 692
Payments to providers of capital	4 065	20 484
Payments to Government	10 478	2 684
Community investments	94	567
Retained deficit	(24 963)	(19 941)
Total economic value distributed and retained	428 762	395 544

ENVIRONMENTAL

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

A long-term objective is therefore to report on the GRI G3.1 indicators that concern the impact of the group's products on the environment and to consider this information in the context of import and supplier relationship decisions.

We anticipate that this objective will be made somewhat easier by virtue of the quality of the suppliers to Austro Group Limited. The majority of our suppliers have already considered the environmental impact of their products and are constantly innovating and working to minimise any negative impacts. (John Deere, Mitsubishi and Biesse discuss the importance of sustainability and the environment on their own websites and the initiatives that they are taking are documented.)

LOOKING AHEAD

The first four months of the new year have produced an improved result and we are more confident now that the stage has been set for a return to profitability.

CONCLUSION

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

Philip Sigsworth resigned to pursue a new opportunity. His role was temporarily occupied by Ms Tania le Roux to whom go out our thanks.

Charles Jacobs, the MD of Wood was suspended on 25 September 2012 and has subsequently left the employ of the group.

A management contract designed to outsource the functions of a group CEO, CFO and a Wood MD is close to completion and your board is confident that this will enable the group to address the issues of controls and growth.



AJ Phillips

Chairman

20 February 2013

Operating review

GROUP STRUCTURE (WHOLLY-OWNED SUBSIDIARIES)

Wholly-owned subsidiaries:

- New Way Power (Pty) Ltd ("Power") housing the energy and power related interests of the group.
- Austro (Pty) Ltd {previously Austro Wood (Pty) Ltd} ("Wood") housing the woodworking and related interests of the group.

Black economic relationship:

- New Way Power (Pty) Ltd has a 49,9% shareholding in Matase Power Systems (Pty) Ltd.

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

FINANCIAL REVIEW

Consolidated statements of comprehensive income

Revenue for the year ended 31 August 2012 of R417,5 million increased by 7,9% compared to the previous year of R387,1 million. The edging businesses acquired by Wood contributed R15,2 million of the R30,4 million increase.

The group is targeting markets in Southern Africa and in the rest of Africa to increase growth further.

The Power Division's revenue is now 61,7% of total revenue (2011: 64,8%).

The Wood Division's revenue is now 38,3% of total revenue (2011: 35,2%).

The increase in other operating income of 141% is mainly due to the increase in agency commission generated from the Wood Division and the sub-lease rental income of the premises with the onerous lease, referred to below.

The group's year-end results have been impacted negatively by the following items:

The gross profit percentage decreased by 2,6% to 30,7% (2011: 33,3%), the group raised an inventory provision of R22,9 million in the current year due to slow-moving inventory.

The Wood Division provided for an onerous lease for one of its premises. The division moved out of the building which has been sub-let. The pre-tax impact of the onerous lease provision is a net present value of R13,2 million and has been softened by the reversal of the lease smoothing accrual of R4,6 million relating to the premises, with a net pre-tax expense effect of R8,6 million. The Wood Division had a substantial increase in its operating expenses.

In accordance with IAS 36 (Impairment of Assets), the group tests goodwill for impairment. This is based on cash forecasts for the next five years which are based on the cash-generating units' results and on management forecasts. The forecasted revenue growth decreased due to lower actual results and the economic outlook. The valuation resulted in the impairment of R134,2 million (58,4%), of the group's acquired goodwill of R229,7 million, in the current financial year.

The goodwill valuation for the Power cash-generating unit resulted in an impairment of R97,1 million (50,4%) of the goodwill balance of R192,6 million, and 100% of the Wood goodwill balance of R37,1 million was impaired. No additional goodwill impairment was required for the current year ended 31 August 2012 from the goodwill impairment reported for the six months ended 29 February 2012.

The group made a loss of R8,4 million before tax, interest, goodwill impairment and the onerous lease expense effect, compared to the previous year's loss of R2,8 million.

Consolidated statements of financial position

The group's interest free long-term liability of R3,4 million has been paid. Wood financed plant and vehicles which gave rise to an interest-bearing liability of R7,8 million; of which R2,5 million is current.

The group has R34,4 million cash and cash equivalents on hand. The major contributor to the decrease in cash and cash equivalents of R14,6 million to R34,4 million (2011: R49,0 million) is mainly due to the edging businesses acquired and taxation paid for the Power Division.

POST-STATEMENT OF FINANCIAL POSITION

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

ACQUISITION OF BUSINESSES

The group acquired the businesses of EdgePro (Pty) Ltd and EdgePro Natal (Pty) Ltd, effective 1 September 2011. The JSE issued a ruling that these acquisitions did not need to be aggregated in terms of Section 9 of the JSE Listings Requirements and, accordingly, no announcement was released on SENS. The principal assets acquired were inventories and no goodwill arose from these acquisitions. The total purchase consideration for these businesses was R10,03 million settled in cash. These acquisitions were made in support of Austro's strategy, allowing the Wood Division to supply edging to existing and new customers.

These acquisitions contributed R15,2 million in revenue, but made a loss before taxation of R2,3 million for the Wood Edging Division in the current financial year.

OPERATING REVIEW

Power

The Power Division's revenue has increased by 2,7% to R257,6 million compared to the previous year (2011: R250,9 million).

The Power Division raised an inventory provision of R13,1 million in the current year, for slow-moving inventory.

Operating expenses decreased by 10,6% to R71,5 million compared to the previous year (2011: R80,0 million); this is mainly due to the related cost-savings after relocating and integrating the Quad and Quinlec businesses into Power.

The Power Division made a profit, before tax and goodwill impairment, of R22,3 million (2011: R9,2 million profit).

"Revenue increased by 7,9% compared to the previous year"

Operating review continued

The higher tax expense of R6,9 million for Power is due to a higher taxable income compared to the previous year (2011: R0,6 million tax income).

Wood

The Wood Division's revenue increased by 17,4% to R159,9 million compared to the previous year (2011: R136,2 million). The edging business acquired by Wood contributed R15,2 million of the R23,7 million increase. Management anticipates that Wood will continue to increase its market share in South Africa and initiated expansion into the rest of Africa.

The Wood Division raised an inventory provision of R9,8 million in the current year, for slow-moving inventory.

Operating expenses increased by 46,2% to R78,2 million (2011: R53,5 million), this is mainly due to the effect of the onerous lease expense of R8,6 million and an increase of R16,1 million in employee costs and operating expenses which were incurred to align the company for its planned future growth.

The Wood Division made a loss before tax and goodwill impairment of R37,4 million (2011: R9,1 million loss).

A deferred tax asset has not been raised on the taxable loss of the Wood Division. The goodwill impairment is a non-taxable item and the onerous lease provision has been added back as a timing difference.

PROSPECTS

The Southern African economic outlook for the industrial sector remains weak. The management teams of the two divisions remain focused on growing revenue out of new African markets.

The management team of the Power Division has focused on delivering quality service and products to their customers and the Wood Division has focused on expanding product offering into existing markets and deepening the penetration of the tooling and supply business unit into areas not previously covered.

DIVIDEND DISTRIBUTION

The directors do not propose that a dividend be declared.

Stakeholder engagement

Topic	Material challenges, commitments and opportunities	Division affected	Stakeholders engaged	Topics or concerns raised	Approach adopted	Progress made	Reference in report
Financial	Global recession	Power and Wood	All	Globally there are ongoing threats of recession. Our group has historically been adversely affected in times of reduced fixed investment	Understanding our markets and potential markets better with a view to expansion into related and complementary markets or geographic expansion and to focus more on recurring revenue streams	The Wood Division's consumption focused revenue stream from the Machine Tools Division has increased and the Power Division expanded its product offering to include transport refrigeration	Chairman's review, operating review and financial statements
	Expansion into Africa	Power and Wood	Suppliers and customers	The risk to supply African countries is high	We develop existing local customer relationships to supply to their African divisions	Revenue generated from outside South Africa has not yet increased from the prior year	Scope and boundary
	Unpredictable electricity supply	Power	Suppliers	Planning around supplier lead times	Regular communication with suppliers to maintain relationships	The relatively stable electricity supply mitigated against impulse buying of emergency power units particularly during the winter months	Chairman's review
Labour	Occupational health and safety risks, labour practices and the continuity of our workforce	Power and Wood	Employees and Government	The work that we do poses some risks to our people, ensuring these risks are managed and minimised are important to us	We engage appropriate experts either as employees or consultants and strive to ensure compliance with relevant legislation	Standard compliance has been achieved and we aim to improve	The "Our people" section of this report
Transformation	Remaining competitive and embracing diversity	Power and Wood	All	Evolving our practices to better achieve best practice	Scorecards need to be reviewed and updated annually	The B-BBEE scorecard has been completed for Austro Group Limited, Matase Power Systems (Pty) Ltd and New Way Power (Pty) Ltd, the scorecard for Austro (Pty) Ltd is outstanding	Chairman's review
Environmental	Minimising the impact of our products and services	Power and Wood	Customers, suppliers and shareholders	We live in an ever more environmentally aware and responsible society, our products need to remain competitive	We partner with global leaders, who take the environmental impact of their products seriously and strive for constant improvement	Ongoing	Chairman's review
Social	Community investment	Power and Wood	Our communities	We aim to contribute to the communities in which we operate	Apart from the Enterprise Development initiatives that we have in place we look to donate to make as much of a difference as possible	We started this process in 2011 and will continue the initiatives	Sustainability review
Regulatory environment	Ensuring compliance with all relevant laws and regulations	Power and Wood	All	Legislation is increasingly complicated, ensuring our compliance with all applicable legislation is a demanding task	Our board, audit and risk, social and ethics committees along with management provide oversight and help to keep the business informed of relevant developments	During the year under review we have not identified any significant fines or non-monetary sanctions for non-compliance with any laws	This integrated annual report

Sustainability review

INTRODUCTION

The group remains committed to sound economic, social and environmental practices. This sustainability review is intended for stakeholders of Austro Group Limited. Through a process of considering those who have the ability to influence our group, those to whom the group is accountable by law or regulation, those who depend on the products and services offered by the group and those who live in the places in which our group operates, we have determined that our key stakeholders include shareholders, potential investors, employees, customers, suppliers, Government and the communities within which our group companies operate. As ours is a small group and the number of stakeholders mentioned is not extensive, we do not exclude engagement with any of them. Applying the GRI's principle that information presented in this integrated annual report should cover topics that would substantively influence the assessments and decisions of stakeholders, we set out in the table below the key topics that we believe are material to our stakeholders, based on such a definition of materiality.

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

OUR PEOPLE

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

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

We have chosen to better analyse and understand our success in the management of our people by selecting a number of GRI indicators relevant to our employees and reporting on these. This is done by division in the two sections that follow.

As each of the divisions in our group employ a relatively small number of employees, engagement with employees and channels by which employees may make recommendations to the highest governing body of the group and the company for which they work are quite informal. Middle and senior management hold regular meetings with employees giving them a forum to raise concerns and make recommendations and when a more independent mode of communication is required employees communicate through the union and shop stewards, who then engage with management.

Total workforce table (LA1)

	POWER		WOOD		Total	
	New	Way	Austro			
	Power	Power				
31 August 2010 – Total employee numbers	202	62,3%	122	37,7%	324	100,0%
New employee hire numbers	22	41,5%	31	58,5%	53	100,0%
Employees leaving employment	(73)	73,7%	(26)	26,3%	(99)	100,0%
31 August 2011 – Total employee numbers	151	54,3%	127	45,7%	278	100,0%
New employee hire numbers	76	45,5%	91	54,5%	167	100,0%
Employees leaving employment	(47)	54,0%	(40)	46,0%	(87)	100,0%
31 August 2012 – Total employee numbers	180	50,3%	178	49,7%	358	100,0%

Table LA1 is a summary of the total workforce, the detail is discussed per division below:

NEW WAY POWER (POWER)

Scale of our workforce

It is clear from the table below that the majority of New Way's workforce is male and located in Johannesburg. This is not surprising when one understands the location of New Way's largest facility in Alberton and the labour intensive and physical nature of the work performed by the majority of the company's employees. We are pleased that the majority of our employees are engaged in permanent contracts.

Total workforce table (NWLA1) 31 August 2012

	EMPLOYMENT CONTRACT*			REGION			Total
	Permanent	Fixed term	Total	Johannesburg	Cape Town	Durban	
Male	149	5	154	132	17	5	154
Female	24	2	26	23	2	1	26
	173	7	180	155	19	6	180

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

There are no significant seasonal variations in employment numbers.

Total workforce table (NWLA1) 31 August 2011

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

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

There are no significant seasonal variations in employment numbers.

Employee turnover

The employee turnover table (NWLA2) gives some insight into employee turnover numbers and rates. It is apparent from the "employees leaving employment" data and rates that the same stresses that have influenced our financial performance in the past year have affected our employees. Management aimed to reduce the 2011 "employees leaving employment" rate of 48% to under 30%, this was achieved in 2012 at a rate of 26%. The future target set in 2011 of 24% for 2013 has almost been reached in 2012.

Employee turnover table (NWLA2) 31 August 2012

New employee hires

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	12	28	12	52	5	10	1	16	17	38	13	68
Cape Town	-	3	-	3	-	-	-	-	-	3	-	3
Durban	3	2	-	5	-	-	-	-	3	2	-	5
	15	33	12	60	5	10	1	16	20	43	13	76

Sustainability review continued

*Employee turnover table (NWLA2) (continued)
31 August 2012*

Employees leaving employment

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	8	19	4	31	2	6	1	9	10	25	5	40
Cape Town	-	2	-	2	-	1	-	1	-	3	-	3
Durban	1	2	1	4	-	-	-	-	1	2	1	4
	9	23	5	37	2	7	1	10	11	30	6	47

Total employee numbers

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	31	80	21	132	4	15	5	24	35	95	26	156
Cape Town	1	11	5	17	-	1	-	1	1	12	5	18
Durban	2	-	3	5	-	1	-	1	2	1	3	6
	34	91	29	154	4	17	5	26	38	108	34	180

New employee hire rates

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	39%	35%	57%	39%	125%	67%	20%	67%	49%	40%	50%	44%
Cape Town	-	27%	-	18%	-	-	-	-	-	25%	-	17%
Durban	150%	-	-	100%	-	-	-	-	150%	200%	-	83%
All locations	44%	36%	41%	39%	125%	59%	20%	62%	53%	40%	38%	42%

Employees leaving employment rates

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	26%	24%	19%	23%	50%	40%	20%	38%	29%	26%	19%	26%
Cape Town	-	18%	-	12%	-	100%	-	100%	-	25%	-	17%
Durban	50%	100%*	33%	80%	-	-	-	-	50%	200%	33%	67%
All locations	26%	25%	17%	24%	50%	41%	20%	38%	29%	28%	18%	26%

*There were no employees in this category at year-end.

Total workforce table (NWLA2)
31 August 2011

New employee hires

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

Employees leaving employment

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

Total employee numbers

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

New employee hire rates

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

Sustainability review continued

Total workforce table (NWLA2) (continued)

31 August 2011

Employees leaving employment rates

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

*There were no employees in this category at year-end.

Collective bargaining

The number of employees covered by collective bargaining agreements increased by 5% from 44% to 49%.

	31 August 2012		31 August 2011	
Employees covered by collective bargaining agreements	89	49%	66	44%
Total employees	180		151	

HIV/AIDS and serious diseases table (NWLA8)

31 August 2011

Assistance programmes

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

31 August 2011

Assistance programmes

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

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

Risk/prevention is in the form of clear policies and procedures in place to ensure that in the event of an accident that might expose workers to HIV/AIDS, that all affected employees know how to respond. Occupational health and safety is important to the company and disease prevention is considered in developing health and safety policies and procedures.

Employment and governance body diversity

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

	Employee category by race and gender						Employee category by age and gender					
	Male	Female	Non-white male	White male	Non-white female	White female	Male <30	Male 30-50	Male >50	Female <30	Female 30-50	Female >50
31 August 2012												
Board of directors	7	–	1	6	–	–	–	5	2	–	–	–
	100%	–	14%	86%	–	–	–	71%	29%	–	–	–
31 August 2011												
Board of directors	9	–	1	8	–	–	–	5	4	–	–	–
	100%	–	11%	89%	–	–	–	56%	44%	–	–	–

The board of directors of New Way Power (Pty) Ltd is entirely male, 14% non-white, 71% of the board are aged 30 to 50 and the remaining 29% are over 50.

We will review equity targets for the coming three to five years.

The full table of relevant indicators is set out in table NWLA13.

Employee diversity table (NWLA13)

31 August 2012

	% of employees per employee category by gender	% of employees per employee category by gender	% of non-white employees by employee category by gender	% of white employees by employee category by gender	% of non-white employees by employee category by gender	% of white employees by employee category by gender	% of employees per employee category by age and by gender					
							Male	Female	Male <30	Male 30-50	Male >50	Female <30
Core operations:			71%	29%	17%	83%	23%	61%	16%	50%	50%	–
Board of directors	100%	–	17%	83%	–	–	–	67%	33%	–	–	–
Senior management	100%	–	33%	67%	–	–	–	33%	67%	–	–	–
Junior management	–	–	–	–	–	–	–	–	–	–	–	–
Workforce	95%	5%	75%	25%	17%	83%	25%	62%	13%	50%	50%	–
Support functions:			24%	76%	30%	70%	18%	58%	24%	–	75%	25%
Board of directors	100%	–	–	100%	–	–	–	100%	–	–	–	–
Senior management	100%	–	20%	80%	–	–	–	60%	40%	–	–	–
Junior management	–	–	–	–	–	–	–	–	–	–	–	–
Workforce	57%	43%	26%	74%	30%	70%	22%	56%	22%	–	75%	25%
Total across functions:			61%	39%	27%	73%	22%	60%	18%	12%	69%	19%
Board of directors	100%	–	14%	86%	–	–	–	71%	29%	–	–	–
Senior management	100%	–	25%	75%	–	–	–	50%	50%	–	–	–
Junior management	–	–	–	–	–	–	–	–	–	–	–	–
Workforce	84%	16%	65%	35%	27%	73%	24%	60%	15%	12%	69%	19%

Sustainability review continued

*Employee diversity table (NWLA13)
31 August 2011*

	% of employees per employee category by gender	% of employees per employee category by gender	% of non-white employees by gender	% of white employees by gender	% of non-white employees by gender	% of white employees by gender	% of employees per employee category by age and by gender					
							Male	Female	Male	Male	Female	Female
Core operations:			65%	35%	–	–	23%	62%	15%	–	–	–
Board of directors	100%	–	17%	83%	–	–	–	67%	33%	–	–	–
Senior management	100%	–	25%	75%	–	–	–	25%	75%	–	–	–
Junior management	100%	–	–	100%	–	–	–	100%	–	–	–	–
Workforce	100%	–	71%	29%	–	–	26%	62%	11%	–	–	–
Support functions:			15%	85%	13%	87%	9%	37%	17%	2%	26%	9%
Board of directors	100%	–	–	100%	–	–	–	33%	67%	–	–	–
Senior management	–	–	–	100%	–	–	–	–	–	–	–	–
Junior management	83%	17%	17%	83%	–	–	–	50%	33%	–	17%	–
Workforce	58%	42%	16%	84%	16%	84%	11%	36%	11%	2%	29%	11%
Total across functions:			47%	53%	5%	95%	18%	53%	16%	1%	9%	3%
Board of directors	100%	–	11%	89%	–	–	–	56%	44%	–	–	–
Senior management	100%	–	25%	75%	–	–	–	25%	75%	–	–	–
Junior management	88%	13%	13%	87%	–	–	–	63%	25%	–	13%	–
Workforce	86%	14%	52%	48%	5%	95%	21%	53%	11%	1%	10%	4%

Ratio of remuneration of women to men by employee category

As the table NWLA13 indicates, there are no female employees in the board of directors, senior management and junior management categories, therefore there is no ratio to calculate for those employee categories.

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

Ratio of remuneration of women to men by employee category (NWLA14)

	31 August 2012 Remuneration	31 August 2011 Remuneration
Junior management women	–	39%
Workforce women	84%	82%

AUSTRO (WOOD)**Scale of our workforce***Total workforce table (AWLA1)**31 August 2012*

	EMPLOYMENT CONTRACT*			REGION					Total
	Permanent	Fixed term	Total	Johannesburg	Cape Town	Durban	East London		
Male	143	–	143	100	26	14	3	143	
Female	30	5	35	24	5	5	1	35	
	173	5	178	124	31	19	4	178	

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

There are no significant seasonal variations in employment numbers.

*Total workforce table (AWLA1)**31 August 2011*

	EMPLOYMENT CONTRACT*			REGION					Total
	Permanent	Fixed term	Total	Johannesburg	Cape Town	Durban	East London		
Male	99	1	100	84	8	8	–	100	
Female	26	1	27	22	3	2	–	27	
	125	2	127	106	11	10	–	127	

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

There are no significant seasonal variations in employment numbers.

The scale of our operations increased, mainly due to the two edging acquisitions made effective 1 September 2011. The female % of the total workforce changed by 1% from 21% in 2011 to 20% in 2012. We aim to maintain the gender ratios evident above into 2013 and beyond as we consider them to be appropriate to our business.

*Total workforce table (AWLA2)**31 August 2012***New employee hires**

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	1	23	8	32	–	7	3	10	1	30	11	42
Cape Town	7	13	5	25	–	5	1	6	7	18	6	31
Durban	1	9	1	11	–	3	–	3	1	12	1	14
East London	–	3	–	3	–	–	1	1	–	3	1	4
	9	48	14	71	–	15	5	20	9	63	19	91

Sustainability review continued

Total workforce table (AWLA2) (continued)

31 August 2012

Employees leaving employment

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	2	9	6	17	5	-	2	7	7	9	8	24
Cape Town	2	5	-	7	2	2	-	4	4	7	-	11
Durban	3	2	-	5	-	-	-	-	3	2	-	5
East London	-	-	-	-	-	-	-	-	-	-	-	-
	7	16	6	29	7	2	2	11	14	18	8	40

Total employee numbers

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	10	67	23	100	-	20	4	24	10	87	27	124
Cape Town	5	16	5	26	-	4	1	5	5	20	6	31
Durban	1	12	1	14	-	5	-	5	1	17	1	19
East London	-	3	-	3	-	-	1	1	-	3	1	4
	16	98	29	143	-	29	6	35	16	127	35	178

New employee hire rates

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	10%	34%	35%	32%	-	35%	75%	42%	10%	34%	41%	34%
Cape Town	140%	81%	100%	96%	-	125%	100%	120%	140%	90%	100%	100%
Durban	100%	75%	100%	79%	-	60%	-	60%	100%	71%	100%	74%
East London	-	100%	-	100%	-	-	100%	100%	-	100%	100%	100%
All locations	56%	49%	48%	50%	-	52%	83%	57%	56%	50%	54%	51%

Employees leaving employment: rates

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	20%	13%	26%	17%	-	-	50%	29%	70%	10%	30%	19%
Cape Town	40%	31%	-	27%	-	50%	-	80%	80%	35%	-	35%
Durban	300%	17%	-	36%	-	-	-	-	300%	12%	-	26%
East London	-	-	-	-	-	-	-	-	-	-	-	-
All locations	44%	16%	21%	20%	-	7%	33%	31%	88%	14%	23%	22%

Total workforce table (AWLA2)

31 August 2011

New employee hires

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

Employees leaving employment

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

Total employee numbers

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	11	53	21	85	5	13	3	21	16	66	24	105
Cape Town	-	8	-	8	2	1	-	3	2	9	-	11
Durban	3	5	-	8	-	2	-	2	3	7	-	10
	14	66	21	101	7	16	3	26	21	82	24	127

New employee hire rates

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

Employees leaving employment: rates

	Male				Female				Total			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Johannesburg	18%	20%	14%	19%	40%	31%	33%	33%	25%	23%	17%	21%
Cape Town	-	13%	-	13%	-	-	-	-	-	11%	-	9%
Durban	33%	25%	-	29%	-	-	-	-	33%	17%	-	22%
All locations	21%	20%	14%	19%	29%	25%	33%	27%	24%	21%	17%	20%

Sustainability review continued

Employee turnover

The employee turnover table (AWLA2) gives some insight into employee turnover numbers and rates. The employee leaving rate is higher than the company expects to see in future years. The employee turnover rate increased by 2% from 20% in 2011 to 22% in 2012. The increase is due to the financial challenges the company is experiencing due to the economic climate. The target set in 2011 to reduce the employee turnover rate to 15% for the 2012 was not achieved. A target of 11% was set in 2011 for 2013.

Collective bargaining

As at 31 August 2012, seventy-eight of our one hundred and seventy-eight employees were covered by collective bargaining agreements. This represents a percentage of 44%, which is an increase of 12% from the prior year.

Collective bargaining

	31 August 2012		31 August 2011	
Employees covered by collective bargaining agreements	78	44%	41	32%
Total employees	178		127	

HIV/AIDS and serious diseases table (AWLA8)

31 August 2012

Assistance programmes

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

HIV/AIDS and serious diseases table (AWLA8)

31 August 2012

Assistance programmes

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

As in the case of New Way Power, Austro Wood's workers are subject to the same relatively high risk of HIV/AIDS as all workers in South Africa.

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

Employment and governance body diversity

The board of Austro Wood (Pty) Ltd is entirely white and male, 20% of the board are aged 30-50 and 80% of the board are over 50. The target set in 2011 to have female representation on the board has not been reached. We will review the equity targets when we have completed the B-BBEE verification exercise.

	Employee category by race and gender					Employee category by age and gender						
	Male	Female	Non-white male	White male	Non-white female	White female	Male <30	Male 30-50	Male >50	Female <30	Female 30-50	Female >50
31 August 2012												
Board of directors	5	–	–	5	–	–	–	1	4	–	–	–
	100%	–	–	100%	–	–	–	20%	80%	–	–	–
31 August 2011												
Board of directors	6	–	–	6	–	–	–	3	3	–	–	–
	100%	–	–	100%	–	–	–	50%	50%	–	–	–

Table: AWLA13 – A

31 August 2012

Percentage of employees per employee category by gender

Management category	Distribution		Finance and administration		Production		Technician		Warehouse		Sales and marketing	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
All categories	6%	94%	59%	41%	7%	93%	–	100%	–	100%	11%	89%
Board	–	–	–	100%	–	–	–	–	–	–	–	–
Senior management	–	–	29%	71%	–	–	–	–	–	–	–	100%
Middle management	–	–	100%	–	–	100%	–	100%	–	100%	100%	–
Junior management	–	–	100%	–	–	–	–	–	–	–	–	–
Workforce	6%	94%	71%	29%	7%	93%	–	100%	–	100%	13%	88%

Table: AWLA13 – B

31 August 2012

Percentage of non-white employees per employee category by gender

Management category	Distribution		Finance and administration		Production		Technician		Warehouse		Sales and marketing	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
All categories	7%	93%	71%	29%	8%	92%	–	100%	–	100%	25%	75%
Board	–	–	–	–	–	–	–	–	–	–	–	–
Senior management	–	–	–	100%	–	–	–	–	–	–	–	100%
Middle management	–	–	100%	–	–	–	–	–	–	100%	100%	–
Junior management	–	–	–	–	–	–	–	–	–	–	–	–
Workforce	7%	93%	73%	27%	8%	92%	–	100%	–	–	–	100%

Sustainability review continued

Table: AWLA13 – A

31 August 2011

Percentage of employees per employee category by gender

	Distribution		Finance and administration		Production		Technician		Warehouse		Sales and marketing	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
All categories	–	100%	64%	36%	15%	85%	4%	96%	10%	90%	7%	93%
Board	–	–	–	100%	–	–	–	–	–	–	–	100%
Senior management	–	–	100%	–	–	–	–	100%	–	–	–	100%
Middle management	–	–	67%	33%	–	–	–	–	–	100%	–	100%
Junior management	–	100%	100%	–	–	100%	–	100%	–	100%	–	100%
Workforce	–	100%	78%	22%	17%	83%	4%	96%	14%	86%	10%	90%

Table: AWLA13 – B

31 August 2011

Percentage of non-white employees per employee category by gender

	Distribution		Finance and administration		Production		Technician		Warehouse		Sales and marketing	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
All categories	0%	100%	70%	30%	13%	87%	11%	89%	0%	100%	12%	88%
Board	–	–	–	–	–	–	–	–	–	–	–	–
Senior management	–	–	–	–	–	–	–	–	–	–	–	–
Middle management	–	–	100%	–	–	–	–	–	–	100%	–	100%
Junior management	–	100%	–	–	–	100%	–	–	–	100%	–	–
Workforce	–	100%	67%	33%	15%	85%	11%	89%	–	100%	14%	86%

Table: AWLA13 – C
31 August 2012

Percentage of employees per employee category by age and by gender

Management category	Board	Senior Management	Middle Management	Junior Management	Workforce
All ages and both genders	3%	9%	4%	1%	84%
Female					
<30					
Distribution	–	–	–	–	0%
Finance and administration	–	–	–	–	100%
Production	–	–	–	–	100%
Technician	–	–	–	–	–
Warehouse	–	–	–	–	–
Sales and marketing	–	–	–	–	–
30-50					
Distribution	–	–	–	–	100%
Finance and administration	–	10%	10%	5%	75%
Production	–	–	–	–	100%
Technician	–	–	–	–	–
Warehouse	–	–	–	–	–
Sales and marketing	–	–	50%	–	50%
>50					
Distribution	–	–	–	–	–
Finance and administration	–	–	–	–	100%
Production	–	–	–	–	100%
Technician	–	–	–	–	–
Warehouse	–	–	–	–	–
Sales and marketing	–	–	–	–	–
Male					
<30					
Distribution	–	–	–	–	100%
Finance and administration	–	–	–	–	100%
Production	–	–	–	–	100%
Technician	–	–	–	–	100%
Warehouse	–	–	–	–	–
Sales and marketing	–	–	–	–	–
30-50					
Distribution	–	–	–	–	100%
Finance and administration	10%	30%	–	–	60%
Production	–	–	5%	–	95%
Technician	–	–	–	–	100%
Warehouse	–	–	17%	–	83%
Sales and marketing	–	57%	–	–	43%
>50					
Distribution	–	–	–	–	100%
Finance and administration	50%	25%	–	–	25%
Production	–	–	–	–	100%
Technician	–	–	100%	–	–
Warehouse	–	–	–	–	–
Sales and marketing	–	50%	–	–	50%

Sustainability review continued

Table: AWLA13 – C (continued)
31 August 2011

Percentage of employees per employee category by age and by gender

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

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

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

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

*Table: AWLA14
31 August 2012*

Ratio of remuneration of women to men per employee category

Management category	Distribution	Finance and administration	Production	Technician	Warehouse	Sales and marketing	Total
Board	–	–	–	–	–	–	–
Senior management	–	181%	–	–	–	–	157%
Middle management	–	100%	–	–	–	100%	59%
Junior management	–	100%	–	–	–	–	–
Workforce	76%	64%	68%	–	–	115%	102%

*Table: AWLA14
31 August 2011*

Ratio of remuneration of women to men per employee category

Management category	Distribution	Finance and administration	Production	Technician	Warehouse	Sales and marketing	Total
Board	–	–	–	–	–	–	–
Senior management	–	–	–	–	–	–	109%
Middle management	–	78%	–	–	–	–	89%
Junior management	–	–	–	–	–	–	129%
Workforce	–	122%	84%	25%	190%	99%	95%

OUR COMMUNITIES

One aspect of our drive to be responsible corporate citizens is to make a positive impact on the communities in which we operate. During the year we were pleased to make another donation to Tumelo Home for the mentally handicapped. The value of this donation was R94 000.

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

Enterprise development

In addition to the charitable donation mentioned, we continued with the Enterprise Development initiative, along with Thivhiswi Simon Netshisaulu, and Matase Power Systems (Pty) Ltd, an Enterprise Development vehicle aimed at establishing the economic participation of black persons in the sale of generators. Matase secures contracts not previously serviced by Austro Group. As at 31 August 2012 Austro Group Limited provided interest free loans with no fixed repayment terms of R473 000 to this venture, to allow Matase Power Systems to operate. Simon, a director of Matase, is also provided office support by New Way Power.

New Way Power provides technical, administrative and managerial support to Matase.

Corporate governance report

The directors acknowledge the importance of sound corporate governance and subscribe to the King Code of Governance principles and King Report on Governance known as King III. The board is committed to the highest standards of corporate governance and continually monitors compliance to ensure ongoing improvement of operational and corporate practices.

BOARD OF DIRECTORS

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

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

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

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

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

The role of non-executive Chairman is strictly separated from that of the Chief Executive Officer, which role is currently filled by Jonathan Freed, until such time as a Chief Executive Officer is appointed. This segregation of duties is echoed across the board to ensure that no director can exercise unfettered powers of decision-making. Non-executive directors are individuals of calibre, skill and experience sufficient to appraise and advise on strategy, governance, performance, resources, transformation, diversity, employment equity and standards of conduct. Non-executive directors also provide objectivity in board deliberations. Executive directors effect the day-to-day management of the company and its business operations.

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

Directors' attendance at board meetings	1 September 2011	14 November 2011	21 February 2012	14 May 2012	26 July 2012
AJ Phillips (Chairman) ⁺	P	P	P	P	P
DS Brouze [*]	P	P	A	P	P
JO Freed (Alternate JR Freed)	P	P	P	P	P
C Jacobs ⁴	P	P	P	P	P
T le Roux (FD) ^{2,3}	N/A	N/A	P	P	P
GS Nzalo ⁺	P	A	P	P	P
U Schäckermann ⁺	P	P	P	P	P
P Sigsworth (FD) ¹	P	P	N/A	N/A	N/A

1: Resigned 29 November 2011

2: Appointed 1 January 2012

3: Resigned 31 August 2012

4: Suspended on 25 September 2012, and dismissed on 11 December 2012, after a disciplinary enquiry

A: Apology/Absent

P: Present/Participated

N/A: Not Applicable

⁺Independent non-executive

^{*}Non-executive

Directors for re-election at the annual general meeting: AJ Phillips and DS Brouze.

BOARD PROCESSES

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

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

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

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

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

Audit and Risk Committee

A formal Committee Charter governs the Audit and Risk Committee, the committee comprises independent non-executive directors AJ Phillips, GS Nzalo and U Schäckermann (who chairs the committee). The Audit and Risk Committee meets periodically with the group's external auditors and executive management to review accounting, auditing, financial reporting, risk management and internal control matters. All other board members are invited and attend when possible. Further meetings are convened when necessary. In view of the size of the company, risk and risk-related issues, including economic, social and environmental, were included in the scope of the committee. The social responsibilities have been taken over by the newly formed Social and Ethics Committee.

Members' attendance at Audit and Risk Committee meetings

Member/Invitee	1 September 2011	4 November 2011	10 November 2011	18 April 2012	26 July 2012
U Schäckermann (Chairman)	P	P	P	P	P
GS Nzalo	P	P	P	P	A
AJ Phillips	P	P	P	P	P
P Sigsworth (FD)	P<	P<	P<	N/A	N/A
T le Roux (FD)	N/A	N/A	N/A	P<	P<
Auditors	P<	P<	P<	P<	P<

A: Apology/Absent

P: Present/Participated

N/A: Not Applicable

P<: Attended by invitation

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

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

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

Corporate governance report continued

When necessary additional internal control activities are introduced to enhance the process of mitigating risk exposure where appropriate.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control

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

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

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

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

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

The board has satisfied itself that the Company Secretary is competent and independent and at arm's length of the company. This review is performed on an annual basis.

Social and Ethics Committee

As required in terms of the Companies Act, 2008 (as amended), an Austro Social and Ethics Committee has been appointed. The committee met on 26 July 2012, and Terms of Reference for the committee have been adopted. During the course of the financial year the committee will apply itself to its duties and responsibilities (as set out in the Companies Act), and further reports in this regard will follow in due course.

KING III

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

KING III COMPLIANCE CHECKLIST

1	Ethical leadership and corporate citizenship	C	PC	UR	Explanation/Action
	Effective leadership based on an ethical foundation		√		A code of ethics has not been formalised for the group and codes in place in the subsidiary companies are under review.
	Responsible corporate citizen		√		The company's strategies and policies in relation to economic, social and environmental impacts are documented in this report.
	Effective management of company's ethics			√	A code of ethics has not been formalised for the group and codes in place in the subsidiary companies are under review.
	Assurance statement on ethics in integrated report			√	We will perform a more detailed assessment and make an appropriate statement in future.
2	Boards and directors	C	PC	UR	Explanation/Action
	The Board is the focal point for and custodian of corporate governance	√			
	Strategy, risk, performance and sustainability are inseparable		√		Our understanding of sustainability has not previously been articulated or thought through in the context of a framework, we acknowledge that strategies to respond to this understanding are still being developed and will become more comprehensive.
	Directors act in the best interests of the company		√		We are reviewing incentive schemes and the mechanisms by which we align the interests of individual directors with the best interests of the group as a whole.
	The Board should consider rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	√			
	The CEO of the company shall not also fulfil the role of Chairman of the Board	√			
	The Board should appoint the CEO and establish a framework for the delegation of authority		√		The role of the CEO is currently filled by Jonathan Freed, until a CEO is appointed.
	The Chairman of the Board is an independent non-executive director	√			
	Framework for the delegation of authority has been established	√			
	The Board has a majority of non-executive directors who are independent			√	The Chairman of the Board is also the Chairman of the remuneration committee, these functions should be split.
	Directors are appointed through a formal process	√			

C – Compliant.

PC – Partially Compliant.

UR – Under Review.

Corporate governance report continued

2	Boards and directors (continued)	C	PC	UR	Explanation/Action
	Formal induction and ongoing training of directors is conducted		√		Training is available to directors. There is currently no formal induction process.
	The Board is assisted by a competent, suitably qualified and experienced Company Secretary	√			
	Regular performance evaluations of the Board, its committees and the individual directors		√		While evaluations are undertaken, there is room for improvement and appraisal of individual directors is not undertaken currently.
	Appointment of well-structured committees and oversight of key functions	√			
	An agreed governance framework between the group and its subsidiary Boards is in place		√		There is no formal governance framework regulating the relationship between the group Board and subsidiary Boards.
	Directors and executives are fairly and responsibly remunerated	√			
	Remuneration of directors and senior executives is disclosed	√			
	The company's remuneration policy is approved by its shareholders		√		The remuneration philosophy and policies of the group are adequately covered in this integrated annual report in the remuneration report.
3	Internal audit	C	PC	UR	Explanation/Action
	Effective risk-based internal audit			√	
	Written assessment of the effectiveness of the company's system of internal controls and risk management		√		The Audit and Risk Committee meets periodically with the group's external auditors and executive management to review accounting, auditing, financial-reporting, risk management and internal control matters.
	Internal Audit is strategically positioned to achieve its objectives			√	Please refer to the corporate governance section of this report for more detail.
4	Audit committee and risk committee	C	PC	UR	Explanation/Action
	Effective and independent	√			
	Suitably skilled and experienced independent non-executive directors	√			
	Chaired by an independent non-executive director	√			
	Oversees integrated reporting		√		The report is reviewed by the Board.
	A combined assurance model is applied to improve efficiency in assurance activities			√	A model needs to be defined and documented.
	Satisfies itself of the expertise, resources and experience of the company's finance function			√	The Financial Director resigned effective 31 August 2012, but remained with the company on a consultancy basis until a suitable replacement could be appointed.

C – Compliant.

PC – Partially Compliant.

UR – Under Review.

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

C – Compliant.

PC – Partially Compliant.

UR – Under Review.

Corporate governance report continued

7	The governance of information technology (continued)	C	PC	UR	Explanation/Action
	IT is an integral part of the company's risk management		√		We are currently improving business continuity and disaster recovery plans.
	IT assets are managed effectively	√			
	The Risk Committee and Audit Committee assist the Board in carrying out its IT responsibilities	√			
8	The governance of risk	C	PC	UR	Explanation/Action
	The Board is responsible for the governance of risk and setting levels of risk tolerance		√		The various processes described above to better identify and understand risk need to be satisfactorily completed before we state we comply.
	The Risk Committee assists the Board in carrying out its risk responsibilities		√		As above.
	The Board delegates the risk management plan to management		√		As above.
	The Board ensures that risk assessments and monitoring is performed on a continual basis			√	As above.
	Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks			√	As above.
	Management implements appropriate risk responses		√		As above.
	The Board should ensure continual risk monitoring by management		√		As above.
	The Board receives assurance on the effectiveness of the risk management process			√	As above.
	Sufficient risk disclosure to stakeholders			√	As above.
9	Integrated reporting and disclosure	C	PC	UR	Explanation/Action
	Ensures the integrity of the company's integrated report	√			
	Sustainability reporting and disclosure is integrated with the company's financial reporting	√			
	Sustainability reporting and disclosure is independently assured		√		Based on content presented in the prior period.

C – Compliant.

PC – Partially Compliant.

UR – Under Review.

Social and Ethics Committee

As required in terms of the Companies Act, 2008 (as amended), an Austro Social and Ethics Committee has been appointed. The committee met on 26 July 2012, and Terms of Reference for the committee have been adopted. During the course of the financial year the committee will apply itself to its duties and responsibilities (as set out in the Companies Act), and further reports in this regard will follow in due course.

Remuneration report

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises only independent non-executive directors, AJ Phillips (Chairman) and G Nzalo. The committee is responsible for determining the remuneration and terms of employment of the company's directors and senior management. It meets as and when required, but at least once on an annual basis. The executive directors attend meetings by invitation and are excluded from deliberations in respect of their own remuneration.

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

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

Members' attendance at Remuneration Committee meetings	1 September 2011	4 November 2011	26 July 2012
AJ Phillips (Chairman)	P	P	P
GS Nzalo	P	P	P
DS Brouze	P<	N/A	N/A
U Schäckermann	P<	P<	N/A

A: Apology/Absent

P: Present/Participated

N/A: Not Applicable

P<: Attended by invitation

Directors' responsibility for financial reporting

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

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

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

The annual financial statements were approved by the directors on 20 February 2013 and are signed on their behalf by:



AJ Phillips
Chairman



U Schäckermann
Non-executive director

Statement of compliance by the Company Secretary

For the year ended 31 August 2012, the company has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act (71 of 2008), as amended, and all such returns are true, accurate and up to date.



Probity Business Services (Pty) Ltd
Company Secretary

Johannesburg
20 February 2013

Independent auditors' report

TO THE SHAREHOLDERS OF AUSTRO GROUP LIMITED

We have audited the consolidated and separate financial statements of Austro Group Limited set out on pages 46 to 84, which comprise the statements of financial position as at 31 August 2012, 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 consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control 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' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the 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 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, 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 2012, we have read the Directors' Report, the Audit 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.

PKF (Jhb) Inc.

PKF (Jhb) Inc.

Registered Auditors

Chartered Accountants (SA)

Registration number: 1994/001166/21

Per: SJ Kock

Johannesburg

20 February 2013

Directors' report

The directors present their integrated annual report, which forms part of the annual financial statements of the company and the group for the year ended 31 August 2012.

REVIEW OF ACTIVITIES

Main business and operations

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

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

Group results

- Revenue increased by 7,9% from R387,1 million to R417,5 million.
- Operating loss before impairment of goodwill of R17,1 million (2011: loss of R2,8 million).
- Headline earnings per share decreased from 1,60 cents per share to a headline loss of 5,26 cents per share.

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

SHARE CAPITAL

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

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

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

SUBSIDIARIES

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

DIRECTORS

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

Name	Changes
AJ Phillips (Chairman)	
DS Brouze	
GS Nzalo	
U Schäckermann	
P Sigsworth	Resigned 29 November 2011
JO Freed (Alternate JR Freed)	
C Jacobs	Suspended on 25 September 2012, and dismissed on 11 December 2012, after a disciplinary enquiry
T le Roux	Appointed 1 January 2012, resigned 31 August 2012

In terms of the Memorandum of Incorporation, AJ Phillips and DS Brouze will retire as directors at the upcoming annual general meeting and, being eligible, all offer themselves for re-election.

DIRECTORS' SHAREHOLDING

At the date of this report, the directors of Austro hold beneficially an aggregate of 136 258 695 shares constituting 34,43% of the total issued share capital of Austro.

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

Director	Direct beneficial	Description of indirect beneficial	Indirect beneficial	Total	Percentage
2012					
DS Brouze	107 408 695	Related parties	500 000	107 908 695	27,27
JR Freed	–	JRF Trust	4 050 000	4 050 000	1,02
JO Freed	–	Freed Trust	24 300 000	24 300 000	6,14
Total	107 408 695		28 850 000	136 258 695	34,43
2011					
DS Brouze	107 408 695	Related parties	500 000	107 908 695	27,27
JR Freed	–	JRF Trust	4 050 000	4 050 000	1,02
JO Freed	–	Freed Trust	24 300 000	24 300 000	6,14
Total	107 408 695		28 850 000	136 258 695	34,43

Since yearend to the date of this report there has been no change in directors' shareholdings.

DIRECTORS' EMOLUMENTS

	Total 2012 R	Total 2011 R
AJ Phillips*	423 500	399 000
DS Brouze*	135 000	126 000
GS Nzalo*	202 000	214 000
U Schäckermann*	203 000	189 000
C Jacobs	2 544 000	1 846 000
JO Freed	2 916 379	3 348 979
JR Freed	3 186 062	3 117 972
P Sigsworth	512 100	1 640 791
RE Moss	–	2 281 476
T le Roux	1 147 805	–
	11 269 846	13 163 218

* Non-executive.

COMPANY SECRETARY

The secretary of the company is Probity Business Services (Pty) Ltd.

AUDITORS

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

Directors' report continued

SPECIAL RESOLUTIONS

The following special resolutions were passed by shareholders during the year (at the annual general meeting on 25 January 2012):

- General authority for the company, or subsidiary, to effect share repurchases (not required to be registered by CIPC);
- approval of remuneration of non-executive directors (not required to be registered by CIPC);
- approval for granting financial assistance to inter-related companies (not required to be registered by CIPC);
- conversion of share capital to no par value shares (registered by CIPC, effective 25 January 2012); and
- adoption of the new Memorandum of Incorporation (registered by CIPC, effective 25 January 2012).

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 unlimited.

POST-STATEMENT OF FINANCIAL POSITION

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

Johannesburg
20 February 2013

Report of the Audit and Risk Committee

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

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

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

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

The audit committee has satisfied itself that the auditor is independent of the company. As required by the JSE Listings Requirements and based on the recommendation contained in the King Code for Governance Principles (King III), the committee has assessed the performance of the financial director and believes that the person possesses the appropriate expertise and experience to meet the responsibilities in that position. The Financial Director of the company, Philip Sigsworth, resigned on 29 November 2011. Tania le Roux was appointed as acting financial director until a suitable appointment could be made. On 3 August 2012, Tania le Roux resigned as acting financial director effective 31 August 2012 but remained with the company on a consultancy basis until a suitable replacement could be appointed, which is close to being concluded. The committee is satisfied with the expertise and resources within the finance function.

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

Johannesburg

20 February 2013

Consolidated statements of financial position

as at 31 August

	Notes	GROUP		COMPANY	
		2012 R'000	2011 R'000	2012 R'000	2011 R'000
ASSETS					
Non-current assets					
Plant and equipment	2	43 043	38 018	108	159
Goodwill	3	95 544	229 742	–	–
Loans receivable	8	–	482	473	315
Deferred taxation	4	14 063	8 717	2 062	4 284
Investment in subsidiaries	5	–	–	253 956	253 956
		152 650	276 959	256 599	258 714
Current assets					
Inventories	6	197 117	177 869	–	–
Trade and other receivables	7	105 384	76 025	106	5 845
Taxation receivable		4 537	1 465	–	–
Loans to group companies	8	–	–	82 711	71 069
Cash and cash equivalents	9	34 415	48 988	49	1 843
		341 453	304 347	82 866	78 757
Total assets		494 103	581 306	339 465	337 471
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of parent					
Stated capital/share capital and share premium	10	295 497	295 701	295 497	295 701
Accumulated profits		66 997	221 409	42 275	36 747
		362 494	517 110	337 772	332 448
Non-controlling interest		(1)	–	–	–
		362 493	517 110	337 772	332 448
Liabilities					
Non-current liabilities					
Finance lease obligation	11	5 263	–	–	–
Provisions	14	12 291	–	–	–
		17 554	–	–	–
Current liabilities					
Loan from group company	8	–	–	674	–
Interest-free liabilities	12	–	3 426	–	3 426
Trade and other payables	13	110 559	60 662	1 019	1 597
Taxation payable		7	108	–	–
Finance lease obligation	11	2 523	–	–	–
Provisions	14	967	–	–	–
		114 056	64 196	1 693	5 023
Total liabilities		131 610	64 196	1 693	5 023
Total equity and liabilities		494 103	581 306	339 465	337 471

Consolidated statements of comprehensive income

for the year ended 31 August

	Notes	GROUP		COMPANY	
		2012 R'000	2011 R'000	2012 R'000	2011 R'000
Revenue	15	417 531	387 102	6 185	9 165
Cost of sales and services		(289 374)	(258 271)	–	–
Gross profit		128 157	128 831	6 185	9 165
Other income		4 523	1 877	–	–
Operating expenses		(141 066)	(133 479)	(5 466)	(7 815)
Onerous lease expense effect		(8 647)	–	–	–
Impairment of goodwill		(134 198)	–	–	–
Operating (loss)/profit	16	(151 231)	(2 771)	719	1 350
Interest received	17	6 015	6 804	8 008	11 427
Interest paid	18	(4 065)	(3 942)	(1 028)	(1 634)
(Loss)/profit before taxation		(149 281)	91	7 699	11 143
Taxation (expense)/income	19	(5 132)	6 348	(2 171)	3 357
(Loss)/profit for the year		(154 413)	6 439	5 528	14 500
Other comprehensive income		–	–	–	–
Total comprehensive (loss)/income		(154 413)	6 439	5 528	14 500
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(154 412)	6 439	5 528	14 500
Non-controlling interest		(1)	–	–	–
		(154 413)	6 439	5 528	14 500
(Loss)/profit attributable to:					
Owners of the parent		(154 412)	6 439	5 528	14 500
Non-controlling interest		(1)	–	–	–
		(154 413)	6 439	5 528	14 500
Earnings per share					
Per share information					
(Loss)/earnings per share (cents)	29	(39,06)	1,5	–	–
Headline (loss)/earnings per share (cents)	29	(5,26)	1,6	–	–
Dividends per share (cents)		–	2,0	–	–
Capital distribution declared out of share premium (cents)		–	2,0	–	–

Consolidated statements of cash flows

for the year ended 31 August

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

Consolidated statements of changes in equity

for the year ended 31 August

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

Financial position segmental analysis

for the year ended 31 August

	Power R'000	%	Wood R'000	%	Total R'000	%
2012						
Assets	386 225	78,2	107 878	21,8	494 103	100,0
Capital and reserves	320 520	88,4	41 973	11,6	362 493	100,0
Liabilities	(65 705)	49,9	(65 905)	50,1	(131 610)	100,0
Additions to non-current assets	4 019	23,0	13 463	77,0	17 482	100,0
2011						
Assets	463 749	79,8	117 557	20,2	581 306	100,0
Capital and reserves	427 171	82,6	89 939	17,4	517 110	100,0
Liabilities	36 578	57,0	27 618	43,0	64 196	100,0
Additions to non-current assets	3 997	77,8	1 143	22,2	5 140	100,0

Comprehensive income segmental analysis

for the year ended 31 August

	Power R'000	%	Wood R'000	%	Total R'000	%
2012						
Revenue	257 586	61,7	159 945	38,3	417 531	100,0
Gross	257 586		160 443		418 029	
Inter-segment	–		(498)		(498)	
Loss before taxation	(74 750)	50,1	(74 531)	49,9	(149 281)	100,0
Gross	(74 750)		(74 421)		(149 171)	
Inter-segment	–		(110)		(110)	
Onerous lease expense effect	–	–	(8 647)	100,0	(8 647)	100,0
Impairment of goodwill	(97 077)	72,3	(37 121)	27,7	(134 198)	100,0
Depreciation	(5 853)	55,1	(4 774)	44,9	(10 627)	100,0
Depreciation in cost of sales	(837)		(2 245)		(3 082)	
Depreciation in operating expenses	(5 016)		(2 529)		(7 545)	
Profit on disposal of plant and equipment	64	9,2	629	90,8	693	100,0
Interest received	3 332	55,4	2 683	44,6	6 015	100,0
Interest paid	(514)	12,6	(3 551)	87,4	(4 065)	100,0
Taxation (expense)/income	(6 262)	122,0	1 130	(22,0)	(5 132)	100,0
2011						
Revenue	250 904	64,8	136 198	35,2	387 102	100,0
Gross	251 199		136 198		387 397	
Inter-segment	(295)		–		(295)	
Profit/(loss) before taxation	9 175	10 082,4	(9 084)	(9 982,4)	91	100,0
Gross	9 470		(9 084)		386	
Inter-segment	(295)		–		(295)	
Depreciation	5 372	58,8	3 768	41,2	9 140	100,0
(Loss)/profit on disposal of plant and equipment	(284)	118,8	45	(18,8)	(239)	100,0
Interest received	3 919	57,6	2 885	42,4	6 804	100,0
Interest paid	(857)	21,7	(3 085)	78,3	(3 942)	100,0
Taxation income	620	9,8	5 728	90,2	6 348	100,0

Notes to the annual financial statements

for the year ended 31 August

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

1.1 Basis of preparation

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

1.2 Standards and interpretations affecting amounts reported in the current period

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

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

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

Standards in issue not yet effective

Standard	Details of amendment	Annual periods beginning on or after
IFRS 1: First-time Adoption of International Financial Reporting Standards	<ul style="list-style-type: none"> • Amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to IFRSs • Annual Improvements 2009 – 2011 Cycle amendments clarify the options available to users when repeated application of IFRS 1 is required and to add relevant disclosure requirements • Annual Improvements 2009 – 2011 Cycle amendments to borrowing costs 	1 January 2013
IFRS 7: Financial Instruments: Disclosures	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement 	1 January 2015

1. ACCOUNTING POLICIES (CONTINUED)

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

Standard	Details of amendment	Annual periods beginning on or after
IFRS 10: Consolidated Financial Statements	<ul style="list-style-type: none"> • New standard that replaces the consolidation requirements in SIC-12 Consolidation – <i>Special Purpose Entities</i> and IAS 27 <i>Consolidated and Separate Financial Statements</i>. 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 • Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 121 Joint Arrangements and IFRS 12 Disclosure of interests in Other Entities, thus limiting the requirements to provide adjusted comparative information • IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must be accounted for at fair value under IFRS 9, Financial Instruments: Recognition and Measurement 	1 January 2013
		1 January 2014
IFRS 11 Joint Arrangements	<ul style="list-style-type: none"> • New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method accounting for interests in jointly controlled entities • 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
IFRS 12: Disclosure of Interest in Other Entities	<ul style="list-style-type: none"> • New and comprehensive standard on disclosure requirements for all forms of interests in the other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. • 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 • New disclosures required for Investment entities (as defined in IFRS 10) 	1 January 2013
IFRS 13: Fair Value Measurement	<ul style="list-style-type: none"> • New guidance on fair value measurement and disclosure requirements 	1 January 2013
IAS 1: Presentation of Financial Statements	<ul style="list-style-type: none"> • New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity • Annual Improvements 2009 – 2011 Cycle amendments clarifying the requirements for comparative information including minimum and additional comparative information required 	1 July 2012
		1 January 2013

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (CONTINUED)

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

IAS 12: Income Taxes	<ul style="list-style-type: none"> Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale 	1 January 2013
IAS 16: Property, Plant and Equipment	<ul style="list-style-type: none"> Annual Improvements 2009 – 2011 Cycle amendments to the recognition and classification of servicing equipment 	1 January 2013
IAS 19: Employee Benefits	<ul style="list-style-type: none"> Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans 	
IAS 27: Consolidated and Separate Financial Statements	<ul style="list-style-type: none"> Consequential amendments resulting from the issue of IFRS 10, 11 and 12 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 2011
IAS 28: Investments in Associates	<ul style="list-style-type: none"> Consequential amendments resulting from the issue of IFRS 10, 11 and 12 	1 January 2013

Standard	Details of amendment	Annual periods beginning on or after
IAS 32: Financial Instruments: Presentation	<ul style="list-style-type: none"> Amendments require entities to disclose gross Presentation amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the net related credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations 	1 January 2013
	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Annual Improvements 2009 – 2011 Cycle amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities 	1 January 2013
Interpretation		Annual periods beginning on or after
IFRIC 20: Stripping costs in the Production Phase of a Surface Mine		1 January 2013

1.3 Basis of consolidation

Subsidiary companies and other controlled entities

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

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

Business combinations

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

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

1. ACCOUNTING POLICIES (CONTINUED)

1.3 Basis of consolidation (continued)

Cost is the aggregate of:

- (i) the consideration transferred measured in accordance with IFRS 3, which generally required acquisition-date fair value;
- (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and
- (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

All acquisition-related costs are expensed.

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

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

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

1.4 Plant and equipment

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

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

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

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

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

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

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

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

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

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (CONTINUED)

1.5 Goodwill

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

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

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

1.6 Inventories

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

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

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

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

1.7 Financial instruments

Classification

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

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

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

Trade loans and other receivables

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

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Financial instruments (continued)

Trade payables and loans payable

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

Cash and cash equivalents

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

Financial liabilities

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

1.8 Revenue recognition

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

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

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

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

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

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

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

1.9 Cost of sales and services

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

1.10 Finance costs

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

1.11 Taxation

Current

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

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Taxation (continued)

Deferred tax

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

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

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

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

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

1.12 Lease obligations

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

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

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

1.13 Provisions, contingent liabilities and contingent assets

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

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

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

1.14 Impairment of assets

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

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

1. ACCOUNTING POLICIES (CONTINUED)

1.14 Impairment of assets (continued)

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

1.15 Employee benefits

Medical aid obligation

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

Post-retirement benefits

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

Employees' leave entitlement

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

Bonus obligations

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

1.16 Operating segments

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

1.17 Foreign currencies

Foreign currency transactions

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

1.18 Management estimates

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

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (CONTINUED)

1.18 Management estimates (continued)

Judgements made by management

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

Asset lives and residual values

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

Deferred tax assets

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

Impairment of assets

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

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

Allowances for doubtful debts

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

Allowances for slow-moving, damaged and obsolete stock

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

Provisions

Provisions are determined on estimates based on available information.

1.19 Share-based payments

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

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

1.20 Related party disclosures

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



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

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

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

	Carrying value opening balance R'000	Additions R'000	Disposals R'000	Depreciation allocated to cost of sales R'000	Depreciation capitalised to inventory R'000	Depreciation included in operating expenses R'000	Closing net carrying value R'000
Reconciliation of plant and equipment – Group – 2011							
Plant and equipment	30 032	1 334	(440)	(2 158)	(227)	(3 539)	25 002
Motor vehicles	10 482	1 419	(801)	(258)	–	(1 566)	9 276
Computer and office equipment	2 458	1 961	(13)	–	–	(1 006)	3 400
Leasehold improvements	625	426	(325)	–	–	(386)	340
	43 597	5 140	(1 579)	(2 416)	(227)	(6 497)	38 018

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

Assets subject to finance lease

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

Notes to the annual financial statements continued

for the year ended 31 August

	2012			2011			
	Cost R'000	Accumulated amortisation and impairments R'000	Carrying value R'000	Cost R'000	Impairment R'000	Carrying value R'000	
3. GOODWILL							
Group							
Goodwill	229 742	(134 198)	95 544	229 742	–	229 742	
				Carrying value opening balance	Impairment	Closing net carrying value	
Reconciliation of goodwill – Group – 2012							
Goodwill				229 742	(134 198)	95 544	
Reconciliation of goodwill – Group – 2011							
Goodwill				229 742	–	229 742	
				GROUP		COMPANY	
				2012 R'000	2011 R'000	2012 R'000	2011 R'000
Goodwill is made up as follows:							
Power	95 544			192 621	–	–	–
Wood	–			37 121	–	–	–
	95 544			229 742	–	–	–

Impairment review

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

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

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

A terminal value is calculated based on a growth rate of 6%. The after-tax rate used to discount the forecast cash flows is 18,07%.

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

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

Notes to the annual financial statements continued

for the year ended 31 August

	Issued share capital R'000	Percentage held in subsidiaries 2012 %	Percentage held in subsidiaries 2011 %	Shares at cost 2012 R'000	Shares at cost 2011 R'000
5. INVESTMENT IN SUBSIDIARIES					
New Way Power (Pty) Ltd	100	100,0	100,0	219 120	219 120
Austro (Pty) Ltd	10	100,0	100,0	34 836	34 836
Austro Tools (Pty) Ltd	300	100,0	100,0	–	–
Matase Power Systems (Pty) Ltd	1 000	49,9	–	–	–
				253 956	253 956

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

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

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
6. INVENTORIES				
Raw materials	35 795	45 886	–	–
Finished goods	166 325	112 660	–	–
Work in progress	13 322	7 037	–	–
Consumables	4 624	12 286	–	–
Gross inventories	220 066	177 869	–	–
Impairment provisions raised against inventories	(22 949)	–	–	–
	197 117	177 869	–	–
Inventories are valued at the lower of cost and net realisable value.				
Movement in impairment provision raised against inventories:				
Balance at the beginning of the year	–	19 051	–	–
Impairment provision raised	22 949	6 477	–	–
Impairment provision utilised	–	(25 528)	–	–
	22 949	–	–	–
7. TRADE AND OTHER RECEIVABLES				
Gross trade receivables	104 218	76 696	–	–
Impairment provisions raised against trade receivables	(6 686)	(7 343)	–	–
Net trade receivables	97 532	69 353	–	–
Pre-payments	6 779	2 654	93	35
Deposits	330	440	–	–
Other receivables	743	1 447	13	5 810
Value-added tax	–	2 131	–	–
	105 384	76 025	106	5 845

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

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

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
7. TRADE AND OTHER RECEIVABLES (CONTINUED)				
Movement in impairment provision raised against receivables				
Balance at the beginning of the year	7 343	2 430	–	–
Impairment provision raised	1 112	4 913	–	–
Impairment provision utilised	(1 769)	–	–	–
	6 686	7 343	–	–

Basis of raising provisions against receivables

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

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

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

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
8. LOANS TO/(FROM) GROUP COMPANIES				
Subsidiaries				
New Way Power (Pty) Ltd The loan bears interest at prime plus one percentage point and has no fixed maturity date, but may be repaid from time to time as mutually agreed by both parties.	–	–	(674)	19 900
Austro (Pty) Ltd The loan bears interest at prime plus one percentage point and has no fixed maturity date, but may be repaid from time to time as mutually agreed by both parties.	–	–	82 711	51 169
Matase Power Systems (Pty) Ltd The loan bears no interest and has no fixed repayment terms.	–	482	473	315
	–	482	82 510	71 384
Non-current assets	–	482	473	315
Current assets	–	–	82 711	71 069
Current liabilities	–	–	(674)	–
	–	482	82 510	71 384

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
9. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Bank	34 218	48 815	43	1 843
Short-term deposits	6	–	6	–
Petty cash	191	173	–	–
	34 415	48 988	49	1 843
Banking facilities				
Available facilities				
Other interest-bearing facilities: vehicle and asset finance, letters of credit, fleet management cards and credit cards	49 280	30 500	–	–
	49 280	30 500	–	–
Utilised facilities				
Other interest-bearing facilities: vehicle and asset finance, letters of credit, fleet management cards and credit cards	26 021	14 044	–	–
Cession provided (pledge of collateral against the banking facility)				
Trade and other receivables	64 140	76 696	–	–
10. STATED CAPITAL/SHARE CAPITAL AND SHARE PREMIUM				
Authorised				
1 000 000 000 ordinary shares of R0,00001 each	–	10	–	10
1 000 000 000 ordinary shares of no par value	10	–	10	–
Issued				
395 693 678 shares of R0,00001 each	–	4	–	4
395 292 923 no par value shares	295 497	–	295 497	–
Share premium	–	295 697	–	295 697
	295 497	295 701	295 497	295 701
The unissued shares are under the control of the directors until the next annual general meeting subject to the provisions of the Companies Act, 2008.				
1 000 000 000 ordinary shares with a nominal par value of R0,00001 in the company (comprising both the issued shares and the authorised shares) were converted to 1 000 000 000 ordinary shares with no par value during the current year.				
Share premium				
Share premium on issued ordinary shares opening balance	295 697	322 103	295 697	322 103
Share premium reduction due to share buy-back	(204)	(18 492)	(204)	(18 492)
Share premium reduction due to capital distribution declared out of share premium	–	(7 914)	–	(7 914)
Conversion to no par value shares	(295 493)	–	(295 493)	–
	–	295 697	–	295 697



	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
11. FINANCE LEASE OBLIGATION				
Minimum lease payments due				
– within one year	3 181	–	–	–
– in second to fifth year inclusive	5 751	–	–	–
	8 932	–	–	–
Less: Future finance charges	(1 146)	–	–	–
Present value of minimum lease payments	7 786	–	–	–
Present value of minimum lease payments due				
– within one year	2 523	–	–	–
– in second to fifth year inclusive	5 263	–	–	–
	7 786	–	–	–
Non-current liabilities	5 263	–	–	–
Current liabilities	2 523	–	–	–
	7 786	–	–	–

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

The average lease term is three years for motor vehicles and five years for equipment and the average effective borrowing rate was 9,6%.

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
12. INTEREST-FREE LIABILITIES				
Held at amortised cost				
As per the HT Heye and Austro Group Limited agreements, purchase of subsidiary Neptune Plant Hire (Pty) Ltd which subsequently became a division of New Way Power (Pty) Ltd	–	3 426	–	3 426
Current liabilities				
At amortised cost	–	3 426	–	3 426

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

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

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
13. TRADE AND OTHER PAYABLES				
Trade payables	55 724	34 039	–	–
Accruals	25 293	23 572	983	1 304
Income received in advance	27 122	2 758	–	–
Other payables	184	240	22	240
Value-added tax	2 236	53	14	53
	110 559	60 662	1 019	1 597

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

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

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

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

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

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
15. REVENUE				
Services rendered	16 239	58 433	6 185	9 165
Sale of goods	401 292	328 669	–	–
	417 531	387 102	6 185	9 165



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

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

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

Notes to the annual financial statements continued

for the year ended 31 August

16. OPERATING (LOSS)/PROFIT (CONTINUED)

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

Lessee	Province	Escalation clause and renewal option	Lessor	Expiry date of lease
Austro (Pty) Ltd	Cape	Monthly rent shall increase by 8% each year, with renewal option	Edgepro (Pty) Ltd	31 August 2016
Austro (Pty) Ltd	East London	Monthly rent shall increase by 8% each year, with renewal option	Flanegan's Property Trust	31 May 2017
Austro (Pty) Ltd	Natal	Monthly rent shall increase by 10% each year, with renewal option	Edgepro (Pty) Ltd	31 August 2013

No contingent rent is payable.

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

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
17. INTEREST RECEIVED				
Funds on deposits with banks	4 693	4 077	496	392
Interest received from related parties	–	2 495	7 512	11 034
Interest received from taxation authorities	–	1	–	1
Other	1 322	231	–	–
	6 015	6 804	8 008	11 427
18. INTEREST PAID				
Bank overdraft	3 455	3 905	1 028	1 634
Interest paid to taxation authorities	4	18	–	–
Other	606	19	–	–
	4 065	3 942	1 028	1 634
19. TAXATION				
Major components of the tax expense/(income)				
South African normal taxation				
Current year	10 529	3 641	–	–
Prior year over provision	–	(1 820)	–	–
Secondary tax on companies	(51)	863	(51)	863
	10 478	2 684	(51)	863
Deferred taxation				
Current year	(5 346)	(9 032)	2 222	(4 220)
	5 132	(6 348)	2 171	(3 357)
Reconciliation of taxation:				
Accounting (loss)/profit	(149 281)	91	7 699	11 143
Taxation at South African normal taxation rate	(41 799)	25	2 156	3 120
Tax effect of adjustments on taxable income				
Permanent differences	37 701	2 038	66	114
Tax losses current year	–	(934)	–	(3 388)
Deferred tax asset not utilised/(raised) on assessed loss	9 281	(6 520)	–	(4 066)
Prior year adjustment normal taxation	–	(1 820)	–	–
Secondary tax on companies	(51)	863	(51)	863
Taxation per statement of comprehensive income	5 132	(6 348)	2 171	(3 357)

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
20. CASH GENERATED FROM/(UTILISED IN) OPERATIONS				
(Loss)/profit before taxation	(149 281)	91	7 699	11 143
Adjusted for:				
Depreciation	10 627	8 913	62	25
Depreciation capitalised to inventory	–	227	–	–
(Profit)/loss on sale of assets	(693)	239	–	–
Interest received	(6 015)	(6 804)	(8 008)	(11 427)
Interest paid	4 065	3 942	1 028	1 634
Impairment loss	134 198	–	–	–
Movements in provisions	13 258	–	–	–
Impairment provision against inventories utilised (refer note 6)	22 949	(19 051)	–	–
Impairment provision against trade and other receivables (utilised)/raised (refer note 7)	(657)	4 913	–	–
Changes in working capital:				
(Increase)/decrease in inventories	(33 953)	95 235	–	–
(Increase)/decrease in trade and other receivables	(28 702)	(5 778)	5 739	(3 680)
Increase/(decrease) in trade and other payables	49 648	(2 068)	5 739	429
	15 444	79 859	5 942	(1 876)
21. TAXATION (PAID)/REFUNDED				
Balance at beginning of the year	1 357	(4 072)	–	(4 000)
Current tax for the year recognised in profit or loss	(10 478)	(2 684)	51	(863)
Balance at end of the year	(4 530)	(1 357)	–	–
	(13 651)	(8 113)	51	(4 863)
22. PROCEEDS ON DISPOSAL OF PLANT AND EQUIPMENT				
Book value of assets disposed	1 830	1 579	–	–
Profit/(loss) on disposal of plant and equipment	693	(239)	–	–
Proceeds on disposal of plant and equipment	2 523	1 340	–	–
23. BUSINESS COMBINATIONS				

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

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
23. ASSET AND LIABILITY ACQUISITION (CONTINUED)				
Total asset and liability acquisition				
Plant and equipment	2 031	–	–	–
Inventories	8 244	–	–	–
Trade and other payables	(249)	–	–	–
	10 026	–	–	–
Consideration paid				
Cash	(10 026)	–	–	–
Net cash outflow on acquisition				
Cash consideration paid	(10 026)	–	–	–
EdgePro (Pty) Ltd				
Fair value of assets acquired and liabilities assumed				
Plant and equipment	1 000	–	–	–
Inventories	4 492	–	–	–
Trade and other payables	(129)	–	–	–
	5 363	–	–	–
EdgePro Natal (Pty) Ltd				
Fair value of assets acquired and liabilities assumed				
Plant and equipment	1 031	–	–	–
Inventories	3 752	–	–	–
Trade and other payables	(120)	–	–	–
	4 663	–	–	–
Edging Division Consolidated – 1 September 2011				
Revenue	15 156	–	–	–
Loss before taxation	(2 264)	–	–	–
24. COMMITMENTS				
Operating lease commitments				
Computer and office equipment	145	575	–	–
Premises	183 803	195 955	–	–
	183 948	196 530	–	–
These commitments accrue in the following periods:				
Due by August 2012	–	21 070	–	–
Due by August 2013	23 300	21 509	–	–
Due by August 2014	25 043	23 134	–	–
Due by August 2015	26 597	24 535	–	–
Due by August 2016	28 156	–	–	–
Thereafter	80 852	106 282	–	–
	183 948	196 530	–	–
25. RETIREMENT BENEFITS				
Defined contribution plan				

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

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

	Financial liabilities at fair value R'000	Loans and receivables at amortised cost R'000	Financial liabilities at amortised cost R'000	Non-financial assets and liabilities R'000	Equity R'000	Total R'000
26. FINANCIAL INSTRUMENTS						
Categories of financial instruments						
2012 GROUP						
ASSETS						
Non-current assets						
Plant and equipment	–	–	–	43 043	–	43 043
Goodwill	–	–	–	95 544	–	95 544
Deferred taxation	–	–	–	14 063	–	14 063
Current assets						
Inventories	–	–	–	197 117	–	197 117
Trade and other receivables	–	98 605	–	6 779	–	105 384
Taxation receivable	–	–	–	4 537	–	4 537
Cash and cash equivalents	–	34 415	–	–	–	34 415
	–	133 020	–	361 083	–	494 103
EQUITY AND LIABILITIES						
Equity						
Stated capital	–	–	–	–	295 497	295 497
Non-controlling interest	–	–	–	–	(1)	(1)
Accumulated profits	–	–	–	–	66 997	66 997
Liabilities						
Finance lease obligation	–	–	5 263	–	–	5 263
Provisions	–	–	12 291	–	–	12 291
Current liabilities						
Finance lease obligation	–	–	2 523	–	–	2 523
Trade and other payables	–	–	81 201	29 358	–	110 559
Taxation payable	–	–	–	7	–	7
Provisions	–	–	967	–	–	967
	–	–	102 245	29 365	362 493	494 103

Notes to the annual financial statements continued

for the year ended 31 August

	Financial liabilities at fair value R'000	Loans and receivables at amortised cost R'000	Financial liabilities at amortised cost R'000	Non-financial assets and liabilities R'000	Equity R'000	Total R'000
26. FINANCIAL INSTRUMENTS						
(CONTINUED)						
Categories of financial instruments (continued)						
2011 GROUP						
ASSETS						
Non-current assets						
Plant and equipment	–	–	–	38 018	–	38 018
Goodwill	–	–	–	229 742	–	229 742
Loans receivable	–	482	–	–	–	482
Deferred taxation	–	–	–	8 717	–	8 717
Current assets						
Inventories	–	–	–	177 869	–	177 869
Trade and other receivables	–	71 240	–	4 785	–	76 025
Taxation receivable	–	–	–	1 465	–	1 465
Cash and cash equivalents	–	48 988	–	–	–	48 988
	–	120 710	–	460 596	–	581 306
EQUITY AND LIABILITIES						
Equity						
Share capital	–	–	–	–	4	4
Share premium	–	–	–	–	295 697	295 697
Accumulated profits	–	–	–	–	221 409	221 409
Liabilities						
Interest-free liabilities	–	–	3 426	–	–	3 426
Trade and other payables	–	–	57 851	2 811	–	60 662
Taxation payable	–	–	–	108	–	108
	–	–	61 277	2 919	517 110	581 306

Interest rate risk management

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

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

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

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

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
26. FINANCIAL INSTRUMENTS (CONTINUED)				
Interest rate risk management (continued)				
The group's interest rate profile consists of floating rate loans and bank balances which expose the company to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:				
Financial assets				
Loans granted and bank deposits at no interest	98 605	71 722	13	5 810
Loans granted and bank deposits linked to South African money market rates	34 415	48 988	82 760	72 912
	133 020	120 710	87 773	78 722
Financial liabilities				
Financing received and banking facilities at no interest	94 459	61 277	1 005	4 970
Financing received and banking facilities linked to South African prime rates	7 786	–	674	–
	102 245	61 277	1 679	4 970

	Carrying value at statement of financial position date R'000	Reasonable possible change %	Pre-tax statement of comprehensive income impact R'000
Interest rate sensitivity analysis 2012			
Financial assets			
Loans granted and bank deposits linked to South African money market rates	34 415	1	344
			344
Interest rate sensitivity analysis 2011			
Financial assets			
Loans granted and bank deposits linked to South African money market rates	48 988	1	490
			490
Financial liabilities 2012			
Financing received on banking facilities linked to South African prime rates	7 786	1	78
			78

Credit risk management

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

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

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

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

Notes to the annual financial statements continued

for the year ended 31 August

	Government/ Parastatals R'000	Major listed corporates R'000	Other corporates R'000	Small and medium enterprises R'000	Other R'000	Total R'000
26. FINANCIAL INSTRUMENTS						
(CONTINUED)						
Credit risk management						
(continued)						
2012						
Financial assets that are neither past due nor impaired	67	40 397	5 512	34 033	114	80 123
	67	40 397	5 512	34 033	114	80 123
Financial assets that are past due but not yet impaired						
Overdue less than 30 days	36	7 392	3 789	12 778	11	24 006
Between 30 and 60 days	–	4 225	2 534	7 127	13	13 899
Between 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 amount	26	–	69	6 955	–	7 050
Provision for impairment	(23)	–	(60)	(6 603)	–	(6 686)
	3	–	9	352	–	364
Total credit exposure	1 215	54 414	17 134	60 113	144	133 020

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

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

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management

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

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

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

The tables include both interest and principal cash flows.

	No terms 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
2012						
Finance lease obligation	–	2 523	1 984	3 279	–	7 786
Provisions	–	967	1 224	3 366	7 701	13 258
Trade and other payables	–	81 201	–	–	–	81 201
	–	84 691	3 208	6 645	7 701	102 245
2011						
Interest-free liabilities	–	3 426	–	–	–	3 426
Trade and other payables	–	57 851	–	–	–	57 851
	–	61 277	–	–	–	61 277

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

Capital risk management

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

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

Notes to the annual financial statements continued

for the year ended 31 August

27. DIRECTORS' EMOLUMENTS

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

Directors of Austro Group Limited

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

1. Non-executive directors 2. Executive directors

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

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

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

2011	Settlement pay R'000	Board and committee fees R'000	Salary R'000	Bonus R'000	*Company benefits R'000	Expense allowance R'000	Contributions to pension or provident fund scheme R'000	Total R'000
Paid by company								
AJ Phillips ¹	–	399	–	–	–	–	–	399
DS Brouze ¹	–	126	–	–	–	–	–	126
GS Nzalo ¹	–	214	–	–	–	–	–	214
U Schäckermann ¹	–	189	–	–	–	–	–	189
P Sigsworth ²	–	–	1 159	410	–	–	72	1 641
Paid by subsidiaries								
C Jacobs ²	–	–	1 498	240	–	6	102	1 846
JA Bennie ²	–	–	–	–	–	–	–	–
JO Freed ²	–	–	2 931	270	64	84	–	3 349
JR Freed ²	–	–	2 674	255	83	–	106	3 118
RE Moss ²	1 498	–	433	100	220	–	30	2 281
	1 498	928	8 695	1 275	367	90	310	13 163

*Company benefits include leave pay and medical aid contributions.

1. Non-executive directors 2. Executive directors

28. RELATED PARTIES

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

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

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

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

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

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

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

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

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

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Related party balances				
Loans receivable/(payable) intergroup				
New Way Power (Pty) Ltd	–	–	(674)	19 900
Austro (Pty) Ltd	–	–	82 711	51 169
Matase Power Systems (Pty) Ltd	–	–	473	–
	–	–	82 510	71 069
Other balances with related parties				
Salamax payable relating to rental of premises (DS Brouze, director)	–	400	–	–
30 – 38 Jacoba Alberton North (Pty) Ltd (Property rental for Alberton)	(1 044)	586	–	–
Austrian Woodworking Machinery (Pty) Ltd relating to rental of premises (DS Brouze, director)	–	252	–	–
	(1 044)	1 238	–	–

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
28. RELATED PARTIES (CONTINUED)				
Related party transactions				
Interest received				
30 – 38 Jacoba Alberton North (Pty) Ltd: Property loan (DS Brouze, director)	–	2 495	–	–
Austro Group Limited	–	–	7 512	–
	–	2 495	7 512	–
Interest paid				
Austro (Pty) Ltd	–	–	5 769	–
New Way Power (Pty) Ltd	–	–	1 743	–
	–	–	7 512	–
Management/Administration fees received				
Austro Group Limited	–	–	6 185	9 165
	–	–	6 185	9 165
Management/Administration fees paid				
Austro (Pty) Ltd	–	–	3 098	4 590
New Way Power (Pty) Ltd	–	–	3 087	4 575
	–	–	6 185	9 165
Other fees paid				
Salamax 1987 (Pty) Ltd: rent paid (DS Brouze, director)	4 834	4 402	–	–
Septay Investments (Pty) Ltd: rent paid (JO Freed, director)	720	624	–	–
Vonnie CC: rent paid (JO Freed, director)	–	120	–	–
Austrian Woodworking Machinery (Pty) Ltd: rent paid (DS Brouze, director)	3 040	3 039	–	–
30 – 38 Jacoba Alberton North (Pty) Ltd (property rental for Alberton) (DS Brouze, director)	1 307	6 123	–	–
Austro (Pty) Ltd: rent paid	–	–	–	154
Neptune Investments (Pty) Ltd: rent paid (HT Heye, director, connection via parents)	303	217	–	–
JoVader Trading CC trading as Intercon Computer Services risk management and high level IT support (U Schäckermann, director)	13	121	–	–
	10 217	14 646	–	154
Inter-company sales				
Austro (Pty) Ltd	498	–	–	–
New Way Power (Pty) Ltd	–	295	–	–
	498	295	–	–

	GROUP		COMPANY	
	2012 R'000	2011 R'000	2012 R'000	2011 R'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 owners of the parent by the weighted average number of ordinary shares outstanding during the year.				
Basic (loss)/earnings per share				
From continuing operations (cents per share)	(39,06)	1,50	–	–
Basic earnings per share was based on (loss)/earnings of R(154,4) million (2011: R6,4 million and a weighted average number of ordinary shares of 395 294 018 (2011: 419 758 013).				
Reconciliation of profit or loss for the year to basic earnings				
Profit or loss for year attributable to equity holders of the parent	(154 412)	6 439	–	–
Adjusted for:				
Headline earnings and diluted headline earnings per share				
Headline (loss)/earnings per share (cents)	(5,26)	1,60	–	–
Reconciliation between earnings/(loss) and headline earnings/(loss)				
Basic earnings	(154 412)	6 439	–	–
Adjusted for:				
Net (profit)/loss on disposal of plant and equipment	(693)	239	–	–
Impairment of goodwill	134 198	–	–	–
Tax effect thereon	96	(33)	–	–
	(20 811)	6 645	–	–
Reconciliation between diluted earnings/(loss) and diluted headline earnings/(loss)				
Diluted earnings	(154 412)	6 439	–	–
Adjusted for:				
Net (profit)/loss on disposal of plant and equipment	(693)	239	–	–
Impairment of goodwill	134 198	–	–	–
Tax effect thereon	96	(33)	–	–
	(20 811)	6 645	–	–

Notes to the annual financial statements continued

for the year ended 31 August

30. EMPLOYEE BENEFITS

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

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

The award dates of the phantom shares are indicated below.

The vesting criteria of the phantom shares are as follows:

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

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

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

Directors' participation in share-linked incentive schemes

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

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

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

RE Moss

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

The strike price was R0,55.

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

30. EMPLOYEE BENEFITS (CONTINUED)

P Sigsworth

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

	2012	2011
	Number of shares '000	Number of shares '000
Balance at beginning of year	2 000	–
Exercised	–	–
Issued:		
Award date – 24 November 2010	–	2 000
Share options lapsed due to resignation	(2 000)	–
Balance at the end of the year	–	2 000

IFRS 2 phantom share valuation and expense

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

31. POST-STATEMENT OF FINANCIAL POSITION

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

Shareholders' analysis

as at 31 August 2012

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	66	13,33	38 255	0,01
1 001 – 10 000 shares	207	41,82	1 013 781	0,26
10 001 – 100 000 shares	137	27,68	5 923 399	1,50
100 001 – 1 000 000 shares	44	8,89	16 986 730	4,30
1 000 001 shares and over	41	8,28	371 330 758	93,94
Totals	495	100,00	395 292 923	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks	3	0,61	7 901 400	2,00
Close corporations	16	3,23	3 307 421	0,84
Endowment funds	4	0,81	38 010	0,01
Individuals	400	80,81	184 800 808	46,75
Insurance companies	3	0,61	3 077 857	0,78
Investment companies	3	0,61	31 563 569	7,98
Medical schemes	1	0,20	1 500	0,00
Mutual funds	5	1,01	34 055 494	8,62
Nominees and trusts	28	5,66	57 016 361	14,42
Other corporations	9	1,82	48 015 400	12,15
Private companies	20	4,04	25 160 620	6,37
Retirement funds	3	0,61	354 483	0,09
Totals	495	100,00	395 292 923	100,00
NON-PUBLIC/PUBLIC SHAREHOLDERS				
Non-public shareholders	8	1,62	180 193 695	45,58
Directors of the company	7	1,41	136 258 695	34,47
Strategic shareholder (more than 10%)	1	0,20	43 935 000	11,11
Public shareholders	487	98,38	215 099 228	54,42
Totals	495	100,00	395 292 923	100,00
BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE				
Brouze DS (direct and indirect beneficial)			107 908 695	27,30
Quixley Global Incorporated			43 935 000	11,11
Downs BD (direct beneficial)			33 381 250	8,44
Peregrine			31 540 944	7,98
Freed, JO			24 300 000	6,15
Flagship Asset Managers			24 250 000	6,13
Totals			265 315 889	67,12

JSE statistics

for the year ended 31 August

	2012	2011
MARKET PRICE PER ORDINARY SHARE (CENTS)		
Closing 31 August	42	51
High for the year	54	60
Low for the year	36	45
Volume of units traded during the period	27 488 356	73 013 407
Number of transactions	309	751
Value of shares traded during the period (Rand)	12 300 980	37 069 886

Annual timetable of events

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

Notice of annual general meeting



AUSTRO GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2001/029771/06)

JSE code: ASO

ISIN: ZAE000090882

("Austro" or "the company")

Notice is hereby given that the annual general meeting of shareholders of Austro will be held at 10:00 on Thursday, 11 April 2013 at 1125 Leader Road, Stormill Ext 4, Roodepoort, Gauteng for the following purposes:

1. To consider the annual financial statements (including the reports of the directors, the audit and risk committee, and of the independent auditors) for the financial year ended 31 August 2012;
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 (Act 71 of 2008), as amended (the "Companies Act" or "Act")

IMPORTANT DATES TO NOTE

Record date for receipt of notice purposes	Friday, 22 February 2013
Last day to trade in order to be eligible to participate in and vote at the annual general meeting	Thursday, 28 March 2013
Record date for voting purposes ("voting record date")	Friday, 5 April 2013
Last day to lodge forms of proxy by 10:00 on	Tuesday, 9 April 2013
Annual general meeting held at 10:00 on	Thursday, 11 April 2013
Results of AGM released on SENS	Friday, 12 April 2013

In terms of section 62(3)(e) of the Companies Act, 71 of 2008:

- 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 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 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 2012) may not in the aggregate exceed 20% (twenty percent) (or 10% where such acquisitions are effected by a subsidiary) of the company's share capital as at the date of this notice of annual general meeting;
5. Repurchases of shares may not be made at a price more than 10% (ten percent) above the weighted average of the market value on the JSE of the shares in question for the 5 (five) business days immediately preceding the repurchase;
6. Repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme (where the dates and quantities of shares to be repurchased during the prohibited period are fixed) is in place and full details thereof released on SENS prior to commencement of the prohibited period;



7. After the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time;
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 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."

In terms of the Act, the passing of Special Resolution Number 1 requires the approval of at least a 75% majority of voting rights exercised on the resolution.

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

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

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

- the company and the group will be able to pay their debts in the ordinary course of business;
- the consolidated assets of the company and of the group fairly valued in accordance with International Financial Reporting Standards, will exceed the consolidated liabilities of the company and of the group after the repurchase; and
- the working capital, share capital and reserves of the company and of the group will be adequate for the purposes of the business of the company and its subsidiaries.

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

- Directors – pages 6 and 7
- Directors' interests in ordinary shares – page 43
- Share capital of the company – page 42
- Major beneficial shareholders – page 84

Litigation statement

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

Directors' responsibility statement

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

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the year ended 31 August 2012 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 buy-back of the company's shares on the JSE. The effect of the resolution will be that the directors will have the authority, subject to the Rules and Requirements of the JSE, to effect acquisitions of the company's shares on the JSE.

Notice of annual general meeting continued

SPECIAL RESOLUTION NUMBER 2: APPROVAL OF DIRECTORS' REMUNERATION FOR THEIR SERVICES AS DIRECTORS: 2012/2013

"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 Act) be and are hereby approved for a period of two years from the passing of this resolution or until its renewal, whichever is the earliest, as follows:

	Annual fee	
Board Chairman	R334 000	(payable by way of retainer of R294 000, and R10 000 for each of the envisaged four meetings)
Non-executive director	R135 000	(payable by way of retainer of R95 000, and R10 000 for each of the envisaged four meetings)
Audit and Risk Committee Chairman	R68 000	
Audit and Risk Committee member	R33 500	
Remuneration and Nomination Committee Chairman	R56 000	
Remuneration and Nomination Committee member	R33 500	
Social and Ethics Committee Chairman	R56 000	
Social and Ethics Committee member	R33 500	

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."

In terms of the Act, the passing of Special Resolutions Numbers 2.1 and 2.2 require the approval of at least a 75% majority of voting rights exercised on the resolutions.

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

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

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.

SPECIAL RESOLUTION NUMBER 4: AMENDMENT TO THE MEMORANDUM OF INCORPORATION

"Resolved, as a special resolution that the company's memorandum of incorporation be and is hereby amended by:

The inclusion of the following new clause 26.3A:

"26.3A Subject to the requirements of the Act, any one of the directors of the Company is entitled, subject to the written approval of the majority of the Directors, to appoint any person as a Director in terms of section 66(4)(a)(i) of the Act, provided that such appointment must be approved by the Shareholders at the next annual general meeting."

The deletion of clause 26.5 in its entirety and the replacement thereof with the following new clause 26.5:

"26.5 This Memorandum of Incorporation does not provide for any Shareholder appointed or ex officio directors of the Company, as contemplated in section 66(4) of the Act."

In terms of the Act, the passing of special resolution number 4 requires the approval of at least a 75% majority of voting rights exercised on the resolution.

Reason for and effect of Special Resolution Number 4

The reason for and effect of special resolution number 4 is, for the sake of clarity, to amend the existing memorandum of incorporation of the company to clearly allow for the appointment of additional directors to the board by any director with the prior approval of the majority of directors, provided that such appointment is approved by shareholders at the next annual general meeting.

ORDINARY RESOLUTION NUMBER 1: ISSUE OF SHARES FOR CASH

"Resolved that the directors be authorised pursuant, *inter alia*, to the provisions of the 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;

Notice of annual general meeting *continued*

3. Shares which are the subject of general issues for cash:
 - (i) in aggregate in any one financial year may not exceed 15% of the company's shares in issue of that class (for purposes of determining the shares comprising the 15% number in any one year, account must be taken of the dilution effect, in the year of issue of options or convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities);
 - (ii) of a particular class will be aggregated with any securities that are compulsorily convertible into securities of that class and, in the case of the issue of compulsorily convertible securities, by including the number of equity securities which may be issued in future arising out of the issue of such options/convertible securities);
4. The maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party(ies) subscribing for the shares; and
5. After the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the weighted average traded price of the shares over the thirty days prior to the date that the price of the issue is agreed in writing between the company and the party/ies subscribing for the shares and the effect of the issue on net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share and, if applicable, diluted earnings and headline earnings per share), or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time."

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

ORDINARY RESOLUTION NUMBER 2: UNISSUED ORDINARY SHARES

"Resolved that the authorised and unissued ordinary share capital of the company be and is hereby placed under the control of the directors of the company which directors are, subject to the JSE Listings Requirements and the provisions of the 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."

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

ORDINARY RESOLUTION NUMBER 3: RE-ELECTION OF 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."

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

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

ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF AJ PHILLIPS, AS A DIRECTOR OF THE COMPANY

"Resolved that AJ Phillips 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."

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

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

ORDINARY RESOLUTION NUMBER 5: ADOPTION OF ANNUAL FINANCIAL STATEMENTS

"Resolved that the annual financial statements of the company for the year ended 31 August 2012, including the directors' report and the report of the audit committee, be and are received and adopted."

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

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

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

6.1 U Schäckermann (Chairman);

6.2 AJ Phillips;

6.3 G Nzalo,

all of whom are independent non-executive directors.”

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

ORDINARY RESOLUTION NUMBER 7: RE-APPOINTMENT OF AUDITORS

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

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

ORDINARY RESOLUTION NUMBER 8: SIGNATURE OF DOCUMENTATION

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

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

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 (Pty) Ltd (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 Thursday, 28 March 2013.

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 (Pty) Ltd, 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.

Notice of annual general meeting *continued*

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.

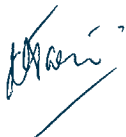
Dematerialised shareholders who have not elected own-name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered 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 10:00 on Friday, 5 April 2013 by submitting, by email to Tania Le Roux at tania.leroux@austrco.co.za or by fax to be faxed to Tania Le Roux at +27 11 222 8500 for the attention of Tania Le Roux, 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 (Pty) Ltd

Company Secretary

20 February 2013

REGISTERED ADDRESS

1125 Leader Avenue
Stormill Ext 4
Roodepoort, 1724

PO Box 1914
Florida, 1710

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
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 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 materialised shareholders) at the annual general meeting of the company to be held at 10:00 on Thursday, 11 April 2013, at 1125 Leader Road, Stormill Ext 4, Rodepoort, 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 of	Against	Abstain
To pass special resolutions:				
1.	General authority to effect share repurchases			
2.	Approval of non-executive directors' remuneration 2012/2013:			
2.1	Directors' fees for services approval			
2.2	Approval of annual increase			
3.	Authority for financial assistance to related and inter-related companies			
4.	Amendment to the memorandum of incorporation			
To pass ordinary resolutions:				
1.	General authority to issue shares for cash			
2.	To place the unissued shares under the control of the directors			
3.	Re-election of DS Brouze as director			
4.	Re-election of AJ Phillips as director			
5.	Adoption of annual financial statements			
6.	Re-appointment of audit and risk committee:			
6.1	Re-election of U Schäckermann as chairman			
6.2	Re-election of AJ Phillips as member			
6.3	Re-election of G Nzals as member			
7.	To re-appoint PKF (Jhb) Inc as auditors of the company			
8.	To authorise the signature of documentation			

(Indicate instructions to proxy in the spaces provided above).
 Unless otherwise instructed, my proxy may vote as he/she thinks fit.

Signed this _____ day of _____ 2013

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 (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to PO Box 61051, Marshalltown, 2107 so as to arrive by no later than 10:00 on Tuesday, 9 April 2013.

Please read the notes on the reverse side hereof.

Notes to the form of proxy

1. 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 (Pty) Ltd, in order to vote at the annual general meeting, being Thursday, 28 March 2013, and who wish to appoint another person to represent them at the annual general meeting.
2. Certificated shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the company (being Computershare Investor Services (Pty) Ltd) that their shares are registered in their name.
3. 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.
4. 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.
5. 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.
6. The forms of proxy should be lodged at Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to PO Box 61051, Marshalltown, 2107 so as to be received by not later than 10:00 on Tuesday, 9 April 2013.
7. 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 state in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
8. 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.
9. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.
10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Computershare Investor Services (Pty) Ltd or waived by the chairman of the annual general meeting.
11. 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 (Pty) Ltd.
12. 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.
13. 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 (Pty) Ltd, at Ground Floor, 70 Marshall Street, Johannesburg, 2001 to reach the company by no later than 10:00 on Tuesday, 9 April 2013.
14. 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.
15. 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. In addition, an extract from the Companies Act reflecting the provisions of section 58 of the Companies Act, is attached to this form of proxy.

Extract from the Companies Act

“58. Shareholder right to be represented by proxy

- (1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:
 - (a) participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
 - (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.
- (2) A proxy appointment:
 - (a) must be in writing, dated and signed by the shareholder; and
 - (b) remains valid for:
 - (i) one year after the date on which it was signed; or
 - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in sub-section (4)(c), or expires earlier as contemplated in sub-section (8)(d).
- (3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
 - (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
 - (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
 - (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.
- (4) Irrespective of the form of instrument used to appoint a proxy:
 - (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
 - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
 - (c) if the appointment is revocable, 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.
- (5) 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 of the later of:
 - (a) the date stated in the revocation instrument, if any; or
 - (b) the date on which the revocation instrument was delivered as required in sub-section (4)(c)(ii).
- (6) If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to:
 - (a) the shareholder; or
 - (b) the proxy or proxies, if the shareholder has:
 - (i) directed the company to do so, in writing; and
 - (ii) paid any reasonable fee charged by the company for doing so.
- (7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.
- (8) If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy:
 - (a) the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
 - (b) the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must:
 - (i) bear a reasonably prominent summary of the rights established by this section;
 - (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and

Extract from the Companies Act continued

- (iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
 - (c) the company must not require that the proxy appointment be made irrevocable; and
 - (d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to sub-section (5).
- (9) Sub-sections (8)(b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder.”

Corporate information

COMPANY REGISTRATION NUMBER

2001/029771/06

BUSINESS ADDRESS, REGISTERED OFFICE AND POSTAL ADDRESS

1125 Leader Avenue
Stormill Ext 4
Roodepoort, 1724

PO Box 1914
Florida, 1710
South Africa

Telephone: +27 (0) 11 222-8300
Facsimile: +27 (0) 11 222-8500

COMPANY SECRETARY

Probity Business Services (Pty) Ltd
3rd Floor, The Mall Offices
11 Cradock Avenue, Rosebank, 2196
PO Box 85392, Emmarentia, 2029

AUDITORS

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

JSE CODE

ASO

ISIN

ZAE000090882

TRANSFER SECRETARIES

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

PO Box 61051, Marshalltown, 2107

Telephone: +27 (0) 11 370-5000
Facsimile: +27 (0) 11 688-5200

SPONSOR

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

PO Box 471917, Parklands, 2121

Telephone: +27 (0) 11 283-0000
Facsimile: +27 (0) 11 283-0065

General information

Country of incorporation and domicile

South Africa

Nature of business and principal activities

To offer leading and established global brands to large manufacturing, commercial, construction, mining and other groups in the infrastructural sector. This offering is complemented by unsurpassed service and technical support

Directors

AJ Phillips (Chairman), DS Brouze, GS Nzalo, U Schäckermann,
JO Freed (Alternate JR Freed)

Level of assurance

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008

Preparer

The annual financial statements were internally compiled by: T le Roux CA (SA)



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