











Integrated Annual Report

twenty/eleven



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Definitions

<p>“AltX”</p> <p>“B&W” or “the company”</p> <p>“B-BBEE”</p> <p>“the board”</p> <p>“CIDB”</p> <p>“the current year”</p> <p>“Designated Adviser” or “DA”</p> <p>“DIFR”</p> <p>“E&I”</p> <p>“the group”</p> <p>“GRI”</p> <p>“IFRS”</p>	<p>The Alternative Exchange of the JSE</p> <p>B & W Instrumentation and Electrical Limited</p> <p>Broad-based Black Economic Empowerment</p> <p>The board of directors of B&W</p> <p>Construction Industry Development Board</p> <p>The year ending 31 August 2012</p> <p>Merchantec Capital</p> <p>Disabling Injury Frequency Rate</p> <p>Electrical and Instrumentation</p> <p>B&W and its subsidiaries and associates</p> <p>Global Reporting Initiative</p> <p>International Financial Reporting Standards</p>	<p>“JSE”</p> <p>“King III Report”</p> <p>“Listings Requirements”</p> <p>“LTIFR”</p> <p>“Pontins”</p> <p>“the previous year”</p> <p>“SA”</p> <p>“SENS”</p> <p>“SHEQ”</p> <p>“the year” or “the year under review”</p> <p>“y-o-y”</p>	<p>JSE Limited</p> <p>King Report on Corporate Governance for South Africa 2009</p> <p>Listings Requirements of the JSE</p> <p>Lost Time Injury Frequency Rate</p> <p>Pontins (Pty) Limited</p> <p>The year ended 31 August 2010</p> <p>The Republic of South Africa</p> <p>Securities Exchange News Service of the JSE</p> <p>Safety, Health, Environment and Quality</p> <p>The year ended 31 August 2011</p> <p>year-on-year</p>
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Integrated overview

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Vision

To build B&W into a significant E&I specialist construction company, offering our clients a comprehensive and professional service, and meeting their expectations timeously and satisfactorily

To become a recognised industry leader and preferred service provider

To generate wealth for our investors, shareholders, stakeholders and employees by concentrating on sound business practices

Company values

Integrity

B&W aims to only enter into transactions that have an across-the-board positive effect on all parties involved, whether directly or indirectly.

Excellence

B&W aims for distinction in terms of product and service quality and quantity, and overall corporate culture.

Commitment

B&W remains unwaveringly committed to its objectives.

Empowerment

B&W governs its empowerment value system on the 'teachability index': the willingness to learn and the willingness to accept change.

Integrated overview continued

Financial highlights

- ➔ Revenue up **13,7%**
- ➔ Order book **R360 million**
- ➔ Loss after tax **R15,8 million**
- ➔ Loss per share **7,8 cents**

Scope and boundary of this report

This is B&W's fifth annual report since listing on AltX in 2007. We have to date reported on sustainability in all our preceding annual reports. Our 2011 report now represents a further building block and a successive step on our journey towards a fully integrated report. To this end a 'King III gap analysis' is underway. This first integrated report therefore marks the start of a process – B&W has clearly not yet achieved full integration on the complete range of sustainability objectives into our business model. A fully integrated report is intended to be produced going forward, with reporting also in terms of global standards such as GRI.

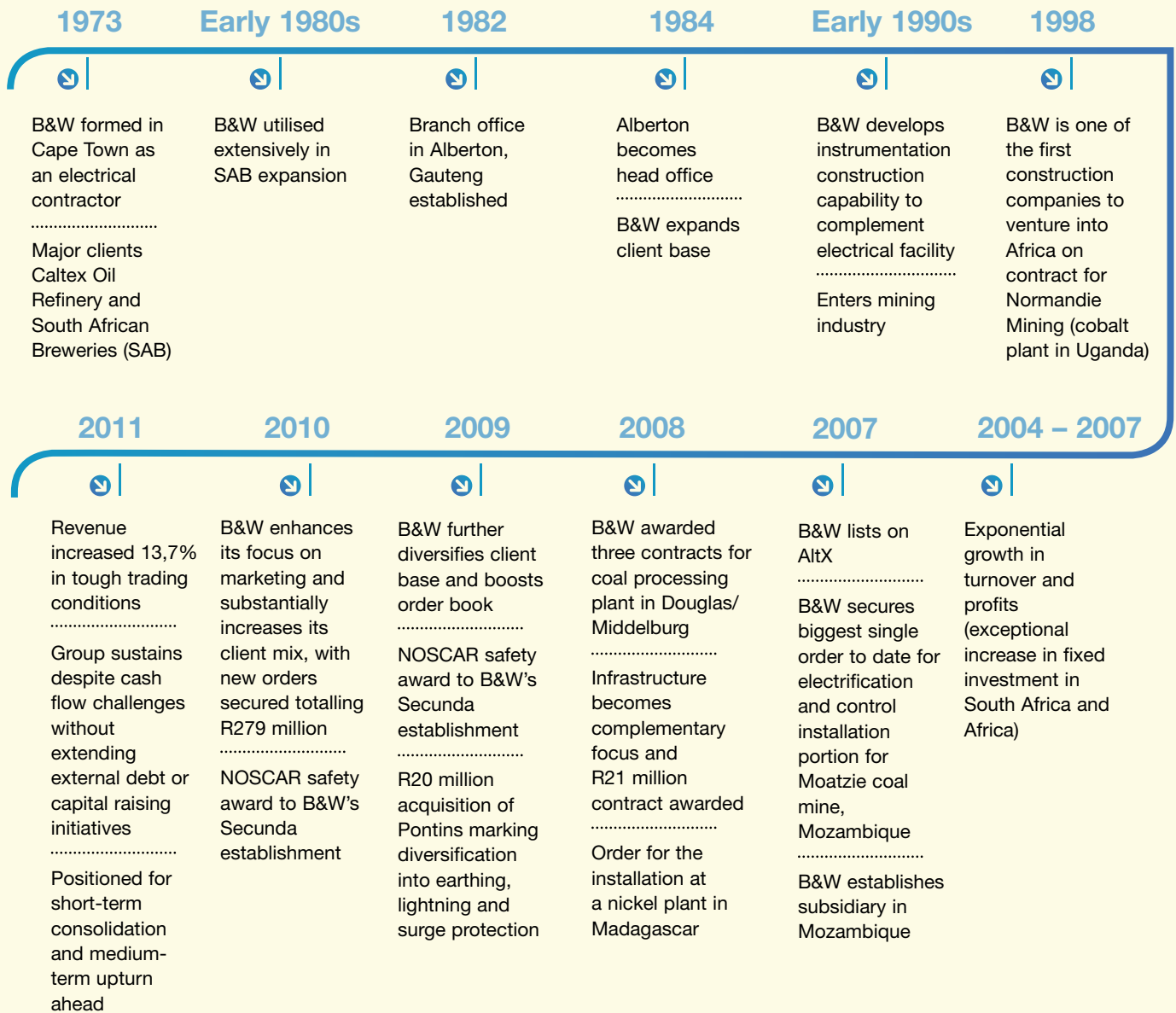
As a JSE-listed company we support the principle of integrated reporting, which aims to show how sustainable business practices help drive and maintain value, ensuring the short-, medium- and longer-term viability of B&W. We are cognisant that integrated reporting should provide a clear understanding of the group's strategy and business model and how these are managed, and disclose B&W's major impacts across economic, social and environmental systems.

B&W's first integrated annual report covers the group's financial and non-financial performance between 1 September 2010 and 31 August 2011. It extends to B&W's reportable business segments: South Africa and non-South Africa for the aforementioned period and integrates our economic, social and environmental results for a group-wide understanding. It also sets out the group's challenges and opportunities ahead.

The financial reporting contained in the integrated annual report complies with IFRS, which has been applied in relation to the annual financial statements.

Almost four decades

inventive transforming focused



Integrated overview continued

Group at a glance

B&W is a leader in South Africa in the construction niche of E&I, and prides itself on an almost 40-year track record.

The group's primary role onsite involves building a process plant's E&I infrastructure and ensuring that it functions in accordance with design specifications, and in 2010 expanded to

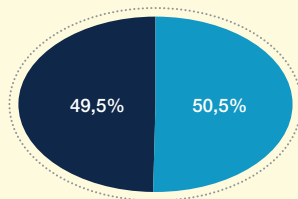
incorporate integrated earthing, lightning and surge protection services.

The diversified client base spans the infrastructure, mining, chemical, oil and gas, industrial and utilities sectors.

B&W's footprint extends across South Africa and sub-Saharan Africa, encompassing over 3 000 personnel at peak.

- Level 5 B-BBEE accredited
- ISO 9001:2008 accredited
- 8EB and 8EP CIDB rating
- Five-star NOSA safety ratings at select sites
- LTIFR and DIFR of 0,00
- Listed on AltX 2007

Revenue by region



- RSA
- Non-South Africa (Madagascar, Mozambique, Swaziland, Zimbabwe)

Business model

- Provide a disciplined and controlled working environment that is conducive to the short- and long-term maintenance of B&W's competitive advantage in cyclical and buoyant market conditions
- The formulation of a 'mastermind' corporate culture consisting of the highest quality management teams
- Strategic implementation of operations throughout the group that reinforce sustainability and the maintenance of bottom line targets

What we do

Design is supplied to B&W in the form of drawings, specifications and other data, which we use to deliver a plant that functions electrically and instrumentally in accordance with specified parameters.

A number of project elements are incorporated to achieve the client's objectives:

- Construction management and supervision
- Supply of material not supplied by the client
- Purchasing and inspection services
- Installation (the physical erection of the plant's E&I system) including supply of tools and equipment
- Management of skilled and unskilled labour according to the sequential installation plan
- Calibration and commissioning post-installation, including highly specialist equipment and trained personnel
- Post-installation maintenance including client operator training

Major projects

Ambatovy Nickel Project – Madagascar (work commenced in November 2007)

The project was rolled-out in two phases:

- Infrastructure – R119,0 million
- Process plant – R430,0 million

Phase I is complete and Phase II is construction complete.

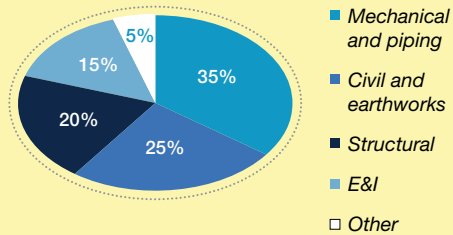
Moatize Coal Mine – Mozambique (work commenced in August 2009)

The project, a joint venture with Swiss engineering group ABB, required B&W to design, supply, install and commission high and low voltage systems and networks, including the 66kV OHL and backbone of the mine.

The contract is construction complete and B&W is clearing the site.

Strategic intent

E&I as part of the construction industry



The acquisition of Pontins, an established leader in earthing, lightning and surge protection, in 2009 has provided valuable cross-selling opportunities as anticipated. It further provides B&W with early market intelligence critical to project volumes/order book growth as earthing and lightning protection are among the first installations on a new site.

Our key strengths

- Focused strategy and business model
- Market leader in E&I and specialist in earthing and lightning protection
- No long-term debt
- Experienced management team
- Competitive advantage of 8EB and 8EP CIBD rating
- African footprint
- Exceptional safety record
- Successful skills development programme

The project's value is **R236,0 million.**

Markets



To:

- Maintain existing markets in the short-term
- Continue diversifying our services offering, e.g. commercial/infrastructure leveraging Pontins
- Increase B&W's presence in oil & gas and power distribution
- Continue geographical expansion in select African regions
- Translate hard-won experience into practical benefit

- Build B&W into a great E&I specialist construction company
- Build and sustain long-term client relationships
- Grow our net worth, thereby creating wealth for all

Operations



To:

- Return to a cash positive position (by December 2011)
- Improve our cash cycle
- Consolidate for future growth
- Target a return to profitability by year-end FY2012
- Retain performing talent and capacity
- Maintain our fleet with no expansion and/or replacement in the medium-term
- Optimise overheads structure and efficiency procedures
- Retain and nurture skills and talent

Acquisition



To:

- Consider potential earnings and cash flow-enhancing acquisitions within the framework of intended delay until cash flow improves

Integrated overview continued

Approach to sustainability

As a responsible corporate citizen since inception, B&W strives to maintain the highest ethical standards in all our business activities. Today we are committed to operating a sustainable triple bottom-line business that can deliver economic growth and wealth creation for shareholders while safeguarding our people, surrounding communities and the environment.

The group is in the process of integrating its vision, strategic intent and value system into all policies, procedures, decision-making processes and operations with sustainability as the ultimate objective. The group does not have a separate, defined sustainability strategy, but rather tailors the overall growth and business strategy to focus on sustainability. This strategy is set by the board of directors after collaboration with senior executives from all applicable operations and/or divisions, and forms the basis of annual budgeting processes. The group's budgets, target projects pipeline, tender philosophy and operational processes and procedures are therefore all geared to ensuring

long-term sustainability, even in instances where a focus on the integrated triple bottom-line may compromise purely economic growth.

Due to the nature of the market in which the group operates, sustainability relies to a large extent on the future pipeline availability as well as the successful positioning of the group as the preferred contractor. The latter is facilitated in many instances by our reputational integrity underpinned by a proven track-record in the relevant type, size and technology. Intense focus is placed on early market intelligence allowing for anticipatory identification of potential projects, both through internal means and externally procured research.

During the year an over-extension of existing capacity resulted from changes in project scope and timing, macro-economic factors and climate factors outside of the group's control. In the year ahead we intend to revisit this issue and focus on consolidation for sustainability rather than to focus on exceptional growth which may compromise sustainability.

Understanding our material issues

B&W has a formalised risk assessment procedure, which involves defining internal and external risks and rating the risks on their impact and probability of occurrence. This assists in highlighting the material issues impacting the group. Consequences of risks are determined, proposed preventative measures are defined, and strategies and objectives are set-out and evaluated. Risks are constantly measured and thereby controlled.

The group analyses risks on a scale from very low to very high. A risk report is sent to the Audit & Risk Committee on a quarterly basis, detailing risks identified and the material impact they have on B&W's risk profile.

Further details on risks and risk management are set out on page 19.

The key material areas identified for the past year include:

Finance
Legal
Operational
Ethical
Market
Perception
Product/service
Competition

Systems/procedures
Cyclical changes
Strategy
Organisational
Currency fluctuations
Empowerment
Safety, health and the environment
Social/political

We recognise the importance of engaging with and promoting dialogue between B&W and all who may be impacted by our activities. To this end, we work hard to understand stakeholder priorities and to respond constructively to achieve mutually beneficial outcomes and actions. We therefore continue to engage pro-actively with our stakeholders, both individually and collectively, to share information and gain an appreciation for their perspectives.

Shareholders	We have 1 454 shareholders in South Africa (year-end), ranging from major financial institutions through to private individuals. To inform shareholders, regulatory company announcements are published on SENS, posted on the group's website and where required (in the case of results for instance) posted to shareholders. In addition communication with institutional shareholders and the broader circle of investment analysts is maintained through twice yearly presentations of financial results, ongoing one-on-one interactions, trading statements and press announcements as well as availability for ad hoc meetings and conferences on request. In addition B&W disseminates an investor newsletter. To ensure that shareholders concerns are addressed, we further poll a selection of investors following each set of results.
Employees	We employ between 1 000 and 3 000 people across our operations, and recognise our duty to implement responsible, fair and enlightened employment practices. Although staff are dispersed across sub-Saharan Africa on different projects, we practice effective communication through meetings with senior employees six times a year (every second month), which are supplemented with ongoing e-mail and feedback sessions in-between. In the current year this process will be enhanced with an interactive online staff notice board. B&W has established an Employee Trust, and through this initiative employees are able to share directly in and benefit from B&W's financial growth.
Communities	We operate in South Africa and sub-Saharan Africa, and appreciate the need to become meaningfully involved in community upliftment initiatives. CSI projects take place directly in the areas in which B&W is active, thus ensuring that those impacted by the initiatives are the intended recipients of aid.
Customers	We regularly invite our customers to meetings at our head office and active project sites. Customer feedback is further captured on a survey basis, as required, in accordance with the requirements of ISO9001.
Suppliers	Meetings are held regularly at B&W premises to keep suppliers abreast of changes and developments at B&W.
Unions	B&W does not have significant union representation amongst its employees. However, SAEWA has organisational rights as a party to the Bargaining Council for the Electrical Contracting Industry. Any concerns are dealt with expeditiously by the Operations Director, who has served as a councillor on the Bargaining Council with senior officials of SAEWA.
Industry associations	The group Operations Director is a past president of the Electrical Contractors Association (SA). B&W is also a member of Electrical Contractors Association (SA); Flameproof Association; and The Profibus Association.
Media	We endeavour to provide credible journalists with ready access to group executives in recognition of the important role of the media in reporting issues of financial and public interest.

Case study

B&W is currently working on the Ambatovy nickel project in Madagascar. The project is a joint venture with diversified natural resource company Sherritt International Corporation, global trading company Sumitomo Corporation, South Korean State-controlled minerals developer Korea Resources Corporation and SNC Lanvin of Canada. It consisted of an open pit mining operation and an ore processing plant. B&W was responsible for the 11 kV/6,6 kV supply and installation at the process plant and mine site and most of the E&I installation at the process plant. Reflecting our philosophy of empowering local workforces and the use of local products and services without compromising on quality, safety, cost and schedule, the group trained more than 50 locals in boiler making, tube fitting and relevant electrical skills.

Integrated overview continued

Integrated sustainability performance indicators

Specific indicators have been identified to measure the group's progress on economic, social and environmental sustainability. These indicators, which are largely internal measures, are published below to assist our stakeholders in assessing B&W's ability to create and sustain value:

		2011	2010	2009	2008	2007
Economic						
Headline earnings per share	(cents)	(7,7)	28,5	29,8	29,0	14,3
Gross margin	(%)	3,2	20,5	21,0	22,1	18,5
Operating margin	(%)	(3,5)	13,0	15,0	16,7	11,9
Return on equity	(%)	(8,7)	28,0	38,0	51,7	38,2
Dividends declared	(cents)	0,0	7,0	7,5	7,0	3,5
Wealth created	(Rm)	(15,4)	34,1	15,6	43	15
Preferential procurement	(%)	59	53	49	46	40
Enterprise development investment	(Rm)	3,6	3,2	3,3	2,7	1,8
Social						
Permanent employees		733	696	599	551	468
Employee turnover	(%)	40	46	49	53	59
Skills development to employment costs	(%)	6,3	7,4	5,4	4,8	3,7
B-BBEE rating	(level)	5	5	6	7	9
Employment equity: black employees	(%)	73	71	72	68	65
Employment equity: black management	(%)	41	39	40	38	36
Corporate social investment	(Rm)	2,45	1,75	0,38	0,43	0,25

Leadership

Joint Chairman's and CEO's report

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John Barrow
Chairman

Brian Harley
CEO

The current year will be a consolidation phase to review and refine our operating processes, bed down anticipated new revenue streams and cement the platform for future growth.

The year under review proved the most challenging in the group's 38 year history, resulting in a sub-par performance and generally disappointing results. While not a surprise, as we had cautioned of this in advance in a trading update, the severity of the challenges experienced was more dire than anticipated. It is important to point out that nonetheless B&W's core resilience and sustainability were maintained, as reflected in the fact that no long-term debt was assumed or capital raising activities were undertaken to see the group through this extremely tough period.

Final account negotiations on most major projects delayed final payments and negatively impacted on profit recognition in the year. The group was compelled to follow the claims protocols as set out in the respective contracts, which was frustrating and indeed time-consuming. Further, the payment time-lag affected cash flow and strained our day-to-day business activities with regards to working capital. In addition to placing substantial pressure on management, the effect on resources meant we were prevented at times from taking on additional work which may have eased the cash flow situation, trapping the group in a vicious cycle.

These problem contracts have been successfully resolved since year-end. The order book at year-end, albeit lower than at the previous year-end, is satisfactory given the current economic environment. This bodes well for the current year, which will be a consolidation phase to review and refine our operating processes, bed down anticipated new revenue streams and cement the platform for future growth.

During the year B&W changed bankers to Standard Bank in view of their complementary move into Africa and better understanding of the nature of B&W's business. Evident of the bank's faith in the business, the group secured overdraft facilities of R50 million in a difficult market.

Operations

New orders secured during the year totalled R218,9 million. Growth in and additions to existing contracts and mandates amounted to a further R396,6 million. The net effect bolstered year-on-year revenue to R683,4 million (Aug 2010: R601,3 million).

At year-end field staff amounted to 1 088 with a peak during the year at over 3 000 employees.

Gross margins dropped, mainly due to a loss incurred in foreign contracts and discounts offered to secure some interim payment pending the outcome of final fee negotiations. The latter measure was deemed necessary in an effort to manage our cash flow and maintain the business as a going concern. Internal re-organisation for an optimally efficient workforce, including retrenchments, helped to eliminate roughly R7 million from fixed costs.

Pontins delivered a strong performance relative to the rest of the group by holding revenue steady year-on-year and growing profit. Leveraging Pontins' client base, core business and foothold, we have identified new revenue streams for the group in the year ahead – these exist predominantly in commercial installations. This gives Pontins continuity from early on in the project cycle, extending through to the bulk building of projects both in commercial buildings and process plants.

We are aggressively seeking work in Africa both short- and long-term. During the year cross-border projects accounted for 50,5% of total group revenue. It is anticipated that this will increase going forward.

The group achieved Level 5 B-BBEE status. Ongoing group-wide initiatives are aimed at improving this further going forward.



Work in progress and annuity income from our permanent sites amounts to R360 million, which carries over into the current year.

The group achieved Level 5 B-BBEE status. Ongoing group-wide initiatives are aimed at improving this further going forward (see 'Transformation' for more detail).

Safety

Safety remains a priority and integral to day-to-day activities. We pride ourselves on our safety record. During the year we achieved the following milestones:

- A Lost Time Injury Frequency Rate (LTIFR) of 0,00 per 2 000 man-hours
- NOSCAR Safety Award at the group's head office
- Five Star Safety Awards both at head office and Secunda
- NOSA Northern Region Best Occupational Health Programme on five star system
- We participated in the record-breaking team on the Sishen South Project achieving 13 million Lost Time Injury (LTI) free hours
- The Madagascar Ambatovy Project achieved over 4,5 million Lost Time Injury (LTI) free hours. This is an outstanding achievement on a single project for the E&I works only.

Financial Results

Revenue increased 13,7% to R683,4 million from R601,3 million in the previous year. Notwithstanding the topline growth, the group recorded a loss after tax of R15,8 million for the year. In light of the order book and positive developments in the first quarter of the current year, B&W is targeting a return to profitability by the end of FY2012.

Group operating expenses remained constant at R45,7 million (Aug 2010: R45,9 million).

For segmental reporting purposes, reporting along risk profile lines where South African and non-South African contracts have different markers, provides a more meaningful split than "by subsidiary" or "by region".

The cash balance of R71,1 million at the beginning of the year was reduced to a negative balance of R34,5 million by year-end primarily due to increased work in progress and protracted final fee negotiations. Although the company's cash flow deteriorated substantially as a result, we expect to be cash neutral and moving to a cash positive position by December 2011, still with no long-term debt.

Capital expenditure has been contained for the year and will be minimal for the current year, especially in light of the consolidation phase. We have in hand a solid fleet and can dispose of aged equipment without replacement in order to retain our fleet quality and productivity.

In light of the cash position, no dividend has been declared for the year. It remains group policy to declare a final dividend of R25% of NPAT, cash flow permitting.

Prospects

As previously stated we believe the harsh trading and macro-economic conditions in our sectors of operation will continue for another 12-18 months, with the start of a slow improvement towards the end of 2012.

The depressed construction sector will rely heavily on a sustainable recovery in the global economy, resource prices and risk appetite in the financial sector. The oil & gas sector may already be showing initial signs of strengthening, but this is slow and relates only to upgrading and extending existing plants with the improvement still to translate into substantial new project volumes. While power generation and renewable energy sources both locally and in Africa



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offer exciting opportunities, regulatory and environmental issues may delay and even prevent the actual roll-out of these projects.

The group had an order book in hand at year-end of R360 million. Order intake remains sluggish mainly due to the highly competitive environment and reduced project pool, but opportunities do exist in the longer term when we anticipate that order intake should start recovering. B&W's pipeline for identified projects, although reduced, therefore remains substantial. The majority of the projects are in the mining industry in various stages from feasibility through to active. However, diversification is on the cards (see below).

In the short- to medium-term profit margins will remain depressed and may decline further. An important part of management's focus in the current year is consolidation with an emphasis on operational efficiencies and cash flow.

In order to counter local pressures B&W continues to aggressively pursue diversification into new revenue streams, namely in the commercial arena and infrastructure work, and primarily in Africa.

We are targeting a return to profitability by the end of FY2012, with cash moving into the positive again before the end of the 2011 calendar year. We have paid our dues in terms of learning to manage large-scale projects in remote locations and to manage client expectations in respect of project scope growth and commensurate fee escalation. In the years ahead we will effectively translate this experience into practice to the advantage of the group.

Once the group returns to former levels of growth, working capital will inevitably present a challenge to keep pace. The board may therefore in the future consider undertaking capital raising initiatives, with the ability to at that stage offer to shareholders positive return on additional investment.

Any general forecast information included in this commentary has not been reviewed and reported on by the company's auditors.

Appreciation

We extend our utmost appreciation to our management and staff for their tenacity and support during an extremely trying year, and full credit to the management team for having successfully navigated B&W through the cash flow crisis.

We also thank our business partners, suppliers and advisers as well as our clients and shareholders for their ongoing confidence, and will continue striving to give credence to their faith in the group.

John Barrow
Non-executive
Chairman

Brian Harley
CEO

11 November 2011

Directorate



Executive directors

> Brian Harley (55)

PrCPM. MBA Dip (Bus. Man.) NTC6

CEO

Brian has been B&W's CEO since 2002. He has almost 30 years of experience in the E&I industry. Prior to joining B&W he was managing director for a number of subsidiary companies of a major South African listed construction company.

> Danie Evert (48)

B.Com (Acc)

Financial Director

Danie has worked in the construction industry for over 25 years. He was appointed as the company's Financial Director in 2007. Danie previously worked as financial manager and information systems manager in both South Africa and abroad for a major listed South African construction company.

> Johan Breedt (51)

NTC4

Logistics Director

Johan has been the Logistics Director of the company since 1996. He has worked in the electrical industry for more than 25 years in total, of which the majority has been spent at B&W. His previous experience includes an apprenticeship and position as a technical officer at a large cable manufacturer.

> Tom Lombard (57)

Project Director

Tom joined B&W in 1990 as a contracts manager, progressing to Project Director in 1995. He has more than 30 years of experience in the construction industry, which includes working for the state power generation authority. Tom has also worked for an international electrical equipment supply and construction company in various capacities.

> Dean Nevay (42)

*Pr.CM (SACPCM) B.Com N Dip Elec. (LIC)
Certified PROFIBUS Engineer (PCC) ISO
9001:2000 (TIQMS)*

Operations Director

Dean has a wealth of experience in planning, project management and project support services including health and safety, technical, quality assurance, logistics and training. He is extensively involved in industry affairs and is the immediate past president of the Electrical Contractors Association (SA) and previously as a councillor on the National Bargaining Council. He has been a director of and shareholder in B&W since 1996, having worked for the company since 1992.

> Gary Swanepoel (47)

Pr.CM NHD (Building Science)

Deputy CEO

Gary has served as Commercial Director of B&W since 1996. In 2009 he was appointed as Deputy CEO. He has worked in the construction industry for over 25 years, of which the majority has been with B&W. His previous experience includes a quantity surveyor both in South Africa and abroad on various large E&I projects.

> Sam Vilakazi (51)

Sam has been actively involved in the construction industry for almost 30 years. From an Electrical and Site Supervisor in 1992, he has progressed to a director position. He was appointed to B&W's board in 2007 and is also one of the trustees of B&W's Employee Trust.

> Stephen Pinkney (41)

N6 Electrical Engineering, Pr. Tech. Eng (ECSA)

Stephen has 20 years of experience in E&I engineering, project management and construction management disciplines relating to the power generation and transmission, process plant, and materials handling industries both locally and abroad. He was previously managing director of a private E&I engineering and design company. He is professionally registered with the Engineering Council of South Africa and is a Member of the South African Institute of Electrical Engineers as well as the Society for Automation, Instrumentation, Measurement and Control.

Non-executive director

> John Barrow (67)

*Pr Eng. PrCPM BSc. (Mech. Eng.) B.Com
FSAI (Mech. Eng.)*

Chairman

John has been actively involved in the construction industry for over 40 years. His previous experience includes project manager both in South Africa and abroad for a large American engineering and project management company, and subsequently managing its South African contract operations. John has previously served as managing director for a number of subsidiaries of listed South African companies. He has been a director of and shareholder in B&W since 1984.

**Independent
non-executive directors**

> Unati Mabandla (40)

BA PR Adv PM Cert. of Proficiency

Unati has extensive experience in events, public relations and human resources management. She is group human resources director for a major South African advertising agency. She was appointed as a non-executive director of B&W in 2007 and chairs the company's Remuneration Committee.

> Jimmy Oosthuizen (75)

CA(SA)

Jimmy initially worked in auditing before joining the financial management team at a large listed South African construction company, where he later became financial director. He was appointed as a non-executive director of B&W in 2007 and chairs the Audit & Risk Committee.

> Wolf Wassermeier (68)

Wolf has over 40 years of experience in the construction industry. He has held directorships at various listed companies and was the group deputy managing director at a major South African listed construction company. He was appointed as a non-executive director of B&W in 2007.



Governance and risk

Corporate governance



Corporate governance is the process by which companies are controlled and directed and is the ultimate responsibility of a company's board. The board of directors of B&W is committed to sound corporate governance practices and reporting and applies the Code of Corporate Practices and Conduct as per the King III report. The directors ensure that the group complies to the fullest possible extent with all relevant laws, regulations and best practice and communicates with its stakeholders openly and timeously, with substance prevailing over form. Internal governance structures are currently under review as part of a King III gap analysis underway, the recommendations of which the board expects to implement in the year ahead.

Compliance with King III and the JSE Listings Requirements on corporate governance

The directors adhere to King III's 'apply or explain' approach as reflected in this report and required in terms of the JSE Listings Requirements. B&W acknowledges that this approach requires more consideration and explanation of what has been done to implement the principles and best practice recommendations of governance.

In the corporate governance report, we endeavour to explain B&W's status in terms of implementing best practice and the initiatives currently in progress to facilitate this. We regard our efforts as a journey in terms of which we are continually moving towards better governance. For most of the year under review, B&W has been assessing its compliance with current legislation and recommendations, culminating in the

King III gap analysis underway. In light of this a number of the group's governance practices have been deferred until the completion of the review process. B&W has complied with King III with the exception of those items outlined in this report.

Ethics

B&W is committed to the highest standards of honesty, integrity and fairness, and has zero tolerance for the commissioning or concealment of fraudulent acts by employees, contractors or suppliers. The board ensures the Code of Ethics ("the Code") is effected through group strategy as well as in operational decisions. The group's disciplinary codes and procedures further ensure compliance with the Code's underlying tenets. Employee adherence to the Code is monitored at monthly board meetings and disciplinary action is taken where it is breached. In addition, active policing is practiced during project audits. The group has a confidential open door policy for whistle blowing. During the year certain instances brought to management's attention in this way were thoroughly investigated and where appropriate, disciplinary action was taken.

Board review

The B&W board is the focal point and custodian of corporate governance in the group. Board members are expected to act in the best interest of the company at all times. A review of the board is currently underway as part of the King III gap analysis, which will highlight any changes to address the imbalance of executive and non-executive directors in line with new legislation.

The directors acknowledge that the current composition of the B&W board does not comply with legislation and recommendations, comprising three independent non-executive directors, one non-executive director (Chairman), and eight executive directors.

John Barrow resigned as executive Chairman at the previous annual general meeting and assumed the role of non-executive Chairman. In addition Ken Nel, an executive director, resigned from the board with effect from 31 January 2011 but has remained with the group in the capacity of employee. Neels Minnie and Johan Rall resigned as alternate directors effective 31 March 2011 and 30 April 2011, respectively. Stephen Pinkney was appointed as an executive director with effect from 24 June 2011.

A brief curriculum vitae for each director is set out on pages 12 and 13 of the annual report.

In the previous year the status of directors was assessed using the principles of King III and the JSE Listings Requirements. The board did not deem it necessary to formally re-assess the independence of the independent non-executive directors for the year under review as their composition and contributing factors did not change year-on-year.

The Board Charter will be reviewed in the year ahead to align with current legislation and best practice. In anticipation of the review recommendations, the board did not conduct a formal evaluation exercise during the year. This will be resumed in



inventive transforming focused

the year ahead in line with the King III and revised legislative requirements.

The Charter currently includes a statement of governance principles that guide the activities of the board. It sets out the accountability of board members, collectively and individually, to ensure an appropriate balance of power and authority. The Charter further details the roles of the Chairman of the board and CEO, and that of all other executive and non-executive directors, stipulating that they are strictly separated to ensure no director can exercise unfettered powers of decision-making.

The Chairman provides leadership and guidance to the board and encourages proper deliberation on all matters requiring the board's attention while obtaining input from other directors. He plays an active role in setting the agenda for board meetings and presides over the group's shareholder meetings.

The CEO is Brian Harley. He leads the management team and is the principal spokesperson for the company. He is responsible for day-to-day operations and the controlled implementation of strategic and operational decisions.

Non-executive directors are not involved in the day-to-day operations of the group but have unrestricted access to management at any time.

The board meets monthly during the year with additional meetings as and when necessary. Attendance for the year is set out below:

Directors	Board Meetings	Audit & Risk Committee Meetings	Remuneration Committee Meetings	Special Board Meeting
LJ Barrow (Chairman)	11(11)	1(2)	1(1)	1(1)
BH Harley (CEO)	8(11)	2(2)	0(1)	1(1)
DJ Evert (Financial Director)	11(11)	2(2)	1(1)	1(1)
GMJ Breedt	10(11)			1(1)
T Lombard	8(11)			1(1)
YU Mabandla [^] ~	7(11)		0(1)	0(1)
KE Nel (resigned 31 January 2011)	3(11)			0(1)
DS Nevay	5(11)			1(1)
Stephen Pinkney (appointed 24 June 2011)	0(11)			0(1)
JD Oosthuizen [^] -#	9(11)	2(2)	1(1)	1(1)
GWR Swanepoel	9(11)			0(1)
VS Vilakazi	8(11)			0(1)
W Wassermeier [^] -	8(11)	2(2)	0(1)	1(1)
Designated Adviser	10(11)	2(2)		0(1)
Trevor Mannas ⁺	10(11)			1(1)

[^]Non-executive, ⁻Independent, [#]Audit & Risk Committee Chairman, [~]Remuneration Committee Chairman, ⁺Managing Director Pontins

Governance and Risk continued

Corporate governance continued

In terms of the current Board Charter the specific responsibilities of the board include, *inter alia*, to:

- exercise leadership, integrity and judgement based on fairness, accountability, responsibility and transparency;
- determine the group's purpose, values and stakeholders relevant to its business;
- establish and maintain the structure of the company;
- provide strategic direction to the group;
- monitor and evaluate the implementation of business plans;
- identify key risk areas and key performance indicators;
- identify and monitor the non-financial aspects relevant to the business of the group;
- define levels of materiality, reserving specific powers to itself and delegating other matters with the necessary written authority to specific directors;
- review processes and procedures to ensure the effectiveness of the company's internal systems of control;
- ensure that the group complies with all relevant laws, regulations and codes of best business practice;
- ensure that the company communicates with its shareholders and relevant stakeholders; and
- consider proposals for executive directors' remuneration from the Remuneration Committee.

To guard against **conflicts of interest** directors are required to submit for approval to the Chairman their shareholdings, additional directorships and potential conflicts of interest as well as any share dealings. Conflicts of interest, if any, are required to be declared at board meetings. Share dealings are dealt with in terms of a formal approval policy overseen by the Chairman and DA. The share dealings

of the Chairman are required to be authorised by an independent non-executive director prior to implementation. Directors and management are advised by the DA in writing, when the company is entering a closed period. The company secretary, in conjunction with the DA, ensures the publication of all share dealings on SENS.

B&W has a formal and transparent **appointment process**. Candidates are interviewed using B&W's internal screening process and shortlisted candidates are then interviewed by the board with regards to their particular experience in the industry and their track record. New directors are approved and appointed by the board as a whole, in conjunction with the DA who ensures compliance with the JSE Listings Requirements and other formalities. The board is of the unanimous opinion that having directors with relevant business and industry experience is beneficial to the group as a whole, since they offer a useful perspective on significant risks and competitive advantages as well as the challenges facing the business. In restructuring the board post the review process, B&W will continue to take into account the mix of skills and experience of directors to ensure that the board retains the necessary tools to effectively perform its oversight function. Directors will be appointed who are able to exercise diligence and possess the requisite knowledge and expertise to fulfil an appropriate role within the board as a whole.

In terms of the articles of association, one third of the directors retire at each annual general meeting.

Confirmation of all new appointees takes place at the annual general meeting

following their appointment and consequently Stephen Pinkney's appointment will be ratified at the upcoming annual general meeting.

All new directors are required to attend the AltX Directors Induction Programme. Additional induction programmes have not been deemed necessary in the past in light of new directors' extensive industry and business experience. The Chairman and CEO are responsible for ensuring that ongoing training and development of directors takes place, for instance board members' attendance at seminars during the year on new legislation including the King III Report and Companies Act.

B&W has a formal **succession plan** in place for all leadership positions in the group. During the year, steps were taken to advance this in light of the anticipated restructuring of the board, which included specific training and mentoring. The succession plan will be re-assessed in accordance with the new board structure once implemented. It is intended that as far as possible executive board members will continue to be appointed from within the group in terms of sustainable succession planning.

Company secretary

The functions of the company secretariat were outsourced in January 2010 to independent supplier CIS Company Secretaries (Pty) Limited, a wholly owned subsidiary of Computershare South Africa. CIS Company Secretaries comprises a team of nine individuals whose qualifications include a LLB, Bachelor of Business Administration, BCompt and LCIBM. In addition it enjoys the support of, amongst others, Computershare's Legal, Compliance and Risk departments.

The role and functions of the company secretary include:

- providing the directors, collectively and individually, with detailed guidance on their duties, responsibilities and powers;
- providing information on laws, legislation, regulations and matters of ethics and good corporate governance relevant to the company;
- ensuring compliance with laws and regulations;
- properly recording the minutes of all shareholder meetings;
- administering closed periods for dealing in the company's shares; and
- assisting to the extent deemed necessary with the induction of new directors.

Designated adviser

Merchantec Capital is responsible for ensuring ongoing compliance with the JSE Listings Requirements and further management of all JSE-related issues.

Board committees

The board is currently assisted by the Audit & Risk and Remuneration Committees. The roles of these committees are primarily to enhance group governance and contribute to the overall group performance in line with legislation.

Formal charters govern both committees and are currently under review as part of the King III gap analysis. For the year the board has satisfied itself that both committees have discharged their responsibilities effectively and responsibly. However, as with the board itself, formal self-evaluation exercises will only resume once the review process is complete and the board, and therefore the sub-committees, have been restructured.

The chairpersons of the board committees attend the annual general meetings in line with legislation and committee charters. Attendance of committee meetings is set out on page 15.

The current membership is set out below:

Committees	Remuneration	Audit & Risk
Chairman	Unati Mabandla	Jimmy Oosthuizen
Unati Mabandla~	*	
Jimmy Oosthuizen~	*	*
Wolf Wassermeier~	*	*
Danie Evert	Invitee	Invitee
Brian Harley	Invitee	
John Barrow	*	
Designated Adviser		Invitee
External Auditors		Invitee

~independent

Audit & Risk Committee

Please see the Audit & Risk Committee report on page 26 of the annual report.

Remuneration Committee

The Remuneration Committee is tasked with assessing executive and non-executive directors' remuneration including, but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, share incentives, pensions and other benefits. In addition the committee determines short- and long-term incentive pay structures for group executives.

In light of the size of the group and the extensive responsibilities of the committee, it is not deemed practical at present to comprise the committee solely of non-executive directors. However executive directors on the committee are barred from deliberations in respect of their own, or each other's remuneration.

B&W has an established formal and transparent policy on executive remuneration and the remuneration

packages of individual directors.

The group remuneration policy sets out B&W's intention to attract and retain critical talent as well as to motivate current employees to perform to their best ability and in the best interests of the company and its stakeholders. Basic salaries of employees are as far as possible market-related with annual increases and bonuses determined with reference to the employees' role, personal and operational performance, organisational size, key performance areas, the business climate and current market conditions as well as criteria such as exceptional effort and inflation. This is, where necessary, further benchmarked against independent market surveys. A comprehensive remuneration review was thus undertaken in the previous year and it was not deemed necessary to repeat this in the year. Any intended remuneration outside of the market ranges requires explanation by the board to the committee.

The executive directors who are shareholders in the company receive dividends should these be declared.

Governance and risk continued

Corporate governance continued

They therefore do not receive production bonuses. They do however receive an annual bonus equivalent to a 13th cheque. Remaining executive directors and senior operational managers are awarded production bonuses where operational outcomes exceed budget. No incentive awards that could result in a potential dilution took place during the year.

The three highest paid members of B&W (excluding B&W executive directors) for the year are set out in summary below:

31 August 2011	Position	Salaries (CTC) R	Incentives R	Total R
FWR Pretorius	Marketing Manager	R892 080		R892 080
AP Smuts	Contracts Manager	R814 424		R814 424
J Joubert	Procurement Manager	R755 653		R755 653

The fees for non-executive directors are set out in the table below:

Type of fee	Existing fee 2010/11
<i>Board (monthly)</i>	
Non-executive	R10 600
<i>Audit & Risk Committee (per meeting)</i>	
Chairman	R10 000
Member	R10 000
<i>Remuneration Committee (per meeting)</i>	
Chairman	R10 000
Member	R10 000

Accounting and auditing

The external auditors are responsible for reporting on whether the annual financial statements are fairly presented in compliance with IFRS. As the preparation of these remains the responsibility of the directors, the group has appointed an independent IFRS expert to assist directors in ensuring full compliance.

The board, via the Audit & Risk Committee, is responsible for evaluating the independence and effectiveness of the external auditors. It also considers whether any non-audit services rendered by the auditors are likely to substantively impair their independence. Corrective action is taken if necessary in this regard.

Adequate internal controls exist within the group to ensure that a separate internal audit function is not necessary. During the year ad hoc internal audits were carried out

B&W operates an assisted share purchase scheme for directors and senior managers for long term incentivisation. Junior staff and hourly paid workers who have been employed by the company for more than four years share in growth by way of the B&W Employee Trust which owns 6% of the equity.

on current projects to ensure compliance with the group's established internal controls. The findings of project audits were raised on an exception basis at monthly board meetings. Further, external audits on specific functions are conducted twice a year by the company's auditors and SABS regarding ISO 9000 accreditation compliance. NOSA audits with regard to safety compliance are conducted annually.

Risk

In the ordinary course of conducting business, B&W is exposed to a variety of risks and the board is responsible for assessing the effectiveness of risk management processes. The Audit & Risk Committee assists the board in determining the company's risk tolerance in the pursuit of its objectives, while management is responsible for implementing and integrating mitigation processes into the company's daily activities. The group's approach to risk is governed by a formal risk management framework. The intention is to review the risk policy annually. However, this has been deferred until the King III gap analysis has been completed.

Risk assessment is deemed a critical part of onsite project management and the status in this regard is reported to the board on a monthly basis. Risks are established and evaluated on a risk versus reward basis, per project, both on the selection of projects to be targeted and at the tender stage.

The table below highlights key risks facing the group and the mitigation in place to counter these:

Risk	Risk mitigation
Fluctuations in foreign currency	<ul style="list-style-type: none"> ■ Currency hedges and appropriate contingencies included in quoted price ■ Negotiate rand based payments wherever possible
Client default	<ul style="list-style-type: none"> ■ Credit checks by professionals and Credit Bureau ■ Cherry-picking (blue chip clients) ■ Intensifying debt collection ■ Contract payments prior to commencement ■ Wherever feasible reducing the retention book and freeing up cash flow by substituting bonds or guarantees for retentions
Site injury or fatalities	<ul style="list-style-type: none"> ■ Training health and safety personnel ■ Intensive training of site supervisory personnel ■ Provision of maximum personal protective equipment to all site staff and visitors ■ Daily tool box talks to all site staff ■ Health and safety audits by independent bodies ■ Maintaining records and analysing safety statistics including “lost time injuries”, “near misses” and “abnormal incidents” ■ Internal site audits every 4-6 weeks, depending on location of sites ■ Client and contractor work in conjunction on all safety aspects
Loss or damage to own plant and vehicles	<ul style="list-style-type: none"> ■ Sufficient business insurance
Input cost inflation	<ul style="list-style-type: none"> ■ Negotiable escalation clauses or appropriate contingencies included in quoted price ■ Negotiate fixed and firm prices with suppliers, prior to tender submission
Loss or damage to works	<ul style="list-style-type: none"> ■ Appropriate contractor’s all risk insurance
Loss or damage to persons or property not incorporated in the works	<ul style="list-style-type: none"> ■ Appropriate public liability insurance
Retirement, death or disablement of key staff	<ul style="list-style-type: none"> ■ Succession planning ■ Mentoring ■ Identify key future candidates in the industry, and after a detailed screening process, recruited and mentored and blended into B&W’s culture
Increased competition	<ul style="list-style-type: none"> ■ Streamlining operational efficiency ■ Increasing market research ■ Intensifying marketing efforts ■ Diversification
Economic slowdown	<ul style="list-style-type: none"> ■ Intensifying marketing efforts ■ Accessing new markets ■ Monitoring operational costs ■ If long-term, consolidate and re-build for the expected future growth
Reputational risk	<ul style="list-style-type: none"> ■ Attention to safety and quality ■ Project audits ■ Independent audits (NOSA, SABS) ■ Regular site visits by directors ■ CEO and Marketing Manager arrange client meetings throughout the project to assess current progress and bottlenecks if any, and assist with corrective action. ■ A project close out meeting is held at the end of each project to identify any problems in order to correct and prevent future occurrences ■ Marketing Manager has regular contact with clients

Governance and risk continued

Corporate governance continued

Information security management

The board acknowledges its overall responsibility for IT governance and business continuity. To support this, a Company Information Officer (CIO) assumes primary responsibility for IT governance and reports to the board at monthly meetings. An internal IT control framework is firmly in place, with assurance outsourced to independent expert Syrex Intranets. Risks are identified by the CIO and recommendations are made at monthly board meetings. Following extensive upgrades to the IT security systems in the previous year no significant changes were deemed necessary during the year

under review. Improvements in the previous year included a business continuity programme encompassing automated, offsite back-up.

Legal compliance

The board ensures that all legal matters are addressed at each board meeting and all new legislation that impacts on the group is discussed in detail. The company secretary and Designated Adviser are instrumental in this regard, as are efforts to ensure ongoing education for board members through external courses and training. Efforts to achieve compliance with King III and the new Companies Act are underway (as above).

Labour relations

B&W believes that every employee has the right to belong to a union and recognises this through an open and transparent relationship with recognised unions. B&W falls under the jurisdiction of the National Bargaining Council for Electrical Contracting Industries. SAEWA (South African Equity Workers Association) is the only union represented at the Bargaining Council and as such is the only union with organisational rights within the group. Although numerous employees belong to a multitude of unions, no other union is sufficiently representative within the company to warrant organisational rights.

Transformation

B&W recognises that integrating transformation into business practice is crucial for the sustainability of the group and South Africa generally. The group has a B-BBEE policy and improvement strategy in place to drive transformation in compliance with B-BBEE legislation. The group continually seeks initiatives to better its B-BBEE scorecard, without detracting from investor value in the long run. The group is currently B-BBEE Level 5 rated.

B&W's progress towards meeting the industry transformation charter requirements and the Codes of Good Practice on Black Economic Empowerment issued by the Department of Trade and Industry is set out below:

BEE Code	Progress %	Scorecard rating (%)
Ownership	+0,00	8,00
Management Control	+0,50	36,00
Employment Equity	-0,40	39,80
Skills Development	-0,25	72,00
Preferential Procurement	+0,63	84,25
Enterprise Development	-0,05	66,66
Socio-Economic Development	+0,00	100,00

Ownership

The current BEE shareholding is 8,8%, which includes the B&W Employee Trust holding a 5,98% stake in the group. The Trust benefits employees with more than four years of continuous service, with an emphasis on black staff (75% of benefits). The group is

cautiously, but actively seeking B-BBEE equity partners that would improve the ownership scorecard, without detracting from shareholder value. Any such proposal would have to enhance earnings potential and not be a window-dressing exercise in order to attain sustainable black ownership levels. This in turn could enhance and expand the group's participation in different industries, which rely on different scorecards.

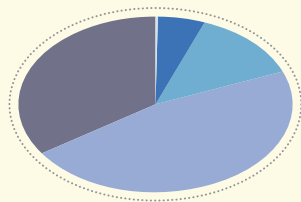
Management control

Black management has improved from 31% in the previous year to 36%. This reflects the success of ongoing training and onsite mentoring of suitable candidates for advancement. During the year under review, a number of black candidates were promoted into positions of authority onsite. Candidates continue to be identified for further skills development and mentorship on an ongoing basis.

Employment equity

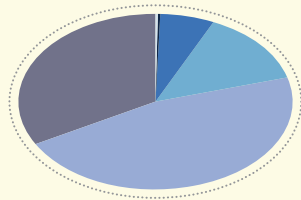
The group's employment equity status for the year is set out below.

Actual 2010/2011



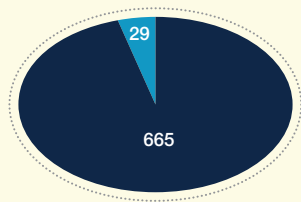
■ Top management	0,4%
■ Senior management	0,0%
■ Professionally qualified	5,6%
■ Skilled	12,9%
■ Semi-skilled	46,9%
■ Unskilled	34,2%
□ Disabled	0,0%

Target 2011/2012



■ Top management	0,4%
■ Senior management	0,4%
■ Professionally qualified	6,2%
■ Skilled	13,6%
■ Semi-skilled	46,5%
■ Unskilled	32,9%
□ Disabled	0,0%

Gender breakdown



■ Female	29
■ Male	665

Breakdown by race

Category/level	African	Coloured	Indian	White	Total
Top management	2			14	16
Senior management				30	30
Professionally qualified	28			17	45
Skilled	59	4	1	126	190
Semi-skilled	223	4	2	14	243
Unskilled	164	3	2		170
Total	476	11	5	201	694

By the nature of the industry, which is male gender biased in light of the nature of the work, employment equity targets fall secondary to the overall resource requirements for the successful execution of projects. Targets are therefore not communicated with staff outside of management.

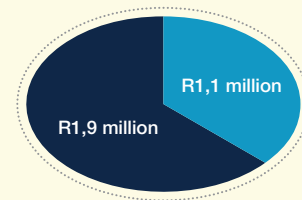
Due to the contract labour required and sourced locally for specific projects, staff retention efforts are focused primarily on permanent management and core competencies. The success of retention efforts is reflected in the majority of the management team exceeding 10 years of service at B&W, with some members exceeding 20 years of service at the group. This is distinctive in a migratory industry.

Skills development and training

Due to the nature of the industry, limited formal management training is available. Skills development therefore depends less on any formal qualification and more on onsite experience and mentorship. This is progressing well and starting to deliver results. The process of advancement is evolutionary – artisans have the potential to become foremen, foremen to become supervisors, supervisors to become site managers etc. Progress is largely dependent on the aptitude of the employee, experience and onsite mentorship and training.

Formal NQF2, 3 and 4 training is offered each year, with a total of 46 learners currently participating in the group's training programme all of whom are black/PDIs.

Training spend 2011



- Spend at head office
- Spend onsite

Total R3 million
(excluding salary and wage costs incurred for training)

Preferential procurement

Although the group has an affirmative procurement preference policy wherever possible, the establishment of fixed targets is unrealistic. Many of B&W's clients have nominated suppliers and specific preferences for proprietary materials and equipment, which dictate suppliers to the group to some extent.

Enterprise development

B&W is currently formalising an enterprise development policy.

Governance and risk continued

Social review

To make the group's community upliftment efforts more meaningful, during the year CSI was decentralised to the operating areas of projects so that beneficiaries derived directly from the local communities. CSI projects are identified and are then subject to a benefit versus cost analysis. These must then be approved by either the project supervisor and director to whom he reports, or the CEO where the total value of the commitment is substantial.

In Tamatave, for example, the electrical installation in a local orphanage was replaced and the completion celebrated with a party for the orphans. In addition, financial support was extended to another orphanage in Antananarivo, Madagascar.

Beneficiaries during the year included:

- Deo Gloria House, Krugersdorp – a shelter for homeless and abused children.
- Olivers House – a Benoni-based charity managing feeding programmes as well as children's care, education and computer training centres.
- Compass (Community Provision & Social Services) – an organisation which takes care of abused and abandoned women with babies and children.
- Girls and Boys Town – a non-profit organisation strengthening the development of youth, families and communities in need.

SHEQ

Occupational Safety

B&W recognises that health and safety considerations are integral to the success of its business model. The group's commitment is evident in an exceptional track record of low injury rate and a minimum of incidents. Safety statistics are compiled on a project basis and included in the board packs for every monthly board meeting.

Accolades:

- NOSA Northern Region Winner: NOSA 5-Star System, Sector F, Construction for 2010
- NOSA Northern Region: Best Occupational Health Programme on the NOSA 5-Star System for 2010
- International Awards Banquet Winner, Sector F, NOSA Safety & Health, 2010 (NOSCAR)

B&W strictly complies with the South African Occupational Health and Safety Act, the Mines Health and Safety Act and other relevant regulations. Health and safety procedures are continually scrutinised and improved to ensure that the group's policies are in line with international standards and guidelines.

Achieving an impeccable safety record reflects the appropriate balance of adequate safety measures and their enforcement while still completing projects on time and within budget.

At the start of each project a dedicated safety officer is appointed, with more than one being appointed on larger projects. All risks are identified by a risk assessment team comprising the project supervisor and safety officer. Each employee is encouraged to participate in the risk identification process. Identified risks are categorised according to severity – “transferred”, “treated” and “tolerated”. Risks falling outside of these categories are managed through control measures to minimise the likelihood of an incident occurring or recurring.

As part of the SHEQ policy, it is compulsory for all sites to have a safety-related talk by the safety officer each day before commencing work. These are commonly referred to as “Toolbox Talks” and a different SHEQ issue is highlighted every day. As most of the injuries sustained during the year pertained to minor hand injuries – as a result of the dependence on manual labour for tasks such as the pulling and termination of cabling – more emphasis was placed on hand injuries as a topic for the Toolbox Talks to heighten awareness in this regard.

Despite these minor injuries, the group achieved an enviable LTIFR and DIFR of 0,00, without any disabling or lost time injuries incurred during the year.

Key performance indicators

Criteria	Target	Actual 2011	Actual 2010
Number of fatalities	0	0	0
Fatality frequency rate per 200 000 hours worked	0,00	0,00	0,00
LTIFR per 200 000 hours worked	0,00	0,00	0,07
Days lost due to lost-time injuries	0	0	7

Ongoing training is key to maintaining the group's safety record. Each new employee is required to attend a compulsory SHEQ induction programme before being allowed to enter any B&W site. Due to the differing nature, and consequently risks, on various projects, induction training is repeated on commencing work. In addition each site and client has specific health and safety courses that need to be completed, including but not limited to:

- First aid (levels 1 to 3)
- Fire fighting
- Safe use of hand tools
- Safe use of portable electrical equipment
- Fall protection training
- Specific safety training for construction supervisors
- Incident causation analysis techniques
- HIRA training for risk identification
- Legal liability awareness
- SHE representative training, and
- Site specific safety training.

The total cost for SHEQ during the year is set out below:

SHE equipment and PPE	R17 million
Medical and inductions	R6,8 million
Total cost	R23,8 million

In addition to project audits, external audits conducted by NOSA are undertaken every twelve months at both the group's head office and satellite office in Trichardt. Both retained their NOSA 5-Star status during these audits in the year under review. B&W employs the NOSA Integrated System to effectively manage 'SHE' at an operational level. The system provides a detailed evaluation of the requirements needed to keep the organisation safe, healthy and environmentally sustainable. Grading takes place on an annual basis.

By maintaining a five star grading it is evident that all 'SHE' impacts and risks have been identified and that any risks are prioritised and addressed in a systematic manner. The NOSA Integrated System also provides international benchmarking opportunities.

Wellness

In terms of general wellness employees undergo entry and exit medical examinations prior to the start and at completion of most projects. Under the group's HIV/AIDS policy all employees have access to voluntary testing which is promoted through the HIV/AIDS awareness programmes. In addition, certain foreign contracts require compulsory testing as a prerequisite to issuing work permits. HIV/AIDS awareness is also promoted through the Toolbox Talks as well as HIV/AIDS awareness signage, pamphlets and the distribution of free condoms at all offices and sites.

Environment

Climate change is potentially both a risk and an opportunity for B&W. Materials and operational methodologies may need to change. However, advances in technologies to curb climate change could result in new plants and the modification or extension to existing plants as well as recycling plants, all requiring E&I services.

B&W has a formal environmental policy in place outlining the procedure for identifying, eliminating and managing environmental issues that may arise as a result of the execution of projects. The group's policy and procedures are audited by the SABS in terms of the requirements for ISO9001:2008 accreditation. Independent audits and risk assessments are also conducted on

an ad hoc basis, as the environmental factors vary greatly with respect to the type of plant being constructed as well as the sensitivity of the environment. Environmental policies are therefore further formally documented and disseminated per project, all in compliance with the group policy.

Environmental training is offered as part of induction programmes, which are compulsory for all employees. In addition, environmental training is further provided through the topics of the Toolbox Talks held daily on site.

Due to the nature of B&W's operations, the impact of specific conservation measures is secondary to the potential for proper conservation though the education of the local labour forces. The long term effects of their actions on the environment are taught during daily Toolbox Talks.

Each project has specific environmental policies which are enforced on all participating contractors. The B&W SHE department develops an environmental awareness programme in line with the client's policy on a project by project basis:

- Specific topics are discussed at Toolbox Talks.
- Demonstrations are carried out where appropriate.
- Audits by the client and contractor are done on a regular basis to ensure compliance.
- Notices are displayed site-wide providing information and serving as a reminder of B&W's commitment to the environment.

To mitigate electricity shortages the group's offices, as well as many of the sites, have their own generating capabilities.

Annual financial statements

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Directors' statement of responsibility

The annual financial statements, which are presented on pages 28 to 68, have been prepared in accordance with IFRS and are supported by reasonable and conservative judgements and estimates. The directors are responsible for the preparation of the annual financial statements and related financial information, which fairly presents the state of affairs and the results of the company and the group. The directors have recruited the services of an independent IFRS consultant to assist with fulfilment of their obligations in this regard. Management fulfils its responsibility by maintaining adequate accounting records to ensure the integrity of the annual financial statements.

The directors are also responsible for the company's system of internal controls. These controls are designed to provide reasonable, but not absolute assurance as to the integrity and reliability of the annual financial statements, that transactions are conducted in accordance with management's authority and that the assets are adequately safeguarded against loss.

These controls are monitored throughout the company by management. Nothing has come to the directors' attention to indicate that there were any material breakdowns in the functioning of these controls during the year under review.

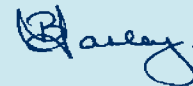
The annual financial statements have been prepared on the going concern basis since the directors have every reason to believe that the company has adequate resources to continue in operation for the foreseeable future. The annual financial statements support the viability of the company.

The auditors Certified Master Auditors Inc. are responsible for reporting on the fair presentation of the annual financial statements and their report is presented on page 27.

The annual financial statements were approved by the board of directors on 11 November 2011 and are signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J Barrow'.

John Barrow
Chairman

A handwritten signature in black ink, appearing to read 'B Harley'.

Brian Harley
CEO

11 November 2011

Declaration by company secretary

In our capacity as company secretary, we declare that for the year ended 31 August 2011 the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 2008, as amended, and that such returns are true, correct and up to date.

A handwritten signature in black ink, appearing to be a stylized 'S'.

CIS Company Secretaries (Pty) Limited
Company secretary

11 November 2011

Annual financial statements continued

Audit & Risk Committee report

The information below constitutes the report of the Audit & Risk Committee for the year under review. In compliance with regulations, the committee was formally appointed by the board of directors on listing. A separate Risk Committee is intended to be established and a steering committee has been appointed to drive this process. The new Risk Committee will be formalised once the governance review process is complete, and will focus on the risks associated with the group's strategy, decision-making and operations.

During the year the committee was chaired by independent non-executive director Jimmy Oosthuizen and comprised one further independent non-executive director Wolf Wassermeier, a representative from Designated Adviser Merchantec Capital and Financial Director Danie Evert as invitee. The board has satisfied itself that all committee members acted independently and were suitably qualified to fulfill their roles on the committee.

The charter makes provision for the committee to recommend the appointment of external independent auditors for approval by shareholders, to monitor their performance and proposed audit scope and approach and to fulfil its fiduciary duties in respect of the external auditors. Fees payable to the external auditors are determined by the committee. It further sets the principles for any non-audit services rendered to the group.

The committee has satisfied itself of the independence of the external auditors, Certified Master Auditors Inc. It has nominated, subject to the endorsement of the board and the approval of shareholders, the re-appointment of Certified Master Auditors Inc. and Mr George Davias as the independent registered audit firm and the individual registered auditor of the company, respectively, for the year ahead.

The committee is further responsible for advising and updating the board on issues ranging from accounting standards through implications of major financial transactions to published financial information. It also monitors executives' and senior officials' compliance with the Code of Ethics to identify any violations.

The committee, in addition, reviews the extent to which the group complies with all relevant laws and regulations.

The committee assists the board as custodian of the group's risk framework. In this regard, its duties and responsibilities encompass the review of the group's risk philosophy, strategy and policies recommended by the board including market risk, credit risk, liquidity risk, operational risk and commercial risk. It also performs a review and assessment of the integrity of the risk control systems in ensuring that the risk policies and strategies are effectively managed.

The committee clearly defines the nature, role, responsibility and authority of the risk management function within the group while also reviewing different risk identification and measurement methodologies. On a continuous basis, the committee further monitors external developments relating to the practice of corporate accountability and the group's reporting of specifically associated risk, including emerging and prospective impacts. It ensures the group has adequate business insurance cover.

Further, the committee monitors procedures to deal with the disclosure of information to clients. Lastly, the committee is responsible for liaising with the board in respect of the group's communication with its shareholders.

To the board it presents an independent and objective oversight and review on corporate accountability, sustainability reporting and specifically associated risk, and on financial, business and strategic risk.

The Audit & Risk Committee has considered and satisfied itself of the appropriateness of the expertise and experience of Financial Director Danie Evert.

The Audit & Risk Committee recommended the integrated report for the year ended 31 August 2011 for approval to the board. The board has subsequently approved the annual financial statements which will be open for discussion at the forthcoming annual general meeting.



J Oosthuizen
Audit & Risk Committee Chairman

Alberton

11 November 2011

Independent auditor's report

To the members of B&W Instrumentation and Electrical Limited

Report on the annual financial statements

We have audited the annual financial statements of B&W Instrumentation and Electrical Limited, which comprise the statement of financial position as at 31 August 2011, and 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, and the directors' report, as set out on pages 28 to 68.

Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these annual 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 annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual 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 management, as well as evaluating the overall presentation of the annual 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 present fairly, in all material respects, the financial position of B&W Instrumentation and Electrical Limited as at 31 August 2011, 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 71 of 2008.

A handwritten signature in black ink, appearing to read 'G Davias'.

G Davias
Certified Master Auditors Inc.

11 November 2011

234 Alexandra Avenue
Midrand
Gauteng
Republic of South Africa
1685

Annual financial statements continued

Directors' report

The directors of B&W have pleasure in submitting their report for the year.

Nature of business

B&W operates in the E&I industry in South Africa and is also an earthing, lightning and surge protection specialist. It offers services including plant erection, equipment procurement, material supply, testing, commissioning and maintenance to plants in the industrial, utilities, mining, chemical, oil & gas and food & beverage industries.

Financial results

The annual financial results of the company and group for the year are summarised in the Chairman's and CEO's Report and are set out in detail in the annual financial statements and accompanying notes.

Dividend

In light of the cash position, no dividend has been declared for the year. It remains group policy to declare a final dividend of 25% of NPAT, cash flow permitting.

Directors' shareholding

At year-end the directors held 115 054 500 shares in the issued share capital of the company.

Accounting policies

The annual financial statements, which are presented on pages 28 to 68, have been prepared in accordance with IFRS and in the manner required by the SA Companies Act, 2008. The annual financial statements have been prepared on the going concern basis. Detailed accounting policies are set out on pages 34 to 48 of the annual report of which this Directors' Report forms part.

Preparation of annual financial statements

The annual financial statements have been prepared by Danie Evert, the Financial Director of the group.

Directorate

The directors of the company at the date of this annual report are set out below. The number of board and committee meetings attended by each of the directors during the period 1 September 2010 to 31 August 2011 is tabled on page 15 of the corporate governance report.

2011	Direct shareholding		Indirect shareholding		Unvested shares in the share purchase scheme	Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
LJ Barrow	500 000	–	34 400 000	–	–	34 900 000
BH Harley	12 680 000	–	–	–	–	12 680 000
DJ Evert	250 000	–	3 640 000	–	1 130 000	5 020 000
GMJ Breedt	4 250 000	–	8 430 000	–	–	12 680 000
T Lombard	4 434 500	–	8 430 000	–	–	12 864 500
YU Mabandla [^] -	–	–	–	–	50 000	50 000
KE Nel [*]	12 680 000	–	–	–	–	12 680 000
DS Nevay	4 250 000	–	8 430 000	–	–	12 680 000
JD Oosthuizen [^] -	–	–	–	–	50 000	50 000
S Pinkney	–	–	–	–	–	–
GWR Swanepoel	4 250 000	–	8 430 000	–	–	12 680 000
VS Vilakazi	–	12 680 000	–	–	–	12 680 000
W Wassermeier [^] -	–	–	–	–	50 000	50 000
	43 294 500	12 680 000	71 760 000	–	1 280 000	129 014 500

[^]Non-executive, ⁻Independent, ^{*}Resigned 31 January 2011

2010	Direct shareholding		Indirect shareholding		Unvested shares in the share purchase scheme	Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial		
LJ Barrow	500 000	–	38 040 000	–	–	38 540 000
BH Harley	12 680 000	–	–	–	–	12 680 000
DJ Evert	250 000	–	–	–	1 130 000	1 380 000
GMJ Breedt	4 250 000	–	8 430 000	–	–	12 680 000
T Lombard	4 426 000	–	8 430 000	–	–	12 856 000
YU Mabandla [^] -	–	–	–	–	50 000	50 000
CJ Minnie [#]	–	–	–	–	1 130 000	1 130 000
KE Nel [*]	12 680 000	–	–	–	–	12 680 000
DS Nevay	4 250 000	–	8 430 000	–	–	12 680 000
JD Oosthuizen [^] -	–	–	–	–	50 000	50 000
HJ Rall [#]	–	–	–	–	1 130 000	1 130 000
GWR Swanepoel	4 250 000	–	8 430 000	–	–	12 680 000
VS Vilakazi	–	–	–	12 680 000	–	12 680 000
W Wassermeier [^] -	–	–	–	–	50 000	50 000
	43 286 000	–	71 760 000	12 680 000	3 540 000	131 266 000

[^]Non-executive, ⁻Independent, [#]Alternate, ^{*}Resigned 31 January 2011

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

Directors' and officers' interests in contracts and directors' emoluments

No material contracts in which directors have an interest were entered into during the year. Directors' emoluments are set out in note 36 to the annual financial statements.

Company secretary

The secretary of the company is CIS Company Secretaries whose business and postal addresses, which are also the company's registered addresses, are set out on the inside back cover of the annual report.

Auditors

Certified Master Auditors Inc. will continue in office as auditors of the company in accordance with Section 90 (1A)(b) of the Companies Act, 2008 subject to shareholder approval at the upcoming annual general meeting.

Special resolutions

The following special resolution was passed at the annual general meeting on 21 January 2011: General approval to acquire shares.

The special resolution was registered by the Registrar of Companies on 29 July 2011.

Share capital

On 31 August 2011 the authorised share capital of the company comprised 500 000 000 ordinary shares, of which 212 168 959 were in issue.

During the year no ordinary shares were allocated to key members of staff in terms of the company's assisted share purchase scheme.

At 31 August 2011 the aggregate number of ordinary shares in issue was accordingly 212 168 959.

No other changes have occurred to the group's issued share capital between year-end and the date of this report.

Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act 71 of 2008.

Subsequent events

The board of directors is not aware of any material matters or circumstances arising since year-end up to the date of this report.

11 November 2011

Annual financial statements continued

Statement of financial position as at 31 August 2011

	Notes	Group		Company	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
Assets					
Non-current assets					
Property, plant and equipment	2	32 543	36 939	24 967	28 760
Goodwill	3	7 368	7 368	–	–
Intangible assets	4	2 553	3 404	–	–
Investments in subsidiaries	5	–	–	33	32
Deferred tax	11	10 924	–	8 872	–
Retention debtors	12	–	15 766	–	15 766
		53 388	63 477	33 872	44 558
Current assets					
Inventories	13	2 547	3 502	1 351	3 136
Loans to related parties	8	8 904	3 700	76 749	41 755
Other financial assets	9	3 567	3 484	3 567	3 484
Trade and other receivables	14	337 407	319 146	233 749	284 215
Cash and cash equivalents	15	12 876	71 082	–	44 117
		365 301	400 914	315 416	376 707
Total assets		418 689	464 391	349 288	421 265
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	16	38 583	38 583	49 852	49 852
Foreign currency translation reserve		500	315	–	–
Retained income		140 776	165 970	81 542	142 730
		179 859	204 868	131 394	192 582
Non-controlling interest	17	459	216	–	–
		180 318	205 084	131 394	192 582
Liabilities					
Non-current liabilities					
Finance lease obligations	19	47	131	–	–
Deferred tax	11	–	11 682	–	10 942
		47	11 813	–	10 942
Current liabilities					
Loans from related parties	8	4 862	1 634	15 981	1 017
Loans from shareholders	6	7 823	–	7 823	–
Financial liabilities	18	17 508	49 217	9 423	45 164
Current tax payable		17 042	6 841	2 581	445
Finance lease obligations	19	52	158	–	–
Trade and other payables	20	136 877	181 079	127 926	162 821
Provisions	21	6 831	8 565	6 831	8 294
Bank overdraft	15	47 329	–	47 329	–
		238 324	247 494	217 894	217 741
Total liabilities		238 371	259 307	217 894	228 683
Total equity and liabilities		418 689	464 391	349 288	421 265
Net asset value per share (cents)		88,2	100,4	61,9	90,8
Net tangible asset value per share (cents)		83,4	95,1	61,9	90,8

Statement of comprehensive income

for the year ended 31 August 2011

	Notes	Group		Company	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
Contract revenue		683 384	601 283	528 416	507 140
Cost of sales	23	(661 500)	(478 158)	(559 100)	(423 074)
Gross profit/(loss)		21 884	123 125	(30 684)	84 066
Other income		224	1 040	174	1 040
Operating expenses		(45 714)	(45 855)	(36 098)	(39 284)
Operating (loss)/profit	24	(23 606)	78 310	(66 608)	45 822
Investment revenue	25	40	3 567	951	4 035
Finance costs	26	(3 619)	(323)	(3 599)	(208)
(Loss)/profit before taxation		(27 185)	81 554	(69 256)	49 649
Taxation	29	11 429	(24 041)	17 616	(14 905)
(Loss)/profit for the year		(15 756)	57 513	(51 640)	34 744
Other comprehensive income:					
Foreign currency translation reserve movement	27	187	318	-	-
Total comprehensive (loss)/income		(15 569)	57 831	(51 640)	34 744
(Loss)/profit attributable to:					
Owners of the parent		(15 997)	57 308	(51 640)	34 744
Non-controlling interest		241	205	-	-
		(15 756)	57 513	(51 640)	34 744
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(15 812)	57 623	(51 640)	34 744
Non-controlling interest		243	208	-	-
		(15 569)	57 831	(51 640)	34 744
(Loss)/earnings per share (cents)					
Basic and diluted EPS	40	(7,8)	28,5	(24,3)	16,6

Annual financial statements continued

Statement of changes in equity for the year ended 31 August 2011

	Share capital R'000	Share premium R'000	Treasury shares R'000	Total share capital R'000	Foreign currency translation reserve R'000	Total reserves R'000	Retained income R'000	Total attributable to equity holders of the group R'000	Non-controlling interest R'000	Total equity R'000
Group										
Balance at 1 September 2009	2	43 552	(11 269)	32 285	-	32 285	123 771	156 056	8	156 064
Changes in equity										
Total comprehensive income for the year	-	-	-	-	315	315	57 308	57 623	208	57 831
Issue of shares	-	6 298	-	6 298	-	6 298	-	6 298	-	6 298
Dividends	-	-	-	-	-	-	(15 109)	(15 109)	-	(15 109)
Total changes	-	6 298	-	6 298	315	6 613	42 199	48 812	208	49 020
Balance at 1 September 2010	2	49 850	(11 269)	38 583	315	38 898	165 970	204 868	216	205 084
Changes in equity										
Total comprehensive loss for the year	-	-	-	-	185	185	(15 997)	(15 812)	243	(15 569)
Dividends	-	-	-	-	-	-	(9 197)	(9 197)	-	(9 197)
Total changes	-	-	-	-	185	185	(25 194)	(25 009)	243	(24 766)
Balance at 31 August 2011	2	49 850	(11 269)	38 583	500	39 083	140 776	179 859	459	180 318
Notes	16	16	16		27				17	

	Share capital R'000	Share premium R'000	Total share capital R'000	Retained income R'000	Total attributable to equity holders of the company R'000	Total equity R'000
Company						
Balance at 1 September 2009	2	43 552	43 554	123 680	167 234	167 234
Changes in equity						
Total comprehensive income for the year	-	-	-	34 744	34 744	34 744
Issue of shares	-	6 298	6 298	-	6 298	6 298
Dividends	-	-	-	(15 694)	(15 694)	(15 694)
Total changes	-	6 298	6 298	19 050	25 348	25 348
Balance at 1 September 2010	2	49 850	49 852	142 730	192 582	192 582
Changes in equity						
Total comprehensive loss for the year	-	-	-	(51 640)	(51 640)	(51 640)
Dividends	-	-	-	(9 548)	(9 548)	(9 548)
Total changes	-	-	-	(61 188)	(61 188)	(61 188)
Balance at 31 August 2011	2	49 850	49 852	81 542	131 394	131 394
Notes	16	16	16			

Statement of cash flows

for the year ended 31 August 2011

	Notes	Group		Company	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
Cash flows from operating activities					
Cash generated from/(used in) operations	30	(63 695)	23 305	(30 101)	(8 557)
Interest income		40	3 567	951	4 035
Finance costs		(3 619)	(323)	(3 599)	(208)
Tax paid	31	(977)	(19 347)	(62)	(17 117)
Net cash from operating activities		(68 251)	7 202	(32 811)	(21 847)
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(2 168)	(14 344)	(1 062)	(11 479)
Sale of property, plant and equipment	2	215	314	6	314
Business combinations/acquisition of subsidiary	33	–	(11 653)	–	–
Loans to related parties (repaid)/advanced		(1 975)	(3 097)	(20 030)	11 584
Purchase of financial assets		(83)	(3 484)	(83)	(3 484)
Loan advanced by shareholders		7 823	–	7 823	–
Net cash from investing activities		3 812	(32 264)	(13 346)	(3 065)
Cash flows from financing activities					
Repayment of other financial liabilities		(31 709)	(28 800)	(35 741)	(25 138)
(Outflow)/inflow from finance leases		(190)	289	–	–
Dividends paid	32	(9 197)	(15 109)	(9 548)	(15 694)
Net cash from financing activities		(41 096)	(43 620)	(45 289)	(40 832)
Total cash movement for the year		(105 535)	(68 682)	(91 446)	(65 744)
Cash at the beginning of the year		71 082	139 764	44 117	109 861
Total cash at end of the year	15	(34 453)	71 082	(47 329)	44 117

Annual financial statements continued

Accounting policies

1. Presentation of group and company annual financial statements

The annual financial statements of the group and company have been prepared in accordance with International Financial Reporting Standards, JSE Listings Requirements, and the Companies Act, Act 71 of 2008 of South Africa, (as amended). The group and company annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

The accounting policies set out below have been consistently applied to all periods presented in these group and company financial statements except where the group or company has adopted the IFRS and IFRIC interpretations and amendments listed in Note 1.19 that became effective during the period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the group and company annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the group and company annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results could differ from these estimates which may be material to the group and company annual financial statements. Significant judgements include:

Allowance for slow-moving, damaged and obsolete stock

An allowance was made to write inventory down, to the lower of cost and net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write-down, where applicable, is included in the operating profit note.

Impairment

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less cost to sell. These calculations require the use of estimates and assumptions.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the

value in use of property, plant and equipment are inherently uncertain and could change materially over time.

Provisions

The provision for bonuses has been estimated and determined by management based on the information available. Additional disclosure of these estimates of provisions are included in Note 21 – Provisions.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the group to make significant estimates related to expectations of future taxable income.

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Residual values of property, plant and equipment

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as technological innovation, maintenance programmes, relevant market information and management consideration. In assessing residual values, the group considers the remaining life of the asset, its projected disposal value and future market conditions.

Contract revenue work in progress

The group recognises contract revenue work in progress as described in the accounting policy note 1.14.

Judgements are required for the estimation of the stage of completion and cost to completion. Should the stage of completion be significantly different from the actual amount of work carried out, this would have a material impact on the amount of contract revenue in progress.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

All property, plant and equipment are initially recorded at cost. Property, plant and equipment is subsequently carried at cost less accumulated depreciation and any impairment losses.

There has been no major change in the nature of the property, plant and equipment, nor any change in policy regarding the use thereof.

Item	Average useful life
Land	Not depreciated
Buildings	50 years
Plant and machinery	5 to 10 years
Furniture and fixtures	10 to 15 years
Motor vehicles	5 to 20 years
IT equipment	3 to 5 years
Mobile offices	10 to 15 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes

in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are incorporated in profit or loss.

1.3 Investments in subsidiaries

Company annual financial statements

In the company’s separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

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.

1.4 Consolidation

Group annual financial statements – basis of consolidation

The group consolidates all of its subsidiaries, joint ventures and special purpose entities which it controls. Accounting policies are applied consistently in all group companies.

The results of subsidiaries, joint ventures and special purpose entities are included from the effective date of acquisition up to the effective date of disposal. Where subsidiaries, joint ventures and special purpose entities have a different statutory financial year-end, their results are included on a basis consistent with the period of the company’s financial year.

Adjustments are made when necessary to the annual financial statements of subsidiaries, joint ventures and special purpose entities to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses, and profit and losses, resulting from intra-group transactions are eliminated in full on consolidation.

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Accounting policies continued

Business combinations

The group accounts for business combinations using the acquisition method of accounting. Goodwill can arise on the acquisition of businesses and subsidiaries and represents the excess of the fair value of the consideration paid for the business consideration, the fair value of any existing interests and the value of the non-controlling interests, over the fair value of the net assets acquired. Any gain from a bargain purchase is recognised in the statement of comprehensive income immediately. The fair value of the consideration paid is the fair value at the date of exchange of the assets given, liabilities incurred or assumed, and equity instruments issued by the group, and the fair value of any existing interest in exchange for control of the acquiree. Costs directly attributable to the business combination are expensed as incurred.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition.

Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are adjustments that are made to business combinations that were incomplete at the last reporting period. In such instances, the company retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date and its fair value can be measured reliably.

On acquisition, the group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for group purposes.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other

comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

After initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. An impairment loss of goodwill cannot be reversed in future periods.

Interests in joint ventures

A joint venture is a contractual agreement whereby the group and other parties undertake an economic activity that is subject to joint control. Joint control is present when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Jointly controlled operations

In respect of its interests in jointly controlled operations, the group recognises in its annual financial statements:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

1.5 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the group or company becomes a party to the contractual provisions of the instruments.

The group or company classifies its financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Classification is re-assessed on an annual basis where appropriate.

Financial assets and liabilities are initially measured at fair value, which includes directly attributable transaction costs, in the case of financial assets and liabilities not at fair value through profit or loss.

Subsequent measurement for each category is specified in the section below.

Classification

The group and company classifies its financial assets and financial liabilities into the following categories:

- Loans and receivables; and
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments is acquired and takes place at initial recognition. Classification is re-assessed on an annual basis, where appropriate.

Subsequent measurement

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans and receivables

After initial recognition, such assets are carried at amortised cost, using the effective interest method, less accumulated impairment.

Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired through the amortisation process. The group and company have classified the following financial assets as loans and receivables:

Loans to related parties

These loans are in respect of advances to companies within the group.

Retention debtors

Retention debtors arise from contract customers and are both of a current and non-current nature depending on the contractual terms.

Trade and other receivables

Trade and other receivables comprise all trade and non-trade debtors other than retention debtors. They are of a short -term duration and measured at original invoice price.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities at amortised cost

After initial recognition financial liabilities are recognised at amortised cost using the effective interest method.

Finance costs are recognised using the effective interest rate method. The group and company have classified the following financial liabilities as financial liabilities at amortised cost:

- loans from related parties;
- trade and other payables;
- and bank overdraft and borrowings.

Derecognition of financial assets and liabilities

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

A financial asset is derecognised when the right to receive cash from the asset has expired, or the group or company has transferred the asset and the transfer qualifies for derecognition. A transfer qualifying for derecognition occurs when the group or company substantially transfers the contractual rights to receive the cash flows of the financial asset, or retains the rights but assumes a contractual obligation to pay those cash flows in full to a third party.

Where the group or company has transferred its right to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's or company's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, is cancelled or expires. An exchange between the group or company and an existing lender of debt instruments with substantially different terms or a substantial modification to an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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The resulting difference between the carrying value on derecognition of the financial instrument and the amount received or paid is recognised in profit or loss.

Offset

Where a legally enforceable right to offset exists for recognised financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, such related financial assets and financial liabilities are offset.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
 - at the time of the transaction affects neither accounting profit nor taxable profit (tax loss); or
 - is not a business combination.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from: a transaction or event which is recognised, in the same or a different period, in other comprehensive income, or a business combination.

Current tax and deferred taxes are charged or credited directly in equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease accrual or asset. Such liability or asset is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.8 Inventories

Inventories are measured at the lower of cost on the first-in-first-out basis and net realisable value. The same cost formula is used for all inventories having a similar nature and use to the entity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects, is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. 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 occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Small tools are transferred to the cost of a contract as and when they are consumed.

1.9 Impairment of assets

Non-financial assets

The group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An impairment recognised previously may be reversed when estimates change as a result of an event occurring after the impairment was initially recognised. Such a reversal may not increase the carrying value above what it would have been had no impairment loss been recognised. A reversal of an impairment loss is recognised in profit or loss.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

Financial assets

The group or company assesses at each reporting date whether objective evidence exists that a financial asset or a group of financial assets is impaired.

If there is objective evidence that assets carried at amortised costs are impaired, the loss is measured as the difference between the asset's carrying amount and present value of future cash flows discounted at its original effective interest rate. When impaired, the carrying amount of the asset is reduced through the use of a provision for impairment account, and the amount of the loss is recognised in the statement of comprehensive income. Assets together with associated provision for impairment are written off when there is no realistic prospect of future recovery.

The group or company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If, in the subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed. Such a reversal is recognised in the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortised cost, as if the asset has never been impaired at the reversal date.

For trade and other receivables, provision for impairments are recognised based on the following considerations: Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

1.10 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity.

1.11 Treasury shares

Shares in the company that are held by entities that are controlled by the company or by the company itself are treated as treasury shares. Treasury shares are recognised as a deduction against equity. Dividends received on treasury shares are eliminated on consolidation. No profit or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the period in which service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and 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.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.13 Provisions and contingencies

Provisions are recognised when the group has a present obligation as the 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 obligation.

The amount of a provision is the present value of the best estimate of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be re-imbursed by another party, the re-imburement shall be recognised when, and only when, it is virtually certain that re-imburement will be received if the entity settles the obligation. The re-imburement shall be treated as a separate asset. The amount recognised for the re-imburement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of: the amount that would be recognised as a provision; and the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.14 Contract revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, contract revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The stage of completion is calculated on the basis of the proportion of actual costs to date compared to total estimated final costs to completion.

When the outcome of a construction contract involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract;
- variations in contract work, claims and incentive payments: to the extent that it is probable that they will result in revenue; and
- they are capable of being reliably measured.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately. Contract costs are recognised as an expense in the period in which they are incurred.

Contract revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of

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trade discounts and volume rebates, and value added tax.

Contract revenue is determined based on independent quantity surveyors' certificates. The basis for determining the certificate is the bill of quantities plus agreed mark-ups for materials delivered and/or materials installed.

Contract costs include direct material costs, sub-contracted costs, direct labour, direct overheads and a portion of indirect overheads.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Foreign currencies

Functional and presentation currency

Items included in the annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated annual financial statements are presented in South African Rand, thousands ('000s), which is the group functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

1.17 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets acquired as part of a business combination are recorded at fair value and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation commences when the intangible assets are available for their intended use. The amortisation period and method, for intangible assets with a finite life are reviewed at every reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The residual value of an intangible asset may increase to an amount equal to or greater than the asset's carrying value. Whilst the residual value exceeds carrying value, amortisation is discontinued.

The residual value of an intangible asset shall be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life or if the residual value can be determined by reference to an active market and it is probable that the market will still exist at the end of the asset's useful life.

Amortisation shall cease at the earlier of the date that the asset is classified as held-for-sale (or is included in a disposal group that is classified as held-for-sale), or the date that the asset is derecognised.

Subsequent expenditure on intangible assets is capitalised if it is probable that future economic benefits attributable to the asset will flow to the group and the expenditure can be reliably measured. Intangible assets are derecognised upon disposal or where no future economic benefits are expected. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset. These gains and losses are recognised in the statement of comprehensive income when the asset is derecognised.

Amortisation is provided to write-down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Trade names	5 years
Customer relationships	5 years

1.18 Segmental reporting

Segments are identified on the basis of internal reporting about components of the group that are regularly reviewed by the chief operating decision maker (CODM), to allocate resources to the segments and to assess their performance.

The identification of operating segments has been based on the CODM's main internal reporting segments. The group has identified two reportable segments: South Africa and Foreign.

The CODM evaluates the segmental performance based on operating profit or loss before tax.

1.19 Standards and interpretations

1.19.1 New standards and interpretations – that have become effective in the current period

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	<ul style="list-style-type: none"> Amendments relating to oil and gas assets and determining whether an arrangement contains a lease. Amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced through Amendments to IFRS 7 in March 2009. 	1 July 2010 1 January 2010	These amendments did not have any effect on the financial statements, as IFRS is already applied.
IFRS 2 <i>Share-based Payments</i>	<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 the share-based payments must be accounted for. 	1 January 2010	This amendment did not have any material effect on the financial statements.
IFRS 5 <i>Non-current Assets Held-for-sale and Discontinued Operations</i>	<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	This amendment did not have any material effect on the financial statements.

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1.19.1 New standards and interpretations – that have become effective in the current period continued

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IFRS 8 Operating Segments	<ul style="list-style-type: none"> Disclosures of information about segment assets. 	1 January 2010	This amendment did not have any material effect on the financial statements.
IAS 1 Presentation of Financial Statements	<ul style="list-style-type: none"> Current/non-current classification of convertible instruments. 	1 January 2010	This amendment did not have any material effect on the financial statements.
IAS 7 Statement of Cash Flows	<ul style="list-style-type: none"> Classification of expenditures on unrecognised assets. 	1 January 2010	This amendment did not have any material effect on the financial statements.
IAS 17 Leases	<ul style="list-style-type: none"> Classification of leases of land and buildings. 	1 January 2010	This amendment did not have any material effect on the financial statements.
IAS 21 The Effects of Changes in Foreign Exchange Rates	<ul style="list-style-type: none"> Consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation). 	1 July 2010	This amendment did not have any material effect on the financial statements.
IAS 27 Consolidated and Separate Financial Statements	<ul style="list-style-type: none"> Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation. 	1 July 2010	This amendment did not have any material effect on the financial statements.
IAS 28 Investments in Associates	<ul style="list-style-type: none"> Consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation). 	1 July 2010	This amendment did not have any material effect on the financial statements.
IAS 31 Interests in Joint Ventures	<ul style="list-style-type: none"> Consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation). 	1 July 2010	This amendment did not have any material effect on the financial statements.
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	This amendment did not have any material effect on the financial statements.

1.19.1 *New standards and interpretations – that have become effective in the current period continued*

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IAS 36 <i>Impairment of Assets</i>	<ul style="list-style-type: none"> ■ Unit of accounting for goodwill impairment test. 	1 January 2010	This amendment did not have any material effect on the financial statements.
IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	<ul style="list-style-type: none"> ■ Treating loan prepayment penalties as closely related embedded derivatives. ■ Scope exemption for business combination contracts. ■ Cash flow hedge accounting. 	1 January 2010	These amendments did not have any material effect on the financial statements.
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	<ul style="list-style-type: none"> ■ Accounting for situations where an entity uses its own financial instruments in settlement of its financial liabilities. 	1 April 2010	This amendment did not have any material effect on the financial statements.

1.19.2 *New standards and interpretations – Issued but not yet effective*

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	<ul style="list-style-type: none"> ■ Amendment clarifies that changes in accounting policies in the year of adoption fall outside of the scope of IAS 8. ■ Amendment permits the use of revaluation carried out after the date of transition as a basis for deemed cost. 	1 January 2011	These amendments are not expected to have any effect on the financial statements, as IFRS is already applied.
	<ul style="list-style-type: none"> ■ Amendment permits the use of carrying amount under previous GAAP as deemed cost for operations subject to rate regulation. 	1 July 2011	
	<ul style="list-style-type: none"> ■ Standard amended to provide guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS compliant financial statements, or presenting IFRS compliant financial statements for the first time. 		
	<ul style="list-style-type: none"> ■ Standard amended to remove the fixed date of 1 January 2004 relating to the retrospective application of the derecognition requirements of IAS 39, and relief for first-time adopters from calculating day 1 gains on transactions that occurred before the date of adoption. 	1 July 2011	

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Accounting policies continued

1.19.2 New standards and interpretations – Issued but not yet effective continued

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IFRS 3 Business Combinations	<ul style="list-style-type: none"> ■ Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. ■ Clarification on the measurement of non-controlling interests. ■ Additional guidance provided on un-replaced and voluntarily replaced share-based payment awards. 	1 January 2011	These amendments are not expected to have a material effect on the financial statements.
IFRS 7 Financial Instruments: Disclosures	<ul style="list-style-type: none"> ■ Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading. ■ Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. 	1 January 2011 1 July 2011	These amendments are not expected to have a material effect on the financial statements.
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	The group is still considering the impact that this standard will have on its financial reporting.
IFRS 10 Consolidated Financial Statements	<ul style="list-style-type: none"> ■ New standard that replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess. 	1 January 2013	This amendment is not expected to have a material effect on the financial statements.

1.19.2 *New standards and interpretations – Issued but not yet effective continued*

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IFRS 11 <i>Joint Arrangements</i>	<ul style="list-style-type: none"> ■ New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities. 	1 January 2013	This amendment is not expected to have a material effect on the financial statements.
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	<ul style="list-style-type: none"> ■ New and comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. 	1 January 2013	This amendment is not expected to have a material effect on the financial statements.
IFRS 13 <i>Fair Value Measurement</i>	<ul style="list-style-type: none"> ■ New guidance on fair value measurement and disclosure requirements. 	1 January 2013	This amendment is not expected to have a material effect on the financial statements.
IAS 1 <i>Presentation of Financial Statements</i>	<ul style="list-style-type: none"> ■ Clarification of statement of changes in equity. ■ New requirements to group together items within Other Comprehensive Income that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity. 	1 January 2011 1 July 2012	These amendments are not expected to have a material effect on the financial statements.
IAS 7 <i>Statement of Cash Flows</i>	<ul style="list-style-type: none"> ■ Classification of expenditures on unrecognised assets. 	1 January 2010	This amendment is not expected to have any effect on the financial statements.
IAS 12 <i>Income Taxes</i>	<ul style="list-style-type: none"> ■ Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale. 	1 January 2012	This amendment is not expected to have any effect on the financial statements.
IAS 19 <i>Employee Benefits</i>	<ul style="list-style-type: none"> ■ Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans. 	1 January 2013	This amendment is not expected to have any effect on the financial statements.
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	<ul style="list-style-type: none"> ■ Accounting for costs incurred in the mining of ore that realise either ore (the inventory itself) or improved access to ore. 	1 January 2013	This Interpretation is not expected to have any effect on the financial statements.

Annual financial statements continued

Accounting policies continued

1.19.2 New standards and interpretations – Issued but not yet effective *continued*

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IAS 24 <i>Related Party Disclosures</i>	<ul style="list-style-type: none"> ■ Simplification of the disclosure requirements for government-related entities. ■ Clarification of the definition of a related party. 	1 January 2011	These amendments are not expected to have any effect on the financial statements.
IAS 27 <i>Separate Financial Statements</i>	<ul style="list-style-type: none"> ■ Consequential amendments resulting from the issue of IFRS 10, 11 and 12. 	1 January 2013	This amendment is not expected to have any effect on the financial statements.
IAS 28 <i>Investments in Associates</i>	<ul style="list-style-type: none"> ■ Consequential amendments resulting from the issue of IFRS 10, 11 and 12. 	1 January 2013	This amendment is not expected to have any effect on the financial statements.
IAS 31 <i>Interests in Joint Ventures</i>	<ul style="list-style-type: none"> ■ Consequential amendments resulting from the issue of IFRS 10, 11 and 12. 	1 January 2013	This amendment is not expected to have any effect on the financial statements.
IAS 34 <i>Interim Financial Reporting</i>	<ul style="list-style-type: none"> ■ Clarification of disclosure requirements around significant events and transactions including financial instruments. 	1 January 2011	This amendment is not expected to have any effect on the financial statements.
IFRIC 13 <i>Customer Loyalty Programmes</i>	<ul style="list-style-type: none"> ■ Clarification on the intended meaning of the term “fair value” in respect of award credits. 	1 January 2011	This amendment is not expected to have any effect on the financial statements.
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	<ul style="list-style-type: none"> ■ Accounting for situations where an entity uses its own financial instruments in settlement of its financial liabilities. 	1 April 2010	This Interpretation is not expected to have any effect on the financial statements.

Notes

to the annual financial statements for the year ended 31 August 2011

	2011			2010		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
2. Property, plant and equipment						
Group						
Land	2 000	–	2 000	2 000	–	2 000
Buildings	3 255	(120)	3 135	3 255	(55)	3 200
Plant and machinery	11 167	(3 972)	7 195	9 829	(2 560)	7 269
Furniture and fixtures	770	(338)	432	770	(247)	523
Motor vehicles	27 234	(10 947)	16 287	27 197	(7 221)	19 976
IT equipment	838	(593)	245	797	(404)	393
Mobile offices	5 054	(1 805)	3 249	4 948	(1 370)	3 578
Total	50 318	(17 775)	32 543	48 796	(11 857)	36 939
Company						
Land	2 000	–	2 000	2 000	–	2 000
Buildings	3 255	(120)	3 135	3 255	(55)	3 200
Plant and machinery	9 044	(2 954)	6 090	8 198	(1 689)	6 509
Furniture and fixtures	463	(233)	230	463	(182)	281
Motor vehicles	18 399	(7 874)	10 525	18 730	(5 373)	13 357
IT equipment	697	(519)	178	685	(367)	318
Mobile offices	4 493	(1 684)	2 809	4 387	(1 292)	3 095
Total	38 351	(13 384)	24 967	37 718	(8 958)	28 760
		Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
Reconciliation of property, plant and equipment – Group – 2011						
Land		2 000	–	–	–	2 000
Buildings		3 200	–	–	(65)	3 135
Plant and machinery		7 269	1 338	–	(1 412)	7 195
Furniture and fixtures		523	–	–	(91)	432
Motor vehicles		19 976	683	(385)	(3 987)	16 287
IT equipment		393	41	–	(189)	245
Mobile offices		3 578	106	–	(435)	3 249
		36 939	2 168	(385)	(6 179)	32 543
		Opening balance R'000	Additions through business combinations R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
Reconciliation of property, plant and equipment – Group – 2010						
Land	1 600	400	–	–	–	2 000
Buildings	1 539	1 701	–	–	(40)	3 200
Plant and machinery	5 593	2 964	324	(14)	(1 598)	7 269
Furniture and fixtures	307	278	54	(16)	(100)	523
Motor vehicles	15 993	6 791	1 164	(267)	(3 705)	19 976
IT equipment	419	142	41	(6)	(203)	393
Mobile offices	1 911	2 068	–	–	(401)	3 578
	27 362	14 344	1 583	(303)	(6 047)	36 939

Annual financial statements continued

Notes

to the annual financial statements for the year ended 31 August 2011 continued

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
2. Property, plant and equipment <small>continued</small>					
Reconciliation of property, plant and equipment – Company – 2011					
Land	2 000	–	–	–	2 000
Buildings	3 200	–	–	(65)	3 135
Plant and machinery	6 509	845	–	(1 264)	6 090
Furniture and fixtures	281	–	–	(51)	230
Motor vehicles	13 357	99	(226)	(2 705)	10 525
IT equipment	318	12	–	(152)	178
Mobile offices	3 095	106	–	(392)	2 809
	28 760	1 062	(226)	(4 629)	24 967

Reconciliation of property, plant and equipment – Company – 2010

Land	1 600	400	–	–	2 000
Buildings	1 539	1 700	–	(39)	3 200
Plant and machinery	5 212	2 416	(14)	(1 105)	6 509
Furniture and fixtures	260	86	(15)	(50)	281
Motor vehicles	11 474	4 879	(266)	(2 730)	13 357
IT equipment	409	85	(5)	(171)	318
Mobile offices	1 545	1 913	–	(363)	3 095
	22 039	11 479	(300)	(4 458)	28 760

Details of properties

Erf 530, Alrode, Extension 7

– Purchase price: Land	1 600	1 600	1 600	1 600
– Building costs	1 555	1 555	1 555	1 555
	3 155	3 155	3 155	3 155

Erf 432, Alberton North

– Purchase price: Land	400	400	400	400
– Building costs	1 700	1 700	1 700	1 700
	2 100	2 100	2 100	2 100

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

	2011			2010		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated impairment R'000	Carrying value R'000
3. Goodwill						
Group						
Goodwill	7 368	–	7 368	7 368	–	7 368
				Opening balance R'000		Closing balance R'000
Reconciliation of goodwill – Group – 2011						
Goodwill				7 368		7 368

	Opening balance R'000	Additions through business combinations R'000	Closing balance R'000
3. Goodwill continued			
Reconciliation of goodwill – Group – 2010			
Goodwill	–	7 368	7 368
Refer note 33			
	–	7 368	7 368

	2011		Carrying value R'000	2010		Carrying value R'000
	Cost R'000	Accumulated amortisation R'000		Cost R'000	Accumulated amortisation R'000	
4. Intangible assets						
Group						
Trade name	1 661	(664)	997	1 661	(332)	1 329
Customer relationships	2 594	(1 038)	1 556	2 594	(519)	2 075
Total	4 255	(1 702)	2 553	4 255	(851)	3 404

	Opening balance R'000	Amortisation R'000	Closing balance R'000
Reconciliation of intangible assets – Group – 2011			
Trade name	1 329	(332)	997
Customer relationships	2 075	(519)	1 556
	3 404	(851)	2 553

	Opening balance R'000	Additions through business combinations R'000	Amortisation R'000	Closing balance R'000
Reconciliation of intangible assets – Group – 2010				
Trade name	–	1 661	(332)	1 329
Customer relationships	–	2 594	(519)	2 075
	–	4 255	(851)	3 404

Name of company	Type of holding	% holding 2011	% holding 2010	Carrying amount 2011 R'000	Carrying amount 2010 R'000
5. Investments in subsidiaries					
B&W Madagascar SARL (Incorporated in Madagascar)	Direct	99,00	99,00	9	9
B&W Electricidade, Lda (Incorporated in Mozambique)	Direct	99,00	99,00	23	23
Pontins (Pty) Limited (Incorporated in RSA)*	Direct	100,00	100,00	–	–
B W I E Instrumentation & Electrical SWD (Pty) Limited (Incorporated in Swaziland)**	Direct	100,00	–	1	–
				33	32

*Amount less than R1 000.

**This is a new company that was incorporated in Swaziland during the year under review and is the vehicle through which all work in Swaziland will be undertaken.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
8. Loans to/(from) related parties continued				
Group companies				
B&W Share Purchase Scheme Trust	-	-	12 553	13 154
B W I E Instrumentation & Electrical SWD (Pty) Limited	-	-	(12 126)	-
B&W Madagascar SARL	-	-	28 640	2 305
Pontins (Pty) Limited	-	-	17 749	17 749
B&W Electricidade, Lda	-	-	(200)	1 147
The B W I E Instrumentation & Electrical SWD (Pty) Limited, B&W Madagascar SARL, Pontins (Pty) Limited and B&W Electricidade Lda loans are unsecured, interest free with no fixed terms of repayment.				
	-	-	46 616	34 355
Current assets	8 904	3 700	76 749	41 755
Current liabilities	(4 862)	(1 634)	(15 981)	(1 017)
	4 042	2 066	60 768	40 738

The B&W Employee Trust is an independent Trust that is not controlled by the group or the company.

The loans, excluding the B&W Employee Trust loan and the B&W Share Incentive Scheme Trust loan, arose as trading accounts that occurred in the normal course of business between the entities during the year which were not settled as at year-end. Due to the fact that the loans are trading accounts, the loans are unsecured, bear interest at rates linked to prime lending rates. There have been no changes to the terms or conditions of these loans during the year.

The loan to the B&W Employee Trust and B&W Share Incentive Scheme Trust, resulted from assistance given to the Trusts in order for the Trust to acquire shares in the company. Interest is charged on the loan at a rate linked to prime lending rates, and it is anticipated that the loan will be settled in the 2012 financial year.

9. Other financial assets

Loans and receivables

Linear Products CC

3 567	3 484	3 567	3 484
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The loan bears interest at 2% below the prime overdraft rate and is secured by a mortgage bond over a related parties land and building as well as a cession the property, plant and equipment of the Linear Products CC.

Current assets

Loans and receivables

3 567	3 484	3 567	3 484
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The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Loans and receivables past due but not impaired

The loan and receivable from Linear Products CC is currently in default but is not considered to be impaired. Legal proceedings have been continuing against Linear Products CC with liquidation proceedings having been initiated. The security by way of a mortgage of R1,5 million and the balance by way of a cession of movable assets is expected to be sufficient to recover the full value of the loan.

Annual financial statements continued

Notes

to the annual financial statements for the year ended 31 August 2011 continued

	Loans and receivables R'000	Fair value through profit or loss – held- for-trading R'000	Fair value through profit or loss – designated R'000	Held to maturity investments R'000	Available- for-sale R'000	Total R'000
10. Financial assets by category						
The accounting policies for financial instruments have been applied to the line items below:						
Group – 2011						
Loans to related parties	8 904	-	-	-	-	8 904
Other financial assets	3 567	-	-	-	-	3 567
Trade and other receivables	92 977	-	-	-	-	92 977
Cash and cash equivalents	12 876	-	-	-	-	12 876
	118 324	-	-	-	-	118 324
No non-current retention debtors exist at the reporting date.						
Group – 2010						
Loans to related parties	3 700	-	-	-	-	3 700
Non-current retention debtors	15 766	-	-	-	-	15 766
Other financial assets	3 484	-	-	-	-	3 484
Trade and other receivables	156 555	-	-	-	-	156 555
Cash and cash equivalents	71 082	-	-	-	-	71 082
	250 587	-	-	-	-	250 587
Company – 2011						
Loans to related parties	76 749	-	-	-	-	76 749
Other financial assets	3 567	-	-	-	-	3 567
Trade and other receivables	63 138	-	-	-	-	63 138
	143 454	-	-	-	-	143 454
Company – 2010						
Loans to related parties	41 755	-	-	-	-	41 755
Other financial assets	3 484	-	-	-	-	3 484
Non-current retention debtors	15 766	-	-	-	-	15 766
Trade and other receivables	124 854	-	-	-	-	124 854
Cash and cash equivalents	44 117	-	-	-	-	44 117
	229 976	-	-	-	-	229 976

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
11. Deferred tax				
Deferred tax asset/(liability)				
Retention debtors	(2 563)	(11 629)	(2 331)	(11 149)
Section 24C allowance	(845)	(4 103)	(845)	(3 741)
Provisions	4 766	4 907	4 650	4 746
Property, plant and equipment	(1 212)	(857)	(1 135)	(798)
Assessed losses	10 778	-	8 533	-
Total	10 924	(11 682)	8 872	(10 942)

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
11. Deferred tax continued				
Reconciliation of deferred tax asset/(liability)				
At beginning of the year	(11 682)	(7 608)	(10 942)	(10 649)
Increase/(decrease) in tax losses available for set off against future taxable income	10 778	–	8 533	–
Originating temporary difference on property, plant and equipment	(355)	(175)	(338)	(115)
Movement in provisions	(141)	2 474	(96)	2 312
Movement in retentions and section 24C allowance	12 324	(6 373)	11 715	(2 490)
Total	10 924	(11 682)	8 872	(10 942)
Non-current assets	10 924	–	8 872	–
Non-current liabilities	–	(11 682)	–	(10 942)
Total	10 924	(11 682)	8 872	(10 942)
The deferred tax asset has been raised on the expectation that future profits will be sufficient to utilise the assessed loss.				
12. Retention debtors				
Retention debtors are in respect of contract customers.				
Total retention debtors	9 653	50 041	8 326	39 818
Short-term portion of retention debtors included in trade and other receivables	(9 653)	(34 275)	(8 326)	(24 052)
Long term retention debtors	–	15 766	–	15 766
13. Inventories				
Raw materials, components	2 547	3 502	1 351	3 136
14. Trade and other receivables				
Trade receivables	335 904	316 994	232 305	282 486
Other receivables	1 503	2 152	1 444	1 729
	337 407	319 146	233 749	284 215
Trade and other receivables past due but not impaired				
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 August 2011, the group had trade and other receivables of R2 942 million (2010: R6 937 million) that were past due but not impaired.				
The company does not have (2010: R6 937 million) any trade and other receivables past due but not impaired.				
The ageing of amounts past due but not impaired is as follows:				
1 month past due	1 264	1 139	–	1 139
2 months past due	797	–	–	–
3 months past due	881	5 798	–	5 798
	2 942	6 937	–	6 937

Annual financial statements continued

Notes

to the annual financial statements for the year ended 31 August 2011 continued

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
14. Trade and other receivables <small>continued</small>				
Trade and other receivables impaired				
The group or company does not have (2010: R Nil) any trade and other receivables that are impaired.				
Contract revenue work in progress included above:				
Construction costs	865 416	559 813	632 926	503 150
Profit recognised to date	70 764	90 176	37 217	69 440
Billings	(698 893)	(489 591)	(506 676)	(420 392)
	237 287	160 398	163 467	152 198
Included in trade and other receivables are short term retention debtors amounting to R9 653 million (2010: R34 275 million) and R8 326 million (2010: R24 052 million) for the group and company respectively.				
The carrying amounts of trade and other receivables approximate their fair value.				
15. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank balances	12 876	71 082	-	44 117
Bank overdraft	(47 329)	-	(47 329)	-
	(34 453)	71 082	(47 329)	44 117
Current assets	12 876	71 082	-	44 117
Current liabilities	(47 329)	-	(47 329)	-
	(34 453)	71 082	(47 329)	44 117
16. Share capital				
Authorised				
500 million ordinary shares of 0,001 cents each	5	5	5	5
Reconciliation of number of shares issued in 000's:				
Reported as at 1 September 2010	212 169	207 795	212 169	207 795
Issue of shares in terms of business combination	-	4 374	-	4 374
Treasury shares	(7 795)	(7 795)	-	-
	204 374	204 374	212 169	212 169
Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.				
Issued				
Ordinary	2	2	2	2
Share premium	49 850	49 850	49 850	49 850
Treasury shares	(11 269)	(11 269)	-	-
	38 583	38 583	49 852	49 852
17. Non-controlling interests				
The non-controlling interest can be reconciled as follows:				
Balance beginning of year	216	8	-	-
Share of profits for the year	241	205	-	-
Share of other comprehensive income	2	3	-	-
	459	216	-	-

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
18. Financial liabilities				
Advances from customers	17 508	49 217	9 423	45 164
Advances received from clients secured by bank or insurance guarantees, to be settled against financial assets.				
Current liabilities				
At amortised cost	17 508	49 217	9 423	45 164
19. Finance lease obligations				
Minimum lease payments due				
– within one year	108	177	–	–
– in second to fifth year inclusive	–	138	–	–
The finance lease obligations bear interest at effective rates of interest ranging between 9,8% and 10,7% per annum, secured over motor vehicles with a carrying amount of R138 thousand (2010: R356 thousand) and repayable as indicated below.				
	108	315	–	–
Less: future finance charges	(9)	(26)	–	–
Present value of minimum lease payments	99	289	–	–
Non-current liabilities	47	131	–	–
Current liabilities	52	158	–	–
	99	289	–	–
20. Trade and other payables				
Trade payables	95 352	113 866	94 043	112 967
Billings in excess of costs incurred to date	10 001	50 003	10 001	32 915
Other payables	31 524	17 210	23 882	16 939
	136 877	181 079	127 926	162 821
Billings in excess of costs incurred to date is made up as follows				
Billings	125 770	235 097	125 770	173 633
Contract costs	(118 537)	(154 329)	(118 537)	(115 216)
Profit recognised to date	2 768	(30 765)	2 768	(25 502)
	10 001	50 003	10 001	32 915
	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
21. Provisions				
Reconciliation of provisions – Group – 2011				
Provision for bonuses	8 565	6 831	(8 565)	6 831
Reconciliation of provisions – Group – 2010				
Provision for bonuses	3 902	8 565	(3 902)	8 565

Annual financial statements continued

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to the annual financial statements for the year ended 31 August 2011 continued

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
21. Provisions <small>continued</small>				
Reconciliation of provisions – Company – 2011				
Provision for bonuses	8 294	6 831	(8 294)	6 831
Reconciliation of provisions – Company – 2010				
Provision for bonuses	3 903	8 294	(3 903)	8 294

The uncertainty of provision for bonuses is due to the amount being dependent upon the achievement of various key performance indicators to determine the amount of the bonus that will be payable.

	Financial liabilities at amortised cost R'000	Total R'000
22. Financial liabilities by category		
The accounting policies for financial instruments have been applied to the line items below:		
Group – 2011		
Loans from related parties	4 862	4 862
Financial liabilities	17 508	17 508
Trade and other payables	94 316	94 316
Finance lease obligation	99	99
Loans from shareholders	7 823	7 823
Bank overdraft	47 329	47 329
	171 937	171 937
Group – 2010		
Loans from related parties	1 634	1 634
Financial liabilities	49 217	49 217
Trade and other payables	124 279	124 279
Finance lease obligation	289	289
	175 419	175 419
Company – 2011		
Loans from related parties	15 981	15 981
Financial liabilities	9 423	9 423
Trade and other payables	92 744	92 744
Loans from shareholders	7 823	7 823
Bank overdraft	47 329	47 329
	173 300	173 300
Company – 2010		
Loans from related parties	1 017	1 017
Financial liabilities	45 164	45 164
Trade and other payables	111 157	111 157
	157 338	157 338

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
23. Contract costs				
Cost of materials	237 691	203 750	245 627	186 152
Direct labour	135 490	94 251	100 021	76 153
Overheads	288 319	180 157	213 452	160 769
	661 500	478 158	559 100	423 074
24. Operating (loss)/profit				
Profit or loss for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
– Minimum lease payments	918	967	773	799
Loss/(profit) on sale of property, plant and equipment	170	(14)	220	(14)
Profit on exchange differences	(174)	(1 026)	(174)	(1 026)
Amortisation of intangible assets	851	851	–	–
Depreciation on property, plant and equipment	6 179	6 047	4 629	4 458
Employee costs	26 493	21 082	20 919	19 270
25. Investment revenue				
Interest revenue				
Interest received on loan accounts	–	153	919	629
Interest received from bank	40	3 414	32	3 406
	40	3 567	951	4 035
26. Finance costs				
Bank	2 923	171	2 923	56
Interest paid to suppliers	592	–	572	–
Interest paid on loans	104	152	104	152
	3 619	323	3 599	208
		Gross interest R'000	Non-controlling R'000	Net R'000
27. Other comprehensive income				
Components of other comprehensive income – Group – 2011				
Exchange differences on translating foreign operations				
Foreign currency translation reserve – period movement*		187	(2)	185
Components of other comprehensive income – Group – 2010				
Exchange differences on translating foreign operations				
Foreign currency translation reserve – period movement*		318	(3)	315
*The FCTR has no tax effect.				
		Gross interest R'000	Non-controlling R'000	Net R'000
28. Auditors' remuneration				
Fees	794	769	723	700

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Notes

to the annual financial statements for the year ended 31 August 2011 continued

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
29. Taxation				
Major components of the tax (income) expense				
Current				
Local income tax – current period	8 980	18 554	–	13 043
Local income tax – prior period	1 243	–	1 243	–
STC	955	1 569	955	1 569
	11 178	20 123	2 198	14 612
Deferred				
Originating and reversing temporary differences	(22 607)	3 918	(19 814)	293
Refer to note 11 for components of deferred tax				
	(11 429)	24 041	(17 616)	14 905
Reconciliation of the tax expense	%	%	%	%
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28,00	28,00	28,00	28,00
Tax incentives	1,70	(1,20)	0,67	(1,20)
Disallowable charges	(1,03)	0,10	(0,06)	–
Secondary tax on companies	(3,51)	3,20	(1,38)	3,20
Foreign tax rate difference	21,45	(0,60)	–	–
Prior period tax	(4,57)	–	(1,80)	–
	42,04	29,50	25,43	30,00
30. Cash (used in)/generated from operations	R'000	R'000	R'000	R'000
(Loss)/profit before taxation	(27 185)	81 554	(69 256)	49 649
Adjustments for:				
Depreciation and amortisation	7 030	6 898	4 629	4 458
Loss/(profit) on sale of assets	170	(14)	220	(14)
Interest received	(40)	(3 567)	(951)	(4 035)
Finance costs	3 619	323	3 599	208
Movements in provisions	(1 734)	4 662	(1 463)	4 391
Changes in working capital:				
Inventories	955	(1 134)	1 785	(1 052)
Trade and other receivables (including retention debtors)	(2 308)	(117 744)	66 231	(124 326)
Trade and other payables	(44 202)	52 327	(34 895)	62 164
	(63 695)	23 305	(30 101)	(8 557)
31. Tax paid				
Balance at beginning of the year	(6 841)	(6 065)	(445)	(2 950)
Current tax for the year recognised in profit or loss	(11 178)	(20 123)	(2 198)	(14 612)
Balance at end of the year	17 042	6 841	2 581	445
	(977)	(19 347)	(62)	(17 117)
32. Dividends paid				
Dividends	(9 197)	(15 109)	(9 548)	(15 694)

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
33. Business combination				
Acquisition of Pontins (Pty) Limited				
Property, plant and equipment	-	1 582	-	-
Intangible assets	-	4 255	-	-
Deferred tax	-	(157)	-	-
Inventories	-	284	-	-
Trade and other receivables	-	7 076	-	-
Cash and cash equivalents	-	2 194	-	-
Trade and other payables	-	(2 457)	-	-
	-	12 777	-	-
Goodwill	-	7 368	-	-
	-	20 145	-	-
Consideration paid				
Cash	-	(13 847)	-	-
Issue of 4 373 959 shares of 0,001 cents at a premium of R1,44	-	(6 298)	-	-
	-	(20 145)	-	-
Net cash outflow on acquisition				
Cash consideration paid	-	(13 847)	-	-
Cash acquired	-	2 194	-	-
	-	(11 653)	-	-
Pontins (Pty) Limited				
On 1 September 2009, the acquisition date, the group acquired 100% of the assets and liabilities of Pontins (Pty) Limited which resulted in the group obtaining control over Pontins (Pty) Limited. Pontins (Pty) Limited is in the earthing and lightning protection industry. As a result of the acquisition, the group is expecting to expand their service offering and achieve business synergies.				
34. Commitments				
Authorised capital expenditure				
The group and company have no capital commitments.				
Guarantees				
The following guarantees have been issued in favour of various customers:				
First National Bank				
Performance	27 326	30 580	27 326	30 580
Lombard Insurance				
Performance	56 237	60 111	55 789	60 111
Retention	56 853	42 583	56 525	42 583
Advance payments	6 535	41 117	6 535	41 117
	119 625	143 811	118 849	143 811
Operating leases – as lessee (expense)				
Minimum lease payments due				
– within one year	660	660	660	660

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of one year. No contingent rent is payable.

Annual financial statements continued

Notes

to the annual financial statements for the year ended 31 August 2011 continued

35. Related parties

Relationships	
Subsidiaries	Refer to note 5
Joint ventures	Refer to note 7
Companies with common directors	Hotguard Plant (Pty) Limited Calaban Properties (Pty) Limited
Shareholder with significant interest	B&W Industrial Technology (Pty) Limited
Employment benefit plan for employees of entity	B&W Employee Trust B&W Share Incentive Scheme Trust
Members of key management	Members of the board as per the directors' report

Related party transactions reflected below are carried out on an arm's length basis.

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Related party balances				
Amounts included in trade receivables (trade payables)				
Pontins (Pty) Limited	-	-	1 087	967
Calaban Properties (Pty) Limited	(1 447)	(1 072)	(1 447)	(1 072)
Related party transactions				
Interest paid to/(received from) related parties				
B&W Industrial Technology (Pty) Limited	-	58	-	58
Calaban Properties (Pty) Limited	-	64	-	64
B&W Employee Trust	104	31	104	31
B&W Share Incentive Scheme Trust	-	-	(919)	(476)
Sales resulting from related parties				
B&W Electricidade LDA	-	-	21 735	-
Rent paid to related parties				
Calaban Properties (Pty) Limited	660	660	660	660
Cost of sales bought from related parties				
Pontins (Pty) Limited	-	-	2 364	2 161
B&W Electricidade LDA	-	-	32 646	7 649
Compensation to director and other key management				
Short-term employee benefits	11 063	14 268	11 063	13 186
	Emoluments	Retirement and medical	Other benefits	Total
	R'000	R'000	R'000	R'000
36. Directors' emoluments				
Executive				
2011				
GMJ Breedt	572	170	138	880
LJ Barrow*	212	23	71	306
HJ Rall**	415	121	297	833
T Lombard	661	164	150	975
DJ Evert	747	214	171	1 132
BH Harley	1 313	307	290	1 910
DS Nevay	718	212	168	1 098
CJ Minnie**	583	79	72	734
KE Nel**	290	69	107	466
GWR Swanepoel	809	232	188	1 229
S Vilakazi	526	60	103	689
SR Pinkney	227	31	24	282
	7 073	1 682	1 779	10 534

* Resigned as an executive director during the period, remains as a non-executive director.

** Resigned as executive directors during the period.

	Emoluments R'000	Retirement and medical R'000	Other benefits R'000	Total R'000
36. Director's emoluments continued				
Executive directors paid by subsidiary				
2011				
TJ Manas	788	166	351	1 305
A Economou	679	154	330	1 163
K Rahn	628	97	311	1 036
F Toto	213	26	136	375
	2 308	443	1 128	3 879
2010				
LJ Barrow	544	66	155	765
HJ Rall	667	190	252	1 109
T Lombard	666	160	150	976
DJ Evert	675	184	654	1 513
BH Harley	1 002	233	220	1 455
DS Nevay	683	187	150	1 020
CJ Minnie	1 341	186	673	2 200
KE Nel	697	162	156	1 015
GWR Swanepoel	780	206	170	1 156
S Vilakazi	450	54	137	641
GMJ Breedt	576	165	135	876
	8 081	1 793	2 852	12 726
Executive directors paid by subsidiary				
TJ Manas	200	38	116	354
A Economou	172	36	113	321
K Rahn	158	23	111	292
F Toto	54	6	53	113
	584	103	393	1 080
		Basic emoluments R'000	Other benefits R'000	Total R'000
Non-executive				
2011				
YU Mabandla		127	25	152
W Wassermeier		127	55	182
JD Oosthuizen		127	57	184
LJ Barrow		11	-	11
		392	137	529
2010				
JD Oosthuizen		150	13	163
YU Mabandla		150	13	163
W Wassermeier		120	13	133
		420	39	459

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to the annual financial statements for the year ended 31 August 2011 continued

37. Risk management

Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings disclosed in notes 8 and 18, cash and cash equivalents disclosed in note 15, and equity as disclosed in the statements of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt. The directors are of the opinion that the current capital structure is in line with the group's strategic objectives and any future gearing will be linked to the future expansion of the group.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and where required, adequate borrowing facilities are negotiated. At present the group or company has no external borrowings as there are sufficient cash resources available to finance its operational and capital expenditure.

	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
Group				
At 31 August 2011				
Financial liabilities	17 508	-	-	-
Loans from related parties	4 862	-	-	-
Trade and other payables	94 316	-	-	-
Finance lease obligation	99	-	-	-
Loans from shareholders	7 823	-	-	-
Bank overdraft	47 329	-	-	-
At 31 August 2010				
Financial liabilities	49 217	-	-	-
Loans from related parties	1 634	-	-	-
Trade and other payables	181 079	-	-	-
Financial lease obligation	289	-	-	-
Company				
At 31 August 2011				
Financial liabilities	9 423	-	-	-
Loans from related parties	15 981	-	-	-
Trade and other payables	92 744	-	-	-
Loans from shareholders	7 823	-	-	-
Bank overdraft	47 329	-	-	-
At 31 August 2010				
Financial liabilities	45 164	-	-	-
Loans from related parties	1 017	-	-	-
Trade and other payables	162 821	-	-	-

37. Risk management continued

Interest rate risk

As the group has significant interest-bearing assets, the group's income and operating cash flows are substantially dependent of changes in market interest rates. The group's interest rate risk arises from related party loans and cash and cash equivalents.

At 31 August 2011, if interest rates had been 1% higher/lower with all other variables held constant, the group post-tax profit for the year would have been R290 thousand (2010: R363 thousand) lower/higher, the company post-tax profit for the year would have been R189 thousand (2010: R426 thousand) lower/higher, mainly as a result of higher/lower interest income.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables mainly comprise blue chip customers. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial assets exposed to credit risk at year-end were as follows:

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Financial instrument				
Loans to related parties	8 904	3 700	76 749	41 755
Trade and other receivables	92 977	319 146	63 138	284 215
Other financial assets	3 567	3 484	3 567	3 484
Cash and cash equivalents	12 876	71 082	-	44 117

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Mozambiquan Metical, and the Madagascan Ariary. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The group did not hedge foreign exchange fluctuations for the year under review.

At 31 August 2011, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, group post-tax profit for the year would have differed by R1 659 million (2010: R6 991 million), mainly as a result of foreign exchange gains or losses on translation of US dollar denominated trade receivables, and foreign exchange losses or gains on translation of US dollar denominated cash and cash equivalents. The effect on the company result would have been a change of R260 thousand (2010: R3 553 million).

At 31 August 2011, if the currency had weakened by 10% against the Mozambiquan Metical with all other variables held constant, post-tax profit for the year would have differed by R48 thousand (2010: R185 thousand), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated trade receivables, and foreign exchange losses/gains on translation of Mozambiquan Metical denominated cash and cash equivalents. The effect on the company results would have been a change of R Nil (2010: R Nil).

At 31 August 2011, if the currency had weakened/strengthened by 10% against the Madagascan Ariary with all other variables held constant, group post-tax profit for the year would have differed by R93 thousand (2010: R75 thousand), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated trade receivables and foreign exchange losses/gains on translation of Madagascan Ariary cash and cash equivalents. Movements in the Madagascan Ariary would not have impacted the company's profitability in the current year R Nil (2010: R Nil).

At 31 August 2011, if the currency had weakened by 10% against other currencies with all other variables held constant, post-tax profit for the year would have differed by R11 thousand (2010: R15 thousand), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated trade receivables, and foreign exchange losses/gains on translation of other currencies denominated cash and cash equivalents. The effect on the company results would have been a change of R11 thousand (2010: R15 thousand).

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to the annual financial statements for the year ended 31 August 2011 continued

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
37. Risk management <small>continued</small>				
Foreign currency exposure at reporting date				
Current assets				
Included in cash and cash equivalents				
US \$	9 461	38 489	808	14 864
Botswana Pula	3	3	3	3
Australian \$	84	90	84	90
Euros	–	2	–	2
Canadian \$	23	23	23	23
Swiss Francs	36	30	36	30
Mozambiquan Metical	672	371	2	–
Madagascan Ariary	1 295	74	–	–
Included in trade debtors				
US \$	13 577	31 425	2 807	20 669
Ariary	–	684	–	–
Metical	–	1 478	–	–
Exchange rates used for conversion of foreign items were:	R	R	R	R
US \$	7,10	7,30	7,10	7,30
Australian \$	7,50	6,60	7,50	6,60
Botswana Pula	1,00	1,10	1,00	1,10
Mozambiquan Metical	3,78	5,00	3,78	–
Swiss Francs	–	7,10	–	7,10
Madagascan Ariary	282,01	285,30	282,01	–
Canadian \$	7,20	7,00	7,20	7,00
Euros	10,20	9,30	10,20	9,30

The group decided not to hedge foreign currency exposure during the current year.

38. Events after the reporting period

The group or company are not aware of any significant events or circumstances that have occurred after the reporting period requiring disclosure.

39. Segmental reporting

The group's segmental analysis is based on the economic environments in which it operates as presented below. All the business activities are related to the construction and erection of electrical plant and instrumentation.

Transactions reflected below between segments are carried out at cost.

	South Africa R'000	Foreign operations R'000	Total R'000
2011			
Profit and loss			
Contract revenue	338 390 *	344 994 **	683 384 ***
Contract costs	(332 600)*	(328 900)**	(661 500) ***
Gross profit	5 790	16 094	21 884
Other income	224	–	224
Operating profit	6 014	16 094	22 108
Investment income	40	–	40
Finance costs	(3 619)	–	(3 619)
Depreciation and amortisation	(5 949)	(1 081)	(7 030)
Operating expenses	(19 182)	(19 502)	(38 684)
Taxation	15 759	(4 330)	11 429
Loss after tax	(6 937)	(8 819)	(15 756)

	South Africa R'000	Foreign operations R'000	Total R'000
39. Segmental reporting continued			
2011			
Assets and liabilities			
Total assets	321 054	97 635	418 689
Total liabilities	(215 617)	(22 754)	(238 371)
Total	105 437	74 881	180 318
2010			
Profit and loss			
Contract revenue	320 142 *	281 141 **	601 283***
Contract costs	(263 527)*	(214 631)**	(478 158)***
Gross profit	56 615	66 510	123 125
Other income	1 040	–	1 040
Operating profit	57 655	66 510	124 165
Investment income	3 567	–	3 567
Finance costs	(323)	–	(323)
Depreciation and amortisation	(5 715)	(1 183)	(6 898)
Operating expenses	(20 742)	(18 215)	(38 957)
Taxation	(6 095)	(17 946)	(24 041)
Profit/(loss) after tax	28 347	29 166	57 513
Assets and liabilities			
Total assets	412 525	51 866	464 391
Total liabilities	(228 759)	(30 548)	(259 307)
Total	183 766	21 318	205 084

2011

* South African segment sales and cost of sales have been reduced by R24,1 million (2010: R9,8 million) and R32,6 million (2010: R9,8 million) respectively, due to intersegment sales.

** Foreign operations segment sales and cost of sales have been reduced by R32,6 million (2010: R9,8 million) and R24,1 million (2010: R9,8 million) respectively, due to intersegment sales.

*** Included above are intercompany sales of R56,7 million (2010: R9,8 million) and cost of sales of R56,7 million (2010: R9,8 million).

2010

South African segment cost of sale have been reduced by R9,8 million due to intersegment sales.

Foreign operations segment sales have been reduced by R9,8 million due to intersegment sales.

Included above in * and **

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
40. Earnings per share				
Weighted average number of shares				
Shares in issues for the full year	204 374	200 000	212 168	207 795
Issue of shares adjusted for period outstanding during the year	–	1 276	–	1 276
	204 374	201 276	212 168	209 071
Reconciliation of headline earnings				
(Loss)/profit attributable to ordinary shareholders	(15 997)	57 308	(51 640)	34 744
Loss/(profit) on disposal of property, plant and equipment	170	(14)	220	(14)
	(15 827)	57 294	(51 420)	34 730
Headline earnings per share				
Basic and diluted (cents)	(7,7)	28,5	(24,2)	16,6

The group and company have no dilutive instruments

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to the annual financial statements for the year ended 31 August 2011 continued

	Group		Company	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
41. Dividends				
Distributions per share (cents)				
No interim distribution declared for the period ending 31 August 2011. (2010: Interim distribution number 6 declared on 20 April 2010 and paid on 24 May 2010).	-	2,50	-	-
Final distribution number 7 declared on 16 November 2010 and paid on 10 December 2010 (2010: Final distribution No. 5 declared on 16 November 2009, paid on 14 December 2009)	4,50	5,00	-	-
Distribution on ordinary shares	4,50	7,50	-	-

42. Authorisation and issue of financial statements

The financial statements were authorised for issue by the board of directors on 11 November 2011. Neither the directors nor the shareholders have the power to amend the financial statements after their issuance.

Stakeholder information



Investor calendar

Financial year-end	31 August 2011
Annual general meeting	20 January 2012
Announcement of annual results	14 November 2011
Annual report posted	November 2011
Announcement of interim results	April 2012

Analysis of shareholders

Breakdown of issued capital

Type of shares	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Certificated shares	31	2,13	8 416 000	3,97
Dematerialised shares	1 423	97,87	203 752 959	96,03
Issued capital	1 454	100,00	212 168 959	100,00

Beneficial shareholders holding 5% or more

Shareholder	Type of holding	Number of shares	% of issued capital
John Barrow	Demat	34 900 000	16,45
Tom Lombard	Demat	12 864 500	6,06
B & W Employee Trust	Demat	12 680 000	5,98
Johan Breedt	Demat	12 680 000	5,98
Brian Harley	Demat	12 680 000	5,98
Ken Nel	Demat	12 680 000	5,98
Dean Nevay	Demat	12 680 000	5,98
Gary Swanepoel	Demat	12 680 000	5,98

Range of units

Share range	Number of shareholders	% of shareholders	Number of shares	% of issued capital
1 – 999	93	6,40	41 342	0,02
1 000 – 9 999	722	49,66	3 000 709	1,41
10 000 – 99 999	525	36,11	13 478 920	6,35
100 000 – 999 999	96	6,60	21 542 732	10,15
1 000 000 – 9 999 999	14	0,96	64 305 256	30,31
10 000 000 >	4	0,28	109 800 000	51,75
	1 454	100,00	212 168 959	100,00

Breakdown by domicile

Domicile	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Resident shareholders	1 422	97,80	210 770 546	99,34
Non-resident shareholders	32	2,20	1 398 413	0,66
	1 454	100,00	212 168 959	100,00

Distribution of shareholders

	Number of shareholders	% of shareholders	Number of shares	% of shares
Banks	1	0,07	574 007	0,27
Close corporation	38	2,61	1 266 347	0,60
Individual	1 295	89,06	189 373 549	89,26
Investment company	18	1,24	1 645 834	0,78
Pension fund	6	0,41	437 058	0,21
Private company	17	1,17	2 596 914	1,22
Public company	3	0,21	764 992	0,36
Trust/nominee	76	5,23	15 510 258	7,31
Total	1 454	100,00	212 168 959	100,00

Public/non-public shareholders

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Non-public shareholders:	9	0,62	122 849 500	57,90
John Barrow			34 900 000	16,45
Tom Lombard			12 864 500	6,06
B&W Employee Trust			12 680 000	5,98
Johan Breedt			12 680 000	5,98
Brian Harley			12 680 000	5,98
Dean Nevay			12 680 000	5,98
Gary Swanepoel			12 680 000	5,98
The B&W share purchase scheme			7 795 000	3,67
Danie Evert			3 890 000	1,83
Public shareholders	1 442	99,38	89 319 459	42,10
Total	1 451	100,00	212 168 959	100,00

Notice of annual general meeting

B & W Instrumentation and Electrical Limited

Incorporated in the Republic of South Africa

(Registration number 2001/008548/06)

Share Code: BWI ISIN: ZAE000098687

("B&W" or "the company")

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the annual general meeting ("annual general meeting") of shareholders of B&W will be held at 10:00 on Friday, 20 January 2012 at Ascot Mews, Heidelberg Road, Alberton, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out below.

The board of directors of the company ("the board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 2008 (Act 71 of 2008), the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 13 January 2012. Accordingly, the last day to trade B&W shares in order to be recorded in the Register to be entitled to vote will be Friday, 6 January 2012.

1. To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 31 August 2011, including the reports of the auditors, directors and the Audit & Risk Committee.
2. To ratify the election of S Pinkney to the B&W board.
3. To re-elect DJ Evert who, in terms of Article 117 of the company's articles of association, retires by rotation at this annual general meeting but being eligible to do so offers himself for re-election.
4. To re-elect VS Vilakazi who, in terms of Article 117 of the company's articles of association, retires by rotation at this annual general meeting but being eligible to do so offers himself for re-election.
5. To re-elect JD Oosthuizen who, in terms of Article 117 of the company's articles of association, retires by rotation at this annual general meeting but being eligible to do so offers himself for re-election.
6. To re-elect GWR Swanepoel who, in terms of Article 117 of the company's articles of association, retires by rotation at this annual general meeting but being eligible to do so offers himself for re-election.

An abbreviated *curriculum vitae* in respect of each director offering himself for ratification or re-election appears on pages 12 and 13 of the annual report to which this notice is attached.

7. To appoint JD Oosthuizen as Chairman of the B&W Audit & Risk Committee.
8. To appoint W Wassermeier as a member of the B&W Audit & Risk Committee.
9. To appoint YU Mabandla as a member of the B&W Audit & Risk Committee.
10. To appoint YU Mabandla as Chairman of the B&W Remuneration Committee.
11. To appoint LJ Barrow as a member of the B&W Remuneration Committee.
12. To appoint JD Oosthuizen as a member of the B&W Remuneration Committee.
13. To appoint W Wassermeier as a member of the B&W Remuneration Committee.

An abbreviated *curriculum vitae* in respect of each proposed committee member appears on pages 12 and 13 of the annual report to which this notice is attached.

14. To confirm the re-appointment of Certified Master Auditors Inc. as independent auditors of the company with Mr George Davias being the individual registered auditor who has undertaken the audit of the company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration.

As special business, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

15. Ordinary Resolution Number 1

Approval of Remuneration Policy

"Resolved that the remuneration policy of the directors of B&W, as set out on page 17 of the annual report to which this notice is attached, be and is approved as a non-binding advisory vote of shareholders of the company in terms of the King III Report on Corporate Governance."

16. Ordinary Resolution Number 2

Control of Authorised but Unissued Ordinary Shares

"Resolved that the authorised but unissued ordinary shares in the capital of B&W be and are placed under the control and authority of the directors of the company ("directors") and that the directors be and are hereby

authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 38 and 41 of the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the company and the Listings Requirements of JSE Limited, as amended from time to time.”

17. Ordinary Resolution Number 3

Approval to Issue Ordinary Shares, and to Sell Treasury Shares, for Cash

“**Resolved that** the directors of B&W and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company, for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the company and its subsidiaries and the Listings Requirements of JSE Limited (“the JSE Listings Requirements”) from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- the securities 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 securities or rights that are convertible into a class already in issue;
- any such issue may only be made to “public shareholders” as defined in the JSE Listings Requirements and not to related parties;
- the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 50% of the number of issued ordinary shares. The number of ordinary shares which may be issued shall be based, *inter alia*, on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible

ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;

- this general authority will be valid until the earlier of the company’s next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- an announcement giving full details, including the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the company wishes to use ordinary shares, held as treasury stock by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.”

Under the JSE Listings Requirements, ordinary resolution number 3 must be passed by a 75% (seventy five percent) majority of the votes cast in favour of the resolution by all members present or represented by proxy at the annual general meeting.

18. Special Resolution Number 1

Non-executive Directors’ Remuneration

“**Resolved that**, in terms of the provisions of sections 66(9) of the Companies Act, 2008 (Act 71 of 2008), the annual remuneration payable to the non-executive directors of B&W for their services as directors of the company for the financial year ending 31 August 2012, be and is hereby approved as follows:

Notice

of annual general meeting continued

Type of fee	Proposed fee for the year ending 31 August 2012
Non-executive director (monthly fee)	R11 300
Audit & Risk Committee (per meeting)	
Chairperson	R11 300
Member	R11 300
Remuneration Committee (per meeting)	
Chairperson	R11 300
Member	R11 300

Reason for and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to approve the remuneration of the non-executive directors of the company for their services as directors for the ensuing financial year.”

19. Special Resolution Number 2

General Approval to Acquire Shares

“**Resolved** by way of a general approval that B&W and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the company in terms of sections 46 and 48 of the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the company and its subsidiaries and the Listings Requirements of JSE Limited (“the JSE”), as amended from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- the acquisition of the ordinary 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;
- this general authority shall only be valid until the earlier of the company’s next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the company’s ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;

- at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf.
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the company’s issued ordinary share capital;
- the company may only effect the repurchase once a resolution has been passed by the board of directors of the company (“the board”) confirming that the board has authorised the repurchase, that the company has passed the solvency and liquidity test (“test”) and that since the test was done there have been no material changes to the financial position of the group;
- the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- an announcement will be published once the company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted (“initial number”), and for each 3% (three percent) in aggregate of the initial number acquired thereafter.”

Reason for and effect of special resolution number 2

The reason for and effect of this special resolution number 2 is to obtain an authority for, and to authorise, the company and the company’s subsidiaries, by way of a general authority, to acquire the company’s issued ordinary shares.

It is the intention of the directors of the company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

19.1 Other disclosures in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are contained in the annual report of which this notice forms part:

- directors and management – pages 12 and 13;
- major shareholders of the company – page 70;
- directors’ interests in securities – page 28; and
- share capital of the company – page 29.

19.2 Material change

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the company’s financial year-end to the date of this notice.

19.3 Directors' responsibility statement

The directors, whose names are given on pages 12 and 13 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

19.4 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the company will ensure that, after considering the effect of the maximum repurchase and for a period of 12 (twelve) months thereafter:

- the company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the company and its subsidiaries;
- the issued share capital and reserves of the company and its subsidiaries will be adequate for the purpose of the ordinary business of the company and its subsidiaries; and
- the working capital available to the company and its subsidiaries will be sufficient for the group's requirements.

The company may not enter the market to proceed with the repurchase until its Designated Adviser Merchantec Capital, has discharged of all of its responsibilities in terms of the JSE Listings Requirements insofar as they apply to working capital statements for the purposes of undertaking an acquisition of its issued ordinary shares.

19.5 Litigation statement

The directors, whose names are given on pages 12 and 13 of the annual report, are not aware of

any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

20. Special Resolution Number 3

Financial Assistance for Subscription of Securities

“Resolved that, as a special resolution, in terms of section 44 of the Companies Act, 2008 (Act 71 of 2008) (“Companies Act”), the shareholders of B&W Instrumentation and Electrical Limited (“the company”) hereby approve of the company providing, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution number 3, financial assistance by way of a loan, guarantee, the provision of security or otherwise, as contemplated in section 44 of the Companies Act, to any person for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, provided that:

- (a) the board of directors of the company (“the board”), from time to time, determines (i) the specific recipient, or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided; and
- (b) the board may not authorise the company to provide any financial assistance pursuant to this special resolution number 3 unless the board meets all those requirements of section 44 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance.”

Reason for and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to grant the board the authority to authorise the company to provide financial assistance to any person for the purpose of, or in connection with, the subscription for any option or securities issued or to be issued by the company or a related or inter-related company.

21. Special Resolution Number 4

Loans or other Financial Assistance to Directors

“Resolved that, as a special resolution, in terms of section 45 of the Companies Act, 2008 (Act 71 of 2008) (“Companies Act”), the shareholders of B&W approve of

Notice

of annual general meeting continued

the company providing, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution number 4, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a director or prescribed officer of the company, or to a related or inter-related company or corporation or to a member of any such related or inter-related corporation or to a person related to any such company, corporation, director, prescribed officer or member provided that:

- (a) the board of directors of the company (“the board”), from time to time, determines (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided, and
- (b) the board may not authorise the company to provide any financial assistance pursuant to this special resolution number 4 unless the board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance.”

Reason for and effect of special resolution number 4

The reason for and effect of special resolution number 4 is to grant the board the authority to authorise the company to provide financial assistance as contemplated in section 45 of the Companies Act to a director or prescribed officer of the company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member.

Notice given to shareholders of the company in terms of section 45(5) of the Companies Act of a resolution adopted by the board authorising the company to provide such direct or indirect financial assistance in respect of special resolution number 4:

- (a) By the time that this notice of annual general meeting is delivered to shareholders of the company, the board will have adopted a resolution (“Section 45 Board Resolution”) authorising the company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 4 is adopted, any direct or indirect

financial assistance as contemplated in section 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a director or prescribed officer of the company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of any such related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or a member;

- (b) the Section 45 Board Resolution will be effective only if and to the extent that special resolution number 4 is adopted by the shareholders of the company, and the provision of any such direct or indirect financial assistance by the company, pursuant to such resolution, will always be subject to the board being satisfied that (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act; and
- (c) in as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the company’s net worth at the date of adoption of such resolution, the company hereby provides notice of the Section 45 Board Resolution to shareholders of the company. Such notice will also be provided to any trade union representing any employees of the company.

22. Ordinary Resolution Number 4

Signature of Documents

“**Resolved that** each director of B&W be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the annual general meeting convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed and registered by the Companies and Intellectual Property Commission, in the case of special resolutions.”

23. Other business

To transact such other business as may be transacted at the annual general meeting of the company.

Voting and proxies

Special resolutions to be adopted at this annual general meeting require approval from 75% (seventy five percent) of the shares represented in person or by proxy at the meeting. Ordinary resolutions to be adopted require approval from a simple majority, which is more than 50% (fifty percent) of the shares represented in person or by proxy at the meeting.

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend and act in his/her stead. A proxy need not be a member of the company. For the convenience of registered members of the company, a form of proxy is attached hereto.

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in “own name” dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without “own name” registration and who wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxy forms should be forwarded to reach the transfer secretaries, Computershare Investor Services (Pty) Limited, at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time of the meeting.

Kindly note that meeting participants, which include proxies, are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

By order of the board

CIS Company Secretaries (Pty) Limited

Company secretary

11 November 2011

Johannesburg

Form of proxy

B & W Instrumentation and Electrical Limited
 Incorporated in the Republic of South Africa
 (Registration number 2001/008548/06)
 Share Code: BWI ISIN: ZAE000098687
 ("B&W" or "the company")

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with "own-name" registration, at the annual general meeting of shareholders of the company to be held at Ascot Mews, Heidelberg Road, Alberton, at 10:00 on Friday, 20 January 2012 and/or at any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. **These ordinary shareholders must not use this form of proxy.**

Name of beneficial shareholder _____

Name of registered shareholder _____

Address _____

Telephone work () _____

Telephone home () _____

being the holder/custodian of ordinary shares in the company, hereby appoint (see note):

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the annual general meeting of the company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
		For	Against	Abstain
1.	To receive, consider and adopt the annual financial statements of the company and group for the financial year ended 31 August 2011			
2.	To ratify the election of S Pinkney to the board			
3.	To re-elect DJ Evert who, in terms of Article 117 of the company's articles of association, retires by rotation at this annual general meeting but being eligible to do so offers himself for re-election			
4.	To re-elect VS Vilakazi who, in terms of Article 117 of the company's articles of association, retires by rotation at this annual general meeting but being eligible to do so offers himself for re-election			
5.	To re-elect JD Oosthuizen who, in terms of Article 117 of the company's articles of association, retires by rotation at this annual general meeting but being eligible to do so offers himself for re-election			
6.	To re-elect GWR Swanepoel who, in terms of Article 117 of the company's articles of association, retires by rotation at this annual general meeting but being eligible to do so offers himself for re-election			
7.	To appoint JD Oosthuizen as Chairman of the B&W Audit & Risk Committee			
8.	To appoint W Wassermeier as a member of the B&W Audit & Risk Committee			
9.	To appoint YU Mabandla as a member of the B&W Audit & Risk Committee			
10.	To appoint YU Mabandla as Chairman of the B&W Remuneration Committee			
11.	To appoint LJ Barrow as a member of the B&W Remuneration Committee			
12.	To appoint JD Oosthuizen as a member of the B&W Remuneration Committee			
13.	To appoint W Wassermeier as a member of the B&W Remuneration Committee			
14.	To confirm the re-appointment of Certified Masters Inc. as auditors of the company together with Mr George Davias for the ensuing financial year			
15.	Ordinary resolution number 1: Approval of the remuneration policy			
16.	Ordinary resolution number 2: Control of authorised but unissued ordinary shares			
17.	Ordinary resolution number 3: Approval to issue ordinary shares, and to sell treasury shares, for cash			
18.	Special resolution number 1: To approve the non-executive directors' remuneration for the ensuing year			
19.	Special resolution number 2: General approval to acquire shares			
20.	Special resolution number 3: Financial assistance or subscription of securities			
21.	Special resolution number 4: Loans or other financial assistance to directors			
22.	Ordinary resolution number 4: Signature of documents			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the company.

Signed at _____ on _____ 2011/12

Signature _____ Assisted by (if applicable) _____

Please read notes on reverse.

Notes

to the form of proxy

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the annual general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of 2 (two) alternate proxies (none of whom need be a shareholder of the company) of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose name follows. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters have been received by the transfer secretaries not less than 48 (forty eight) hours before the commencement of the annual general meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The Chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the Chairperson of the annual general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the annual general meeting.
9. 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.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the Chairperson of the annual general meeting.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
12. Where there are joint holders of ordinary shares:
 - any one holder may sign the form of proxy;
 - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. Forms of proxy should be lodged with or mailed to Computershare Investor Services (Pty) Limited:
14. **Hand deliveries to:**
Computershare Investor Services (Pty) Limited
Ground Floor, 70 Marshall Street
Johannesburg, 2001
- Postal deliveries to:**
Computershare Investor Services (Pty) Limited/
Link Market Services South Africa (Pty) Limited
PO Box 61051, Marshalltown, 2107
- To be received by no later than 48 (forty eight) hours before any adjournment of the annual general meeting which date, if necessary, will be notified on SENS).
15. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

Contacts

Company secretary and registered office

CIS Company Secretaries (Pty) Limited
70 Marshall Street,
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Attorneys

Fluxmans Inc.
11 Biermann Avenue, Rosebank
Johannesburg, 2196
(Private Bag X41, Saxonwold, 2132)

Transfer secretaries

Computershare Investor Services (Pty) Limited
Ground Floor, 70 Marshall Street,
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Designated Adviser

Merchantec Capital
2nd Floor, North Block
Hyde Park Office Tower
Corner 6th Road and Jan Smuts Avenue,
Johannesburg, 2196
(PO Box 41480, Craighall, 2024)

Auditors

Certified Master Auditors Inc.
Chartered Accountants (SA)
234 Alexandra Avenue
Midrand, 1685
(Private Bag X168, Halfway House, 1685)

Commercial banker

First National Bank Limited Alberton
Corner Voortrekker Road and Forest Street,
Alberton, 1449
(PO Box 1040, Alberton, 1450)

Enquiries relating to annual report

Danie Evert (Financial Director)
011 907 1663

inventive transforming focused

B & W Instrumentation and Electrical Limited

42 Fourth Avenue, Alberton North, 1449

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