



■ Revenue up **55%**

■ Order book **R489 million**

■ NPAT **R12 million**

■ EPS **6 cents**

COMMENTARY

BASIS OF PREPARATION

The accounting policies applied in the preparation of these reviewed consolidated interim financial statements, which are based on reasonable judgments and estimates, are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the audited annual financial statements for the year ended 31 August 2010. The reviewed consolidated interim financial statements as set out in this report have been prepared in terms of IAS 34: Interim Financial Reporting, the Companies Act, 1973 (Act 61 of 1973), as amended, and the Listings Requirements of JSE Limited.

REVIEW OPINION

The reviewed consolidated interim results for the period have been reviewed by B&W's auditors, Certified Master Auditors Inc. Their unqualified review opinion is available for inspection at the company's registered office.

INTRODUCTION

As anticipated, the reviewed consolidated interim results for the six months ended 28 February 2011 ("the interim period") saw a reduction in earnings as a result of the prevailing difficult trading conditions in the construction industry. Operating margins continued to be eroded by intensified competition in a contracting market, and were further impacted by the inevitable renegotiation of terms on the reinstatement of projects which had been previously delayed.

However, despite these challenges, B&W's fundamentals remain sound and the group's resilience compares favourably to its peers. An increase in revenue was driven mainly by reinstated projects.

The working capital cycle has been extended on work in South Africa and even more so on cross-border contracts, placing increasing pressure on cash flow.

GROUP PROFILE

B&W is one of South Africa's top three niche providers of electrical and instrumentation ("E&I") services as well as an earthing, lightning and surge protection specialist. Clients range across the oil & gas, infrastructure, industrial, utilities, mining, chemical and food & beverage industries in sub-Saharan Africa. Specific services include equipment procurement, project supervision, installation of the E&I system, post-installation commissioning and ongoing maintenance.

FINANCIAL RESULTS

Revenue increased to R387 million from R249 million in the previous comparative period. Lower operating margins resulted in a decrease in net profit after tax ("NPAT") and earnings per share ("EPS"), respectively.

Cash on hand decreased from R70 million to a negative R33 million. The tough market conditions severely impacted cash flow as the group is currently executing large revenue projects where the bulk of the payment typically only occurs towards the end of the contract.

Pontins (Proprietary) Limited ("Pontins") was equally impacted by harsh market conditions and therefore performance was less than optimal.

FUNDING

B&W has, through discussion with its commercial bankers, introduced a credit facility including overdraft, foreign exchange and performance bond facilities. This will be assessed on an ongoing basis to ensure that it meets the working capital requirements of the company.

PROSPECTS

The group has a track record of over 35 years having successfully weathered cyclical volatility. B&W will take advantage of the current lull to build management capacity and position the group to capitalise on opportunities in the upturn of the construction cycle.

Revenue is expected to remain high in the interim period ahead to year-end. However, B&W intends to focus on strengthening operating margins and stabilising cash flow. The critical initiatives to this end will erode revenue to a certain extent in subsequent years.

There is an indication of initial recovery in the economy. However, the construction sector, which typically lags the rest of the economy, remains severely depressed. For B&W, this is compounded by the timing of its services being at the end of the construction cycle. These conditions are expected to continue for the rest of 2011 and into 2012. Beyond 2012 the market is anticipated to normalise and B&W is optimistic about prospects in the longer term. The group should start benefiting from the roll-out of mining infrastructure once the current rise in commodity prices feeds through to the initiation of new mining projects.

Little improvement in market conditions is expected in the short term. Current market conditions and other prudent considerations are forcing the group to be more

selective of contracts. The order book in hand at 28 February 2011 stood at R489 million.

DIRECTORATE

Mr Ken Nel resigned from the board of directors of B&W ("the board") as an executive director with effect from 31 January 2011, but remains with the company in the capacity of employee.

Messrs Neels Minnie and Johan Rall, both alternate directors to executive directors, resigned from the board with effect from 31 March 2011 and 30 April 2011, respectively.

DIVIDEND

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

SUBSEQUENT EVENTS

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

DEFERRED TAX

In the prior year, the deferred tax balances were disclosed as current and non-current. In terms of IAS 1, deferred tax should always be presented as non-current, even if a portion of the asset or liability will realise within the next financial period.

As such, the amounts reflected in the statements of financial position, have been reclassified as non-current.

The restatement has no impact on the net asset position, the statement of comprehensive income, earnings per share and headline earnings per share.

	Group	
	February 2010	February 2009
Statement of financial position		
Deferred tax – current	10 528	12 503
Deferred tax – non-current	(10 528)	(12 503)

OPERATING SEGMENTS

Previously, the group was managed based on the geographical location of its operations. The basis on which operations are managed has changed in the period under review to areas of risk and this has necessitated a change to the disclosures made under the Segmental Reporting Note. The amount previously reported has also been restated to reflect the changes in the structure of the group.

John Barrow Chairman
Brian Harley Chief Executive Officer

On behalf of the board
18 April 2011

DIRECTORS

John Barrow* (Chairman); Brian Harley (CEO); Danie Evert (Financial Director); Johan Breedt; Tom Lombard; Dean Nevay; Gary Swanepoel; Sam Vilakazi; Wolf Wassermeier*^; Jimmy Oosthuizen*^; Unati Mabandla*^.
*Non-executive director
^Independent

REGISTERED OFFICE

42 Fourth Avenue, Alberton North, 1449 (PO Box 956, Alberton, 1450)

DESIGNATED ADVISER

Merchantec Capital

TRANSFER SECRETARIES

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

COMPANY SECRETARY

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

INVESTOR RELATIONS

Envisage Investor & Corporate Relations

SEGMENTAL REPORTING

	2011			2010		
	South Africa R'000	Foreign Operations R'000	Total R'000	South Africa R'000	Foreign Operations R'000	Total R'000
Profit and loss						
Contract revenue	202 556	184 007	386 563	126 763	121 871	248 634
Contract costs	(214 695)	(128 054)	(342 749)	(101 885)	(89 608)	(191 493)
Gross profit	(12 139)	55 953	43 814	24 878	32 263	57 141
Other income	31	–	31	2 598	680	3 278
Operating expenses	(14 569)	(10 535)	(25 104)	(18 031)	(503)	(18 534)
Operating profit	(26 677)	45 418	18 741	9 445	32 440	41 885
Investment income	40	–	40	2 570	5	2 575
Finance costs	(1 605)	–	(1 605)	(21)	–	(21)
(Loss)/profit before tax	(28 242)	45 418	17 176	11 994	32 445	44 439
Assets and liabilities						
Total assets	283 854	132 593	416 447	145 292	192 766	338 058
Total liabilities	(103 678)	(104 987)	(208 665)	(60 693)	(100 344)	(161 037)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Reviewed 28 February 2011 R'000	Reviewed 28 February 2010 R'000	Audited 31 August 2010 R'000
ASSETS			
Non-current assets	64 000	61 179	63 477
Property, plant and equipment	35 801	31 853	36 939
Deferred tax	5 406	1 492	–
Goodwill	7 368	6 854	7 368
Intangible assets	2 978	3 829	3 404
Retention debtors	12 447	17 151	15 766
Current assets	352 447	276 879	400 914
Inventories	4 318	1 828	3 502
Loans to related parties	–	–	3 700
Other financial asset	3 525	–	3 484
Trade and other receivables	344 604	205 378	319 146
Cash and cash equivalents	–	69 673	71 082
Total assets	416 447	338 058	464 391
EQUITY AND LIABILITIES			
Equity	207 782	177 021	205 084
Share capital	38 583	32 285	38 583
Foreign currency translation reserve	(144)	–	315
Retained income	169 052	144 653	165 970
Minority interest	291	83	216
Non-current liabilities	14 136	11 516	11 813
Deferred tax	14 063	11 345	11 682
Finance lease obligation	73	171	131
Current liabilities	194 529	149 521	247 494
Loans from related parties	5 112	18	1 634
Financial liabilities	24 505	18 515	49 217
Current tax payable	13 424	1 819	6 841
Trade and other payables	105 034	127 387	181 079
Finance lease obligation	49	171	158
Directors' loans	5 329	–	–
Bank overdraft	32 718	–	–
Provisions	8 358	1 611	8 565
Total equity and liabilities	416 447	338 058	464 391
Number of ordinary shares in issue	204 373 959	200 000 000	204 373 959
Net asset value per share (cents)	101,7	88,5	100,4
Net tangible asset value per share (cents)	96,6	83,2	95,1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed six months to 28 February 2011 R'000	Reviewed six months to 28 February 2010 R'000	Audited 12 months to 31 August 2010 R'000
Contract revenue	386 563	248 634	601 283
Cost of contracts	(342 749)	(191 493)	(478 158)
Gross profit	43 814	57 141	123 125
Other income	31	3 278	1 040
Operating expenses	(25 104)	(18 534)	(45 855)
Operating profit	18 741	41 885	78 310
Investment revenue	40	2 575	3 567
Finance costs	(1 605)	(21)	(323)
Profit before taxation	17 176	44 439	81 554
Taxation	(4 818)	(13 482)	(24 041)
Profit for the year	12 358	30 957	57 513
Other comprehensive income			
Foreign currency translation reserve	(464)	–	318
Total comprehensive income	11 894	30 957	57 831
Profit attributable to:			
Owners of the parent	12 279	30 882	57 308
Non-controlling interest	79	75	205
Total comprehensive income attributable to:	12 358	30 957	57 513
Owners of the parent	11 819	30 882	57 623
Non-controlling interest	75	75	208
Profit attributable to:			
Owners of the parent	12 279	30 882	57 308
Adjustment for headline earnings – profit on sale of property, plant and equipment	(31)	–	(14)
Headline earnings attributable to ordinary shareholders	12 248	30 882	57 294
Weighted average number of ordinary shares in issue	204 373 959	200 000 000	201 275 738
Earnings per ordinary share (cents)	6,0	15,5	28,5
Headline earnings per ordinary share (cents)	6,0	15,4	28,5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Treasury shares R'000	Foreign currency translation reserve R'000	Distributable reserve R'000	Minority interest R'000	Total equity R'000
Balance at 1 September 2009	2	43 552	(11 269)	–	123 771	8	156 064
Net profit for the period	–	–	–	–	30 882	75	30 957
Dividends paid	–	–	–	–	(10 000)	–	(10 000)
Balance at 28 February 2010	2	43 552	(11 269)	–	144 653	83	177 021
Issue of share capital	–	6 298	–	–	–	–	6 298
Net profit for the period	–	–	–	315	26 426	133	26 874
Dividends paid	–	–	–	–	(5 109)	–	(5 109)
Balance at 31 August 2010	2	49 850	(11 269)	315	165 970	216	205 084
Net profit for the period	–	–	–	(459)	12 279	75	11 895
Dividends paid	–	–	–	–	(9 197)	–	(9 197)
Balance at 28 February 2011	2	49 850	(11 269)	(144)	169 052	291	207 782

CONSOLIDATED CASH FLOW STATEMENT

	Reviewed 28 Feb 2011 R'000	Reviewed 28 Feb 2010 R'000	Audited 12 months to 31 August 2010 R'000
Cash (utilised in)/generated from operations	(77 704)	21 103	23 305
Interest income	40	2 575	3 567
Finance costs	(1 605)	(21)	(323)
Tax paid	(1 260)	(15 828)	(19 347)
Net cash from operating activities	(80 529)	7 829	7 202
Purchase of property, plant and equipment	(1 806)	(2 394)	(14 344)
Sale of property, plant and equipment	144	–	314
Business combinations/acquisition of subsidiary	–	(5 354)	(11 653)
Loans from related parties advanced/(repaid)	7 178	(1 012)	(3 097)
Purchase of financial assets	(41)	–	(3 484)
Net cash from investing activities	5 475	(8 760)	(32 264)
(Repayment of)/proceeds from financial liabilities	(24 712)	(59 502)	(28 800)
(Payments on)/inflow from finance lease	(167)	342	289
Dividends paid	(9 197)	(10 000)	(15 109)
Proceeds on loans from directors	5 330	–	–
Net cash from financing activities	(28 746)	(69 160)	(43 620)
Total cash movement for the year	(103 800)	(70 091)	(68 682)
Cash at the beginning of the year	71 082	139 764	139 764
Total cash at the end of the year	(32 718)	69 673	71 082