



ANNUAL REPORT **2010**





AUSTRO

GROUP LIMITED

Austro Annual Report 2010

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Company profile

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

Our mission

Austro's mission is to become the foremost player in the complementary industrial suppliers and construction-related sectors.

Core values

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

www.austrogrouplimited.com

Group overview

AUSTRO GROUP LIMITED

Austro Group Limited has two focused business offerings:

- the production, supply and rental of generators and related components, such as industrial engines, alternators and switch-gear to the generator manufacture and supply industry; and
- the distribution of professional woodworking machinery and tooling together with the relevant after-sales and technical services.



AUSTRO
GROUP LIMITED

Austro Group Limited

NEW WAY POWER (PTY) LIMITED

DIVISIONS



New Way



NEPTUNE PLANT HIRE



QUINLEC



QUAD POWER COMPANY

New Way

Neptune Plant Hire

Quinlec Power

Quad Technical Services

AUSTRO WOOD (PTY) LIMITED

DIVISIONS



AUSTRO WOODWORKING MACHINES & TOOLS



A TRADING OF MICROHYDRA



2ND CUT PRE-OWNED WOODWORKING EQUIPMENT

Austro Woodworking Machines & Tools

Gearing Moss Supplies

2nd Cut Pre-owned Woodworking Equipment

MAIN SUPPLIER BRANDS



MITSUBISHI



BIESSE WOOD DIVISION



FELDER



JOHN DEERE



Weinig WEINIG GROUP



Frevol



DOOSAN



MARATHON ELECTRIC



STRIEBIG



Wood-Mizer

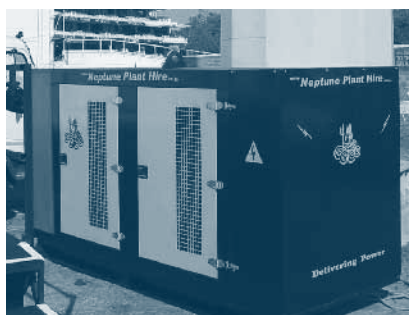
POWER AND RELATED INDUSTRY

NEW WAY POWER (PTY) LIMITED

New Way



Neptune Plant Hire



Quad Technical Services

Quinlec Power



New Way

New Way is the principal supplier of commercial generators in sub-Saharan Africa. It also provides pumping equipment (used for dewatering, irrigation and fire suppression systems), marine propulsion (used in the fishing industry and high-end leisure craft), and industrial components.

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

New Way holds the sole distribution rights in sub-Saharan Africa for John Deere Industrial and Marine Diesel Engines. Other exclusive distributorships held by the company include Mitsubishi Heavy Industries, Doosan Infracore (formerly Daewoo Industrial) and Marathon Electric.

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

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

Neptune Plant Hire ("Neptune")

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

Quinlec

Quinlec is based in KwaZulu-Natal and operates in the electrical contracting and generator manufacture and supply segments of the market. With two crane trucks in continuous service and a fleet of hire sets available, the division also offers turnkey project solutions featuring installation and compliance certification, a 24-hour service division, as well as maintenance and service contracts.

Quad Technical ("Quad")

Quad Technical Services' core business lies in the electrical manufacturing and engineering fields; this being sub-divided into four business units – hence the name Quad. These business units are:

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

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

Group overview continued

WOOD AND RELATED INDUSTRY

AUSTRO WOOD (PTY) LIMITED

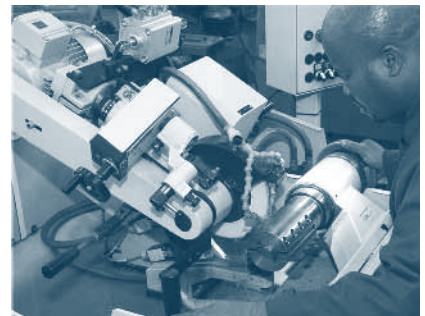
Austro Woodworking Machines & Tools



Gearing Moss Supplies



2nd Cut Pre-owned
Woodworking Equipment



WOODWORKING MACHINES AND TOOLS

Austro Woodworking Machines & Tools ("Austro")

Austro Woodworking Machines & Tools was established as Austro Engineering, a supplier of quality branded woodworking machinery, tooling and accessories. Almost 30 years of dedication, technical expertise and understanding of its customers' needs grew the division from humble beginnings to the industry's preferred partner and acknowledged market leader, representing many of the world's leading brands. Technical resource is one of the company's top priorities, and it lives by the motto "we service what we sell". Austro imports and manufactures quality tooling, offering clients the most advanced sharpening service on the continent. The division has branches in Gauteng, KwaZulu-Natal and the Western Cape.



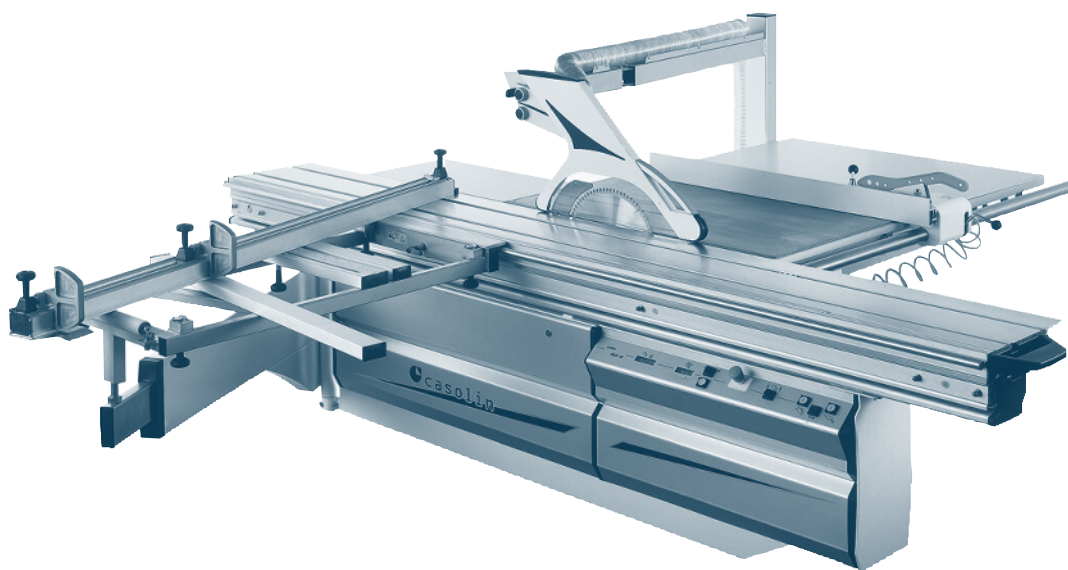
"the industry's preferred partner and market leader representing many of the world's leading branding"

Gearing Moss Supplies ("GMS")

GMS supplies mobile sawmills and log-processing equipment to the sawmilling industry, as well as tooling to the industrial woodworking industry. GMS holds agencies for a number of leading brands – including Wood-Mizer, world leader in portable sawmills. These agencies are supported by its own range of sawmilling equipment and the company's reputation for top class customer service and technical support.

2nd Cut

2nd Cut is Austro's used machinery operation. Utilising an on-line customer interface, 2nd Cut taps into this previously fragmented market. Synergies are already being utilised as Austro buys back used machines through 2nd Cut by way of a trade-in offset against the purchase price of new equipment. At the same time, the group's Finance & Insurance offering provides a finance package for the end user through registered financial institutions. Austro is not exposed to the default risk as the institutions deal directly with the customer and on a non-recourse basis with Austro. Although newly established, 2nd Cut has already brought several significant trade-in deals to the group.



"Austro's products continue to be reinforced
by exceptional service and support"

Directorate



ANTHONY (TONY) PHILLIPS
Independent Non-executive Chairman

Tony brings many years of experience in the industrial sector to the group. Well known and respected for his previous role as CEO of Barloworld and Chairman of PPC, Tony adds enormous value in terms of the group's strategy in the specialised Industrial Supplies sector. He is currently also non-executive chairman of Kwikspace Modular Buildings Limited, Newman Lowther and Associates, a non-executive director of Eqstra Holdings Limited, and Chairman of Wasteman Holdings.



PHILIP SIGSWORTH
Group Financial Director

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



ULI SCHÄCKERMANN (GERMAN)
Independent Non-executive Director

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



DAVID BROUZE
Non-executive Director

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



JONATHAN FREED
Executive Director

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



RICHARD MOSS
Executive Director

Richard is the managing director of the Austro Wood company which houses the group's wood interests. He is a Mechanical Engineer holding the degree of BSc (Mech. Eng) (Wits) and has 18 years' industry experience.



GORDON NZALO

Independent Non-executive Director

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



JUSTIN FREED

Alternate

Justin is an alternate executive director to Jonathan Freed. He is currently the sales director for New Way. His knowledge and expertise in the industrial engine and generator industry has been developed over the last 19 years, and he is considered a leading expert in the industry.

Chairman's review



AJ Phillips – *Non-executive Chairman*

Despite the continued economic downturn the Austro Group generated reasonable results over the reporting period despite limited demand from 2010 FIFA World Cup-related spending.

The group consists of two subsidiaries and various operating divisions representing established brands in the industrial, mining, construction and infrastructure sectors. The group supplies specialised and quality industrial equipment to the South and southern African markets and services a solid client base, with no single customer representing more than 3% of group turnover.

Austro's products continue to be reinforced by exceptional service and support and its position as market leader is encapsulated in the diversification of its client base. The Power and Wood subsidiaries both occupy a strong position in their respective markets.

ECONOMIC CONTEXT

As was to be expected, the effect of the turbulent global markets, the credit crunch and the general world-wide slowdown experienced in 2008 is still being felt in 2010. South Africa has certainly felt the effects of this slowdown particularly in lower household spending and negative GDP growth. Government spending however looks set to continue with a robust spend projected to 2013 and then on to 2020.

In South Africa inflation is below targeted levels. Interest rates are now at their lowest level in 30 years which should lead to an increase in consumer spending and financial institutions appear to have eased their stance on the granting of credit although not back to 2007 levels. While the Government's infrastructural spend has had a positive effect on GDP, the continuing strong Rand has inhibited growth in the private sector, particularly manufacturing.

INFRASTRUCTURE SPENDING

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

The Wood Division is beginning to feel an upturn in demand for its products and has embarked on an extensive strategic marketing exercise to improve the offering to all current and prospective customers.

GOING FORWARD

The main objective during the reporting period continued to be reducing the levels of stock and to stabilise the group after the acquisition activity of previous years. I am pleased to report that this has been achieved. The statement of financial position is currently strong, has no long-term debt, is cash positive and has more than adequate bank facilities to cover requirements.

The company was organised into two divisions housing Power and Wood. This will improve efficiencies and reduce costs through the existence of fewer statutory entities. Significant changes were made to the management team. This team is active and suitably qualified to take the group forward successfully and a number of experienced directors were appointed during 2009 and 2010.

The group is pleased to have maintained its final dividend of 2,0 cents per share and remains committed to declaring annual and interim dividends.

CONCLUSION

The new divisional structure has played a role in unlocking the synergies from the businesses acquired in 2007 and 2008. The objectives of improving the statement of financial position and stabilising the base have been substantially achieved, with room for a marginal improvement.

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

During the year, we welcomed Gordon Nzalo as an independent non-executive director and member of the Remuneration Committee.

I also extend my thanks to James Bennie who was Group Financial Director and resigned with effect from 31 August 2010 to take up an opportunity overseas and Walter Hauser, who resigned from the board on 31 January 2010.



AJ Phillips
Chairman

22 November 2010

Operating review

INTRODUCTION

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

The year ahead, while remaining challenging, should provide strong opportunities resulting from the expected Government spend on infrastructure and internal restructuring and consolidation. We expect that the demand for our products will extend well beyond 2011.

The year ended 31 August 2010 showed a decrease in earnings per share of 46,5%, largely due to the effect of the continued depressed economy on the Power Division. The restructuring in the prior year within the Wood Division has resulted in a significantly improved performance by that operation.

The primary focus of the group during the year was to continue to improve the management of working capital within the group. This has been substantially achieved with significant reductions in the levels of inventories. This has left the group with a strong statement of financial position, a positive cash balance and the ability to declare a dividend of 2,0 cents per share, subsequent to year-end. An interim dividend of 2,0 cents per share was declared, and paid.

STRATEGY

The group operates in two clear divisions, New Way Power (Pty) Limited and Austro Wood (Pty) Limited. Within each division, 2010 saw the synergies between the operating units beginning to be realised. Facility consolidation has occurred within each division and the group is now well-positioned with its structures in place, the ownership of leading brands, and its complement of a dedicated, skilled and experienced management team, to further increase its market share and deliver unrivalled customer service in the sectors in which it operates.

YEAR UNDER REVIEW

The most significant financial issue in the year under review was the reduction in the levels of inventories. This was a specific focus area and resulted in a reduction in inventory of R82,1 million to R254,1 million. This, together with tight control over accounts receivable and payable, resulted in cash of R114,5 million being generated in the year.

The statement of financial position is now very strong and the group does not have any significant long-term debt.

Revenue decreased by 30,8% from R580,1 million to R401,9 million. This was mainly as a result of the effect of the continued depressed economy on the Power Division in particular. Although the revenue produced by the Wood Division was 15,5% lower than in the previous year, the restructuring undertaken in this division in 2009 has resulted in a 122,7% improvement in profit before tax.

Operating profit decreased by 58,4% to R36,6 million (2009: R88,0 million). Operating margins decreased from 40,8% in 2009 to 39,6% in 2010. This was due largely to the reduced revenues in the Power Division (36,5% when compared to the prior year). The group is now correctly structured to maximise the opportunities expected as the economy begins to recover, the benefits of the costs incurred in the previous financial year, will be apparent in the forthcoming financial year.

Earnings per share decreased to 5,4 cents (2009: 10,1 cents) while headline earnings per share decreased to 5,2 cents (2009: 10,0 cents). During the year under review the group generated cash of R114,5 million. This was due to the decrease in inventories which was a key management focus area. A positive cash flow is again expected in 2011.

Power

Operating review

Revenue decreased by 36,5% to R268,4 million (2009: R422,5 million) and profit before tax decreased by 59,0% to R32,1 million. This division contributed 66,8% to group revenue (2009: 72,8%) and 95,4% to group profit before tax (2009: 109,5%).

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

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

It was encouraging to note that the Greenfields Johannesburg branch of Neptune Plant Hire became profitable towards the end of the year. The year under review also saw an increase of activities into Africa and the consolidation of the majority of the Gauteng operations.

Wood

Operating review

While the economic slowdown has impacted this division, a definite recovery was seen towards the end of the year.

While Wood's customers have been affected by the depressed residential market, and received minimal demand from the 2010 FIFA World Cup, this division contributed 33,2% (2009: 27,2%) to group revenue. Revenue decreased by 15,5% to R133,5 million (2009: R158,0 million).

Within the Division, the Gauteng, KZN and 2nd Cut operations showed significant improvements while Cape Town and Gearing Moss, although profitable, were disappointing.

“The statement of financial position is now very strong and the group does not have any significant long-term debt”

Operating review continued

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

GROUP STRUCTURE

The group is structured with two distinct subsidiaries, New Way Power (Pty) Limited and Austro Wood (Pty) Limited, housing the group's Power and Wood interests, respectively. Within each subsidiary, the various operating entities function as independent divisions.

RENTAL DIVISION

During the year, the group grew the rental offering for woodworking machines. This is done in conjunction with the financial institution, Fintech. Customers are offered the option of renting machines. In most cases, these machines are rented from Fintech.

INFORMATION SYSTEMS

The group operates two management information systems, being Pastel in the Power Division and Accpac in the Wood Division. During 2010, the Accpac system currently in use in the Wood Division has been upgraded. The expected capital expenditure was minimal. A specific rental application is being implemented in Neptune Plant Hire.

PROSPECTS FOR THE YEAR AHEAD

New Way

The second half of 2010 saw a consolidation of their four locations into a single, central and far more suitable New Way facility. Additional applications have been added to the product offering.

Neptune

Neptune continues to expand its rental offering on a national level and enjoys good growth prospects, especially from its new branch in Johannesburg. The branch became profitable towards the end of the year. The company's focus remains on applications unrelated to power cuts, although the business is ready to serve this market, should outages recur. The Johannesburg branch moved into the consolidated New Way facility in June of 2010 and the synergies from this move are already being felt.

Quinlec

During the year Quinlec was effectively restructured to become a branch of New Way, offering generators for sale and rental in KZN. The accounting for this division is now performed by New Way.

Quad

The new manufacturing plant installed in the prior year has dramatically increased capacity and synergies with New Way are now being maximised.

Austro Woodworking Machines & Tools (Austro)

The Johannesburg and KZN branches reaped the benefits of the restructuring exercise of 2009. With its very low cost base and leading brands, this division is well-positioned for 2011 and beyond.

2nd Cut

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

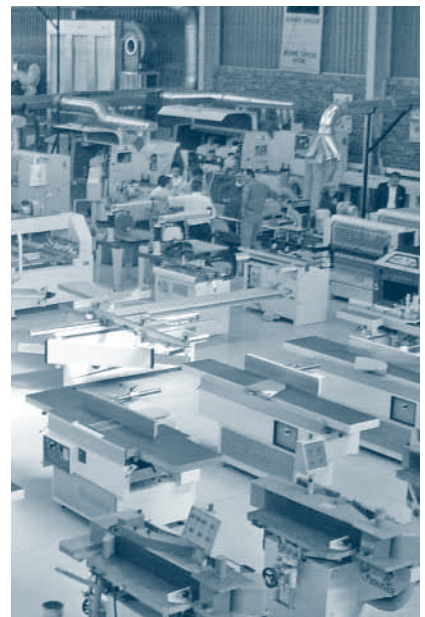
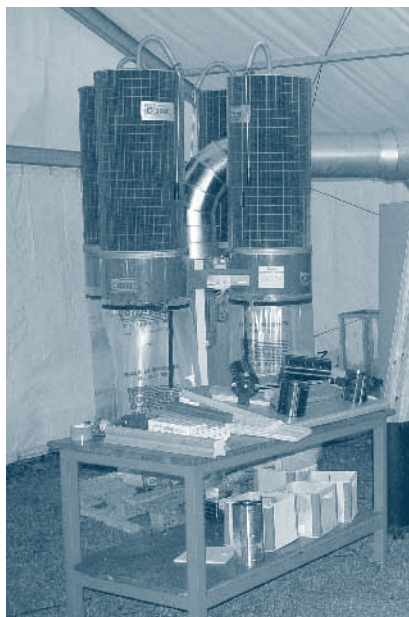
Gearing Moss (GMS)

The depressed economy has had a dramatic effect on the saw milling industry and by extension GMS. Although still profitable, this division had a disappointing year when compared to 2009. During the year, GMS moved into the 2nd Cut building in Stormill. This has resulted in many shared services and other synergies being realised.

LOOKING AHEAD

The group is well-positioned to increase market share and profitability in all areas of the business. The directors at both group and subsidiary levels are experts in their fields and have many years of relevant experience. The cost-cutting measures introduced during 2009 and 2010 will bear fruit in 2011 and beyond and the synergies being realised will continue well into the future.

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



Sustainability review

INTRODUCTION

The group remains committed to sound economic, social and environmental practices. This sustainability review is intended for stakeholders of the Austro Group Limited. These include shareholders, potential investors, employees, customers and suppliers, media, Government and the communities within which our group companies operate. Various methods of communication are used by Austro to effectively disseminate information to stakeholders.

SHAREHOLDERS AND INVESTORS

Our shareholders and investors are communicated with in line with the JSE Limited ("JSE") Listings Requirements. All announcements are made through the securities exchange news services (SENS) and, where appropriate or required, in the print and electronic media. The board of the company is pro-active in providing information to the public and the media is welcomed and seen as a valuable partner in sharing information. All information is provided within the constraints of the JSE Listings Requirements.

OUR PEOPLE

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

Central to the group's business strategy is its philosophy of being an employer of choice. The people of Austro are considered to be the company's most valuable asset. As such the group strives to retain, develop and nurture employees. The group strives to provide a supportive workplace, which facilitates personal development 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.

In promoting personal growth, the company actively assists employees to study further in their areas of focus through short courses and distance study. The company also encourages employees to belong to professional bodies by contributing towards membership fees.

The provident fund for the employees has now been in place for over a year. Contributions to this fund are being phased in over a five-year period. In addition the in-house clinic promotes the health and well-being of employees and has significantly reduced levels of absenteeism. Management, within the confines of privacy legislation, is made aware of the health of the employees within the organisation.

Employees are kept informed of the direction and status of the company by means of print and electronic communication.

BBBEE

The group believes that broad based empowerment transformation is a business imperative.

During the year under review, Austro commenced the exercise of having its BBBEE status verified. An independent group of consultants are currently assisting the various operations in improving the current status. It is anticipated that Austro will achieve a Level 6 BBBEE rating by September 2011 and a minimum of a Level 3 rating by September 2012.

SKILLS DEVELOPMENT

In line with the Skills Development Act, 97 of 1998, the group submits workplace skills plans. Interaction with the relevant sectoral education training authority ("SETA") is ongoing.

SAFETY AND HEALTH

The group ensures strict compliance with the South African Occupational Health and Safety Act, 1993 ("Act"). To this end the group has implemented a Health and Safety policy to which all employees are required to adhere. In terms of the policy the relevant managers of each of the operations are responsible for ensuring a safe and healthy work environment. Employees are required to report all incidents immediately as well as make suggestions for a safer work environment. Employees attend health and safety training provided by the group.

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

No major health and safety incidents were reported during the year.

HIV/AIDS

The group is committed to mitigating the impact of the pandemic on its employees. In this regard Austro has implemented a programme which focuses on education through general awareness campaigns that address issues such as counselling, treatment, prevention, medication and voluntary anonymous testing. The in-house clinic provides an invaluable service in addressing these issues, allowing senior management to be pro-active in this regard.

CUSTOMERS AND SUPPLIERS

Austro has a well-entrenched reputation in terms of service to customers. Our aim is to add value to our customers with each transaction we conclude with them. We therefore continue to focus on forming and maintaining close working relationships with our clients and have built a reputation for unrivalled after-sales services. Austro has recently embarked on a strategic marketing exercise whereby the needs and views of all major customers are incorporated into the strategy of the business.

Our suppliers, both locally and abroad, are crucial in terms of allowing us to provide the latest cutting-edge technologies to our customers at competitive prices. In this regard, we maintain strong relationships with our suppliers and assist them with information on the needs of our customers. Senior management attend major industry trade fairs where our overseas suppliers are exhibiting.

GOVERNMENT AND COMMUNITY

Austro supports the efforts of the South African Government and adheres to South Africa's laws and legislative requirements. Austro applauds the South African Government's strict fiscal and economic policies which have seen various economic indicators move in a more favourable direction.

The group values the communities in which it operates and is an important employer within our areas of operation.

The group Human Resources Manager is at an advanced stage in negotiating with the relevant SETAs to provide skills programmes of relevance to the group.

Corporate governance report

The directors acknowledge the importance of sound corporate governance and subscribe to the Code of Corporate Practices and Conduct as set out in the King III Report. The board is committed to the highest standards of corporate governance and continually monitor compliance to ensure ongoing improvement of operational and corporate practices.

BOARD OF DIRECTORS

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

The unitary board is chaired by an independent non-executive director and comprises a further three non-executive directors (two of which are independent) and three executive directors. There is no Group Chief Executive Officer but rather those duties are shared by the Managing Directors of the two operating divisions, and the Group Financial Director.

The role of non-executive Chairman is strictly separated in accordance with the King III Report. This segregation of duties is echoed across the board to ensure that no director can exercise unfettered powers of decision-making. Non-executive directors are individuals of calibre, skill and experience sufficient to appraise and advise on strategy, governance, performance, resources, transformation, diversity, employment equity and standards of conduct. Non-executive directors also provide objectivity in board deliberations. Executive directors effect the day-to-day management of the company and its business operations.

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

Directors' attendance at board meetings	28 October 2009	16 February 2010	8 April 2010	16 April 2010	19 May 2010	4 August 2010
AJ Phillips (Chairman)	P	P	P	P	P	P
DS Brouze	P	P	P	P	P	P
RE Moss	P	P	P	P	P	P
JA Bennie (FD) ³	P	P	P	P	P	P
W Hauser ²	A	N/A	N/A	N/A	N/A	N/A
U Schäckermann	P	P	P	P	P	P
JO Freed (Alt JR Freed)	P	P	P	P	P	P
GS Nzalo ¹	N/A	P	A	P	P	P

¹: Appointed 29 October 2009

²: Resigned 31 January 2010

³: Resigned 31 August 2010

A: Apology/Absent

P: Present/Participated

N/A: Not Applicable

P Sigsworth was appointed as group financial director effective 24 November 2010.

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

BOARD PROCESSES

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

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

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

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

During April/May of the year under review, an executive director, Mr JO Freed, sold shares in the company during a closed period without the prior approval of the Chairman, without reporting the sale to the company subsequently. Immediately upon detecting this sale, the company complied with its obligations in terms of the JSE Listings requirements and Mr Freed has been subjected to the relevant sanctions by the JSE.

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

BOARD COMMITTEES

Remuneration and Nomination Committee

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

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

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

Members' attendance at Remuneration Committee meetings

	26 September 2009	8 April 2010	14 May 2010	27 July 2010
AJ Phillips (Chairman)	P	P	P	P
W Hauser ²	P	N/A	N/A	N/A
GS Nzalo ¹	N/A	A	P	P
DS Brouze	P<	P<	P<	P<
U Schäckermann	P<	P<	P<	P<
JA Bennie	P<	P<	P<	P<

¹: Appointed 29 October 2009

²: Resigned 31 January 2010

A: Apology/Absent

P: Present/Participated

N/A: Not Applicable

< Attended by invitation

Audit and Risk Committee

The Audit and Risk Committee is governed by a formal Audit and Risk Committee Charter. It comprises independent non-executive directors AJ Phillips, GS Nzalo and U Schäckermann (who chairs the committee). The Audit and Risk Committee meets periodically with the group's external auditors and executive management to review accounting, auditing, financial reporting, risk management and internal control matters. The joint Managing Directors and Group Financial Director attend meetings by invitation. Further meetings are

Corporate governance report continued

convened when necessary. In view of the size of the company, it was decided during the year to incorporate risk and risk-related issues into the scope of the committee.

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

During the year under review a comprehensive risk assessment process was initiated. This will be an ongoing process and the risk register will be updated at each subsidiary board meeting with periodic feedback being given to the Audit Committee and the board.

Members' attendance at Audit and Risk Committee meetings

	4 September 2009	11 October 2009	28 October 2009	14 May 2010	27 July 2010
U Schäckermann (Chairman)	P	P	P	P	P
AJ Phillips	P	P	P	P	P
GS Nzalo ¹	N/A	N/A	P<	P	P
JA Bennie	P<	P<	P<	P<	P<

¹: Appointed 29 October 2009

A: Apology/Absent

P: Present/Participated

N/A: Not Applicable

< Attended by invitation

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control

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

The Internal Audit Department has now been in operation for a year and provides invaluable information regarding internal controls and risk within the businesses.

In this manner the board is able to provide reasonable assurance regarding the achievement of organisational objectives in respect of the effectiveness and efficiency of operations and compliance with applicable laws, regulations and supervisory requirements.

In addition the systems of internal control enable the board to ensure business sustainability under normal and adverse operating conditions, and responsible behaviour towards all stakeholders.

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

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

Additional internal control activities are introduced to assist the process of mitigating risk exposure where appropriate.

Directors' responsibility for financial reporting

The directors are responsible for the preparation, integrity and fair presentation of the group and company financial statements and other financial information included in this report. In presenting the accompanying 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 22 November 2010 and are signed on their behalf.




AJ Phillips
Chairman



U Schäckermann
Chairman of the Audit Committee

Statement of compliance by the Company Secretary

For the year ended 31 August 2010, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 268 (G)(d) of the Companies Act (61 of 1973), as amended, and all such returns are true, accurate and up to date.



Probity Business Services (Pty) Limited
Company Secretary

Johannesburg
22 November 2010

Independent auditors' report

TO THE SHAREHOLDERS OF AUSTRO GROUP LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying annual financial statements and group annual financial statements of Austro Group Limited, which comprise the directors' report, statement of financial position as at 31 August 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 21 to 64.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 annual financial statements and group annual financial statements present fairly, in all material respects, the financial position of Austro Group Limited as of 31 August 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PKF (JHB) Inc.

PKF (JHB) INC.

Registered Auditors

Chartered Accountants (SA)

Registration number: 1994/001166/21

Johannesburg

22 November 2010

Per: SJ Kock

Directors' report

The directors present their annual report, which forms part of the annual financial statements of the company and the group for the year ended 31 August 2010.

NATURE OF BUSINESS

Company profile

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

The group's activities are detailed in the Chairman's and Operating reviews.

GROUP RESULTS

- Revenue decreased by 30,8% to R401,9 million
- Operating profit decreased by 58,4% to R36,6 million
- Headline earnings per share decreased by 48,0%

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

SHARE CAPITAL

Number of ordinary shares in issue at 31 August 2010: 431 413 384.

There was no change in the issued share capital during the year.

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 4 in the annual financial statements.

CASH DIVIDEND DISTRIBUTION

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

Shareholders are advised that a dividend of 2,0 cents per share has been declared for the period ended 31 August 2010, subsequent to the financial year-end. The total dividend to be paid out of current year earnings are 4,0 cents per share.

The salient dates in respect of the dividend are as follows:

- Last day to trade *cum* dividend on Thursday, 9 December 2010
- Shares will trade *ex* dividend from Friday, 10 December 2010
- Record date Friday, 17 December 2010
- Payment of dividend on Monday, 20 December 2010

Shareholders may not dematerialise or rematerialise their Austro shares between Friday, 10 December 2010 and Friday, 17 December 2010.

DIRECTORS

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

Non-executive directors

AJ Phillips (Chairman)*

DS Brouze

W Hauser²

GS Nzalo¹*

U Schäckermann*

¹ Appointed 29 October 2009

² Resigned 31 January 2010

* Independent

Executive directors

JA Bennie¹

JO Freed (Alternate JR Freed)

RE Moss¹

¹ Resigned 31 August 2010

P Sigsworth was appointed as group financial director effective 24 November 2010.

Directors' report continued

In terms of the articles of association, PS Sigsworth, DS Brouze and AJ Phillips 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 150 497 584 shares constituting 34,88% 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
2010					
DS Brouze	107 408 695	Related parties	500 000	107 908 695	25,01
JR Freed	–	JRF Trust	4 050 000	4 050 000	0,94
JO Freed	–	Freed Trust	24 300 000	24 300 000	5,63
RE Moss	–	Richard Moss Family Trust	14 238 889	14 238 889	3,30
Total	107 408 695		43 088 889	150 497 584	34,88

Director	Direct beneficial	Indirect beneficial	Total	Percentage
2009				
DS Brouze	97 832 850	500 000	98 332 850	22,79
BD Downs	32 881 250	–	32 881 250	7,62
JR Freed	–	4 050 000	4 050 000	0,94
JO Freed	–	24 300 000	24 300 000	5,63
RE Moss	–	8 738 889	8 738 889	2,03
Total	130 714 100	37 588 889	168 302 989	39,01

Director	Direct beneficial	Indirect beneficial	Total	Percentage
2008				
DS Brouze	–	97 832 850	97 832 850	22,97
BD Downs	32 881 250	–	32 881 250	7,72
JO Freed	24 300 000	–	24 300 000	5,71
D Röthlisberger	18 482 250	–	18 482 250	4,34
RJ Friese	8 000 000	–	8 000 000	1,88
Total	83 663 500	97 832 850	181 496 350	42,62

Since year-end to the date of this report there has been no change in directors' shareholdings. The directors do not have any indirect non-beneficial interest.

DIRECTORS' EMOLUMENTS

	Total 2010 R	Total 2009 R
AJ Phillips*	340 000	165 000
RJ Friese	–	3 573 429
DS Brouze*	120 000	240 000
NO Davies	–	585 000
BD Downs	–	1 194 272
JO Freed	2 817 403	3 433 810
JR Freed	3 083 338	4 378 792
W Hauser*	–	150 000
MR Petzer	–	727 073
U Schäckermann*	210 000	15 000
JA Bennie	931 216	231 250
RE Moss	1 409 094	359 310
GS Nzalo*	132 500	–
	9 043 551	15 052 936

* Non-executive

COMPANY SECRETARY

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

AUDIT COMMITTEE REPORT

The Audit Committee has fulfilled its responsibilities during the year (refer to Corporate Governance report for details in this regard). The committee has furthermore satisfied itself as to the independence of the external auditors and their suitability for re-appointment for the ensuing year and has considered and satisfied itself of the appropriateness of the expertise and experience of the group financial director. On an ongoing basis the committee reviews and approves the fees charged by the external auditors.

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

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

AUDITORS

PKF (Jhb) Inc. will continue in office in accordance with section 270(2) of the South African Companies Act, 1973.

SPECIAL RESOLUTION

The following special resolution was passed by shareholders at the annual general meeting on 2 March 2010 and registered by the Registrar of Companies during the year:

– General authority for the company, or subsidiary, to effect share repurchases.

BORROWING LIMITATION

In terms of the articles of association, the directors may exercise all powers of the company to borrow money as they consider appropriate. The borrowing powers of the directors are unlimited.

POST-STATEMENT OF FINANCIAL POSITION

The directors are not aware of any matters or circumstances since the year-end.

Johannesburg
22 November 2010

Consolidated statements of comprehensive income

for the year ended 31 August

	Notes	GROUP			COMPANY		
		2010 R'000	Restated 2009 R'000	Restated 2008 R'000	2010 R'000	Restated 2009 R'000	Restated 2008 R'000
Revenue	17	401 943	580 519	715 131	14 668	114 921	238 588
Cost of sales and services		(242 655)	(343 925)	(435 038)	–	(69 042)	(164 290)
Gross profit		159 288	236 594	280 093	14 668	45 879	74 298
Operating income		6 430	2 465	6 187	24	20 110	1 559
Operating expenses		(129 082)	(151 019)	(131 682)	(8 735)	(69 153)	(47 591)
Profit/(loss) from operations	18	36 636	88 040	154 598	5 957	(3 164)	28 266
Interest received	19	8 567	8 123	6 958	3 766	6 685	4 067
Interest paid	20	(11 546)	(24 766)	(7 522)	(9 164)	(15 969)	(6 943)
Profit/(loss) before taxation		33 657	71 397	154 034	559	(12 448)	25 390
Taxation expense	21	(10 527)	(27 692)	(42 070)	(1 770)	1 000	(5 994)
Profit/(loss) for the year		23 130	43 705	111 964	(1 211)	(11 448)	19 396
Other comprehensive income for the year		–	–	–	–	–	–
Total comprehensive income for the year		23 130	43 705	111 964	(1 211)	(11 448)	(19 396)
Earnings per share (cents)	31	5,4	10,1	26,1	–	–	–
Headline earnings and diluted headline earnings per share (cents)	31	5,2	10,0	25,9	–	–	–
Dividends per share (cents)		4,0	2,0	–	–	–	–

Consolidated statements of financial position

as at 31 August

Notes	GROUP			COMPANY		
	2010 R'000	Restated 2009 R'000	Restated 2008 R'000	2010 R'000	Restated 2009 R'000	Restated 2008 R'000
ASSETS						
Non-current assets	273 403	281 819	290 093	254 020	254 064	301 882
Plant and equipment	2 43 597	51 064	55 760	–	–	15 024
Goodwill	3 229 742	229 742	228 029	–	–	–
Deferred taxation	5 64	1 013	6 304	64	108	–
Investment in subsidiaries	4 –	–	–	253 956	253 956	286 858
Current assets	372 160	412 972	559 365	146 765	188 959	231 471
Inventories	6 254 053	336 110	414 416	–	–	97 134
Trade and other receivables	7 75 160	70 773	142 354	2 165	86	27 198
Taxation receivable	557	3 856	136	–	–	–
Loans receivable	4 –	–	–	104 168	188 873	107 049
Cash and cash equivalents	8 42 390	2 233	2 459	40 432	–	90
Total assets	645 563	694 791	849 458	400 785	443 023	533 353
EQUITY AND LIABILITIES						
Capital and reserves	545 705	539 832	505 433	352 982	371 450	392 204
Share capital	9 4	4	4	4	4	4
Share premium	10 322 103	322 103	308 003	322 103	322 103	308 003
Shares to be issued	–	–	14 778	–	–	14 778
Accumulated profits	223 598	217 725	182 648	30 875	49 343	69 419
Non-current liabilities	3 805	10 812	9 061	3 426	6 851	5 247
Interest-bearing liabilities	11 –	1 370	3 453	–	–	–
Interest-free liabilities	12 3 426	6 851	4 613	3 426	6 851	4 613
Deferred taxation	5 379	2 591	995	–	–	634
Current liabilities	96 053	144 147	334 964	44 377	64 722	135 902
Current portion of interest-bearing liabilities	11 –	600	559	–	–	–
Current portion of interest-free liabilities	12 3 426	3 426	15 534	3 426	3 426	16 926
Trade and other payables	13 62 730	35 076	201 486	1 168	3 177	39 976
Provisions	14 –	–	1 394	–	–	1 394
Taxation payable	15 4 629	5 400	42 993	4 000	2 975	4 366
Bank overdraft	16.1 25 268	99 645	72 998	35 783	55 144	73 240
Total equity and liabilities	645 563	694 791	849 458	400 785	443 023	533 353
Number of shares in issue	431 413 384	431 413 384	425 927 491	–	–	–
Weighted average number of shares	431 413 384	431 413 384	428 220 774	–	–	–
Net asset value	545 705	539 832	505 433	–	–	–
Goodwill	229 742	229 742	228 029	–	–	–
Tangible net asset value	315 963	310 090	277 404	–	–	–
Net asset value per share (cents)	126,5	125,1	118,0	–	–	–
Tangible net asset value per share (cents)	73,2	71,9	65,1	–	–	–

Consolidated statements of cash flows

for the year ended 31 August

Notes	GROUP			COMPANY			
	2010 R'000	Restated 2009 R'000	Restated 2008 R'000	2010 R'000	Restated 2009 R'000	Restated 2008 R'000	
Net cash inflows/(outflows) from operating activities	120 894	(5 632)	(109 665)	(21 487)	67 790	(25 755)	
Cash generated from operations	22	150 392	81 758	(71 201)	1 869	72 864	(1 836)
Interest received	19	8 559	8 123	6 958	3 766	6 685	4 067
Interest paid	20	(11 538)	(24 766)	(6 397)	(9 164)	(15 969)	(5 817)
Dividends paid		(17 257)	(8 628)	–	(17 257)	(8 628)	–
Dividends received		–	–	–	–	13 338	–
Taxation paid	23	(9 262)	(62 119)	(39 025)	(701)	(500)	(22 169)
Net cash (outflows)/inflows from investing activities	(965)	(5 292)	(55 478)	84 705	(34 486)	(108 528)	
Subsidiaries acquired or restructured		–	–	(30 627)	–	–	(16 342)
Plant and equipment acquired – to maintain operations or restructured		(7 212)	(8 359)	(31 454)	–	(435)	(6 043)
Proceeds on disposal of plant and equipment	24	6 247	3 067	6 603	–	12 144	415
Decrease/(increase) in loans receivable		–	–	–	84 705	(46 195)	(86 558)
Net cash outflows from financing activities	(5 395)	(15 949)	(114 158)	(3 425)	(15 298)	(110 226)	
Interest free liabilities paid		(3 425)	(13 228)	(115 078)	–	(14 620)	(109 839)
Interest bearing liabilities (paid)/raised		(1 970)	(2 721)	920	(3 425)	(678)	(387)
Net increase/(decrease) in cash resources	114 534	(26 873)	(279 301)	59 793	18 006	(244 509)	
Cash resources at beginning of year		(97 412)	(70 539)	208 762	(55 144)	(73 150)	171 359
Cash resources at end of year	17 122	(97 412)	(70 539)	4 649	(55 144)	(73 150)	

Consolidated statements of changes in equity

for the year ended 31 August

	Notes	GROUP			COMPANY		
		2010 R'000	Restated 2009 R'000	Restated 2008 R'000	2010 R'000	Restated 2009 R'000	Restated 2008 R'000
Share capital and share premium	9; 10	322 107	322 107	322 785	322 107	322 107	322 785
Balance at beginning of year		322 107	322 785	314 141	322 107	322 785	314 141
Shares issued during year		–	14 757	133 284	–	14 757	133 284
Movement in shares to be issued – reserve		–	(14 778)	(139 418)	–	(14 778)	(139 418)
Shares to be issued – reserve		–	–	14 778	–	–	14 778
Share issue expense		–	(657)	–	–	(657)	–
Accumulated profits		223 598	217 725	182 648	30 875	49 343	69 419
Balance at beginning of year		217 725	182 648	70 684	49 343	69 419	50 023
Total comprehensive income for the year		23 130	43 705	111 964	(1 211)	(11 448)	19 396
Dividend paid		(17 257)	(8 628)	–	(17 257)	(8 628)	–
Total capital and reserves		545 705	539 832	505 433	352 982	371 450	392 204
Retrospective restatement							
Closing balance previously stated		545 705	542 807	508 408	352 982	374 425	395 179
Secondary tax on companies		–	(2 975)	(2 975)	–	(2 975)	(2 975)
Closing balance restated		545 705	539 832	505 433	352 982	371 450	392 204

Financial position segmental analysis

	Power R'000	%	Wood R'000	%	Total R'000	%
2010						
Assets	493 991	76,5	151 572	23,5	645 563	100,0
Capital and reserves	439 490	80,5	106 215	19,5	545 705	100,0
Liabilities	54 501	54,6	45 357	45,4	99 858	100,0
2009						
Assets	506 809	72,9	187 982	27,1	694 791	100,0
Capital and reserves	411 439	76,2	128 393	23,8	539 832	100,0
Liabilities	95 370	61,5	59 589	38,5	154 959	100,0
2008						
Assets	469 103	55,2	380 355	44,8	849 458	100,0
Capital and reserves	218 874	43,3	286 559	56,7	505 433	100,0
Liabilities	250 229	72,7	93 796	27,3	344 025	100,0

Comprehensive income segmental analysis

	Power R'000	%	Wood R'000	%	Total R'000	%
2010						
Revenue	268 426	66,8	133 517	33,2	401 943	100,0
Gross	285 631		143 238		428 869	
Inter-segment	(17 205)		(9 721)		(26 926)	
Profit before taxation	32 102	95,4	1 555	4,6	33 657	100,0
Gross	49 307		11 276		60 583	
Inter-segment	(17 205)		(9 721)		(26 926)	
Depreciation	5 052	53,3	4 427	46,7	9 479	100,0
Profit on sale of plant and equipment	290	27,7	757	72,3	1 047	100,0
2009						
Revenue	422 501	72,8	158 018	27,2	580 519	100,0
Gross	425 750		153 365		579 115	
Inter-segment	(3 249)		4 653		1 404	
Profit before taxation	78 249	109,6	(6 852)	(9,6)	71 397	100,0
Gross	81 498		(11 504)		69 994	
Inter-segment	(3 249)		4 652		1 403	
Depreciation	4 725	52,4	4 295	47,6	9 020	100,0
Profit on sale of plant and equipment	449	89,1	55	10,9	504	100,0
2008						
Revenue	492 494	68,9	222 637	31,1	715 131	100,0
Gross	492 744		271 156		763 900	
Inter-segment	(250)		(48 519)		(48 769)	
Profit before taxation	127 402	82,7	26 632	17,3	154 034	100,0
Gross	127 463		32 417		159 880	
Inter-segment	(61)		(5 785)		(5 846)	
Depreciation	3 091	46,3	3 590	53,7	6 681	100,0
Profit on sale of plant and equipment	1 232	84,2	232	15,8	1 464	100,0

Notes to the annual financial statements

for the year ended 31 August

1. ACCOUNTING POLICIES

The financial statements of the company and the group are prepared in accordance with International Financial Reporting Standards (IFRS) and the AC 500 standards of interpretation as issued by the Accounting Practices Board and the requirements of the South African Companies Act of 1973 and the JSE Limited Listings Requirements.

1.1 Basis of preparation

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

1.2 Standards and interpretations affecting amounts reported in the current period

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

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

Standards in issue not yet effective

Standard	Details of amendment	Annual periods beginning on or after
IFRS 2: Shares-based Payment	<ul style="list-style-type: none"> • Amendments relating to group cash-settled share-based payment transactions – clarity of the definition of the term "Group" and where in a group share based payments must be accounted for. 	1 January 2010
IFRS 3: Business Combinations	<ul style="list-style-type: none"> • Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS • Measurement of non-controlling interests • Unreplaced and voluntarily replaced share-based payment awards 	1 January 2011
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	<ul style="list-style-type: none"> • Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations 	1 January 2010
IFRS 7: Financial Instruments: Disclosures	<ul style="list-style-type: none"> • Clarification of disclosures 	1 January 2011
IFRS 8: Operating Segments	<ul style="list-style-type: none"> • Disclosure of information about segment assets 	1 January 2010
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 <i>Financial Instruments: Recognition and Measurement</i> 	1 January 2013
IAS 1: Presentation of Financial Statements	<ul style="list-style-type: none"> • Current/non-current classification of convertible instruments • Clarification of statement of changes in equity 	1 January 2010
IAS 7: Statement of Cash Flows	<ul style="list-style-type: none"> • Classification of expenditures on unrecognised assets 	1 January 2010
IAS 17: Leases	<ul style="list-style-type: none"> • Classification of leases of land and buildings 	1 January 2010

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)

Standard	Details of amendment	Annual periods beginning on or after
IAS 24: Related Party Disclosure	<ul style="list-style-type: none"> • Simplification of the disclosure requirements for government related entities • Clarification of the definition of related party 	1 January 2011
IAS 27: Consolidated and Separate Financial Statements	<ul style="list-style-type: none"> • Transition requirements for amendments arising as a result of IAS 27 	1 January 2011
IAS 32: Financial Instruments: Presentation	<ul style="list-style-type: none"> • Accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer 	1 February 2010
IAS 34: Interim Financial Reporting	<ul style="list-style-type: none"> • Significant events and transactions 	1 January 2011
IAS 36: Impairment of Assets	<ul style="list-style-type: none"> • Unit of accounting for goodwill impairment test 	1 January 2010
IAS 39: Financial Instruments: Recognition and Measurement	<ul style="list-style-type: none"> • Treating loan pre-payment penalties as closely related embedded derivatives • Scope exemption for business combination contracts • Cash flow hedge accounting 	1 January 2011

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

1.3 Basis of consolidation

Subsidiary companies and other controlled entities

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

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

Business combinations

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

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Plant and equipment

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

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

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

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

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

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

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

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

1.5 Goodwill

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

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

The carrying amount of goodwill is tested annually for impairment.

1.6 Inventories

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

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

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

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Financial instruments

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

Financial instruments are recognised on the 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.

1.7.1 Trade, loans and other receivables

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

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

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

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

1.7.2 Trade and loans payable

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

1.7.3 Cash and cash equivalents

Cash and cash equivalents are measured at fair value. Cash and cash equivalents comprise cash balances and call deposits.

1.7.4 Financial liabilities

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

1.8 Revenue recognition

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

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

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

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

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

1.9 Direct costs

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

1.10 Finance costs

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

1.11 Taxation

Current

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

Secondary Taxation on Companies

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

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

Deferred tax

Deferred tax is provided on the comprehensive basis and is calculated at the current rates using the 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 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, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

1.12 Lease obligations

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

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

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

Notes to the annual financial statements *continued*

for the year ended 31 August

1. ACCOUNTING POLICIES (CONTINUED)

1.13 Provisions, contingent liabilities and contingent assets

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

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

1.14 Impairment of assets

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

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed.

1.15 Employee benefits

Medical aid obligation

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

Post-retirement benefits

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

Employees' leave entitlement

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

Bonus obligations

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

1.16 Operating segments

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

1. ACCOUNTING POLICIES (CONTINUED)

1.17 Foreign currencies

Foreign currency transactions

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

1.18 Management estimates

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

Judgements made by management

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

Asset lives and residual values

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

Deferred tax assets

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

Impairment of assets

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

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

Allowances for doubtful debts

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

Allowances for slow-moving, damaged and obsolete stock

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

Provisions

Provisions are determined on estimates based on available information.

1.19 Share-based payments

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

A liability, equal to the portion of goods and services received, is recognised at the current fair value as determined at each statement of financial position date for cash-settled share-based payments. Changes in the fair value of the liability are recognised in profit or loss.

Notes to the annual financial statements continued

for the year ended 31 August

Group	Plant and equipment R'000	Motor vehicles R'000	Computer and office equipment R'000	Leasehold improvements R'000	Total R'000
2. PLANT AND EQUIPMENT					
2010					
Cost	48 807	16 045	8 306	1 898	75 056
Accumulated depreciation	(18 775)	(5 563)	(5 848)	(1 273)	(31 459)
Net carrying value	30 032	10 482	2 458	625	43 597
Movement summary					
Carrying value 31 August 2009	34 392	13 037	2 735	900	51 064
Additions	4 278	1 749	1 074	111	7 212
Disposal	(2 806)	(2 375)	(19)	–	(5 200)
Depreciation	(5 832)	(1 929)	(1 332)	(386)	(9 479)
Closing net carrying value 31 August 2010	30 032	10 482	2 458	625	43 597
Motor vehicles with a carrying value of 2010 R0 million (2009: R2,2 million) are held as security for the instalment sales referred to in note 11.					
	Plant and equipment R'000	Motor vehicles R'000	Computer and office equipment R'000	Leasehold improvements R'000	Total R'000
2009					
Cost	48 658	17 715	7 422	1 786	75 581
Accumulated depreciation	(14 266)	(4 678)	(4 687)	(886)	(24 517)
Net carrying value	34 392	13 037	2 735	900	51 064
Movement summary					
Carrying value 31 August 2008	36 010	14 504	3 918	1 328	55 760
Additions	8 316	1 173	249	267	10 005
Disposal	(1 766)	(769)	(28)	–	(2 563)
Depreciation	(8 168)	(1 871)	(1 404)	(695)	(12 138)
Closing net carrying value 31 August 2009	34 392	13 037	2 735	900	51 064
2008					
Cost	45 017	17 708	7 324	1 538	71 587
Accumulated depreciation	(9 007)	(3 204)	(3 406)	(210)	(15 827)
Net carrying value	36 010	14 504	3 918	1 328	55 760
Movement summary					
Carrying value 31 August 2007	11 310	3 802	2 610	457	18 179
Additions	31 601	14 304	2 465	1 031	49 401
Disposal	(3 175)	(1 925)	(39)	–	(5 139)
Depreciation	(3 726)	(1 677)	(1 118)	(160)	(6 681)
Closing net carrying value 31 August 2008	36 010	14 504	3 918	1 328	55 760

Company	Plant and equipment R'000	Motor vehicles R'000	Computer and office equipment R'000	Leasehold improvements R'000	Total R'000
2. PLANT AND EQUIPMENT (CONTINUED)					
2010					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net carrying value	-	-	-	-	-
2009					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net carrying value	-	-	-	-	-
Movement summary					
Carrying value 31 August 2008	11 748	1 530	1 746	-	15 024
Additions	-	73	95	267	435
Disposal	(9 554)	(1 331)	(1 183)	(49)	(12 117)
Depreciation	(2 194)	(272)	(658)	(218)	(3 342)
Closing net carrying value 31 August 2009	-	-	-	-	-
2008					
Cost	17 668	2 444	3 393	-	23 505
Accumulated depreciation	(5 920)	(914)	(1 647)	-	(8 481)
Net carrying value	11 748	1 530	1 746	-	15 024
Movement summary					
Carrying value 31 August 2007	9 379	1 256	1 487	-	12 122
Additions	4 172	1 038	833	-	6 043
Disposal	-	(366)	-	-	(366)
Depreciation	(1 803)	(398)	(574)	-	(2 775)
Closing net carrying value 31 August 2008	11 748	1 530	1 746	-	15 024

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
3. GOODWILL						
Cost	229 742	229 742	228 029	–	–	–
Accumulated amortisation and impairments	–	–	–	–	–	–
Net carrying value	229 742	229 742	228 029	–	–	–
Movement summary						
Balance at beginning of year	229 742	228 029	219 969	–	–	–
HT Heye and Austro Group Limited agreements: purchase of subsidiary Neptune Plant Hire (Pty) Limited	–	3 358	6 919	–	–	–
Restatement of provisional numbers to detailed assessment for acquisitions:	–	–	1 141	–	–	–
Plant and equipment	–	–	648	–	–	–
Liabilities	–	–	493	–	–	–
Liability for purchase of subsidiaries adjusted	–	(1 645)	–	–	–	–
Closing net carrying value	229 742	229 742	228 029	–	–	–
Power	192 837	192 837	191 124	–	–	–
Wood	36 905	36 905	36 905	–	–	–
Closing net carrying value	229 742	229 742	228 029	–	–	–
Retrospective restatement						
Closing balance previously stated	229 742	219 465	221 110	–	–	–
HT Heye and Austro Group Limited agreements: purchase of subsidiary Neptune Plant Hire (Pty) Limited	–	10 277	6 919	–	–	–
	229 742	229 742	228 029	–	–	–

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.

Based on Senior Counsel advice an agreement entered into between HT Heye and other related parties 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).

The agreement provides for an additional payment based on the average share price at 30 September 2009. The liability will be settled in three equal instalments, the first payment was made in 2010.

As stated in the annual report for the year ended 31 August 2008, the acquisitions of Quad Technical Services (Pty) Limited and Quinlec Electrical (Pty) Limited were accounted for using provisional figures as at the effective date, 1 April 2008.

The detailed assessment of the assets, liabilities or contingent liabilities has been completed and has resulted in the following adjustments in the prior year:

- plant and equipment on business combinations have been revalued downwards in the amount of R0,6 million and liabilities were revalued upwards by R0,5 million, resulting in an increase of R1,1 million in goodwill.

The depreciation charged on the revalued plant and equipment was not considered material and no adjustment was made accordingly to the statement of comprehensive income for the previous period.

Comparative figures for the statement of financial position were restated to reflect the changes.

Impairment review

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

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

All these cash-generating units operate in the same economic environment for which the same assumptions apply – therefore a rate over a five-year period of 11% and a growth rate of 10% has been used.

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

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

	2010 Percentage held in the subsidiaries	2010 Issued share capital	LOANS RECEIVABLE			SHARES AT COST		
			2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
4. INVESTMENT IN SUBSIDIARIES								
New Way Power (Pty) Limited	100	100	41 349	83 493	–	219 120	219 120	215 762
Austro Wood (Pty) Limited	100	10	62 819	105 380	7 674	34 836	34 836	34 836
Austro Engineering (Pty) Limited	100	400	–	–	–	–	–	–
Austro Tools (Pty) Limited	100	300	–	–	–	–	–	–
Austro Engineering Cape (Pty) Limited	100	400	–	–	4 497	–	–	4 334
Austro Engineering KZN (Pty) Limited	100	120	–	–	20 761	–	–	3 186
Neptune Plant (Pty) Limited	100	100	–	–	–	–	–	–
Neptune Plant Hire (Pty) Limited	100	100	–	–	55 312	–	–	28 740
Quad Technical Services (Pty) Limited	100	100	–	–	16 714	–	–	–
Quinlec Power (Pty) Limited	100	100	–	–	–	–	–	–
2nd Cut Pre-owned Woodworking Equipment (Pty) Limited	100	100	–	–	2 091	–	–	–
			104 168	188 873	107 049	253 956	253 956	286 858

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
5. DEFERRED TAXATION						
Balance at the beginning of the year	(1 578)	5 309	(160)	108	(634)	(1 029)
Temporary differences per statement of comprehensive income	1 263	(6 887)	5 469	(44)	742	395
Reduction in liability due to rate change	–	–	(35)	–	–	(35)
Provision for leave pay and bonuses	24	(310)	1 035	(248)	(414)	457
Capital allowances	3 356	(5 232)	3 110	2 043	(407)	212
Pre-paid expenses	(1 714)	256	(220)	–	211	(200)
Impairment provision	(461)	(608)	561	(113)	(374)	(39)
Restructure movement	(1 726)	–	–	(1 726)	1 726	–
Lease obligations	851	(69)	138	–	–	–
Provision for obsolete inventories	–	(804)	804	–	–	–
Provision for audit fees	–	(42)	42	–	–	–
Income received in advance	1 069	(189)	(205)	–	–	–
Recoupment of plant and equipment	83	–	–	–	–	–
Tax losses	(230)	–	–	–	–	–
Prior year overprovision	11	111	239	–	–	–
Balance at the end of the year	(315)	(1 578)	5 309	64	108	(634)

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
5. DEFERRED TAXATION (CONTINUED)						
The balance consists of:						
Provision for leave pay and bonuses	1 909	1 582	1 922	64	313	726
Capital allowances	(3 406)	(4 619)	712	-	(2 044)	(1 636)
Prepaid expenses	(1 484)	230	(237)	-	-	(211)
Impairment provision	518	865	1 623	-	113	487
Restructure	-	-	-	-	1 726	-
Lease obligations	985	134	24	-	-	-
Provision for obsolete inventories	-	-	804	-	-	-
Provision for audit fees	-	-	42	-	-	-
Income received in advance	1 069	-	189	-	-	-
Recoupment of plant and equipment	83	-	-	-	-	-
Tax losses	-	-	-	-	-	-
Prior year overprovision	11	230	230	-	-	-
	(315)	(1 578)	5 309	64	108	(634)
Disclosed on the statement of financial position as follows:						
Deferred taxation asset	64	1 013	6 304	64	108	-
Deferred taxation liability	(379)	(2 591)	(995)	-	-	(634)
	(315)	(1 578)	5 309	64	108	(634)
Tax losses						
Tax losses at the end of the year	(26 622)	15 166	3 980	(26 622)	15 116	-
Utilised to raise a deferred tax asset	-	-	(823)	-	-	-
Available to reduce future taxable income	(26 622)	15 166	3 157	(26 622)	15 116	-
Deferred taxation asset not raised on tax losses	7 454	4 232	884	7 454	4 232	-
6. INVENTORIES						
Raw materials	147 388	188 100	238 501	-	-	-
Finished goods	104 909	152 198	174 808	-	-	-
Work in progress	10 951	6 199	19 993	-	-	108 489
Consumables	9 856	12 494	11 329	-	-	-
Gross inventories	273 104	358 991	444 631	-	-	108 489
Impairment provisions raised against inventories	(19 051)	(22 881)	(30 215)	-	-	(11 355)
	254 053	336 110	414 416	-	-	97 134
Inventories are valued at lower of cost and net realisable value.						
Movement in impairment provision raised against inventories:						
Balance at the beginning of the year	22 881	30 215	17 661	-	11 355	9 921
Impairment provision raised	(6 327)	3 775	12 554	-	-	1 434
Impairment provision utilised	2 497	(11 109)	-	-	(11 355)	-
	19 051	22 881	30 215	-	-	11 355

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
7. TRADE AND OTHER RECEIVABLES						
Gross trade receivables	74 609	70 284	115 367	2 081	–	19 093
Impairment provisions raised against trade receivables	(2 430)	(3 731)	(2 918)	–	–	(190)
Net trade receivables	72 179	66 553	112 449	2 081	–	18 903
Pre-payments	2 081	1 651	3 578	60	–	753
Deposits	292	287	295	–	86	18
Other receivables	191	2 282	26 032	–	–	7 524
Value-added tax	417	–	–	24	–	–
	75 160	70 773	142 354	2 165	86	27 198

Trade and other receivables of R62,4 million (2009: R49,8 million; 2008: R102,2 million) have been encumbered to secure the banking facility.

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

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
Movement in impairment provision raised against receivables						
Balance at the beginning of the year	3 731	2 918	1 961	–	190	352
Impairment provision raised	83	3 181	1 119	–	–	–
Impairment provision utilised	(1 384)	(2 368)	(162)	–	(190)	(162)
	2 430	3 731	2 918	–	–	190

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		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
8. CASH AND CASH EQUIVALENTS						
Bank	42 191	2 066	2 258	40 432	–	–
Petty cash	199	167	201	–	–	90
	42 390	2 233	2 459	40 432	–	90

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
9. SHARE CAPITAL						
Authorised						
1 000 000 000 (2009: 1 000 000 000; 2008: 1 000 000 000) shares of R0,00001 each	10	10	10	10	10	10
Issued						
431 413 384 (2009: 431 413 384; 2008: 425 927 491) shares of R0,00001 each	4	4	4	4	4	4

The unissued shares are under the control of the directors until the next annual general meeting, subject to the provisions of sections 221 and 222 of the Companies Act.

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
10. SHARE PREMIUM						
Share premium on issued ordinary shares	322 103	322 103	308 003	322 103	322 103	308 003
	322 103	322 103	308 003	322 103	322 103	308 003
11. INTEREST-BEARING LIABILITIES						
Non-current portion	-	1 370	3 453	-	-	-
Current portion	-	600	559	-	-	-
	-	1 970	4 012	-	-	-

	Repayable within 1 year	Repayable within 2 – 5 years	Repayable within longer than 5 years	Total
2009				
Interest-bearing liabilities				
Future minimum payments		448	1 216	1 664
Finance cost		152	154	306
		600	1 370	1 970
2008				
Interest-bearing liabilities				
Future minimum payments		185	2 580	2 765
Finance costs		374	873	1 247
		559	3 453	4 012

The interest-bearing liabilities bore interest at various rates linked to prime rate in 2009 10,5% (2008: 15,5%) and were repayable in various monthly instalments of R71 872 in 2009 (2008: R91 456) over a period of 1 to 5 years.

These liabilities were secured by plant and equipment with a carrying value of R2,2 million in 2009 (2008: R3,6 million). The directors considered the carrying amount of interest-bearing liabilities to approximate their fair value.

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
12. INTEREST-FREE LIABILITIES						
Non-current portion	3 426	6 851	4 613	3 426	6 851	4 613
Current portion	3 426	3 426	15 534	3 426	3 426	16 926
	6 852	10 277	20 147	6 852	10 277	21 539

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
12. INTEREST-FREE LIABILITIES (CONTINUED)						
Retrospective restatement						
Closing balance previously stated	-	-	13 228	-	-	14 620
Amount owing for purchase of subsidiaries:						
HT Heye and Austro Group Limited agreements: purchase of subsidiary Neptune Plant Hire (Pty) Limited	6 852	10 277	6 919	6 852	10 277	6 919
Closing balance restated	6 852	10 277	20 147	6 852	10 277	21 539
Amount owing for purchase of subsidiaries						
Gearing Moss Supplies (Pty) Limited	-	-	9 381	-	-	9 381
Neptune Plant Hire (Pty) Limited	-	-	9 030	-	-	9 030
New Way Motor & Diesel Engineering (Pty) Limited	-	-	-	-	-	1 392
Quinlec Power (Pty) Limited	-	-	1 736	-	-	1 736
	-	-	20 147	-	-	21 539

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 other related parties 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).

The agreement provides for an additional payment based on the average share price at 30 September 2009. The liability will be settled in three equal instalments; the first payment was made in 2010.

	Repayable within 1 year	Repayable within 2 – 5 years	Repayable within longer than 5 years	Total
2010				
Interest-free liabilities				
Future minimum payments	3 426	3 426	-	6 852
	3 426	3 426	-	6 852

The interest-free liability bears no interest and is repayable in 2 annual instalments over 2 years.

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 within longer than 5 years	Total
2009				
Interest-free liabilities				
Future minimum payments	3 426	6 851	-	10 277
	3 426	6 851	-	10 277
2008				
Interest-free liabilities				
Future minimum payments	13 228	6 919	-	20 147
	13 228	6 919	-	20 147

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
13. TRADE AND OTHER PAYABLES						
Trade payables	33 387	15 105	164 724	511	–	19 327
Accruals	11 523	10 804	10 899	657	3 177	4 952
Pre-payments	5 966	–	–	–	–	–
Other payables	10 569	9 167	25 863	–	–	15 697
Value-added tax	1 285	–	–	–	–	–
	62 730	35 076	201 486	1 168	3 177	39 976

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.

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
14. PROVISIONS						
Balance at the beginning of the year	–	1 394	1 760	–	1 394	1 760
Provisions reversed	–	(1 394)	(366)	–	(1 394)	(366)
Balance at the end of the year	–	–	1 394	–	–	1 394

The provision for warranties in 2008 of R1,4 million was a non-specific provision raised for product defects. These are now the responsibility of the relevant manufacturers.

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
15. TAXATION PAYABLE						
Retrospective restatement						
Closing balance previously stated	4 629	2 425	40 018	4 000	–	1 391
Secondary Tax on Companies	–	2 975	2 975	–	2 975	2 975
Closing balance restated	4 629	5 400	42 993	4 000	2 975	4 366

During the current year it was determined that Secondary Tax on Companies (STC) to the value of R2,9 million should have been recorded in the books of the company prior to the listing, but had not been accounted for previously. The amount is not recoverable from the vendors as previously stated in the interim results and has therefore been charged to taxation.

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
16.1 BANK OVERDRAFT						
Standard Bank	25 268	99 645	72 998	35 783	55 144	73 240
	25 268	99 645	72 998	35 783	55 144	73 240

The bank overdraft has been secured by pledge of amounts receivable from trade debtors of R62,4 million (2009: R49,8 million and 2008: R102,2 million).

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
16.2 BANK FACILITIES						
Available facilities						
Bank overdraft facility	75 000	120 000	120 000	75 000	120 000	120 000
Other interest-bearing facilities: vehicle and asset finance	5 585	4 775	4 775	5 585	–	–
	80 585	124 775	124 775	80 585	120 000	120 000
Utilised facilities						
Bank overdraft facility	25 268	99 645	72 998	35 783	55 144	73 240
Other interest-bearing facilities: vehicle and asset finance	–	1 970	4 012	–	–	–
	25 268	101 615	77 010	35 783	55 144	73 240
Security provided						
Trade and other receivables	62 378	49 794	102 195	–	–	–
	62 378	49 794	102 195	–	–	–
17. REVENUE						
Services rendered	52 678	43 836	50 136	14 668	8 391	19 119
Sale of goods	349 265	536 683	664 995	–	106 530	219 469
	401 943	580 519	715 131	14 668	114 921	238 588
18. PROFIT/(LOSS) FROM OPERATIONS						
Profit/(loss) from operations is stated after taking into account the following items:						
Other income						
Profit on forex	3 001	70	–	–	–	–
Depreciation						
Plant and equipment	5 832	8 168	3 726	–	2 194	1 803
Motor vehicles	1 929	1 871	1 677	–	272	398
Computer and office equipment	1 332	1 404	1 118	–	658	574
Leasehold improvements	386	695	160	–	218	–
	9 479	12 138	6 681	–	3 342	2 775
Dividends received	–	–	–	–	13 338	–
Directors' emoluments (detailed analysis by director provided in note 28)						
Non-executive directors	803	660	120	803	660	120
Executive directors	8 241	14 393	8 643	2 340	6 623	5 526
	9 044	15 053	8 763	3 143	7 283	5 646
Operating lease and rental charges						
Computer and office equipment	–	35	–	–	–	–
Premises	94 895	5 083	3 047	–	–	–
	94 895	5 118	3 047	–	–	–
Profit on disposal of plant and equipment	1 047	504	1 464	–	27	50
Audit fees	1 455	2 095	2 137	267	783	1 183
Employees						
Salaries and wages	62 535	70 706	57 636	915	7 672	23 430
Employer contributions to retirement funds	2 399	1 430	1 168	160	–	–
	64 934	72 136	58 804	1 075	7 672	23 430

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
19. INTEREST RECEIVED						
Funds on deposits with banks	4 581	7 868	6 894	3 693	6 685	4 067
Interest received from related parties	3 324	–	–	65	–	–
Interest received from taxation authorities	540	–	–	–	–	–
Other	114	255	64	8	–	–
	8 559	8 123	6 958	3 766	6 685	4 067
20. INTEREST PAID						
Bank overdraft	11 556	21 125	6 945	9 524	14 864	6 943
Long-term liabilities	–	238	114	–	–	–
Interest paid to related parties	65	508	–	–	508	–
Interest paid/(reversed) to taxation authorities	(99)	2 743	44	(360)	597	–
Other	16	152	419	–	–	–
	11 538	24 766	7 522	9 164	15 969	6 943
21. TAXATION						
South African normal taxation						
Current year	11 109	22 854	47 648	–	–	6 389
Prior year overprovision	(751)	(2 910)	–	–	(2 847)	–
Secondary Tax on Companies						
Current year	1 726	863	150	1 726	863	–
Prior year over provision	(294)	–	–	–	–	–
Deferred taxation						
Current year	(1 493)	1 363	(5 428)	44	984	(395)
Prior year under/(over) provision	230	5 522	(300)	–	–	–
	10 527	27 692	42 070	1 770	(1 000)	5 994
Reconciliation of taxation:						
Taxation at South African normal taxation rate	9 425	19 991	43 130	156	(3 485)	7 109
Permanent differences	300	1 037	(208)	11	(2 929)	11
Tax losses – current year	–	8 908	884	(123)	7 578	–
Tax losses – prior year	(123)	(802)	–	–	–	–
Prior year adjustment – normal taxation	(844)	(2 910)	(1 108)	–	(2 847)	–
Prior year adjustment – deferred taxation	230	600	(778)	–	(180)	–
Current year adjustment – normal taxation	18	5	–	–	–	–
Other	–	–	–	–	–	(1 126)
Capital Gains Taxation – current year	14	–	–	–	–	–
Secondary Tax on Companies	1 507	863	150	1 726	863	–
Taxation per statement of comprehensive income	10 527	27 692	42 070	1 770	(1 000)	5 994

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
22. CASH GENERATED FROM/ (UTILISED IN) OPERATIONS						
Profit before taxation	33 657	71 397	154 034	559	(12 448)	25 390
Adjusted for:						
Depreciation	9 479	12 138	6 681	-	3 342	2 776
Profit on disposal of plant and equipment	(1 047)	(504)	(1 464)	-	(27)	(50)
Net interest paid	2 979	16 643	565	5 398	9 284	2 874
Impairment provision against inventories (utilised)/raised (refer note 6)	(3 830)	(7 334)	12 555	-	(11 355)	1 434
Impairment provision against trade and other receivables (utilised)/raised (refer note 7)	(1 301)	813	957	-	(190)	(162)
Other provisions utilised (refer note 13)	-	(1 394)	-	-	(1 394)	-
Dividends received	-	-	-	-	(13 338)	-
Profit before interest and taxation before working capital changes	39 937	91 759	173 328	5 957	(26 126)	32 262
Decrease/(increase) in working capital	110 455	(10 001)	(244 529)	(4 088)	98 990	(34 098)
Decrease/(increase) in inventories (Increase)/decrease in trade and other receivables	85 887	85 640	(260 792)	-	108 489	(29 688)
Increase/(decrease) in trade and other payables	(3 086)	70 768	(72 432)	(2 079)	27 302	(6 791)
	27 654	(166 409)	88 695	(2 009)	(36 801)	2 381
Cash generated from/(utilised in) operations	150 392	81 758	(71 201)	1 869	72 864	(1 836)
23. TAXATION PAID						
Taxation payable at the beginning of the year	(1 544)	(42 857)	(32 792)	(2 975)	(4 366)	(20 146)
Taxation per the statements of comprehensive income excluding deferred taxation	(11 790)	(20 807)	(47 798)	(1 726)	1 984	(6 389)
Taxation payable due to business combinations	-	-	(1 292)	-	(1 093)	-
Taxation payable at the end of the year	4 072	1 544	42 857	4 000	2 975	4 366
	(9 262)	(62 120)	(39 025)	(701)	(500)	(22 169)
Taxation per the statements of comprehensive income excluding deferred tax						
Taxation per the statement of comprehensive income	10 527	27 692	42 070	1 770	(1 000)	5 994
Exclude deferred taxation	(1 263)	6 885	(5 728)	44	984	(395)
Current year	(1 493)	1 363	(5 428)	44	984	(395)
Prior year under/(over)provision	230	5 522	(300)	-	-	-
	11 790	20 807	47 798	1 726	(1 984)	6 389
Taxation payable at the end of the year						
Taxation receivable	557	3 856	136	-	-	-
Taxation payable	(4 629)	(5 400)	(42 993)	(4 000)	(2 975)	(4 366)
	(4 072)	(1 544)	(42 857)	(4 000)	(2 975)	(4,366)

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
24. PROCEEDS ON DISPOSAL OF PLANT AND EQUIPMENT						
Book value of assets disposed	5 200	2 563	5 139	–	–	366
Book value of assets disposed – restructure	–	–	–	–	12 117	–
Profit on disposal of plant and equipment	1 047	504	1 464	–	27	49
Proceeds on disposal of plant and equipment	6 247	3 067	6 603	–	12 144	415
25. COMMITMENTS						
Capital commitments						
The company has no contracted capital commitments.						
Operating lease commitments						
Computer and office equipment	–	410	410	–	–	–
Premises	94 895	13 173	17 834	–	–	–
	94 895	13 583	18 244	–	–	–
These commitments accrue in the following periods:						
Due by August 2010	–	5 733	10 393	–	–	–
Due by August 2011	8 355	5 209	5 209	–	–	–
Due by August 2012	7 940	2 476	2 476	–	–	–
Due by August 2013	8 543	107	107	–	–	–
Due by August 2014	9 312	–	–	–	–	–
Thereafter	60 745	58	59	–	–	–
	94 895	13 583	18 244	–	–	–

26. RETIREMENT BENEFITS

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

The company has no liability towards any pension or provident fund, apart from normal recurring monthly contributions deducted from 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
27. FINANCIAL INSTRUMENTS						
27.1 Categories of financial instruments						
2010						
ASSETS						
Non-current assets						
Plant and equipment	–	–	–	43 597	–	43 597
Goodwill	–	–	–	229 742	–	229 742
Deferred taxation	–	–	–	64	–	64
Current assets						
Inventories	–	–	–	254 053	–	254 053
Trade and other receivables	–	72 662	–	2 498	–	75 160
Taxation receivable	–	–	–	557	–	557
Cash and cash equivalents	–	42 390	–	–	–	42 390
	–	115 052	–	530 511	–	645 563
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	–	–	–	–	4	4
Share premium	–	–	–	–	322 103	322 103
Accumulated profits	–	–	–	–	223 598	223 598
Non-current liabilities						
Interest-free liabilities	–	–	3 426	–	–	3 426
Deferred taxation	–	–	–	379	–	379
Current liabilities						
Current portion of interest-free liabilities	–	–	3 426	–	–	3 426
Trade and other payables	–	–	55 479	7 251	–	62 730
Taxation payable	–	–	–	4 629	–	4 629
Bank overdraft	–	–	25 268	–	–	25 268
	–	–	87 599	12 259	545 705	645 563

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
27. FINANCIAL INSTRUMENTS (CONTINUED)						
27.1 Categories of financial instruments (continued)						
2009						
ASSETS						
Non-current assets						
Plant and equipment	–	–	–	51 064	–	51 064
Goodwill	–	–	–	229 742	–	229 742
Deferred taxation	–	–	–	1 013	–	1 013
Current assets						
Inventories	–	–	–	336 110	–	336 110
Trade and other receivables	–	68 355	–	2 418	–	70 773
Taxation receivable	–	–	–	3 856	–	3 856
Cash and cash equivalents	–	2 233	–	–	–	2 233
	–	70 588	–	624 203	–	694 791
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	–	–	–	–	4	4
Share premium	–	–	–	–	322 103	322 103
Accumulated profits	–	–	–	–	217 725	217 725
Non-current liabilities						
Interest-bearing liabilities	–	–	1 370	–	–	1 370
Interest-free liabilities	–	–	–	–	6 851	6 851
Deferred taxation	–	–	–	2 591	–	2 591
Current liabilities						
Current portion of interest-bearing liabilities	–	–	600	–	–	600
Current portion of interest-free liabilities	–	–	–	–	3 426	3 426
Trade and other payables	–	–	32 576	2 500	–	35 076
Taxation payable	–	–	–	5 400	–	5 400
Bank overdraft	–	–	99 645	–	–	99 645
	–	–	134 191	10 491	550 109	694 791

	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
27. FINANCIAL INSTRUMENTS (CONTINUED)						
27.1 Categories of financial instruments (continued)						
2008						
ASSETS						
Non-current assets						
Plant and equipment	–	–	–	55 760	–	55 760
Goodwill	–	–	–	228 029	–	228 029
Deferred taxation	–	–	–	6 304	–	6 304
Current assets						
Inventories	–	–	–	414 416	–	414 416
Trade and other receivables	–	120 403	–	21 951	–	142 354
Taxation receivable	–	–	–	136	–	136
Cash and cash equivalents	–	2 459	–	–	–	2 459
	–	122 862	–	726 596	–	849 458
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	–	–	–	–	4	4
Share premium	–	–	–	–	308 003	308 003
Shares to be issued	14 778	–	–	–	–	14 778
Accumulated profits	–	–	–	–	182 648	182 648
Non-current liabilities						
Interest-bearing liabilities	–	–	3 453	–	–	3 453
Interest-free liabilities	–	–	4 613	–	–	4 613
Deferred taxation	–	–	–	995	–	995
Current liabilities						
Current portion of interest-bearing liabilities	–	–	559	–	–	559
Current portion of interest-free liabilities	–	–	15 534	–	–	15 534
Trade and other payables	–	–	191 875	9 611	–	201 486
Provisions	–	–	–	1 394	–	1 394
Taxation payable	–	–	–	42 993	–	42 993
Bank overdraft	–	–	72 998	–	–	72 998
	14 778	–	289 032	54 993	490 655	849 458

27.2 Interest rate risk management

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk exposures are measured using sensitivity analysis.

A sensitivity analysis shows how profit before taxation and equity would have been affected by changes in the interest rate that were reasonably possible at the reporting date.

Notes to the annual financial statements continued

for the year ended 31 August

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.2 Interest rate risk management (continued)

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

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
Financial assets						
Loans granted and bank deposits at no interest	72 662	68 355	120 403	106 333	147 476	134 247
Loans granted and bank deposits linked to South African money market rates	42 390	2 233	2 459	40 432	–	90
	115 052	70 588	122 862	146 765	147 476	134 337
Financial liabilities						
Financing received and banking facilities at no interest	62 331	32 576	191 875	8 020	13 454	39 976
Financing received and banking facilities linked to South African prime rates	25 268	101 615	77 010	35 783	55 144	87 860
	87 599	134 191	268 885	43 803	68 598	127 836
				Carrying value at statement of financial position R'000	Reasonable possible change %	Pre-tax statement of comprehensive income impact R'000
2010						
Financial assets						
Loans granted and bank deposits linked to South African money market rates	42 390			42 390	1	424
						424
Financial liabilities						
Financing received and banking facilities linked to South African prime rates	25 268			25 268	1	253
						253
2009						
Financial assets						
Loans granted and bank deposits linked to South African money market rates	2 233			2 233	1	22
						22
Financial liabilities						
Financing received and banking facilities linked to South African prime rates	101 615			101 615	1	1 016
						1 016
2008						
Financial assets						
Loans granted and bank deposits linked to South African money market rates	2 459			2 459	1	25
						25
Financial liabilities						
Financing received and banking facilities linked to South African prime rates	77 010			77 010	1	770
						770

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.3 Credit risk management

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

The group minimised its risks by ensuring that counterparties are credit worthy institutions.

If any doubt exists about the creditworthiness of a customer, arrangements will be made to obtain letters of credit.

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

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.

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

Notes to the annual financial statements continued

for the year ended 31 August

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.3 Credit risk management (continued)

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

27. FINANCIAL INSTRUMENTS (CONTINUED)
27.3 Credit risk management (continued)

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

Collateral held against receivables

As a rule no collateral is held on trade and other receivables, apart from insurance and normal personal suretyships provided by certain individuals on behalf of certain trade debtors.

Suretyships are not a pre-requisite for the group to grant terms to its customers and are obtained when it is normal industry practice and/or deemed prudent to do so.

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
Exposure to credit losses						
Maximum exposure: (refer note 7: net trade receivables)	72 179	66 553	112 449	2 081	2 081	18 903
	72 179	66 553	112 449	2 081	2 081	18 903

Notes to the annual financial statements continued

for the year ended 31 August

27. FINANCIAL INSTRUMENTS (CONTINUED)

27.4 Liquidity risk management

Liquidity risk is the risk that the company will on due date be unable to meet financial commitment.

The cash requirements of the group are managed according to its needs from time to time.

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources and unutilised borrowing facilities are maintained.

The following tables detail the 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
2010						
Interest-bearing liabilities	–	–	–	–	–	–
Interest-free liabilities	–	3 426	3 426	–	–	6 852
Trade and other payables	–	55 479	–	–	–	55 479
Bank overdraft	–	25 268	–	–	–	25 268
	–	84 173	3 426	–	–	87 599
2009						
Interest-bearing liabilities	–	600	1 370	–	–	1 970
Interest-free liabilities	–	–	–	–	–	–
Trade and other payables	–	32 576	–	–	–	32 576
Bank overdraft	–	99 645	–	–	–	99 645
	–	132 821	1 370	–	–	134 191
2008						
Interest-bearing liabilities	–	559	3 453	–	–	4 012
Interest-free liabilities	–	13 228	2 306	4 613	–	20 147
Trade and other payables	–	191 875	–	–	–	191 875
Bank overdraft	–	72 998	–	–	–	72 998
	–	278 660	5 759	4 613	–	289 032

27.5 Capital risk management

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

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

28. DIRECTORS' EMOLUMENTS

Directors' emoluments including direct and indirect benefits, for the period ended 31 August 2010, are as follows:

	Board and committee fees R'000	Salary R'000	Bonus R'000	Company benefits R'000	Expense allowance R'000	Total R'000
Non-executive directors						
AJ Phillips	340	–	–	–	–	340
GS Nzalo	133	–	–	–	–	133
U Schäckermann	210	–	–	–	–	210
DS Brouze	120	–	–	–	–	120
Executive directors						
JO Freed	–	2 399	270	64	84	2 817
JR Freed	–	2 763	150	171	–	3 084
JA Bennie	–	818	48	65	–	931
RE Moss	–	1 194	100	115	–	1 409
	803	7 174	568	415	84	9 044

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

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

Directors' emoluments including direct and indirect benefits, for the period ended 31 August 2008, are as follows:

	Board and committee fees R'000	Salary R'000	Bonus R'000	Company benefits R'000	Expense allowance R'000	Total R'000
Non-executive director						
W Hauser	120	–	–	–	–	120
Executive directors						
RJ Friese	–	3 281	–	–	–	3 281
BD Downs	–	1 150	–	–	–	1 150
JO Freed	–	3 117	–	–	–	3 117
D Rothlisberger	–	1 095	–	–	–	1 095
	120	8 643	–	–	–	8 763

Notes to the annual financial statements continued

for the year ended 31 August

29. RELATED PARTIES

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

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

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

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

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

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

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

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

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

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
29.1 Related party transactions						
Interest received						
New Way Power (Pty) Limited: interest received on insurance premiums	–	–	–	23	–	–
Austro Wood (Pty) Limited: interest received on insurance premiums	–	–	–	42	–	–
30 – 38 Jacoba Alberton North (Pty) Limited: property loan (DS Brouze, director)	3 259	–	–	–	–	–
	3 259	–	–	65	–	–
Interest paid						
RE Moss (Director)	–	508	–	–	508	–
	–	508	–	–	508	–
Management/Administration fees received						
Austro Group Limited	–	–	–	14 668	8 391	4 713
Austro Wood (Pty) Limited	–	–	–	–	361	–
New Way Power (Pty) Limited	–	–	–	–	4 351	–
	–	–	–	14 668	13 103	4 713
Management/Administration fees paid						
Austro Wood (Pty) Limited	–	–	–	5 041	361	–
New Way Power (Pty) Limited	–	–	–	9 627	4 351	–
	–	–	–	14 668	4 712	–

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
29. RELATED PARTIES (CONTINUED)						
29.1 Related party transactions (continued)						
Other fees paid						
84 Bluff Road Properties CC: rent paid (Q Dry, director)	338	333	116	-	-	-
84 Bluff Road Properties CC: building expenses incurred and invoiced (Q Dry, director)	-	-	85	-	-	-
Salamax 1987 (Pty) Limited: rent paid (DS Brouze, director)	6 659	337	-	-	337	-
Straightprops (Pty) Limited: rent paid (JR Moss, related to RE Moss, director)	1 220	741	737	-	-	-
Setpay Investments (Pty) Limited: rent paid Neptune Plant Hire (Pty) Limited	-	1 084	1 285	-	-	-
Consulting (JR Moss)	-	143	237	-	-	-
Vonnie CC: rent paid (JO Freed, director)	720	720	838	-	-	838
Austrian Woodworking Machinery (Pty) Limited: rent paid (DS Brouze, director)	4 069	-	1 773	-	-	1 773
Austrian Woodworking Machinery (Pty) Limited: building expenses incurred and invoiced (DS Brouze, director)	-	-	281	-	-	281
30 – 38 Jacoba Alberton North (Pty) Limited (property rental for Alberton) (DS Brouze, director)	4 080	-	-	-	-	-
Austro Wood (Pty) Limited: rent paid (DS Brouze, director)	-	-	-	144	-	-
	17 086	3 358	5 352	144	337	2 892
Inter-company sales						
Austro Wood (Pty) Limited	9 721	22 091	802	-	-	-
New Way Power (Pty) Limited	17 205	17 730	265	-	-	-
Austro Engineering Cape (Pty) Limited	-	-	21 205	-	-	-
Austro Engineering KZN (Pty) Limited	-	-	22 883	-	-	-
2nd Cut Pre-Owned Woodworking Equipment (Pty) Limited	-	-	2 186	-	-	-
Quad Technical Services (Pty) Limited	-	-	48 204	-	-	-
Neptune Plant Hire (Pty) Limited	-	-	50	-	-	-
	26 926	39 821	95 595	-	-	-

Notes to the annual financial statements continued

for the year ended 31 August

	GROUP			COMPANY		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
29. RELATED PARTIES (CONTINUED)						
29.2 Related party balances						
In trade and other receivables/ (trade and other payables):						
Austro Group Limited						
New Way Power (Pty) Limited	-	-	-	(1 664)	-	-
Austro Wood (Pty) Limited	-	-	-	(417)	-	-
New Way Power (Pty) Limited						
Austro Group Limited	1 664	-	-	-	-	-
Austro Wood (Pty) Limited	(60)	-	-	-	-	-
Austro Wood (Pty) Limited						
Austro Group Limited	417	-	-	-	-	-
New Way Power (Pty) Limited	60	-	-	-	-	-
	2 081	-	-	(2 081)	-	-
Other balances with related parties						
Salamax receivable relating to lease of premises (DS Brouze, director) 30 – 38 Jacoba Alberton North (Pty) Limited (property rental for Alberton)	-	86	-	-	86	-
30 – 38 Jacoba Alberton North (Pty) Limited (property)	(4 080)	-	-	-	-	-
Austrian Woodworking Machinery (Pty) Limited relating to rental of premises (DS Brouze, director)	750	-	-	-	-	-
Loan account: 84 Bluff Road Properties CC (Q Dry)	(265)	-	321	-	-	321
	-	325	85	-	-	-
	(3 595)	411	406	-	86	321
Loans receivable inter-group						
New Way Power (Pty) Limited	-	-	-	41 349	83 493	-
Austro Wood (Pty) Limited	-	-	-	62 819	105 380	7 694
Austro Engineering Cape (Pty) Limited	-	-	-	-	-	4 497
Austro Engineering KZN (Pty) Limited	-	-	-	-	-	20 761
2nd Cut Pre-Owned Woodworking Equipment (Pty) Limited	-	-	-	-	-	2 091
Quad Technical Services (Pty) Limited	-	-	-	-	-	55 312
Quinlec Power (Pty) Limited	-	-	-	-	-	16 714
Neptune Plant Hire (Pty) Limited	-	-	-	-	-	-
	-	-	-	104 168	188 873	107 049

30. RESTRUCTURE EFFECTED 31 AUGUST 2009

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

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

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

	2010 R'000	GROUP 2009 R'000	2008 R'000
31. EARNINGS PER SHARE			
Number of shares in issue	431 413 384	431 413 384	425 927 491
Weighted average number of shares	431 413 384	431 413 384	428 220 774
Earnings per share (cents)	5,4	10,1	26,1
Total comprehensive income for the year	23 130	43 705	111 964
Weighted average number of shares	431 413 384	431 413 384	428 220 774
Headline and diluted earnings per share (cents)	5,2	10,0	25,9
Headline earnings and diluted headline earnings	22 230	43 342	110 910
Weighted average number of shares	431 413 384	431 413 384	428 220 774
Reconciliation of earnings to headline earnings and diluted headline earnings	22 230	43 342	110 910
Total comprehensive income for the year	23 130	43 705	111 964
Net (profit)/loss on disposal of plant and equipment	(1 047)	(504)	(1 464)
Tax effect thereon	147	141	410

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32. EMPLOYEE BENEFITS

Share linked bonuses were granted to selected directors and staff members in terms of a phantom share incentive scheme "Austro Incentive Participation Scheme" whereby staff members are entitled to a payment in an amount equal to the enhancement of the value of the share price based on a 30 day weighted average share price with reference to the strike price at the exercise date of the phantom shares.

The award dates of the phantom shares are indicated below and the strike price was R1,50, R1,00 and R0,55 per share.

An agreement was entered into with scheme participants to settle the options in cash.

The phantom shares awarded, vest and may be exercised as follows;

- up to 25% of the shares on or after the first anniversary of the award date;
- up to 50% of the shares on or after the second anniversary of the award date;
- up to 75% of the shares on or after the third anniversary of the award date; and
- up to 100% of the shares on or after the fourth anniversary of the award date;

To the extent that the options have not been exercised by the 5th or 6th anniversary of the award date, or termination of employment, the options will lapse at that date and accrue cumulatively to the directors and the staff members up until that date, if not exercised.

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

32.1 Directors' participation in share-linked incentive schemes

Movement during the year:

MR Petzer

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

	2010 Number of shares '000	2009 Number of shares '000	2008 Number of shares '000
Balance at beginning of year	-	600	600
Exercised	-	-	-
- Award date 1 May 2007	-	-	-
Termination of employment – lapsed	-	(600)	-
Balance at end of year	-	-	600

RJ Friese

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

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

	2010 Number of shares '000	2009 Number of shares '000	2008 Number of shares '000
Balance at beginning of year	-	2 000	3 000
Exercised	-	-	(1 000)
- Award date 1 March 2007	-	-	-
Termination of employment – lapsed	-	(2 000)	-
Balance at end of year	-	-	2 000

32. EMPLOYEE BENEFITS (CONTINUED)

32.2 Cash settled share-based payments

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

	2010	2009	2008
	Number of shares	Number of shares	Number of shares
	Strike price	Strike price	Strike price
	R1,50	R1,50	R1,50
	'000	'000	'000
At the beginning of the year	720	720	720
Exercised	–	–	–
Issued:			
Award date – 1 May 2007	–	–	–
Award date – 1 July 2007	–	–	–
Balance at the end of year	720	720	720

32.3 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.

	2010	2009	2008
	Number of shares	Number of shares	Number of shares
	'000	'000	'000
Balance at beginning of year	–	–	–
Exercised	–	–	–
Issued:			
Award date – 1 June 2010	4 000	–	–
Lapsed	–	–	–
Balance at the end of year	4 000	–	–

These phantom share 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 awarded date;
- up to 100% of the phantom shares on or after the third anniversary of the award date.

JA Bennie

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

	2010	2009	2008
	Number of shares	Number of shares	Number of shares
	'000	'000	'000
Balance at beginning of year	–	–	–
Exercised	–	–	–
Issued:			
Award date – 1 June 2010	4 000	–	–
Termination of employment – lapsed	(4 000)	–	–
Balance at the end of the year	–	–	–

Shareholders' analysis

as at 31 August 2010

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	84	13,15	52 690	0,01
1 001 – 10 000 shares	278	43,51	1 325 906	0,31
10 001 – 100 000 shares	180	28,17	8 065 437	1,87
100 001 – 1 000 000 shares	57	8,92	21 519 409	4,99
1 000 001 shares and over	40	6,25	400 449 942	92,82
Totals	639	100,00	431 413 384	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks	4	0,63	8 103 000	1,88
Close Corporations	21	3,29	2 877 898	0,67
Director holdings	9	1,41	183 878 834	42,62
Endowment funds	5	0,78	91 450	0,02
Individuals	523	81,85	46 453 109	10,77
Insurance companies	3	0,47	5 172 102	1,20
Investment companies	2	0,31	37 409 561	8,67
Mutual funds	8	1,25	51 554 783	11,95
Nominees and trusts	31	4,85	30 503 683	7,07
Other corporations	5	0,78	41 681 195	9,66
Private companies	27	4,23	23 592 386	5,47
Retirement fund	1	0,15	95 383	0,02
Totals	639	100,00	431 413 384	100,00
NON-PUBLIC/PUBLIC SHAREHOLDERS				
Non-public shareholders	9	1,41	183 878 834	42,62
Directors and associates of the company holdings	9	1,41	183 878 834	42,62
Public shareholders	630	98,59	247 534 550	57,38
Totals	639	100,00	431 413 384	100,00
BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE				
DS Brouze: direct and indirect beneficial			107 908 695	25,01
Quixley Global Incorporated			41 618 195	9,65
Peregrine			36 845 336	8,54
BD Downs: direct beneficial			33 381 250	7,74
JO Freed: indirect beneficial			24 300 000	5,63
Totals			244 053 476	56,57

JSE statistics

for the year ended 31 August

	2010	2009
MARKET PRICE PER ORDINARY SHARE (CENTS)		
Closing 31 August	54	60
High for the year	66	160
Low for the year	44	36
Volume of units traded during the period	123 683 398	169 184 178
Number of transactions	1 449	1 541
Value of shares traded during the period (Rand)	63 833 732	95 339 203

Annual timetable of events

Financial year-end	31 August 2010
Announcement of annual results	November 2010
Annual report distribution	November 2010
Annual general meeting	1 March 2011
Announcement of interim results	April 2011

Notice of annual general meeting



AUSTRO GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2001/029771/06)

JSE code: ASO

ISIN: ZAE000090882

Notice is hereby given that the annual general meeting of shareholders of Austro Group Limited (the company) will be held at 10:00 on Tuesday, 1 March 2011 at 1125 Leader Road, Stormill Ext 4, Roodepoort, Gauteng for the following purposes:

1. To consider the annual financial statements for the financial year ended 31 August 2010;
2. To transact such other business as may be transacted at an annual general meeting of a company including the re-appointment of the auditors and re-election of retiring directors; and
3. To consider and, if deemed fit, to pass, with or without modification, the special and ordinary resolutions set out below, in the manner required by the South African Companies Act (Act 61 of 1973), as amended (the Act):

SPECIAL RESOLUTION NUMBER 1: SHARE REPURCHASES

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

1. Repurchases of shares must be effected through the order book operated by the JSE trading system, and done without any prior understanding or arrangement between the company and the counter-party;
2. At any point in time, the company may only appoint one agent to effect repurchases on its behalf;
3. The company (or subsidiary) must be authorised thereto by its articles of association;
4. The number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 September 2010) may not in the aggregate exceed 20% (twenty percent) (or 10% where such acquisitions are effected by a subsidiary) of the company's share capital as at the date of this notice of annual general meeting;
5. Repurchases of shares may not be made at a price more than 10% (ten percent) above the weighted average of the market value on the JSE of the shares in question for the 5 (five) business days immediately preceding the repurchase;
6. Repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme (where the dates and quantities of shares to be repurchased during the prohibited period are fixed) is in place and full details thereof released on SENS prior to commencement of the prohibited period;
7. After the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time; and
8. The company's sponsor shall confirm the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to the company entering the market to proceed with the repurchase."

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

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

SPECIAL RESOLUTION NUMBER 1: SHARE REPURCHASES (CONTINUED)

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

- Directors – pages 6 and 7
- Directors' interests in ordinary shares – page 22
- Share capital of the company – page 42
- Major beneficial shareholders – page 64

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 twelve 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, 61 of 1973 (as amended), 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 2010 and up to the date of this notice.

Reasons for and effects of Special Resolution Number 1

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

ORDINARY RESOLUTION NUMBER 1: ISSUE OF SHARES FOR CASH

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

1. The allotment and issue of the shares must be made to persons qualifying as public shareholders and not to related parties as defined in the JSE Listings Requirements;
2. The shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
3. The number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen percent) of the company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application;
4. The maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party(ies) subscribing for the shares; and
5. After the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the weighted average traded price of the shares over the thirty days prior to the date that the price of the issue is agreed in writing between the company and the party/ies subscribing for the shares and the effect of the issue on net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share and, if applicable, diluted earnings and headline earnings per share), or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time."

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

Notice of annual general meeting continued

ORDINARY RESOLUTION NUMBER 2: UNISSUED ORDINARY SHARES

"Resolved that the authorised and unissued ordinary share capital of the company be and is hereby placed under the control of the directors of the company which directors are, subject to the Rules and Regulations of the JSE and the provisions of section 221 and section 222 of the 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."

ORDINARY RESOLUTION NUMBER 3: GENERAL PAYMENTS TO SHAREHOLDERS

"Resolved that, subject to the Companies Act ("the Act"), the Listings Requirements of the JSE and the restrictions set out below the directors of the company are authorised at their discretion to pay, by way of a reduction of share capital or share premium, in lieu of an ordinary dividend, an amount equal to the amount which the directors would have declared and paid out of profits in respect of the company's dividends, on the basis that:

1. this authority is not required in respect of cash dividends paid out of retained income, script dividends or capitalisation issues which may, subject to the provisions of the Act, be made by the company without this authority;
2. this general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of the passing of this ordinary resolution number 3;
3. any general payment(s) in terms of this authority:
 - must be made *pro rata* to all shareholders;
 - may not in any one financial year exceed 20% of the company's issued share capital at the beginning of such financial year, including reserves but excluding minority interest, and revaluations of assets and intangible assets (not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months)."

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

Although there is no immediate intention to make general payments, the directors would use the authority to make payments to shareholders by way of capital distributions to shareholders if appropriate but subject to the provisions of the Listings Requirements of the JSE and Section 90 of the Act.

Before effecting any general payment contemplated by this ordinary resolution number 3, the directors will consider the effect of the general payment and will ensure that for a period of 12 (twelve) months after the date of the notice of the general payment to be made:

- the company and the group will be able, in the ordinary course of business, to pay their debts;
- the assets of the company and the group, measured in accordance with the accounting policies used in the latest audited annual financial statements, will be in excess of the liabilities of the company and the group; and
- the working capital, share capital and reserves of the company and the group are adequate for ordinary business purposes.

ORDINARY RESOLUTION NUMBER 4: RE-ELECTION OF P SIGSWORTH, AS A DIRECTOR OF THE COMPANY

"Resolved that P Sigsworth be re-elected as a director of the company."

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

ORDINARY RESOLUTION NUMBER 5: RE-ELECTION OF DS BROUZE, AS A DIRECTOR OF THE COMPANY

"Resolved that DS Brouze be re-elected as a director of the company."

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

ORDINARY RESOLUTION NUMBER 6: RE-ELECTION OF AJ PHILLIPS, AS A DIRECTOR OF THE COMPANY

"Resolved that AJ Phillips be re-elected as a director of the company."

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

ORDINARY RESOLUTION NUMBER 7: NON-EXECUTIVE DIRECTORS' REMUNERATION (2009/2010)

"Resolved that the remuneration of the non-executive directors for the financial year ended 31 August 2010 as set out in the annual report of which this notice forms part be, and is hereby confirmed and ratified."

ORDINARY RESOLUTION NUMBER 8: NON-EXECUTIVE DIRECTORS' REMUNERATION (2010/2011)

"Resolved that the remuneration of the non-executive directors for the financial year ending 31 August 2011 be increased by 5% over the fees paid in the preceding year."

ORDINARY RESOLUTION NUMBER 9: RE-APPOINTMENT OF AUDITORS

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

ORDINARY RESOLUTION NUMBER 10: SIGNATURE OF DOCUMENTATION

"Resolved that any director or the company secretary of the company be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of Special Resolution Number 1 and Ordinary Resolution Numbers 1, 2, 3, 4, 5, 6, 7, 8 and 9 which are passed by the members in accordance with and subject to the terms thereof."

VOTING AND PROXIES

A shareholder of the company entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

A form of proxy is attached for the convenience of any shareholder holding shares who cannot attend the annual general meeting. Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at or posted to the office of the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) to be received at least 48 hours prior to the annual general meeting. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the member subsequently decide to do so.

Shareholders who have already dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker rather than through own-name registration and who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

Dematerialised shareholders, who have elected own-name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting, should complete and lodge the attached form of proxy with the transfer secretaries of the company.

Dematerialised shareholders who have not elected own-name registration in the sub-register through a CSDP and who are unable to attend but wish to vote at the annual general meeting should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between the shareholder and his CSDP or broker.

By order of the board



Probity Business Services (Pty) Limited

Company Secretary

22 November 2010

REGISTERED ADDRESS

1125 Leader Avenue
Stormill Ext 4
Roodepoort
1724

PO Box 1914
Florida
1710

TRANSFER SECRETARIES

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

PO Box 61051
Marshalltown
2107

Form of proxy



AUSTRO GROUP LIMITED

(Registration number 2001/029771/06)

(Austro or the company)

JSE code: ASO

ISIN: ZAE000090882

For use by the holders of the company's certificated ordinary shares (certified shareholders) and/or dematerialised ordinary shares held through a Central Securities Depository Participant (CSDP) or broker who have selected "own-name" registration (own-name dematerialised shareholders) at the annual general meeting of the company to be held at 10:00 on Tuesday, 1 March 2011 at 1125 Leader Road, Stormill Ext 4, Roodepoort, Gauteng, or at any adjournment thereof if required. Additional forms of proxy are available from the transfer secretaries of the company.

Not for use by holders of the company's dematerialised ordinary shares who have not selected "own-name" registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote in accordance with their instructions at the annual general meeting.

I/We _____ (Name in block letters)

of _____ (Address)

being the registered holder of ordinary shares in the capital of the company, hereby appoint:

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the chairperson of the annual general meeting, as my/our proxy to act for me/us on my/our behalf at the annual general meeting, or any adjournment thereof, which will be held for the purpose of considering and, if deemed fit, passing with or without modification, the ordinary and special resolutions as detailed in the notice of annual general meeting, and to vote for and/or against such resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

		Number of votes		
		In favour of	Against	Abstain
To pass special resolution:				
General authority to effect share repurchases				
To pass ordinary resolutions:				
1.	General authority to issue shares for cash			
2.	To place the unissued shares under the control of the directors			
3.	To approve general payments to shareholders			
4.	Re-election of P Sigsworth as director			
5.	Re-election of DS Brouze as director			
6.	Re-election of AJ Phillips as director			
7.	To ratify non-executive directors' remuneration (2009/2010)			
8.	To approve non-executive directors' remuneration (2010/2011)			
9.	To re-appoint PKF (Jhb) Inc as auditors of the company			
10.	To authorise the signature of documentation			

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

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

Signed this _____ day of _____

Signature

Assisted by (if applicable)

Notes to the form of proxy

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.
2. Shareholder(s) that are certificated or own-name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairperson of the annual general meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of any resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. Forms of proxy must be lodged at or posted to Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107) to be received not less than 48 hours prior to the annual general meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
7. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received, otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or the transfer secretaries or waived by the chairperson of the annual general meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the company.
11. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.

Corporate information

COMPANY REGISTRATION NUMBER

2001/029771/06

BUSINESS ADDRESS, REGISTERED OFFICE AND POSTAL ADDRESS

1125 Leader Avenue
Stormill Ext 4
Roodepoort, 1724
PO Box 1914
Florida, 1710
South Africa
Telephone: +27 11 222-8300
Facsimile: +27 11 222-8500

COMPANY SECRETARY

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

AUDITORS

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

JSE CODE

ASO

ISIN

ZAE000090882

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Telephone: +27 11 370-5000
Facsimile: +27 11 688-5200

SPONSOR

Java Capital (Pty) Limited
(a sponsor registered with the JSE Limited)
2 Arnold Road, Rosebank, 2196
PO Box 471917, Parklands, 2121
Telephone: +27 11 283-0000
Facsimile: +27 11 283-0065



AUSTRO
GROUP LIMITED

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