

### SUMMARY

Revenue <b>R401,9 million</b>	Profit from operations <b>R36,6 million</b>	Cash generated from operations <b>R120,9 million</b>	Cash dividends per share <b>4,0 cents</b>
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#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed 31 August 2010 R'000	Restated 31 August 2009 R'000
<b>Revenue</b>	<b>401 943</b>	<b>580 519</b>
Cost of sales	(242 655)	(343 925)
<b>Gross profit</b>	<b>159 288</b>	<b>236 594</b>
Other operating income	6 430	2 465
Operating expenses	(129 082)	(151 019)
<b>Profit from operations</b>	<b>36 636</b>	<b>88 040</b>
Interest received	8 567	8 123
Interest paid	(11 546)	(24 766)
<b>Profit before taxation</b>	<b>33 657</b>	<b>71 397</b>
Taxation expense	(10 527)	(27 692)
<b>Net profit for the year</b>	<b>23 130</b>	<b>43 705</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>23 130</b>	<b>43 705</b>
Earnings per share (cents)	5,4	10,1
Headline earnings and diluted headline earnings per share (cents)	5,2	10,0
Dividends per share (cents)	4,0	2,0
<b>Reconciliation of earnings to headline earnings:</b>		
Net profit for the year	23 130	43 705
<b>Net (profit)/loss on disposal of property, plant and equipment</b>	<b>(1 047)</b>	<b>(504)</b>
<b>Tax effect thereon</b>	<b>147</b>	<b>141</b>
<b>Headline earnings</b>	<b>22 230</b>	<b>43 342</b>

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed 31 August 2010 R'000	Restated 31 August 2009 R'000	Restated 31 August 2008 R'000
<b>Assets</b>			
<b>Non-current assets</b>	<b>273 403</b>	<b>281 819</b>	<b>290 093</b>
Property, plant and equipment	43 597	51 064	55 760
Goodwill	229 742	229 742	228 029
Deferred taxation	64	1 013	6 304
<b>Current assets</b>	<b>372 160</b>	<b>412 972</b>	<b>559 365</b>
Inventories	254 053	336 110	414 416
Trade and other receivables	75 160	70 773	142 354
Taxation receivable	557	3 856	136
Cash resources	42 390	2 233	2 459
<b>Total assets</b>	<b>645 563</b>	<b>694 791</b>	<b>849 458</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>	<b>545 705</b>	<b>539 832</b>	<b>505 433</b>
Share capital	4	4	4
Share premium	322 103	322 103	308 003
Shares to be issued	-	-	14 778
Accumulated profits	223 598	217 725	182 648
<b>Non-current liabilities</b>	<b>3 805</b>	<b>10 812</b>	<b>9 061</b>
Long-term liability – interest bearing	-	1 370	3 453
– interest free	3 426	6 851	4 613
Deferred taxation	379	2 591	995
<b>Current liabilities</b>	<b>96 053</b>	<b>144 147</b>	<b>334 964</b>
Current portion of long-term liability – interest bearing	-	600	559
– interest free	3 426	3 426	15 534
Trade and other payables	62 730	35 076	201 486
Provisions	-	-	1 394
Taxation payable	4 629	5 400	42 993
Bank overdraft	25 268	99 645	72 998
<b>Total equity and liabilities</b>	<b>645 563</b>	<b>694 791</b>	<b>849 458</b>
<b>Number of shares in issue</b>	<b>431 413 384</b>	<b>431 413 384</b>	<b>425 927 491</b>
<b>Weighted average number of shares</b>	<b>431 413 384</b>	<b>431 413 384</b>	<b>428 220 774</b>
<b>Net asset value per share (cents)</b>	<b>126,5</b>	<b>125,1</b>	<b>118,0</b>
<b>Tangible net asset value per share (cents)</b>	<b>73,2</b>	<b>71,9</b>	<b>65,1</b>

#### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed 31 August 2010 R'000	Restated 31 August 2009 R'000
<b>Cash flows from operating activities</b>	<b>120 894</b>	<b>(5 632)</b>
Cash generated by operations	150 392	81 758
Interest received	8 559	8 123
Interest paid	(11 538)	(24 766)
Dividends paid	(17 257)	(8 628)
Taxation paid	(9 262)	(62 119)
<b>Cash flows from investing activities</b>	<b>(965)</b>	<b>(5 292)</b>
<b>Cash flows from financing activities</b>	<b>(5 395)</b>	<b>(15 949)</b>
<b>Net increase/(decrease) in cash resources</b>	<b>114 534</b>	<b>(26 873)</b>
Cash resources at beginning of year	(97 412)	(70 539)
<b>Cash resources at end of year</b>	<b>17 122</b>	<b>(97 412)</b>

#### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed 31 August 2010 R'000	Restated 31 August 2009 R'000
<b>Share capital and share premium</b>	<b>322 107</b>	<b>322 107</b>
Balance at beginning of year	322 107	322 785
Issued during year	-	14 757
Movement in shares to be issued reserve	-	(14 778)
Share issue expenses	-	(657)
<b>Accumulated profits</b>	<b>223 598</b>	<b>217 725</b>
Balance at beginning of year	217 725	182 648
Total comprehensive income for the year	23 130	43 705
Dividends declared	(17 257)	(8 628)
<b>Total capital and reserves</b>	<b>545 705</b>	<b>539 832</b>

#### CONDENSED SEGMENTAL ANALYSIS

	Revenue		Profit before tax		Net assets	
	Reviewed 31 August 2010 R'000	Restated 31 August 2009 R'000	Reviewed 31 August 2010 R'000	Restated 31 August 2009 R'000	Reviewed 31 August 2010 R'000	Restated 31 August 2009 R'000
Power	268 426	422 501	32 102	78 249	439 490	411 439
Gross	285 631	425 750	49 307	81 498	-	-
Intersegment	(17 205)	(3 249)	(17 205)	(3 249)	-	-
Wood	133 517	158 018	1 555	(6 852)	106 215	128 393
Gross	143 238	153 365	11 276	(11 504)	-	-
Intersegment	(9 721)	4 653	(9 721)	4 652	-	-
<b>Total</b>	<b>401 943</b>	<b>580 519</b>	<b>33 657</b>	<b>71 397</b>	<b>545 705</b>	<b>539 832</b>

**Non-executive directors:** AJ Phillips\* (Chairman), DS Brouze, GS Nzalo\*, U Schäckermann\* (German), (\* Independent)

**Executive directors:** JO Freed (Alt JR Freed), RE Moss

**Business/registered address:** 1125 Leader Road, Stormill Ext 4, Roodepoort, Johannesburg

**Business postal address:** PO Box 1914, Florida, Johannesburg

**Company secretary:** Probity Business Services (Proprietary) Limited

**Transfer secretaries:** Computershare Investor Services (Proprietary) Limited

**Sponsor:** Java Capital

**JAVACAPITAL**

#### COMMENTARY

##### INTRODUCTION

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

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

##### Group structure:

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

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

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

##### RESULTS OVERVIEW

##### FINANCIAL REVIEW

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

The highlight was the elimination of all significant debt on the balance sheet and cash generated by operating activities of R120,9 million.

##### Consolidated statement of comprehensive income

Revenue decreased from R580,5 million to R401,9 million. This was mainly due to the effect of the depressed economy.

Profit from operations decreased by 58,4% to R36,6 million (2009: R88,0 million) as a result of the sharp reduction in revenues in the Power Division.

Earnings per share decreased to 5,4 cents per share (2009: 10,1 cents per share) while headline earnings per share decreased to 5,2 cents per share (2009: 10,0 cents per share).

##### Consolidated statement of financial position

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

Group gearing reduced to 5,3% (2009: 20,0%). The Group's inventory has reduced by R82,1 million to R254,1 million at the period ended 31 August 2010. This has been a specific area of management focus. Trade receivables are being maintained at acceptable levels.

The Group currently has no debt to service.

After an interim dividend of 2 cents per share, an equal final dividend has been declared subsequent to the year-end.

##### Condensed consolidated statement of cash flows

Due to specific management focus, during the period under review, the Group generated cash of R120,9 million (2009: R(5,6) million). Levels of inventory showed a significant reduction over the period and trade receivables and trade payables were carefully managed.

##### RETROSPECTIVE RESTATEMENT

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

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.

R'000	Goodwill	Liability interest free
31 August 2008		
Closing balance previously stated	221 110	-
Adjustment 2008	6 919	6 919
Closing balance restated	228 029	6 919

R'000	Goodwill	Liability interest free
31 August 2009		
Closing balance previously stated	219 465	-
Adjustment 2008	6 919	6 919
Closing balance restated	226 384	6 919
Adjustment 2009	3 358	3 358
Closing balance restated	229 742	10 277

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.

R'000	Taxation payable	Accumulated profits
31 August 2008		
Closing balance previously stated	40 018	185 623
Adjustment 2008	2 975	(2 975)
Closing balance restated	42 993	182 648

R'000	Taxation payable	Accumulated profits
31 August 2009		
Closing balance previously stated	2 425	220 700
Adjustment 2008	2 975	(2 975)
Closing balance restated	5 400	217 725

##### SUBSEQUENT EVENTS

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

##### OPERATING REVIEW

##### Power

Revenue decreased by 36,5% to R268,4 million (2009: R422,5 million). This Division contributed 66,8% to Group revenue (2009: 72,8%).

New Way, the supplier and manufacturer of generator sets, industrial diesel engines and related components, experienced a slow start, but has a reasonable order book going forward.

Neptune, the generator rental business, continues to produce reasonable results due to the Gauteng operation now being profitable, and an improvement in the Cape Town operations in the second half of the year.

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

##### Wood

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

This Division contributed 33,2% (2009: 27,2%) to Group revenue. Revenue decreased by 15,5% to R133,5 million (2009: R158,0 million).

The Division's focus on asset management resulted in a reduction of working capital in excess of R22 million.

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

##### PROSPECTS

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

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

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

The restructuring of the Gauteng and KZN operations has placed the Wood Division in a good position to benefit from an upturn in the economy, due to its lower cost and asset base.

It is anticipated that market growth will remain relatively flat in the forthcoming year. The Wood Division has identified a range of new products which it will introduce during the course of the year. Cost containment will remain a major focus in the current year.

##### CASH DIVIDEND DISTRIBUTION

A final dividend of 2,0 cents per share, for the period ended 31 August 2010, has been declared subsequent to the year-end. The total dividends to be paid out of the current year's 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
Trading ex dividend commences on	Friday, 10 December 2010
Record date on	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.

##### BASIS OF PREPARATION

These consolidated results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), Interim Financial Reporting (IAS34), AC500 series of interpretations, the JSE Listing requirements and comply with the South African Companies Act (1973), as amended. The accounting policies applied are consistent with those applied in the prior year, except for the adoption of IFRS 8 – Operating Segments and IAS1 Revised. These consolidated annual financial results have been reviewed by PKF (Jhb) Inc. Their unqualified review opinion is available for inspection at Austro Group Limited's registered address.

##### CHANGES TO THE BOARD OF DIRECTORS

During the period JA Bennie resigned from the Board of Directors. Philip Sigsforth has been appointed in his stead with effect from 24 November 2010.

By order of the Board

**AJ Phillips**  
Chairman  
Johannesburg  
22 November 2010

**U Schäckermann**  
Chairman of Audit Committee