

# UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2010

AUSTRO GROUP LIMITED (Incorporated in the Republic of South Africa) (Registration number 2001/029771/06) Share code: ASO ISIN: ZAE000090882 ("the Group")

## SUMMARY

Revenue <b>R192,2 million</b>	Operating profit <b>R19,8 million</b>	Headline earnings per share <b>2,9 cents</b>	Interim dividend per share <b>2,0 cents</b>
----------------------------------	--	---	--

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended

	Unaudited 28 February 2010 R'000	Unaudited 28 February 2009 R'000	Audited 31 August 2009 R'000
Revenue	192 219	315 381	580 519
Cost of sales	(112 655)	(182 533)	(343 925)
<b>Gross profit</b>	<b>79 564</b>	<b>132 848</b>	<b>236 594</b>
Other operating income	1 426	1 011	2 465
Operating expenses	(61 204)	(89 875)	(151 019)
<b>Profit from operations</b>	<b>19 786</b>	<b>43 984</b>	<b>88 040</b>
Interest received	5 008	3 858	8 123
Interest paid	(7 537)	(11 644)	(24 766)
<b>Profit before taxation</b>	<b>17 257</b>	<b>36 198</b>	<b>71 397</b>
Taxation expense	(4 944)	(11 144)	(27 692)
<b>Total comprehensive income for the period</b>	<b>12 313</b>	<b>25 054</b>	<b>43 705</b>
Number of shares in issue	431 413 384	431 413 384	431 413 384
Weighted average number of shares	431 413 384	431 413 384	431 413 384
Earnings per share (cents)	2,9	5,7	10,1
Headline earnings per share (cents)	2,9	5,7	10,0
Dividend per share (cents)	2,0	-	2,0
<b>Reconciliation of earnings to headline earnings:</b>			
Total comprehensive income for the period	12 313	25 054	43 705
Net (profit)/loss on disposal of property, plant and equipment	42	(524)	(1)
Taxation effect thereon	(6)	117	-
<b>Headline earnings</b>	<b>12 349</b>	<b>24 647</b>	<b>43 704</b>

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

	Unaudited 28 February 2010 R'000	Unaudited 28 February 2009 R'000	Audited 31 August 2009 R'000
<b>Assets</b>			
<b>Non-current assets</b>	<b>277 687</b>	<b>290 360</b>	<b>282 026</b>
Property, plant and equipment	46 823	52 861	51 064
Goodwill and other intangibles	229 742	230 643	229 949
Deferred taxation	1 122	6 856	1 013
<b>Current assets</b>	<b>392 941</b>	<b>482 291</b>	<b>416 972</b>
Loans receivable	31 222	-	-
Inventories	285 756	390 058	336 110
Trade and other receivables	71 471	92 233	74 773
Taxation receivable	2 600	-	3 856
Cash resources	1 892	-	2 233
<b>Total assets</b>	<b>670 628</b>	<b>772 651</b>	<b>698 998</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>	<b>546 492</b>	<b>524 813</b>	<b>542 807</b>
Share capital	4	4	4
Share premium	322 103	322 760	322 103
Accumulated profits	224 385	202 049	220 700
<b>Non-current liabilities</b>	<b>9 550</b>	<b>14 750</b>	<b>10 949</b>
Long-term liabilities – interest bearing	-	3 467	1 370
– interest free	6 851	10 694	6 988
Deferred taxation	2 699	589	2 591
<b>Current liabilities</b>	<b>114 586</b>	<b>233 088</b>	<b>145 242</b>
Current portion of long-term liabilities – interest bearing	-	-	600
– interest free	3 426	-	3 496
Trade and other payables	41 079	87 388	39 076
Amount owing for purchase of subsidiaries	-	8 228	-
Shareholders for dividends	-	8 437	-
Taxation payable	1 139	44 394	2 425
Bank overdraft	68 942	84 641	99 645
<b>Total equity and liabilities</b>	<b>670 628</b>	<b>772 651</b>	<b>698 998</b>
Net asset value per share (cents)	126,7	121,6	125,8
Tangible net asset value per share (cents)	73,4	68,2	72,5

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended

	Unaudited 28 February 2010 R'000	Unaudited 28 February 2009 R'000	Audited 31 August 2009 R'000
<b>Cash flows from operating activities</b>	<b>64 113</b>	<b>(7 035)</b>	<b>(5 632)</b>
Cash generated by operations	80 245	7 639	81 758
Interest received	5 008	3 858	8 123
Interest paid	(7 537)	(11 644)	(24 766)
Dividends paid	(8 628)	(191)	(8 628)
Taxation paid	(4 975)	(6 697)	(62 119)
<b>Cash flows from investing activities</b>	<b>(31 780)</b>	<b>(2 081)</b>	<b>(5 292)</b>
<b>Cash flows from financing activities</b>	<b>(1 971)</b>	<b>(4 986)</b>	<b>(15 949)</b>
<b>Net increase/(decrease) in cash resources</b>	<b>30 362</b>	<b>(14 102)</b>	<b>(26 873)</b>
Cash resources at beginning of period	(97 412)	(70 539)	(70 539)
<b>Cash resources at end of period</b>	<b>(67 050)</b>	<b>(84 641)</b>	<b>(97 412)</b>

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended

	Unaudited 28 February 2010 R'000	Unaudited 28 February 2009 R'000	Audited 31 August 2009 R'000
<b>Share capital and share premium</b>	<b>322 107</b>	<b>322 764</b>	<b>322 107</b>
Balance at beginning of period	322 107	322 785	322 785
Issued during the period	-	14 757	14 757
Movement in shares to be issued reserve	-	(14 778)	(14 778)
Share issue expenses	-	-	(657)
<b>Accumulated profits</b>	<b>224 385</b>	<b>202 049</b>	<b>220 700</b>
Balance at beginning of period	220 700	185 623	185 623
Total comprehensive income for the period	12 313	25 054	43 705
Dividends declared	(8 628)	(8 628)	(8 628)
<b>Total capital and reserves</b>	<b>546 492</b>	<b>524 813</b>	<b>542 807</b>

### CONDENSED SEGMENTAL ANALYSIS

	Revenue (external)		Profit before tax		Net assets	
	28 February 2010 R'000	28 February 2009 R'000	28 February 2010 R'000	28 February 2009 R'000	28 February 2010 R'000	28 February 2009 R'000
Power	121 145	227 316	12 918	34 418	419 525	212 311
Gross Intersegment	127 447 (6 302)	235 343 (8 027)	19 220 (6 302)	42 445 (8 027)		
Wood	71 074	88 065	4 339	1 780	126 967	312 502
Gross Intersegment	80 795 (9 721)	102 282 (14 217)	14 060 (9 721)	15 997 (14 217)		
<b>Total</b>	<b>192 219</b>	<b>315 381</b>	<b>17 257</b>	<b>36 198</b>	<b>546 492</b>	<b>524 813</b>

Non-executive directors: AJ Phillips\* (Chairman), DS Brouze, GS Nzalo\*, U Schäckermann\* (German), (\* Independent)  
Executive directors: JA Bennie, JO Freed, JR Freed (Alt JO Freed), RE Moss  
Registration number: 2001/029771/06  
Business/registered address: 1125 Leader Road, Stormill Ext 4, Roodepoort, Johannesburg  
Business postal address: PO Box 1914, Florida, Johannesburg  
Company secretary: Probitry Business Services (Proprietary) Limited  
Transfer secretaries: Computershare Investor Services (Proprietary) Limited  
Sponsor: Java Capital (Proprietary) Limited

JAVACAPITAL

### COMMENTARY

#### INTRODUCTION

Austro Group Limited is listed in the Support Services sector of the JSE Limited. The Group is a supplier of specialised and quality branded industrial equipment to corporate, commercial and infrastructure markets in South and southern Africa. The Group services clients ranging from heavy industrial, mining and construction groups to wholesalers, retailers, manufacturers and individuals.

The Group has two distinct and focused business offerings – the production, supply and rental of generators and related components such as industrial engines, alternators and switchgear to the generator manufacture and supply industry and the distribution of professional woodworking equipment and tooling.

#### Group structure:

**New Way Power (Pty) Limited** housing the energy and power related interests of the Group.

**Austro Wood (Pty) Limited** housing the woodworking and related interests of the Group.

The core of these businesses have been in existence for over 30 years.

#### RESULTS OVERVIEW

##### FINANCIAL REVIEW

The Group delivered moderate results considering the effect of the depressed economy on the Power Division and the lower than expected demand for woodworking equipment in anticipation of the 2010 World Cup.

The first half of the 2009 year saw an inhouse show and sale in the Woodworking Division and the Power Division was still capitalising on the rolling blackouts that occurred during that year.

##### Consolidated statement of comprehensive income

Revenue decreased from R315,4 million to R192,2 million. This was mainly due to the effect of the depressed economy on the Power Division and the fact that in the previous year the decline in volumes due to the economy occurred in the second half of the year.

Profit from operations decreased by 54,9% to R19,8 million (2009: R43,9 million) as a result of the sharp reduction in revenues in the Power Division.

Earnings per share decreased to 2,9 cents per share (2009: 5,8 cents per share) while headline earnings per share also decreased to 2,9 cents per share (2009: 5,7 cents per share).

##### Consolidated statement of financial position

A significant improvement was made to the balance sheet in this period.

Group gearing reduced to 15,0% (2009: 20,1%). The Group's inventory has reduced by R104,3 million to R285,8 million at the period ended 28 February 2010. This has been a specific area of management focus. Debtors collections have shown a significant improvement with trade receivables being maintained at acceptable levels.

The Group is confident that it can comfortably service its limited debt.

The focus of the Group on asset management during the period has resulted in a strong balance sheet and has allowed a interim dividend per share of 2,0 cents to be declared.

##### Condensed consolidated statement of cash flows

Due to specific management focus, during the period under review, the Group generated cash of R64,1 million (2009: R(7,0) million). Levels of inventory showed a significant reduction over the period and trade receivables and trade payables were carefully managed.

##### RETROSPECTIVE RESTATEMENT

With reference to the annual report for the year ended 31 August 2009, the contingent liability has been resolved and dealt with by way of restatement of the prior year periods.

Based on Senior Counsel advice an agreement entered into between HT Heye and the Group in respect of the acquisition of Neptune Plant Hire (Pty) Limited has now been implemented and the resultant liability has been recognised. The agreement is so closely related to the acquisition that the effect of this has been recognised in terms of IFRS 3 (Business Combinations). In terms of the agreement a condition payment was created based on an average share price at 30 September 2009. The liability will be repaid in three equal instalments starting in the current financial year.

R'000	Goodwill	Liability interest free
31 August 2008		
Closing balance previously stated	221 110	-
Adjustment	6 919	6 919
Closing balance restated	228 029	6 919
28 February 2009		
Closing balance previously stated	219 949	-
Adjustment 2008	6 919	6 919
Closing balance restated	226 868	6 919
Adjustment 2009	3 775	3 775
Closing balance restated	230 643	10 694
31 August 2009		
Closing balance previously stated	219 465	-
Adjustment 2008	6 919	6 919
Closing balance restated	226 384	6 919
Adjustment 2009	3 565	3 565
Closing balance restated	229 949	10 484

During the current year it was determined that Secondary Tax on Companies (STC) to the value of R4 million which should have been recorded in the books of the company prior to the listing had never been accounted for previously. The amount may be recoverable from the vendors.

R'000	Trade and other receivables	Trade and other payables
31 August 2008		
Closing balance previously stated	142 354	202 045
Adjustment	4 000	4 000
Closing balance restated	146 354	206 045
28 February 2009		
Closing balance previously stated	88 233	83 388
Adjustment	4 000	4 000
Closing balance restated	92 233	87 388
31 August 2009		
Closing balance previously stated	70 773	35 076
Adjustment	4 000	4 000
Closing balance restated	74 773	39 076

#### SUBSEQUENT EVENTS

There have been no material events subsequent to the end of the interim period that have not been reflected in the financial statements for that period.

#### OPERATING REVIEW

##### Power

Revenue decreased by 46,7% to R121,1 million (2009: R227,3 million). This Division contributed 63,0% to Group revenue (2009: 72,1%).

New Way, the supplier and manufacturer of generator sets, industrial diesel engines and related components, experienced a slow start, but has a strong order book for the second half of the year.

Neptune, the generator rental business, continues to produce reasonable results due to the Gauteng operation now being profitable, but the Cape Town operation has seen a decline in volumes.

Good progress has been made to maximise the synergies between New Way and Quad and Quinlec. Quad manufactures electrical panels and soundproof enclosures, while Quinlec specialises in the installation and maintenance of generators as well as compliance certifications. Quad is now producing the majority of panels and soundproof enclosures for the generators sold by New Way.

##### Wood

While the economic slowdown has impacted this Division, the benefits of the restructuring and resultant cost reductions made in the previous year are now being felt with the operating profit being in line with expectations.

This Division contributed 37,0% (2009: 27,9%) to Group revenue. Revenue decreased by 19,3% to R71,0 million (2009: R88,1 million).

Within the Division the KZN and Gauteng operations showed a good improvement and efforts are being made to improve the performance of the Cape Town Operations.

#### PROSPECTS

The Group has completed its consolidation process and is attempting to maximise the synergies to be gained from the various divisions. The Group has been restructured with all Power interests being housed in one entity, New Way Power (Pty) Limited and the Wood interests in Austro Wood (Pty) Limited.

In addition the Power Division is in the process of consolidating four of its Gauteng operations into one facility in Alberton which will result in efficiencies in warehousing, manufacturing and logistics.

Neptune's Gauteng operation which started operating in late 2008 is increasing market share and beginning to produce profits.

The restructuring of the Gauteng and KZN operations has placed the Wood Division in a good position to benefit from an upturn in the economy, and the order book in the Power Division has improved.

#### DIVIDEND DISTRIBUTION

Shareholders are advised that an interim cash dividend of 2,0 cents per share has been declared.

The salient dates in respect of the dividend are as follows

	2010
Last day to trade cum dividend on	Friday, 4 June 2010
Trading ex dividend commences on	Monday, 7 June 2010
Record date	Friday, 11 June 2010
Payment of dividend on	Monday, 14 June 2010
Shareholders may not dematerialise or rematerialise their shares between Monday, 7 June 2010 and Friday, 11 June 2010, both dates inclusive.	

#### BASIS OF PREPARATION

The annual results have been prepared in accordance with IAS 34 (Interim Financial Reporting). The accounting policies applied in preparing these annual financial statements are consistent with those applied in the prior year and are in accordance with International Financial Reporting Standards. This announcement was prepared in accordance with the listings requirements of the JSE Limited and the Companies Act. These unaudited results have not been reviewed or audited by Austro Group Limited's auditors PKF (JHB) Inc.

#### CHANGES TO THE BOARD OF DIRECTORS

During the period W Hauser resigned from the Board of Directors.

By order of the Board

AJ Phillips  
Chairman

Johannesburg  
19 May 2010

JA Bennie  
Group Financial Director