



ANNUAL REPORT 2007

Powering the future



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Definitions

"AltX"	The Alternative Exchange of the JSE Limited	"JSE"	JSE Limited
"BBBEE"	Broad-based Black Economic Empowerment	"King II Report"	King Report on Corporate Governance for SA 2002
"BEE"	Black Economic Empowerment	"SA"	South Africa
"B&W" or "the company"	B&W Instrumentation and Electrical Limited	"SENS"	Stock Exchange News Service
"DA" or "Designated Adviser"	Merchant Sponsors (Proprietary) Limited	"the board"	The board of directors of B&W
"E&I"	Electrical and Instrumentation	"the current year"	The year ending 31 August 2008
"IFRS"	International Financial Reporting Standards	"the previous year"	The year ended 31 August 2006
		"the year" or "the year under review"	The year ended 31 August 2007



forward thinking

Company profile

B&W is a 33 year veteran in the E&I construction industry. Prior to listing on AltX in July 2007 the company was the largest privately-owned E&I specialist in SA. Based in Gauteng, B&W specialises in installing and commissioning infrastructure for process plants, ensuring that this infrastructure functions in accordance with design specifications. Services include equipment procurement, project supervision and installation of the E&I system. Post-installation B&W provides specialised calibration and commissioning services to optimise the E&I system as well as ongoing maintenance. Blue chip clients in the industrial utilities, mining, chemical, oil and gas and food and beverage industries include Anglo Platinum, BHP Billiton, Debswana, Impala Platinum, LaFarge, PetroSA and Sasol.

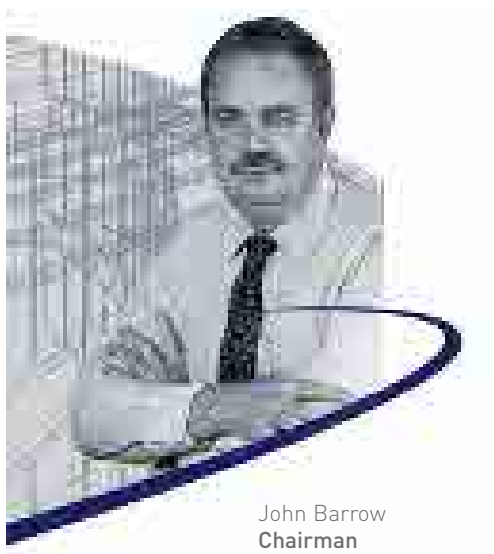
B&W's capacity to handle large and complex contracts in the E&I field enables the company to capitalise on current buoyant market conditions in its areas of operation.

B&W stands to benefit from ongoing expansion in the mining, energy and oil and gas sectors both in SA and sub-Saharan Africa and is actively developing its niche capability to capitalise on planned nuclear projects in SA.

financial highlights

- Revenue up **80%** from 2006
- Headline earnings up **333%** from 2006
 - Headline earnings per share of **14.26** cents
- Earnings per share of 14.17 cents up **6.5%** on forecast
 - Dividend of **3.5** cents per share
- Successfully **listed on AltX**

Chairman's and Managing Director's report



John Barrow
Chairman

Driven by growth from the ongoing expansion in the mining, energy and oil and gas sectors in SA, B&W posted a commendable performance.

Introduction

The year marked a milestone in the company's history, with a successful listing on AltX on 5 July 2007. B&W's share debuted at a significant premium to the R1 pre-listing placement price and share trading volumes since listing have been encouraging.

Driven by growth from the ongoing expansion in the mining, energy and oil and gas sectors in SA, B&W posted a commendable performance for its maiden year as a listed company which exceeded pre-listing forecasts in all material respects and has significantly increased from the previous year. The company successfully capitalised on market opportunities both in SA and other countries in Africa.

Operational review

A number of key contracts were accelerated during the year at the request of clients, boosting both top and bottom line growth ahead of pre-listing forecasts.

Although scarce skilled human resources remains an ongoing challenge for the industry nationwide, B&W and the industry continued to address this with intensified focus on training programmes. Recent initiatives in this regard are contributing well to reducing the skills gap.

Financial results

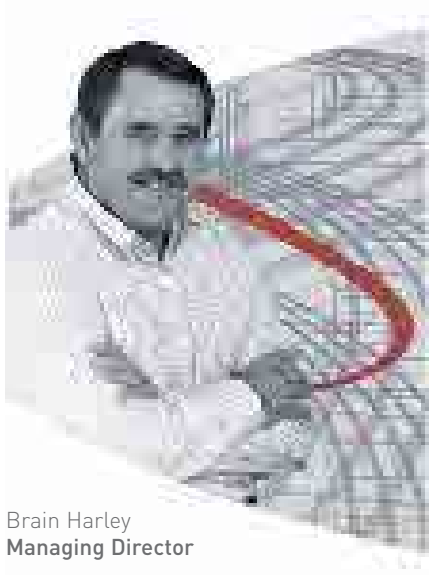
Revenue increased by 80% to R294 million while operating profit increased by 275% to R35.1 million. Net profit after tax was up 326% from R5.8 in 2006 to R24.8 million. Earnings per share of 14.17 cents reflected an increase of 6.5% from the forecast set out in the pre-listing prospectus of 13.3 cents.

As further set out in the pre-listing prospectus a dividend of 3.5 cents per share has been declared for the year, equating to a distribution of 25% of net earnings per share.

working together
to sustain our success



Chairman's and Managing Director's report



Brian Harley
Managing Director

commendable performance

Prospects

The company is well on track to achieve the pre-listing forecast revenue for 2008 of R336 million since work in hand at the end of the reporting period was R312 million in light of the average duration of a project from tender to completion being six to nine months, the group is confident of achieving the balance of revenue.

Organic growth should further be driven by a number of projects in the industry in SA that are currently in the feasibility or planning stages. Further opportunities in the mining and power generation sectors have been identified in sub-Saharan Africa and the company is actively targeting these prospects. B&W will in addition continue to investigate establishing capability in nuclear construction, a new focus area, to capitalise on planned nuclear sites in SA.

Taking these factors into account B&W believes that there is adequate sustainable demand to support long-term future growth.

Appreciation

B&W's excellent performance could not have been achieved without the considerable effort and commitment of the management and staff both at head office and in the field. We thank our team and look forward to working together to sustain our success long into the future.

We also thank our customers, business partners, advisers and suppliers for their invaluable support and both welcome and thank our new stakeholders for their faith in the company.

John Barrow
Chairman

Brian Harley
Managing Director

25 October 2007

B&W's excellent performance could not have been achieved without the considerable effort and commitment of the management and staff both at head office and in the field.



Directorate

Executive directors

•John Barrow (63)

Pr Eng., PrCPM., BSc. (Mech. eng), B.Com., FSAI (Mech.E)

Chairman

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

•Brian Harley (51)

PrCPM., MBA., Dip (Bus. man.), and NTC6

Managing Director

Brian has been in his current position as B&W's Managing Director for the last five years. He has 25 years' experience in the E&I industry. Prior to joining B&W he was managing director of a number of subsidiary companies of a major South African listed construction company.

•Johan Breedt (47)

NTC4

Proposals Director

Johan has been the Proposals Director of the company since 1996. His experience includes an apprenticeship and position as technical officer at a large cable manufacturer. Johan has worked in the electrical industry for 24 years, of which 18 have been with B&W.

•Danie Evert (43)

B.Com. (Acc)

Financial Director

Danie has worked in the construction industry for 23 years. He was appointed as the company's Financial Director in 2007. He previously worked as the financial manager and information systems manager in SA and abroad for a major listed South African construction company.

•Tom Lombard (53)

Project Director

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

Executive directors continued

•Ken Nel (63)

PrCert Eng., Pr.CM

Marketing Director

Ken has been B&W's Marketing Director for the last seven years. He has 39 years' experience in the E&I industry including working as an engineer for local and international companies and has served as a director of a subsidiary of a major South African listed construction company. He has also managed the marketing and strategic planning for various engineering companies.

•Dean Nevay (38)

Pr.CM (SACPCM), B.Com., N Dip Elec. (L/C), Certified PROFIBUS Engineer (PCC), ISO9001:2000 (TIQMS)

Cost and Planning 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. Dean is extensively involved in industry affairs currently as vice-president of ECA (SA) and a councillor on the National Bargaining Council. He has been a director and shareholder of B&W since 1996, having worked for the company since 1992.

•Gary Swanepoel (43)

Pr.CM, NHD (Building science)

Commercial Director

Gary has served as Commercial Director since 1996. He has worked in the construction industry for 23 years, of which 14 have been with B&W. His previous experience includes having practiced as a quantity surveyor both in SA and abroad on various large E&I projects.

•Sam Vilakazi (47)

Sam has been actively involved in the construction industry for 25 years. From serving as an Electrical and Site Supervisor in 1992 he has progressed to the position of director on B&W's board, to which he was appointed in 2007, and is one of the Trustees of B&W's Employee Trust.

Directorate

Independent non-executive directors

•Unati Mabandla (36)

BA PR Adv PM Cert. of Proficiency

Unati has extensive experience in events, public relations and human resources management. She currently serves as the 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 (71)

CA(SA)

Jimmy initially worked in auditing before joining the financial management team at a major South African listed construction company in 1990, where he later served as Group Financial Director until his retirement 11 years ago. He was appointed as a non-executive director of B&W in 2007 and chairs the company's Audit Committee.

•Wolf Wassermeier (64)

Wolf has 40 years' experience in the construction industry. He has held directorships at listed companies and prior to retirement was the Group Deputy Managing Director of a major South African listed construction company. He was appointed as a non-executive director of B&W in 2007 and chairs the company's Risk Committee.

Alternate directors

•Neels Minnie (44)

(NTC3)

Alternate to Dean Nevay. Neels has worked in the E&I industry for 22 years as site and project manager on a number of large contracts including Moss gas and Engen.

•Johan Rall (43)

(N6)

Alternate to Gary Swanepoel. Johan was the managing director of an electrical company for 12 years and previously worked as general manager for ABB Windhoek. He has worked as a contract manager for B&W for five years and now acts as a project director.

The directors of B&W acknowledge the importance of sound corporate governance and are committed to implementing the principles of the King II Report. The directors' primary focus during the year was to achieve a successful listing on AltX. Subsequent to listing on 5 July 2007, the directors are now able to focus on improving and codifying operational and corporate practices to achieve full compliance with the Code of Corporate Practices and Conduct ("the Code") set out in the King II Report. Going forward the board will monitor compliance to ensure ongoing improvement.

The Board

At year-end the unitary board consisted of twelve directors and two alternate directors, and was chaired by John Barrow. The twelve directors comprise nine executive directors and three independent non-executive directors. The board meets monthly. Details of directors' attendance at board and committee meetings are set out in the Directors' Report.

In line with King II the company is in the process of drafting a formal Board Charter which will set out the board's composition, processes, duties and responsibilities. B&W expects to implement this charter during the current year.

The responsibilities of the Chairman, Managing Director and remaining executive directors are strictly separated from those of the non-executive directors to ensure that no director can exercise unfettered decision-making powers. The Chairman is an executive director who, together with the Managing Director, 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. All remaining executive directors are responsible for implementing strategy and operational decisions in respect of the company's day-to-day operations. The non-executive directors are high calibre individuals who contribute a wide range of skills, knowledge and experience and are not involved in the day-to-day operations of the company.

The directors' responsibilities include retaining full and effective control of the company, monitoring key risk areas and performance indicators of the group's business, setting the group's strategic direction and approving financial and non-financial objectives. To assist the board in discharging its collective responsibilities of corporate governance, an Audit and a Risk Committee have been established to which certain board responsibilities have been delegated.

The board undertakes to ensure ethical behaviour, compliance with the law and practice of good corporate governance. The responsibility of assessing management's performance, appointing the Managing Director and monitoring the systems of internal control will be assumed by the board, the latter with the assistance of the Audit Committee.

Executive directors have specified service contracts for a limited duration, subject to renewal. In accordance with the company's articles of association, one third of directors

Corporate governance report

of the company will retire by rotation at every annual general meeting of the company and their re-appointment will be subject to shareholders' approval. However, the Managing Director will not be subject to retirement by rotation and as such, will not be taken into account in determining the annual rotation or retirement of directors.

In addition, all new directors are subject to election by shareholders at the first annual general meeting after their initial appointment.

All directors have unrestricted access to the advice and services of the company secretary and to company records, information, documents and property. Non-executive directors also have unfettered access to management at any time. All directors are entitled, at the company's expense, to seek independent professional advice on any matters pertaining to the group necessary to discharge their responsibilities.

Board processes

Share dealings

Directors are required to disclose their shareholdings, additional directorships and potential conflicts of interest as well as any share dealings to the Chairman for approval. The independent non-executive directors are required to authorise the Chairman's share dealings prior to implementation. The company secretary, together with the Designated Advisor will ensure that share dealings are published on SENS.

In addition all directors and management with access to financial information and any other price sensitive information are prohibited from dealing in B&W shares during 'closed periods', as defined by the JSE, or while the company is trading under cautionary.

New appointments

The board as a whole is responsible for new appointments including the appointment of the Managing Director, and the process is conducted in a formal and transparent manner. The board is also responsible for setting the terms of the Managing Director's employment.

Most board appointees are recruited from within the executive staff of the company and generally serve a prior period as alternate directors, during which time they are made familiar with the company's accounting practices. In addition all new appointees are required to attend the four-day AltX Directors Induction Programme run through the Wits Business School and endorsed by the Institute of Directors. The programme covers pertinent aspects of company law, stock exchange regulations, the roles, responsibilities and liabilities of directors, basic techniques of financial analysis and the importance of investor and media relations. All of B&W's current directors were enrolled on the AltX Directors Induction Programme and those who have not already completed the course, will do so in the current year.

Self-evaluation

It is the intent of the board to conduct a self-evaluation exercise reviewing its mix of skills, the contribution of individual directors, the effectiveness of its sub-committees,

performance, effectiveness and corporate governance compliance on an annual basis. It is anticipated that the first self-evaluation exercise will be conducted in the current financial year.

Succession planning

The company has succession planning in place with successors identified to all management positions from senior management to site managers, and career paths mapped out. Where experience is insufficient for the assumption of a management role, steps are taken to formally and informally train the nominated successor.

Regulatory and legislative compliance

The directors are responsible for ensuring that the group complies with all applicable regulations and legislation. New legislation is discussed at board meetings and methods of implementation are instituted.

Board committees

The company is in the process of drafting formal charters for the various committees, which once formalised will be reviewed annually going forward.

Attendance by committee chairmen at annual general meetings is mandatory in line with King II requirements.

Audit Committee

The Audit Committee was established towards the end of the year and has met twice since year-end. It consists of two independent non-executive directors including the committee chairman and a Designated Adviser nominee. The committee will meet at least twice a year with the group's external auditors, the Financial Director and other board members and invitees as considered appropriate by the committee's chairman. Further meetings will be convened where necessary. The external auditors have unrestricted access to the Audit Committee, which ensures that their independence is in no way impaired.

The committee's duties and responsibilities include the consideration of the:

- effectiveness of the company's information systems and other systems of internal control;
- reports of the external auditors;
- annual report and specifically the annual financial statements included therein;
- accounting policies of the company and any proposed revisions;
- external audit findings, reports and fees and the approval thereof; and
- compliance with applicable legislation and requirements of regulatory authorities.

The committee has unrestricted access to the board and management at all times and meets periodically with the external auditors to review internal controls and matters relating to corporate governance.

Corporate governance report

Remuneration Committee

The company has established a Remuneration Committee since year-end. A formal charter governing this committee's composition, responsibilities and strategy is in the draft process. The Remuneration Committee comprises two independent non-executive directors and the Chairman of the board. This committee will review and approve all salary and wage adjustments as well as bonuses and share allocations in terms of the Company Share Purchase scheme. The Chairman is recused from discussions regarding his own remuneration.

Remuneration philosophy

In aiming to attract candidates of the highest quality, basic salaries are market-related and in addition recognise the particular employee's qualifications and experience. Wages for hourly staff are paid in accordance with minimum rates laid down in the Bargaining Council Agreement for the Electrical Contracting Industry. Core staff wages are reviewed annually and a premium on the Council rate is paid in accordance with assessed performance where applicable.

All staff, including those paid on a monthly and weekly basis, with more than four years service with the company, are beneficiaries of the Employee Trust. The Trust presently owns 7% of the equity of the company.

Key management are further eligible for inclusion in the company-assisted share purchase/ share option scheme with shares allocated each year in August. The first allocation of shares in accordance with this scheme was made in August 2007.

Risk Committee

A Risk Committee comprising two independent non-executive directors and the Managing Director, has been established since year-end.

This committee is responsible for ensuring that the company's procedures and practices are adequate and are applied in such a way that all risks that may affect the viability and performance of the company are identified and dealt with appropriately.

Internal control

The board is responsible for the company's systems of internal control and risk management and is assisted in this regard by the Risk and Audit Committees. These systems of internal control are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements, to safeguard and maintain accountability of the company's assets and to identify and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. The system is therefore designed to manage rather than eliminate risk of failure and

opportunity risk. Nothing has come to the attention of the board to indicate that there has been a material breakdown in the internal systems of control during the year.

Risk management

The board together with the Risk Committee is responsible for ensuring that appropriate risk management procedures and practices are in place. Risks are identified in the following categories:

- Financial;
- Legal;
- Operational;
- Geographical;
- Ethical;
- Market;
- Competitive;
- Currency;
- Social and Political; and
- Regulatory.

Each individual risk identified is analysed for probability and impact and decisions are taken as to whether such risk should be accepted, shared, controlled, mitigated or avoided.

Accounting and auditing

External audit

The external auditors are responsible for reporting on whether the annual financial statements are fairly presented in compliance with IFRS. The preparation of the annual financial statements remains the responsibility of the directors.

The board will evaluate the independence and effectiveness of the external auditors and consider whether any non-audit services rendered by such auditors substantively impair their independence. If this is found to be the case, appropriate corrective action will be taken in regard to those services.

Internal audit

Although there is no formal financial internal audit function at present, the company's systems are audited twice a year by the South African Bureau of Standards (SABS) in order to maintain its ISO 9001:2000 accreditation. The SABS reports formally to the board via the Managing Director. A formal financial internal audit function may be considered at an appropriate stage in the company's growth cycle when the size of the group so warrants.

Stakeholder communication

The company is committed to timely, consistent and transparent communication with all stakeholders and encourages an open culture throughout the company. Communication

Corporate governance report

with employees takes place at regular site meetings where matters affecting the employees are discussed with management and feedback from management is subsequently communicated to employees.

Company announcements are released on SENS and posted on the company's website. Financial results announcements will also be posted to shareholders who are encouraged to attend the annual general meeting. The Chairman is available to answer queries from stakeholders, including industry analysts, at all times and wherever possible engages with the financial media to ensure accurate reporting.

Industry associations

The company is an active member of Electrical Contractors Association of SA (ECA (SA)), SA Flameproof Association and the Profibus User Group SA. Through membership of ECA (SA) B&W is party to the National Bargaining Council for the Electrical Industry of South Africa. The accredited union represented on this council is South African Equity Workers Association (SAEWA).

Code of ethics ("the Code")

B&W is currently formalising the Code which it intends to present at board level and subsequently implement during the current year.

The directors acknowledge the importance of prioritising social and environmental practices alongside financial reporting.

BEE

B&W is a 'Level 7' contributor in terms of the Department of Trade and Industry's BBBEE Codes of Good Practice. The company is endeavouring to leverage its enhanced profile after listing on AltX to attract appropriate BEE equity partners subject to the proviso that equity participation yields true broad-based empowerment benefits.

Currently the company aims to bring about true broad-based empowerment through:

- An Employee Trust which owns a 7% stake in the company benefiting employees with more than four years' uninterrupted service, with an emphasis on black staff (75% of benefits); and
- Mentoring and driving small black-owned contractors, progressing to joint ventures and then to possible mergers/acquisitions in the following way:
 - Sections of work are sub-contracted and the contractors mentored and assessed for technical competence, financial stability and industry expertise;
 - Joint ventures are formed provided that the contractor has demonstrated that sufficient competence and mutual compatibility exists; and
 - Once sufficient contracts have been completed on a joint venture basis, a company will be formed with B&W and the successful contractors as shareholders.

The company employs more than 1 000 people of whom over 80% are black, as are 17% of the board of directors. As only 2% of middle management is black, the company is cognisant of the need to improve BEE at all levels of management and is taking the necessary possible steps.

The Construction Charter is currently being finalised and B&W is actively participating in this process by attending public meetings and submitting comment where appropriate.

Affirmative procurement

At present B&W is in the process of formalising the affirmative procurement policy and vendors have been approached for BBBEE ratings. Going forward the company plans to implement an affirmative procurement initiative to increase expenditure with enterprises that have made significant progress in BBBEE.

Employment equity

B&W ensures equal employment, training and reimbursement opportunities for all race groups and genders. It places particular emphasis on the advancement of black employees. In addition the company aims to employ physically disadvantaged persons in positions where their disability does not constitute a danger to themselves or fellow employees. Employment equity targets are in place and the company submits the relevant reports to the relevant authorities.

Skills development and training

In response to the skills shortage in SA B&W has invested substantially in the training of field labour to increase its skills pool. The company has its own fully equipped in-house

Sustainability report

training centre based in Trichardt and is currently in the process of registering the centre as an 'accredited service provider' through ESETA. B&W's training programmes are in line with accredited S.A.Q.A unit standards to advance employee skills and ensure trainees receive an accredited qualification.

To determine the appropriate skills development required B&W provides ongoing on-the-job assessments. In addition long-term incentives ensure retention of core staff.

Formal managerial and supervisory training is undertaken and a programme of learnerships to cover craft skills has been instituted. All official learnerships currently in force have been awarded to black candidates.

Total training spend for the year amounted to approximately R1.3 million.

Safety, health and environment

Safety and health

B&W places a strong emphasis on health and safety in the work environment and ensures full compliance with the SA Occupational Health and Safety Act as well as with the Mine Health and Safety Act. Health and safety measures are continually scrutinised to ensure that the company's policies are in line with international standards and guidelines. Dressing station cases, lost time injuries and reportable incidents are recorded both at head office and on each site. B&W's LTIFR (Lost Time Injury Frequency Rate) for the last five years is 0.47 incidents per million manhours.

Safety training and risk assessment are part of an ongoing process subject to continual stringent management attention.

HIV/AIDS

As a responsible corporate citizen B&W is concerned about the HIV/AIDS pandemic threatening SA and is committed to minimising the implications of the disease through proactive HIV/AIDS workplace programmes. B&W has a formal HIV/AIDS policy in place and intends to communicate this to staff on an ongoing basis.

The key objectives of the policy are to:

- create a safe and healthy work environment for all employees;
- provide appropriate education and awareness to employees regarding HIV/AIDS;
- foster a responsible behavioural attitude amongst all employees regarding dealing with HIV/AIDS and preventing infection; and
- provide confidential counselling and in any other reasonable way assist employees who have contracted HIV/AIDS.

The methods to be employed by the company to achieve these objectives include education and awareness programmes to address questions ranging from prevention and infection to treatment, voluntary and confidential pre-employment and ongoing testing and support for infected employees.

Environment

B&W's environmental policy recognises concern for the environment as fundamental to operations. It aims to create and maintain a safe and healthy environment in which levels of risk to employees, equipment and community are minimised. The policy is backed by appropriate training. In addition B&W is committed to adhering to the Environmental Management Plans of its clients and all relevant environmental legislation.

Corporate social investment ("CSI")

B&W supports a wide range of community-based charitable organisations in order to help drive transformation and to remain a responsible corporate citizen.

Projects have included school sponsorships to ensure equivalent facilities at black schools as well as learnerships for black learners at technical colleges and accredited training centres.

Beneficiaries are identified on an ad hoc basis with preference given to employees or relatives of employees.

Annual financial statements '07

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Directors' statement of responsibility

The annual financial statements, which are presented on pages 21 to 39, have been prepared in accordance with IFRS and are supported by reasonable and conservative judgments and estimates. The directors are responsible for the preparation of the annual financial statements and related financial information, which fairly present the state of affairs and the results of the company and the group. Management fulfils its responsibility by maintaining adequate accounting records to ensure the integrity of the annual financial statements.

The directors are 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 Carrim, Maritz & Associates (South Africa) Inc. are responsible for reporting on the fair presentation of the annual financial statements and their report is presented on page 20.

The annual financial statements were approved by the board of directors on 25 October 2007 and are signed on its behalf by:



John Barrow
Chairman



Brian Harley
Managing Director

25 October 2007

Declaration by company secretary

In our capacity as company secretary, we declare that for the year ended 31 August 2007 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, 1973, as amended, and that such returns are true, correct and up to date.



Master Business Associates VII (Proprietary) Limited
Company secretary

25 October 2007

Report of the independent auditors

TO THE SHAREHOLDERS OF B&W INSTRUMENTATION AND ELECTRICAL LIMITED

We have audited the annual financial statements of B&W INSTRUMENTATION AND ELECTRICAL LIMITED set out on pages 21 to 39 for the year ended 31 August 2007. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with the International Standards on Auditing and International Financial Reporting Standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance that the historical financial information relating to the year ended 31 August 2007, is free from material misstatement, by:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 31 August 2007 and the results of its operations and cash flows for the year then ended in accordance with International Standards on Auditing and International Financial Reporting Standards, appropriate to the business and in the manner required by the Companies Act in South Africa.



Carrim, Maritz & Associates (South Africa) Inc.

Chartered Accountants (SA)

Registered Accountants and Auditors

Midrand

25 October 2007

Directors' report



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

NATURE OF BUSINESS

B&W operates in the E&I industry in SA. It offers services including plant erection, equipment procurement, material supply, testing, commissioning and maintenance to plants in the industrial, utilities, mining, chemical, oil and gas and food and beverage industries.

FINANCIAL RESULTS

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

DIVIDEND

As set out in the pre-listing prospectus B&W has declared a dividend of 3.5 cents a share, which amounts to 25% of net earnings per share for the year.

It is the company's policy that a similar proportion of net profit after tax will be declared in future years.

ACCOUNTING POLICIES

The annual financial statements, which are presented on pages 21 to 39, have been prepared in accordance with IFRS and in the manner required by the SA Companies Act, 1973. The annual financial statements have been prepared on the going concern basis. Detailed accounting policies are set out on pages 28 to 33 of the annual report of which this Directors' Report forms part.

DIRECTORATE

The directors of the company at the date of this annual report are set out below. The number of meetings attended by each of the directors during the period 1 September 2006 to 31 August 2007 is indicated, with the number in brackets reflecting the total number of meetings held during this period:

Director	Board meetings
John Barrow (Chairman)	10 (12)
Brian Harley (Managing Director)	12 (12)
Johan Breedt	8 (12)
Danie Evert	12 (12)
Tom Lombard	10 (12)
Unati Mabandla +* (appointed 23 May 2007)	4 (4)
Ken Nel	9 (12)
Dean Nevay	10 (12)
Jimmy Oosthuizen+* (appointed 1 May 2007)	4 (4)
Gary Swanepoel	11 (12)
Sam Vilakazi (appointed 9 March 2007)	8 (8)
Wolf Wassermeier+* (appointed 23 May 2007)	3 (3)

+ Non-executive * Independent

Directors' report

DIRECTORS' SHAREHOLDING

At year-end the directors held 142 540 000 shares in the issued share capital of the company.

Director	Direct shareholding August 2007		Indirect shareholding August 2007		Allocated in terms of share scheme '000	Total '000
	Beneficial '000	Non-beneficial '000	Beneficial '000	Non-beneficial '000		
John Barrow (Chairman)			42 000			42 000
Brian Harley (Managing Director)	14 000					14 000
Johan Breedt	4 250		9 750			14 000
Danie Evert			500		630	1 130
Tom Lombard	4 250		9 750			14 000
Ken Nel	14 000					14 000
Dean Nevay	4 250		9 750			14 000
Gary Swanepoel	4 250		9 750			14 000
Sam Vilakazi				14 000		14 000
Johan Rall ^	50				630	680
Neels Minnie ^	100				630	730

^ Alternate

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

Directors' emoluments are set out in note 11 to the annual financial statements.

COMPANY SECRETARY

The secretary of the company is Master Business Associates VII (Proprietary) Limited 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

Carrim, Maritz & Associates (South Africa) Inc. will continue in office as auditors of the company in accordance with section 270(2) of the SA Companies Act, 1973 subject to shareholder approval at the upcoming annual general meeting.

SPECIAL RESOLUTIONS

During the year the following special resolutions were passed, to:

- convert the company from a private to a public company;
- adopt new articles of association;
- alter the main business of the company;
- increase the authorised share capital to 5 000 shares of R1 each;
- sub-divide the authorised share capital from 5 000 shares of R1 each to 500 000 000 shares of 0.001 cent;
- sub-divide the issued share capital from 1 700 shares of R1 each to 170 000 000 shares of 0.001 cent each;
- amend the articles of association to include details of the rights and privileges of the non-cumulative preference shares;
- amend the articles to detail the method that was to be followed in the payment of dividends in accordance with JSE requirements; and
- authorise the directors of the company to enable the company to repurchase a portion of its own shares.

SHARE CAPITAL

Authorised share capital

B&W was listed on 5 July 2007 with an authorised share capital of 500 million ordinary shares with a par value of 0.001 cent each and 8 million redeemable non-cumulative preference shares of R1 each.

Issued share capital

On listing on AltX on 5 July 2007, B&W issued 30 million ordinary shares with a par value of 0.001 cent at R1 each as part of a private placement. The total issued share capital of the company at that time consisted of 200 million ordinary shares and 8 million redeemable non-cumulative preference shares of R1 each.

Subsequent to listing and prior to year-end 3 990 000 ordinary shares in the company were allocated to key members of staff at the market price ruling on 22 August 2007 in terms of the company's assisted share purchase scheme, and the 8 million non-cumulative preference shares were redeemed.

No other changes have occurred to the group's issued share capital since listing and the date of this report.

POST-BALANCE SHEET EVENTS

Subsequent to year-end the following material actions have occurred:

1. The amounts owing by group companies (note 3 part 37) have been repaid with the exception that an amount of R508 440 is still owed by the B&W Employee Trust to the company.
2. A final dividend of 3.5 cents per share payable on 3 December 2007 has been approved by the board of directors.

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Balance sheet

At 31 August 2007

	Notes	2007 R	2006 R
ASSETS			
Non-current assets			
Property, plant and equipment	2	6 486 329	4 547 793
Current assets		126 355 309	55 187 083
Amounts owing by group companies	3	6 033 661	1 413 033
Inventories	4	10 928 654	6 586 340
Accounts receivable		75 406 504	35 745 843
Foreign exchange contract asset		433 314	–
Taxation		–	845 707
Bank balances		33 553 176	10 596 160
Total assets		132 841 638	59 734 876
EQUITY AND LIABILITIES			
Capital and reserves		64 943 433	7 867 980
Issued capital	5	32 284 856	450
Distributable reserve		32 658 577	7 867 530
Non-current liabilities		8 124 080	16 850 233
Shareholders' loans		–	2 381 590
Long-term liabilities	7	–	9 200 723
Deferred tax	8	8 124 080	5 267 920
Current liabilities		59 774 125	35 016 663
Amounts owing to group companies	6	–	117 340
Taxation		7 386 913	470 312
Accounts payable		52 387 212	33 973 348
Short-term portion of long-term liabilities	7	–	455 663
Total equity and liabilities		132 841 638	59 734 876

Income statement

For the year ended 31 August 2007

	Notes	2007 R	2006 R
Gross revenue	9	294 042 680	163 622 482
Cost of sales		239 583 942	139 312 173
Gross profit		54 458 738	24 310 309
Other income		433 314	68 911
Operating costs		19 819 119	15 032 444
Operating profit	10	35 072 933	9 346 776
Operating profit is stated after:			
Income			
Profit on disposals of property, plant and equipment		–	61 535
Foreign exchange contract profit		433 314	–
Profit on foreign exchange		–	7 376
Expenditure			
Auditors' remuneration			
– Audit fee		106 670	104 500
Depreciation			
– Property, plant and equipment		848 688	562 114
Lease rentals			
– Rent		465 736	374 361
Loss on disposals of property, plant and equipment		161 434	–
Loss on foreign exchange		5 081	–
Interest received		1 681 860	199 552
Finance costs	12	(874 966)	(741 058)
Profit before taxation		35 879 827	8 805 270
Taxation	13	11 088 780	2 982 956
Profit after taxation		24 791 047	5 822 314

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Statement of changes in equity

For the year ended 31 August 2007

	Share capital R	Share premium R	Distributable reserve R	Total R
Balance at 1 September 2005	500	–	3 946 806	3 947 306
Net profit for the year			5 822 314	5 822 314
Dividends			(1 901 590)	(1 901 590)
Reduction of share capital	(50)			(50)
Balance at 1 September 2006	450	–	7 867 530	7 867 980
Net profit for the year			24 791 047	24 791 047
Issue of share capital	1 550	32 282 856		32 284 406
Balance at 31 August 2007	2 000	32 282 856	32 658 577	64 943 433

Cash flow statement

For the year ended 31 August 2007

	Notes	2007 R	2006 R
Cash flows from operating activities		10 397 212	19 565 204
Cash generated by operating activities	16.1	10 060 630	22 388 540
Interest received		1 681 860	199 552
Interest paid		(874 966)	(741 058)
Dividends paid	16.2	–	(1 901 590)
Taxation paid		–	(380 240)
Secondary tax on companies paid	16.3	(470 312)	–
Cash flows from investing activities		(2 948 658)	(3 947 674)
Expenditure to maintain operating capacity			
Property, plant and equipment acquired		(2 966 658)	(2 654 771)
Proceeds of disposals of property, plant and equipment		18 000	87 999
Expenditure for expansion			
Reduction in share capital		–	(1 380 902)
Cash flows from financing activities		15 508 462	1 871 657
Capital raised/(redeemed)		32 284 406	(50)
Loans raised		–	10 334 075
Loans repaid		(16 775 944)	(8 462 368)
Increase in cash and cash equivalents		22 957 016	17 489 187
Cash and cash equivalents at beginning of the year	16.4	10 596 160	(6 893 027)
Cash and cash equivalents at end of the year	16.4	33 553 176	10 596 160

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Notes to the financial statements

For the year ended 31 August 2007

1 BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements are prepared under the historical cost convention.

Unless otherwise specifically stated, this basis is consistent with that of the previous year.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts on assets. Although estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances (the results of which form the basis of making the judgements about carrying values of assets that are not readily apparent from other sources), the actual outcome may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

1.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

1.2 Property, plant and equipment

Property, plant and equipment is initially recorded at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of fixed asset 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 a fixed asset and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of a fixed assets, the carrying amount of the replaced part is derecognised.

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

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The estimated useful lives of the fixed assets are between 3 to 8 years. The depreciation charge for each period is recognised in profit or loss, unless it is included in the carrying amount of another asset. The gain or loss arising from the

derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The estimated useful lives of the assets are as follows:

Plant and equipment	5 – 8 years
Motor vehicles	4 – 6 years
Furniture and fittings	5 – 8 years
Computer equipment	3 – 5 years
Mobile offices	5 – 8 years

Each individual asset is periodically evaluated to determine its useful lifespan hence the range per category.

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 taken into account in determining operating profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

Residual values, depreciation method and useful lives are reassessed annually.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items.

1.3 Leased assets

Leases of property, plant and equipment where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the assets.

1.4 Inventories

Inventories other than long-term contracts in progress, are stated at the lower of cost and net realisable value. Cost is calculated on a first in, first out basis. Cost includes transport and handling cost. Where necessary, provision is made for obsolete, slow moving and defective inventories.

Estimated net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

1.5 Taxation

Deferred taxation is provided using a balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except for differences relating to goodwill which is not deductible for taxation purposes and the initial recognition of assets or liabilities which affect neither accounting nor taxable profit or loss.

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For the year ended 31 August 2007

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except where the parent, investor or venturer is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference 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 balance sheet date.

Deferred taxation is calculated using taxation rates that have been enacted at the balance sheet date. The effect on deferred taxation of any changes in taxation rates is recognised in the income statement in the year in which the change occurs, except to the extent that it relates to items previously charged or credited directly to equity.

Dividend Taxation on Companies is provided in respect of expected dividend payments net of dividends received or receivable and is recognised as a taxation charge for the year.

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

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

1.6 Risk management

Liquidity risk

The company's risk in respect of liquidity results from the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

Deposits attract interest at rates that vary with prime. The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit/(loss).

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 comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

Foreign exchange fluctuation risk

The company hedges foreign exchange fluctuations and reviews its foreign currency exposure, including commitments on an ongoing basis and expects its foreign exchange contracts to hedge foreign exchange exposure.

1.7 Provisions

Provisions are recognised when the company has a present obligation as a result of a past event and 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 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 reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does 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 is recognised and measured as a provision.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the 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 employee's render service 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 (or state) managed retirement schemes or plans are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.9 Translation of foreign currencies

Transactions

Foreign currency transactions are recorded, on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the transaction.

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Notes to the annual financial statements

For the year ended 31 August 2007

At each balance sheet date:

- (a) foreign currency monetary items are reported using the closing rate,
- (b) non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction, and
- (c) non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise.

1.10 Financial instruments

Initial recognition

The company classifies 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. Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are recognised initially at fair value. A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. An asset that is subsequently measured at cost or amortised cost is recognised initially at its fair value on the trade date. Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Assets carried at fair value

The change in fair value shall be recognised in profit or loss or in equity, as appropriate.

Subsequent measurement

After initial recognition financial assets are measured as follows:

- Loans and receivables are measured at amortised cost using the effective interest method;
- Other financial assets, including derivatives, at fair values, without any deduction for transaction costs which may incur on sale or other disposal.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.
- A gain or loss on an available for sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.
- Financial assets and financial liabilities carried at amortised cost:
a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.11 Long-term construction contracts and contract revenue recognition

Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be reliably estimated, contract revenue is only recognised to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be reliably estimated and it is probable that the contract will be profitable, profits are generally realised on a percentage of completion basis every month, based on the terms and conditions negotiated with the client and such conditions influence contract pricing and are inextricably interwoven with contract profitability. Risks and contingencies are also taken into consideration.

The company uses the “percentage of completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to contract costs incurred to date as a percentage of total estimated costs for each contract.

When it is probable that total contract costs will exceed total contract revenue, that expected loss is recognised immediately, for all such contracts.

Construction contracts in progress represent costs that have not yet been billed to clients.

On completion of each contract a portion of the profits are held back until retentions are released by the client.

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

1.12 Fundamental errors

There have not been any fundamental errors during the periods reported on.

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Notes to the annual financial statements

For the year ended 31 August 2007

	Cost/ valuation R	2007 Accu- mulated depre- ciation R	Carrying value R	Cost/ valuation R	2006 Accu- mulated depre- ciation R	Carrying value R
2. PROPERTY, PLANT AND EQUIPMENT						
Owned assets						
Plant and equipment	1 778 830	701 738	1 077 092	1 696 194	776 238	919 956
Motor vehicles	5 121 308	984 776	4 136 532	3 358 702	1 055 682	2 303 020
Furniture and fittings	301 116	78 766	222 350	473 985	206 580	267 405
Computer equipment	295 700	131 440	164 260	258 825	117 010	141 815
Mobile offices	1 486 651	600 556	886 095	1 414 217	498 620	915 597
	8 983 605	2 497 276	6 486 329	7 201 923	2 654 130	4 547 793

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year R	Additions R	Disposals R	Depre- ciation R	Carrying value at end of year R
2007					
Owned assets					
Plant and equipment	919 956	319 498	(18 373)	(143 989)	1 077 092
Motor vehicles	2 303 020	2 474 533	(148 158)	(492 863)	4 136 532
Furniture and fittings	267 405	15 005	(12 903)	(47 157)	222 350
Computer equipment	141 815	85 188	–	(62 743)	164 260
Mobile offices	915 597	72 434	–	(101 936)	886 095
	4 547 793	2 966 658	(179 434)	(848 688)	6 486 329

	2007 R	2006 R
3. AMOUNTS OWING BY GROUP COMPANIES		
B&W Industrial Technology (Proprietary) Limited	432 472	225 106
Calaban Properties (Proprietary) Limited	1 077 001	–
B&W Employee Trust	3 208 440	–
Hotguard Plant (Proprietary) Limited	1 315 748	1 187 927
	6 033 661	1 413 033
<p>The loans, excluding the B&W Employee 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 they are trading accounts, the loans are unsecured, but 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.</p> <p>The loan to the the B&W Employee Trust resulted from assistance given to the Trust 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 2008 financial year.</p>		
4. INVENTORIES		
The amounts attributable to the different categories are as follows:		
Raw materials	1 192 143	606 491
Work in progress	9 736 511	5 979 849
	10 928 654	6 586 340
5. ISSUED CAPITAL		
Authorised		
– 500 000 000 Ordinary shares of 0.001 cents each	5 000	1 000
Issued		
– 200 000 000 Ordinary shares of 0.001 cents each	2 000	450
Share premium	32 282 856	–
	32 284 856	450
<p>The directors are authorised, until the forthcoming annual general meeting, to issue the unissued shares for any purpose and upon such terms and conditions as they deem fit.</p>		
6. AMOUNTS OWING TO GROUP COMPANIES		
Calaban Properties (Proprietary) Limited	–	117 340
<p>The loan bears interest at a variable rate linked to the prime lending rates.</p> <p>The current loan balance outstanding arose as a result of a trading account between the entities, which was not settled as at year-end and is therefore unsecured.</p>		

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Notes to the annual financial statements

For the year ended 31 August 2007

	2007 R	2006 R
7. LONG-TERM LIABILITIES		
Liabilities under instalment sale agreements payable over periods from 30 to 32 months at effective interest rates linked to the prime lending rate	–	571 972
Other long-term liability	–	1 084 414
8 000 000, 6% Redeemable non-cumulative preference shares of R1 each, held 100% by B&W Industrial Technology (Proprietary) Limited	–	8 000 000
	–	9 656 386
Less: Current portion included in short-term portion of long-term liabilities	–	(455 663)
	–	9 200 723
The current portion of this liability will be funded out of working capital.		
Commitments:		
Payments due in one year	–	597 882
Payments due after one year but within five years	–	1 435 886
	–	2 033 768
8. DEFERRED TAX		
Deferred tax liabilities		
Balance at beginning of year	5 267 920	2 755 276
Movements during year attributable to:		
Temporary differences	2 856 160	2 512 644
Balance at end of year	8 124 080	5 267 920
Deferred tax assets and liabilities are only offset when the income tax relates to the same legal entity or fiscal authority or they intend to settle the assets and liabilities on a net basis.		
9. GROSS REVENUE		
Gross revenue comprises turnover, which excludes value added tax and represents the invoiced value of goods and services supplied.		

	2007 R	2006 R
10. OPERATING PROFIT		
Operating profit is stated after:		
Income		
Profit on disposals of property, plant and equipment	–	61 535
Foreign exchange contract profit	433 314	–
Profit on foreign exchange	–	7 376
Expenditure		
Auditors' remuneration		
– Audit fee	106 670	104 500
Depreciation		
– Property, plant and equipment	848 688	562 114
Lease rentals		
– Rent	465 736	374 361
Loss on disposals of property, plant and equipment	161 434	–
Loss on foreign exchange	5 081	–

11. DIRECTORS' EMOLUMENTS

The emoluments paid to directors of the company during the year ended August 31 2007 are analysed as follows:

	Basic emoluments R	Retirement/ medical benefits R	Other benefits R	Total emoluments R
Executive				
LJ Barrow	707 484	173 437	135 162	1 016 083
GMJ Breedt	448 479	141 637	102 989	693 105
D Evert	271 068	90 585	255 125	616 778
B Harley	679 828	164 577	131 178	975 583
T Lombard	504 107	132 031	117 381	753 519
KE Nel	535 401	130 767	126 200	792 368
DS Nevay	474 768	146 590	106 861	728 219
GWR Swanepoel	518 526	153 132	109 706	781 364
VS Vilakazi	78 142	6 556	14 728	99 426
C Minnie	468 664	111 774	492 946	1 073 384
H Rall	364 294	92 748	168 357	625 399
Total	5 050 761	1 343 834	1 760 633	8 155 228
Non-executive				
YU Mabandla	32 000	–	–	32 000
JD Oosthuizen	32 000	–	–	32 000
W Wassermeier	32 000	–	–	32 000
Total	5 146 761	1 343 834	1 760 633	8 251 228

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Notes to the annual financial statements

For the year ended 31 August 2007

	2007 R	2006 R
12. FINANCE COSTS		
Bank overdrafts and long-term loans	408 117	261 058
6% redeemable non-cumulative preference shares	466 849	480 000
	874 966	741 058
13. TAXATION		
South African normal tax		
– Current tax	8 232 620	–
– Deferred tax		
Current year	2 856 160	2 512 644
	11 088 780	2 512 644
Secondary tax on companies	–	470 312
Tax for the year	11 088 780	2 982 956
14. EARNINGS PER ORDINARY SHARE		
Basic earnings per ordinary share	cents	cents
The calculation is based on earnings of R24 791 047 (2006: R5 822 314) and on the weighted average of 175 000 000 ordinary shares in issue during the year (2006: 45 000 000)	14.17	12.94
Headline earnings per ordinary share		
Headline earnings per share has been calculated in terms of circular 7/2002 and excludes profits and losses of a capital nature.		
The calculation is based on earnings of R24 952 481 (2006: R5 760 779)	14.26	12.80
Dividends per ordinary share	–	4.23

15. RELATED PARTIES

During the year, the company entered into the following transactions.

		Sales to related parties R	Purchases from related parties R	Amounts owed by related parties R	Amounts owed to related parties R
Hotguard Plant	2007	–	–	1 315 748	–
(Proprietary) Limited	2006	–	–	1 187 927	–
B&W Industrial Technology	2007	–	–	432 472	–
(Proprietary) Limited	2006	–	–	255 106	–
Calaban Properties	2007	–	312 870	1 077 001	–
(Proprietary) Limited	2006	–	–	–	117 340

The above mentioned companies have common directors with B&W Instrumentation and Electrical Limited.

	2007 R	2006 R
16. NOTES TO THE CASH FLOW STATEMENT		
16.1 Cash generated by operating activities		
Net profit before taxation	35 879 827	8 805 270
Adjustments for:		
Depreciation	848 688	562 114
Interest received	(1 681 860)	(199 552)
Finance costs	874 966	741 058
Loss/(profit) on disposals of property, plant and equipment	161 434	(61 535)
	36 083 055	9 847 355
Movements in working capital		
(Increase)/decrease in inventories	(4 342 314)	10 291 928
Increase in accounts receivable	(40 093 975)	(6 171 420)
Increase in accounts payable	18 413 864	8 420 677
	10 060 630	22 388 540
16.2 Reconciliation of dividends paid during year		
Appropriation in income statement	–	(1 901 590)
Payments made	–	(1 901 590)
16.3 Reconciliation of STC paid during year		
Charge in income statement	–	(470 312)
Movement in STC balance	(470 312)	470 312
Payments made	(470 312)	–
16.4 Cash and cash equivalents		
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Bank balances	33 553 176	10 596 160

Information on subsidiary companies

The company is in the process of establishing wholly-owned subsidiary companies in both Mozambique and Madagascar in order to more adequately service the opportunities expected to materialise in these two countries in the future.

Neither of these companies is yet operational and no financial information has therefore been included in these annual financial statements in respect of these entities.

Analysis of shareholders

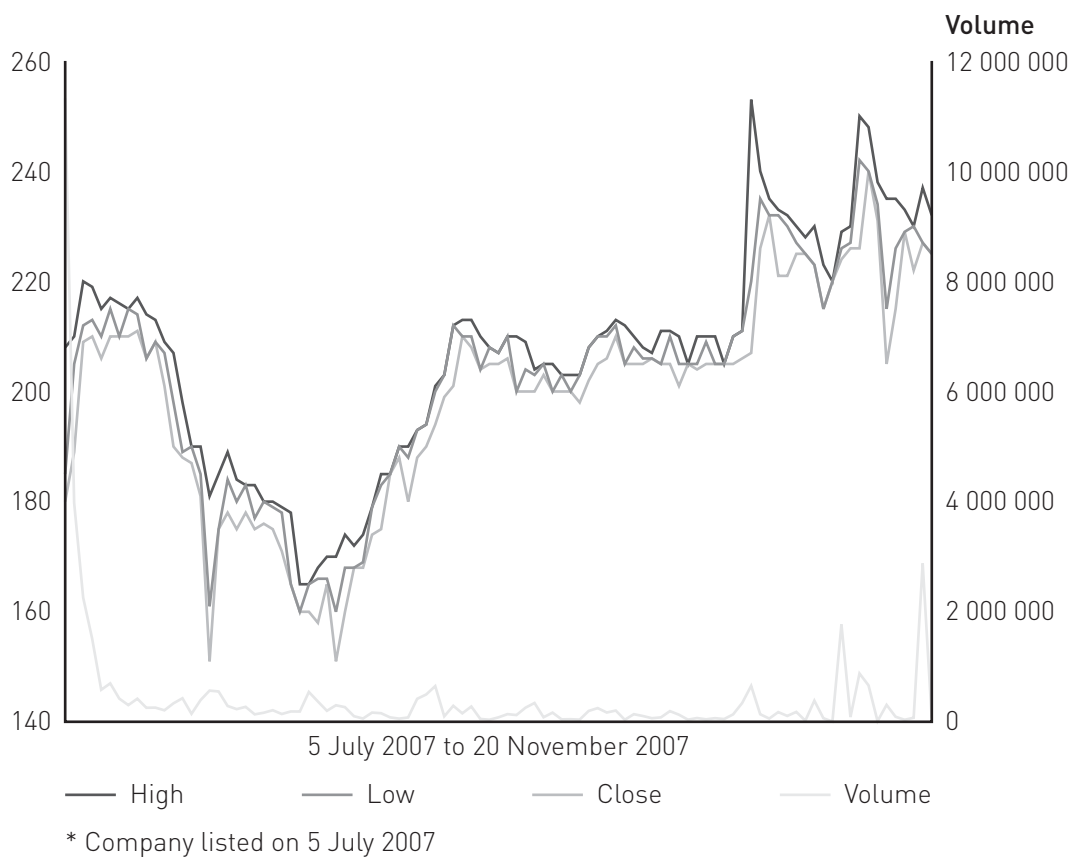
	Number of ordinary shareholders	%	Number of ordinary shares	%
At 31 August 2007				
Directors	10	0.48	126 650 000	63.32
Other individuals	2 049	97.48	30 114 558	15.06
Institutions and other companies	43	2.05	43 235 442	21.62
Total	2 102	100.00	200 000 000	100.00
1 – 999	104	4.93	52 180	0.03
1 000 – 9 999	1 290	61.40	4 964 409	2.48
10 000 – 99 999	609	28.96	14 123 862	7.06
100 000 – 999 000	74	3.52	18 773 727	9.39
1 000 000 – 9 999 999	17	0.81	22 085 822	11.04
10 000 000 shares and over	8	0.38	140 000 000	70.00
Total	2 102	100.00	200 000 000	100.00

The following are the shareholders beneficially holding 5% or more of the listed ordinary shares in the company at 31 August 2007

	Number of ordinary shares	Percentage of total company equity
Directors		
LJ Barrow	42 000 000	21
GMJ Breedt	14 000 000	7
BH Harley	14 000 000	7
T Lombard	14 000 000	7
KE Nel	14 000 000	7
DS Nevay	14 000 000	7
GWR Swanepoel	14 000 000	7
Others		
B&W Employee Trust	14 000 000	7
Total	140 000 000	70

JSE performance

Share price history



Shareholders' diary

Financial year-end
Announcement of interim results
Announcement of annual results
Annual report posted
Annual general meeting

31 August 2007
April 2008
October 2007
November 2007
18 January 2008

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 of shareholders of B&W will be held at 10:00 on Friday, 18 January 2008 at Tiramisu Conference Centre, 78 Charl Cilliers Street, Alberton North, to conduct the following business:

1. To receive, consider and adopt the annual financial statements of the company for the financial year ended 31 August 2007, including the directors' report and the report of the auditors therein.
2. To re-elect Mr LJ Barrow 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.
3. To re-elect Mr T Lombard 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 Mr KE Nel 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 Mr DS Nevay 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 re-election appears on pages 6 and 7 of the annual report to which this notice is attached.

6. To approve the non-executive directors' remuneration for the year ended 31 August 2007 as reflected on page 37 of the annual financial statements.
7. To confirm the re-appointment of Carrim, Maritz & Associates (South Africa) Inc. as independent auditors of the company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration.
8. To transact such other business as may be transacted at an annual general meeting.

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

ORDINARY RESOLUTIONS

Ordinary resolution number 1: control of authorised but unissued ordinary shares

9. "Resolved by way of a general authority that the authorised but unissued ordinary shares in the capital of the company be and are hereby 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 such ordinary shares, or to issue any options in respect 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 the Companies Act (Act 61 of 1973), as amended, the articles of association of the company and the Listings Requirements of JSE Limited from time to time.”

Ordinary resolution number 2: Approval to issue ordinary shares, and to sell treasury shares, for cash

10. “Resolved that the directors of the company and/or its subsidiaries 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 purchased by subsidiaries of the company;
- for cash, as and when in their discretion deem fit, subject to the Companies Act (Act 61 of 1973), as amended, the articles of association of the company and its subsidiaries and the Listings Requirements of JSE Limited (“JSE”) 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 shares issued for cash shall not in any one financial year in the aggregate exceed 15% (fifteen percent) 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 and the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- a paid press announcement giving full details, including the impact on net asset value, net tangible asset value per share, earnings per share, 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 that 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 of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed to by the directors of the company; 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 Listings Requirements of the JSE Limited, Ordinary Resolution Number 2 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.

Ordinary Resolution 3: signature of documentation

11. “Resolved that each director of the company or the company secretary be and is hereby individually authorised to sign all such documentation 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 this resolution, which are passed.”

Notice of annual general meeting

Voting and Proxies

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

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

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

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

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

Ordinary shareholders who have dematerialised their shares through a CSDP or broker other than with "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.

Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be forwarded to reach the transfer secretaries, Computershare Investor Services (Proprietary) Limited, at the address below, to be received by no later than 48 hours excluding Saturdays, Sundays and Public Holidays before the appointed time for the annual general meeting. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the member subsequently decide to do so.

By order of the board

Master Business Associates VII (Proprietary) Limited
Company Secretary

25 October 2007

Registered office

139 Everfair Avenue, Randjesfontein, Midrand, 1685
(Private Bag X168, Halfway House, 1685)

Transfer secretaries

Computershare Investor Services 2004 (Proprietary) Limited
Ground Floor, 70 Marshall Street
Johannesburg
PO Box 61051, Marshalltown, 2107
Telefax: (011) 688 5200

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 by certificated shareholders or dematerialised shareholders registered with "own name" registration only, at the annual general meeting of shareholders of the company to be held at 10:00 on Friday, 18 January 2008 at Tiramisu Conference Centre, 78 Charl Cilliers Street, Alberton North and at any adjournment thereof.

Dematerialised shareholders holding shares other than with "own-name" registration, 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 necessary Letter of Representation to attend the annual general meeting in person and vote, or provide their CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat. These shareholders must not use this form of proxy.

I/We _____ (Name in block letters)

of _____ (Address)

being a member/members of B&W Instrumentation and Electrical Limited and holding _____ ordinary shares in the company, hereby appoint

1. _____ of _____ or failing him/her

2. _____ of _____ or failing him/her

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

	Number of votes		
	For*	Against*	Abstain*
Ordinary resolutions:			
1. To receive, consider and adopt the annual financial statements of the company for the year ended 31 August 2007			
2. To re-elect as a director, Mr LJ Barrow who is retiring by rotation			
3. To re-elect as a director, Mr T Lombard who is retiring by rotation			
4. To re-elect as a director, Mr KE Nel who is retiring by rotation			
5. To re-elect as a director, Mr DS Nevay who is retiring by rotation			
6. To approve the non-executive directors' remuneration for the year ended 31 August 2007			
7. To confirm the re-appointment of the independent auditors, Carrim, Maritz & Associates (South Africa) Inc., for the ensuing financial year and to authorise the directors to determine the auditors' remuneration			
8. To transact any other business			
9. Ordinary resolution number 1 Control of authorised but unissued ordinary shares			
10. Ordinary resolution number 2 Approval to issue ordinary shares for cash			
11. Ordinary resolution number 3 Signature of documentation			

*Please indicate instructions to proxy in the appropriate spaces above by the insertion therein of the relevant number of votes exercisable.

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

Signed at (place) _____ on (date) _____ 2007

Member's signature _____ Assisted by (if applicable) _____

Please read the notes on the reverse side of the Form of Proxy.

Notes

1. This form of proxy must only be used by shareholders who hold shares that are not dematerialised or who hold dematerialised shares in their "own-name".
2. Members who have dematerialised their shares other than in their "own-name" and wish to attend the annual general meeting must contact their Central Securities Depository Participant ("CSDP") or broker to furnish them with the necessary authority to attend the annual general meeting, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the members and their CSDP or broker.
3. Each member is entitled to appoint one or more proxies (who need not be a member(s) of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.
4. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the member's votes exercisable thereat.
6. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer office or waived by the chairman of the annual general meeting.
8. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.
9. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
10. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
11. A minor or any other person under legal incapacity must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.
12. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.
13. Forms of proxy must be lodged with or mailed to the transfer secretaries at the address given below by no later than 48 hours before the time for the annual general meeting:

Computershare Investor Services 2004 (Proprietary) Limited

Ground Floor, 70 Marshall Street
Johannesburg
PO Box 61051, Marshalltown, 2107
Telefax: 011 688 5200

Notes

[illegible]

Notes

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Administration



COMPANY SECRETARY AND REGISTERED OFFICE

Master Business Associates VII (Proprietary) Limited
139 Everfair Avenue
Randjesfontein, Midrand, 1685

[Private Bag X168, Halfway House, 1685]

ATTORNEYS

Fluxmans Inc.
11 Biermann Avenue, Rosebank
Johannesburg, 2196

[Private Bag X41, Saxonwold, 2132]

TRANSFER SECRETARIES

Computershare Investor Services 2004 (Proprietary) Limited
Ground Floor, 70 Marshall Street
Johannesburg, 2001

[PO Box 61051, Marshalltown, 2107]

DESIGNATED ADVISER

Merchant Sponsors (Proprietary) Limited
2nd Floor, North Block
Hyde Park Office Tower
Corner 6th Road and Jan Smuts Ave
Johannesburg, 2196

[PO Box 41480, Craighall, 2024]

AUDITORS

Carrim, Maritz & Associates South Africa Inc.
Chartered Accountants (SA)
234 Alexandra Avenue
Midrand, 1685

[PO Box 2506, Rivonia, 2128]

COMMERCIAL BANKER

FirstRand Limited
Alberton
Corner Voortrekker Road and Forest Street
Alberton, 1449

[PO Box 1040, Alberton, 1450]



B&W Instrumentation and Electrical Limited

Telephone: +27 11 907 1663

Facsimile: +27 11 907 1957

Address: 42 4th Avenue

Alberton North

PO Box 956, Alberton 1450

www.bwie.co.za