

REVIEWED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 AUGUST 2009

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

SUMMARY

Revenue
R580,6 million

Operating profit
R88,0 million

Headline earnings per share
10,0 cents

Dividend per share
maintained at 2,0 cents

CONSOLIDATED INCOME STATEMENT

For the year ended

	31 August 2009 Reviewed R'000	31 August 2008 Audited R'000
Revenue	580 519	715 131
Cost of sales	(343 925)	(435 038)
Gross profit	236 594	280 093
Other operating income	2 465	6 187
Operating expenses	(151 019)	(131 682)
Profit from operations	88 040	154 598
Interest received	8 123	6 958
Interest paid	(24 766)	(7 522)
Profit before taxation	71 397	154 034
Taxation expense	(27 692)	(42 070)
Net profit for the year	43 705	111 964
Number of shares in issue	431 413 384	425 927 491
Weighted average number of shares	431 413 384	428 220 774
Earnings per share (cents)	10,1	26,1
Headline earnings per share (cents)	10,0	25,9
Reconciliation of earnings to headline earnings:		
Net profit for the year	43 705	111 964
Profit on disposal of property, plant and equipment	(504)	(1 464)
Taxation effect thereon	71	205
Headline earnings	43 272	110 705

CONSOLIDATED BALANCE SHEET

As at

	31 August 2009 Reviewed R'000	Restated 31 August 2008 Audited R'000
Assets		
Non-current assets	271 542	283 174
Property, plant and equipment	51 064	55 760
Goodwill and other intangibles	219 465	221 110
Deferred taxation	1 013	6 304
Current assets	412 972	559 365
Inventories	336 110	414 416
Trade and other receivables	70 773	142 354
Taxation receivables	3 856	136
Cash resources	2 233	2 459
Total assets	684 514	842 539
Equity and liabilities		
Capital and reserves	542 807	508 408
Share capital	4	4
Share premium	322 103	308 003
Shares to be issued	-	14 778
Accumulated profits	220 700	185 623
Non-current liabilities	3 961	4 448
Interest bearing liabilities	1 370	3 453
Deferred taxation	2 591	995
Current liabilities	137 746	329 683
Trade and other payables	35 676	202 045
Provisions	-	1 394
Amount owing for purchase of subsidiaries	-	13 228
Taxation	2 425	40 018
Bank overdraft	99 645	72 998
Total equity and liabilities	684 514	842 539
Net asset value per share (cents)	125,8	118,7
Tangible net asset value per share (cents)	75,0	67,1

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

For the year ended

	31 August 2009 Reviewed R'000	31 August 2008 Audited R'000
Cash flows from operating activities	(5 632)	(109 665)
Cash generated by operations	81 758	(71 201)
Interest received	8 123	6 958
Interest paid	(24 766)	(6 397)
Dividends paid	(8 628)	-
Taxation paid	(62 119)	(39 025)
Cash flows from investing activities	(5 292)	(55 478)
Cash flows from financing activities	(15 948)	(114 158)
Net decrease in cash resources	(26 873)	(279 301)
Cash resources at beginning of year	(70 539)	208 762
Cash resources at end of year	(97 412)	(70 539)

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended

	31 August 2009 Reviewed R'000	31 August 2008 Audited R'000
Share capital and share premium	322 107	322 785
Balance at beginning of year	322 785	314 141
Share issued during the year	14 757	133 284
Reversal of shares to be issued reserve	(14 778)	(139 418)
Shares to be issued reserve	-	14 778
Share issue expenses	(657)	-
Accumulated profits	220 700	185 623
Balance at beginning of year	185 623	73 659
Dividend paid	(8 628)	-
Net profit for the year	43 705	111 964
Total capital and reserves	542 807	508 408

SEGMENTAL ANALYSIS

	Revenue (external)		Profit before tax		Net asset value	
	31 August 2009 R'000	31 August 2008 R'000	31 August 2009 R'000	31 August 2008 R'000	31 August 2009 R'000	31 August 2008 R'000
Power	422 501	492 494	78 249	127 402	411 439	218 874
Gross	425 750	492 744	81 498	127 463	-	-
Intersegment	(3 249)	(250)	(3 249)	(61)	-	-
Wood	158 018	222 637	(6 852)	26 632	131 368	289 534
Gross	153 365	271 156	(11 504)	32 417	-	-
Intersegment	4 653	(48 519)	4 652	(5 785)	-	-
Total	580 519	715 131	71 397	154 034	542 807	508 408

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 and manufacturers.

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

- New Way Motor and Diesel Engineering
- Neptune Plant Hire
- Quinlec Power
- Quad Technical Services

Austro Wood (Pty) Limited

- Austro Woodworking Machines and Tools
- Gearing Moss Supplies
- 2nd Cut Pre-Owned Woodworking Equipment

The two main businesses have been in existence for close on 30 years.

RESULTS OVERVIEW

FINANCIAL REVIEW

The Group delivered moderate results considering the effect of the depressed economy on the Woodworking Division and the significant management changes and restructuring that occurred during the year.

Demand for the products supplied by the Power Division remained reasonable.

Income statement

Revenue decreased from R715,1 million to R580,6 million. This was mainly due to the effect of the depressed economy on the Woodworking Division.

Profit from operations decreased by 43,0% to R88,0 million (2008: R154,6 million) as a result of the sharp reduction in revenues in the Woodworking Division without a corresponding reduction in the overhead structure due to restructuring costs.

Earnings per share decreased to 10,1 cents per share (2008: 26,1 cents per share) while headline earnings per share decreased to 10,0 cents per share (2008: 25,9 cents per share).

Balance sheet

Group gearing remained at an acceptable level of 18,6% (2008: 17,2%). The Group's inventory has reduced by R78,3 million to R336,1 million at year-end. This has been a specific area of management focus. Debtors collections have shown a significant improvement with outstanding debtors reducing by R71,6 million to R70,8 million.

There has been no significant capital expenditure during the year and the Group is confident that it can comfortably service its debt.

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

As stated in the annual report for the year ended 31 August 2008, the acquisition of Quad Technical Services (Pty) Limited and Quinlec Electrical was accounted for using provisional figures as at the effective date 1 April 2008. The detailed assessment of the assets, liabilities and contingent liabilities has been completed and has resulted in the following adjustments in the prior year.

Property, plant and equipment and other assets on business combination 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 property, plant and equipment was not considered to be material and no adjustment was made accordingly to the income statement for the previous period. Comparative figures for the balance sheet was restated to reflect these changes.

Cash flow

During the year under review, the Group utilised cash of R5,6 million (2008: R109,7 million). Levels of inventory showed a significant reduction over the year, but a reduction in trade creditors of R167,7 million was the reason for the negative cash position.

CHANGES IN EQUITY

On 1 September 2008, 5 485 893 shares were issued as part of the purchase price in acquiring Quinlec Power (Pty) Limited and Quad Technical Services (Pty) Limited.

SUBSEQUENT EVENTS

The directors have become aware of a potential claim against the company of R10 million, which they believe they can successfully defend.

OPERATING REVIEW

Power

Revenue decreased by 14,2% to R422,5 million (2008: R492,5 million). This Division contributed 72,8% to Group revenue (2008: 68,9%).

New Way, the supplier and manufacturer of generator sets, industrial diesel engines and related components, continued to be the Group's biggest contributor to revenues and profits.

Neptune, the generator rental business, continues to produce strong results.

Efforts are being 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.

Wood

While the economic slowdown has impacted this Division, the last two months of the year saw a definite recovery. While Wood's customers have been affected by the depressed residential market, they have yet to feel the effects of the 2010 World Cup as they supply the finishes to the developments.

This Division contributed 27,2% (2008: 31,1%) to Group revenue. Revenue decreased by 29,0% to R158,0 million (2008: R222,6 million).

A significant restructuring took place in the Division during the year with a new Managing Director being appointed and a retrenchment process which resulted in a reduction of 25% in the workforce. The benefits of this are already being felt.

Within the Division, Gearing Moss continues to perform well while the Cape Town operation produced a satisfactory result.

The KZN and Gauteng operations performed poorly but have been dramatically restructured which exercise is already showing results.

PROSPECTS

The Group is currently in a consolidation phase 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. This is expected to result in more efficiencies, greater focus and lower costs.

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

Quad is well positioned to increase revenues in its new premises and the resultant improvement in its manufacturing equipment.

Neptune's Gauteng operation is beginning to show increased revenue and is increasing its market share.

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. As our customers supply the finishes to construction projects, they are yet to feel the benefits of the 2010 World Cup which when realised will have a positive effect on revenues in this Division.

DIVIDEND DISTRIBUTION

Shareholders are advised that a dividend of 2 cents per share has been declared.

The salient dates in respect of the dividend are as follows

2009
Last day to trade cum dividend on Friday, 27 November
Trading ex dividend commences on Monday, 30 November
Record date Friday, 4 December
Payment of dividend on Monday, 7 December

Shareholders may not dematerialise or rematerialise their shares between Monday, 30 November 2009 and Friday 4 December 2009, both dates inclusive.

BASIS OF PREPARATION

The annual results have been prepared in accordance with IAS 34 (Interim Financial Reporting). The accounting policies applied in preparing these annual financial statements are consistent with those applied in the prior year and are in accordance with International Financial Reporting Standards. This announcement was prepared in accordance with the listings requirements of the JSE Limited and the Companies Act. These reviewed results have been reviewed by Austro Group Limited's auditors PKF (JHB) Inc. Their unqualified review opinion is available for inspection at the company's registered office.

CHANGES TO THE BOARD OF DIRECTORS

The following directors were appointed to strengthen the Board of Directors. The executive directors appointed were:

- JA Bennie as Group Financial Director
- JR Freed as alternate to JO Freed, an Executive Director
- RE Moss as Executive Director

The non-executive directors appointed were:

- GS Nzalo (member of the audit committee).
- U Schäckermann (chairman of the audit committee)

During the year the following directors resigned from the Board of Directors:

- NO Davies as Non-executive Director and then Acting CEO
- BD Downs as Executive Director
- RJ Friese as CEO
- M Petzer as Financial Director

By order of the Board

Anthony John Phillips
Chairman

James Andrew Bennie
Group Financial Director

Johannesburg
11 November 2009

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

Executive directors: JA Bennie, JO Freed, RE Moss

Registration number: 2001/029771/06

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

Business postal address: PO Box 1914, Florida, Johannesburg

Company secretary: Probit Business Services (Proprietary) Limited

Transfer secretaries: Computershare Investor Services (Proprietary) Limited

Sponsor: Java Capital (Proprietary) Limited

