B&W Instrumentation and Electrical Limited

Integrated **Annual Report**

2012

Contents

Vision

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

To become a recognised industry leader and preferred service provider.

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

Values

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

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

Commitment
B&W remains unswervingly committed to its strategic objectives.

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

Navigation

Page references

Highlights

Definitions

“AltX”	The Alternative Exchange of the JSE
“B&W” or “the company”	B & W Instrumentation and Electrical Limited
“B-BBEE”	Broad-based black economic empowerment
“the board”	The board of directors of B&W
“Companies Act”	Companies Act, No 71 of 2008
“CIDB”	Construction Industry Development Board
“CSI”	Corporate Social Investment
“the current year”	The year ending 31 August 2013
“Designated Adviser” or “DA”	Merchantec Capital
“EB”	Electrical Engineering Works – Building – electrical certificate required
“E&I”	Electrical and Instrumentation, the niche industry in which B&W operates
“EP”	Electrical Engineering Works – Infrastructure
“FY”	Financial year
“the group”	B&W and its subsidiaries and associates
“GRI”	Global Reporting Initiative
“IFRS”	International Financial Reporting Standards
“JSE”	JSE Limited
“King III”	King Report on Corporate Governance for South Africa 2009
“Listings Requirements”	Listings Requirements of the JSE
“MOI”	Memorandum of Incorporation
“Pontins”	Pontins Proprietary Limited
“PPE”	Personal protective equipment
“the previous year”	The year ended 31 August 2011
“SA”	The Republic of South Africa
“SABS”	South African Bureau of Standards
“SENS”	Securities Exchange News Service of the JSE
“SHE”	Safety, Health and Environment
“the year” or “the year under review”	The year ended 31 August 2012

Scope and boundary of this report

As a **JSE-listed company** we support the **principle of integrated reporting**, which aims to show how **sustainable** business practices help **drive** and **maintain value**, ensuring the short, medium and longer-term viability of B&W.

This is B&W's sixth annual report since listing on the AltX in 2007. This integrated annual report 2012 presents the annual financial results and the economic, environmental, social and governance performance of the group for the year ended 31 August 2012, and follows our first integrated annual report published in November 2011. No change in scope was required for the integrated annual report 2012. There was no change to the boundary or any measurement techniques. There were reclassifications of previously reported information (*see note 43 in the annual financial statements*). There was no business combination during the year. For more information see the annual financial statements.

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

B&W's integrated annual report 2012 accordingly covers the group's financial and non-financial performance for its reportable business segments: South Africa and non-South Africa, for the period 1 September 2011 to 31 August 2012, and integrates our economic, social and environmental results for a group-wide understanding. It also sets out the group's challenges and opportunities ahead. The content included in this integrated annual report 2012 is deemed to be useful and relevant to B&W's stakeholders, as it is considered to be influential to their perceptions or decision-making.

This integrated annual report 2012 is prepared in accordance with IFRS, the Listings Requirements and the Companies Act. B&W has further applied the majority of the principles contained in King III. Any King III principles which have not been applied are explained and include, wherever possible, a reference to the part of the year for which the non-compliance occurred. The company has also considered and applied many of the recommendations contained in the Discussion Paper on the Framework for Integrated Reporting and the Integrated Report issued by the Integrated Reporting Committee of South Africa in January 2011.

B&W also complies with the standards set by the GRI in terms of sustainability development. The company's vision, strategic objectives and value system are integrated into all policies, procedures, decision-making processes and operations, with sustainability as the ultimate objective.

For further information, please contact CIS Company Secretaries: Tel: 011 370 5000 and Email: rayhaan.samodien@computershare.co.za. This integrated annual report 2012 is available online at www.bwie.co.za.

Assurance

External

The annual financial statements have been audited by the group's external auditors, Certified Master Auditors Inc. The scope of the audit is limited to the information set out in the annual financial statements.

Internal

The Audit & Risk Committee acknowledges its responsibility to assist the board in ensuring the integrity of this integrated annual report 2012, subject to final responsibility residing with the board. The committee has accordingly applied its mind to the report and believes that it appropriately and sufficiently addresses all material issues, and fairly presents the integrated performance of B&W for the year within the scope and boundary above. The Audit & Risk Committee has recommended this integrated annual report 2012 to the board for approval. The board acknowledges its ultimate responsibility to ensure the integrity of this integrated annual report 2012 and accordingly authorised its release for publication.

Disclaimers

This integrated annual report 2012 contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 31 August 2012. Actual results may differ materially from the company's expectations if known and unknown risks, or uncertainties, affect its business, or if estimates or assumptions prove inaccurate. The company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on any forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement, even should information become available as a result of future events or for any other reason, other than as required by the JSE Listings Requirements.

Stakeholder feedback

For feedback on this integrated annual report 2012 and/or suggested further information for inclusion in and/or improvements to the formatting, accessibility, functionality and/or usability, please contact Danie Evert
Tel: 011 907 1663
Email: daniee@bwie.co.za

Highlights

2012 was a **challenging** year. Our **main focus** was to **consolidate** and **develop critical business processes** to **ensure long-term sustainability.**

Financial highlights

- Cash up 50,8 million
- Order book R237,0 million
- NPAT R2,6 million
- EPS 1,4 cents

Operational highlights

- Full-time contract manager appointed for every project, supported by commercial administrator
- Site quality procedures revised to ensure total responsibility and accountability to site management using traceable inspection methods
- Small Projects Division created to target revenue generating acceptable margins

Non-financial highlights

- Extensive corporate governance, risk identification and risk analysis programme
- Updating and amending charters, MOI and relevant policies
- Five-year strategic plan set
- Two-year budget set

The group creates **value** and **wealth** through its **major asset – its people –** who individually contribute to the **success** and **long-term sustainability** of the group, and **final distribution** to all **stakeholders.**

Sustainability indicators (largely internal measures) are disclosed to assist our stakeholders in assessing B&W's ability to create and sustain value:

Economic		2012	2011	2010	2009	2008
Headline earnings per share	(cents)	1,4	(7,78)	28,5	29,2	28,4
Gross margin	(%)	15,3	3,2	20,5	21,0	22,1
Operating margin	(%)	3,6	(3,5)	13,0	15,0	16,7
Return on equity	(%)	1,4	(8,7)	28,0	38,0	51,7
Dividends declared	(cents)	0,0	4,5	7,5	7,5	7,0
Preferential procurement	(%)	54	59	53	49	46
Enterprise development investment	(Rm)	1,5	3,6	3,2	3,3	2,7

Social		2012	2011	2010	2009	2008
Permanent employees		802	733	696	599	551
Employee turnover	(%)	57	40	46	49	53
Skills development: employment costs	(%)	5,1	6,3	7,4	5,4	4,8
B-BBEE rating	(level)	4	5	5	6	7
Employment equity: black employees	(%)	68	73	71	72	68
Employment equity: black management	(%)	39	41	39	40	38
Corporate social investment	(Rm)	0,72	2,45	1,75	0,38	0,43

Our **history**

Timeline

1973
B&W formed in **Cape Town** as an electrical contractor

Early 1980s
B&W utilised extensively in **SAB expansion**

1982
Branch office established in **Alberton, Gauteng**

1984
Alberton becomes **head office**

B&W expands **client base**

Early 1990s
B&W develops **instrumentation capability** to **complement electrical** facility

Enters **mining industry**

1998
B&W one of **first construction companies** to venture into **Africa**, on contract for **Normandie Mining** (cobalt plant in Uganda)

2004 to 2007
Exponential **growth in turnover and profits** (exceptional increase in fixed investment in **South Africa** and **Africa**)

2007
B&W lists on AltX

B&W secures biggest single order to date for electrification and control installation, for Moatize coal mine, Mozambique

B&W establishes subsidiary in Mozambique

2008
B&W awarded three contracts for coal processing plant in Douglas/Middelburg

Infrastructure becomes complementary focus

Order for installation at a nickel plant in Madagascar

2009
B&W further diversifies client base and boosts order book

NOSCAR safety award to B&W's Secunda establishment

R20 million acquisition of Pontins marking diversification into earthing, lightning and surge protection

2010
B&W enhances focus on marketing and substantially improves client mix

New orders secured totalling R279 million

NOSCAR safety award to B&W's Secunda establishment

2011
Revenue increases 14% in tough trading conditions

B&W sustains, despite cash flow challenges, without extending external debt or undertaking capital raising initiatives

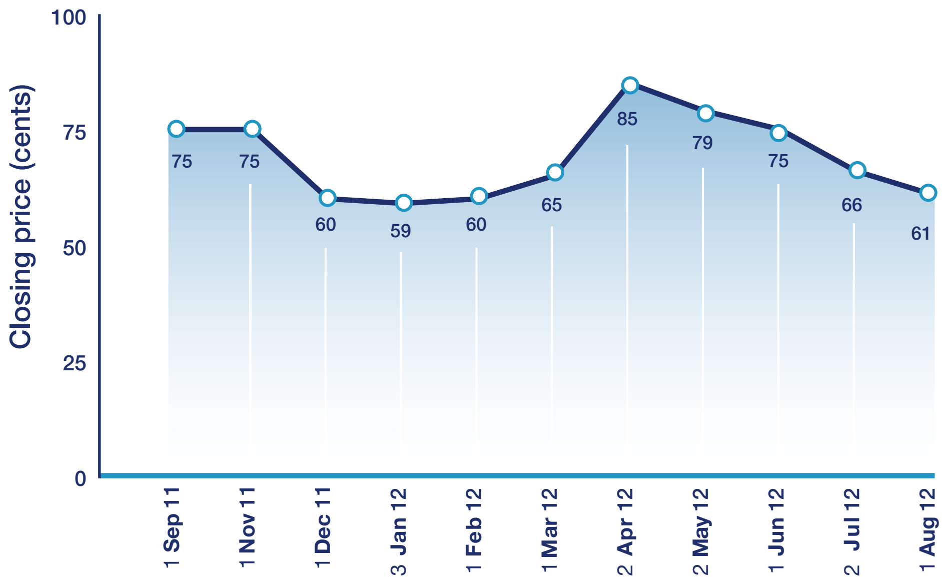
2012
Small Projects Division initiated to assist with consolidation and as a training ground for key personnel

Application for accreditation to become a training provider, with expected approval in the second quarter of 2013

Five-year review

	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Revenue	**442 374**	683 384	601 283	502 840	450 333
Gross profit	**67 486**	21 884	123 125	105 778	99 603
Gross profit margin (%)	**15,3**	3,2	20,5	21,0	22,1
Operating profit/(loss)	**15 772**	(23 606)	78 310	75 551	75 356
Operating margin (%)	**3,6**	(3,5)	13,0	15,0	16,7
Profit/(loss) before taxation	**10 269**	(27 185)	81 554	82 915	82 292
Profit/(loss) before taxation margin (%)	**2,3**	(4,0)	13,6	16,5	18,3
Profit/(loss) for the year	**2 586**	(15 756)	57 513	59 284	57 836
Profit margin (%)	**0,6**	(2,3)	9,6	11,8	12,8
Earnings per share					
Earnings/(loss) per share (cents)					
Basic	**1,4**	(7,8)	28,5	29,6	28,9
Diluted	**1,4**	(7,8)	28,5	29,6	28,9
Dividends paid per share (cents)	**–**	4,5	7,5	7,5	5,5
Net asset value per share (cents)	**89,7**	88,2	100,4	78,0	55,9
Net tangible asset value per share (cents)	**85,3**	83,4	95,1	78,0	55,9

Share performance



Group **at a glance**

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

Revenue by region

- **Level 4** B-BBEE accredited
- **ISO 9001:2008** accredited
- **8EB** and **8EP CIDB** rating
- **Five-star NOSA** safety ratings at select sites
- **Disabling Injury Frequency Rate (DIFR) of 0,00**

What we do

The group's primary role onsite involves building a process plant's E&I infrastructure and ensuring that it functions in accordance with design specifications, as well as earthing, lightning and surge protection services. The diversified client base spans the mining, chemical, oil and gas, renewable energy, power generation, industrial, utilities and infrastructure sectors. B&W's footprint extends across South Africa and sub-Saharan Africa, encompassing over 3 000 personnel at peak.

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

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

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

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

Footprint

Past/present projects/targeted countries

Presence

Head Office – Alberton

Trichardt – Secunda

Rustenburg

Registered company

B&W Electricidade Lda – Mozambique

B&W Madagascar SaRL – Madagascar

Business model

We aim to provide a disciplined and controlled working environment that is conducive to the short- and long-term maintenance of B&W's competitive advantage in cyclical market conditions through:

- A 'mastermind' corporate culture consisting of the highest quality management teams
- Strategic operations that reinforce bottom line targets and sustainability
- Positively differentiating our service capability and expanding our presence in the mining, oil and gas, energy, industrial, process plants and infrastructure sectors locally and internationally, capitalising on complementary revenue streams
- Continuing to leverage valuable cross-selling opportunities provided by the 2009 acquisition of Pontins
- Capitalising on Pontins' early market intelligence (as a result of being first onsite for earthing and lightning protection installations) to drive project volumes/order book growth
- Favouring geographical locations globally where the combination of B&W's superior service, consistent delivery and technical abilities, and regional logistics infrastructure entrench our competitive advantage

Our key strengths

- Focused strategy and business model
- Market leader in E&I and specialist in earthing and lightning protection
- No long-term debt
- Experienced management teams
- Competitive advantage of 8EB and 8EP CIDB rating
- Established African footprint
- Exceptional safety record
- Successful skills development programme
- Continued innovation to ensure process capability at highest possible level
- Professional project execution

Directorate

Stewardship of **shareholders' investment, employees' livelihood** and **wellbeing**, and the **environment** in which the **group** operates, is **central** to **decision-making** at **B&W**.

Executive

Brian Harley (56)

PrCPM MBA Dip (Bus Man) NTC6

CEO

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

Gary Swanepoel (48)

PrCM NHD (Building Science)

Operations Director

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

Danie Evert (49)

BCom (Acc)

Financial Director

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

Tom Lombard (58)

Logistics Director

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

Dean Nevay (43)

PrCM (SACPCM) BCom N Dip Elec (L/C) Certified PROFIBUS Engineer (PCC) ISO 9001:2000 (TIQMS)

Operations Director

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

Non-executive

John Barrow (68)

Pr Eng PrCPM BSc (Mech Eng)
BCom FSAI (Mech Eng)
Chairman

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

Independent non-executive directors

Unati Mabandla (41)

BA PR Adv PM Cert of Proficiency

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

Jimmy Oosthuizen (76)

CA(SA)

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

Roger Pitt (32)

CA(SA)

Roger joined B&W as an independent non-executive director on 17 September 2012 and is a member of the Audit & Risk Committee. After completing his articles, he moved into corporate finance where he gained valuable experience within the full range of corporate actions. Roger also currently serves on the boards and audit and risk committees of a private company and chairs the audit and risk committee of a financial services group of companies.

George Robertson (64)

CA(Z)

George joined B&W on 27 January 2012 and was appointed as chairman of the Audit & Risk Committee on 23 March 2012. He has extensive financial experience with 30 years as a member of the financial team in a large mechanical, electrical and instrumentation company, where he was appointed business unit finance director.

Wolf Wassermeier (69)

Lead Independent Director

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

Joint **Chairman** and **CEO's** report

Brian Harley
CEO

John Barrow
Chairman

As a group we **improved** our **B-BBEE accreditation** from **Level 5** to a **Level 4** and we continue to **explore ongoing initiatives** for **further improvement** and **transformation.**

In the year under **review** we **underscored** our **commitment** with **actual integration** of our **vision, strategic intent** and **value** system into all **policies, procedures, decision-making processes** and **operations,** with **sustainability** as the **ultimate objective.**

Operational overview

The year under review marked a period of consolidation for the group. Overall we found trading conditions at best challenging, and at times, demanding. Our determination to translate into practice the lessons learned in the previous year, while maintaining and continuing ordinary day-to-day business, required the full support and commitment of the executive and senior management.

Our concerted efforts and strict focus paid off and we achieved our objectives:

- Improved cash flow to end the year cash positive
- Resumed profitability
- Completed a successful restructuring of the group and operations
- Settled all long-term debt
- Set a five-year strategic growth plan
- Improved and entrenched client relationships
- Improved B-BBEE to Level 4 from Level 5
- Opened the Small Projects Division
- Completed a comprehensive risk identification programme
- Compiled a comprehensive risk analysis detailing risks, causes, values and mitigations, monitoring and reporting
- Maintained our exemplary safety record with numerous awards
- Earned several client letters of appreciation for commitment and co-operation, and client Best Supervisor and Best Safety Contractor awards on various sites

Revenue for the year declined as intended to enable the group to achieve our planned consolidation. We nonetheless managed to successfully return to profitability and ended the year cash positive.

All final accounts have been concluded from the previous year, barring Madagascar, due to the client and customs reconciling materials delivered to site, and plant and equipment returned to South Africa. We are currently in negotiations with all parties to conclude and finalise values. All cash had not yet been received at year-end and is expected during the first quarter of FY2013, which will further bolster our positive cash position. The matter of delayed collections remains a concern industry-wide and is expected to continue throughout FY2013.

Operations

At year-end the order book totalled R237,0 million, which is at lower margins than is customary for B&W, as a result of highly competitive market and current trading conditions.

Short-term expected orders of approximately R308,0 million are anticipated to be secured at slightly improved margins, but these projects are only due to commence construction from February 2013 onwards.

Coming off the low base of the previous year, the order book will enable B&W to record some growth in most sectors of the business from the third and fourth quarter of 2013.

The current state of the economy and the turmoil in the mining industry over the past four to five months has seen projects put on hold and project pipelines being moved out. This has made meaningful results for the six months ending February 2013 challenging and therefore performance will most likely not meet expectations.

The capacity and capability of our operational teams are well aligned with current and targeted projects for the year ahead. However, during FY2013 we intend boosting capacity and capability to meet expected growth in FY2014 and beyond. Expansion of capability is generally effected at B&W through onsite mentoring and support as well as formal, external training where required. This process ensures controlled expansion to meet medium- to long-term targets.

At present project teams are assigned by capability, project scale, project sector, project location and most importantly, project timing. The latter is the defining criterion as it is critical to prevent overtrading and compression on capacity at any point in a year. Throughout the year under review great emphasis was placed on accurate timekeeping and project cost control. To this end we evaluated our current software and have developed a more user-friendly and effective system, which is expected to come online during the second quarter of FY2013.

Pontins again delivered a strong performance with satisfactory revenue growth for the year, affirming our original acquisition strategy. The business is currently researching new organic product lines to expand its service offering and drive future growth potential.

As a group we improved our B-BBEE accreditation from Level 5 to a Level 4 and we continue to explore ongoing initiatives for further improvement and transformation.

During the year we also opened a Small Projects Division to leverage our core competencies and maintain a reasonable volume of work, taking into account the prevailing difficult economic environment. The projects targeted by the new division provide the ideal training ground for key personnel as well as newcomers wetting their feet at B&W.

The group further set an aggressive five-year strategic growth plan. The key focus is real growth and expansion from FY2014, with FY2013 remaining a conservative period given the macro-economic environment and indeed, the latest developments in the mining sector.

Corporate governance

Throughout the year the group made significant strides in improving governance and risk management. We appointed third party professional advisers and updated business processes and risk analysis in line with the latest codes and standards. The group's Audit & Risk Committee was active in the process, ensuring alignment of all improvements with the group's business strategy and growth objectives.

Health and safety

We pride ourselves on an impeccable safety record to date, and remain totally committed to the safety of all employees both on and off site. Once again the group achieved five-star ratings at Head Office and in the Secunda region and a NOSCAR Safety Award at the group's head office. We further won best Safety Contractor awards on two projects in Sasolburg on two separate occasions. In the Northern Cape we achieved 365 days of Lost Time Injury (LTI) free hours translating to 3 million man hours, and 12 million fatality free hours.

Financial results

Revenue decreased 35,3% to R442,4 million from R683,4 million in the previous year, intentionally to achieve our planned consolidation. Profit after tax of R2,59 million marked B&W's return to profitability.

Group operating expenses increased to R53,6 million compared to R45,7 million in the previous year, due to two key factors:

- The group's use of the opportunity to recruit key future personnel and at the same time restructure for future expansion in line with our five-year strategic growth plan
- Additional key personnel to assist in the consolidation and extensive administration work

Operating expenses have now stabilised.

The negative cash balance of R34,5 million at the previous year-end was turned into a positive cash balance of R15,2 million at year-end. In light of anticipated trading conditions in the year ahead, B&W intends to remain cash positive to cash neutral during FY2013.

Capital expenditure remained well contained at a historic minimum while we also disposed of non-productive plant and equipment. Looking ahead capital expenditure will increase conservatively to accommodate the expected moderate growth.

No dividend has been declared for the year in line with our undertaking of

Joint **Chairman** and **CEO's** report *continued*

consolidation. It remains the group's policy to declare annual dividends going forward, cash flow permitting.

Sustainability

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

In the year under review we underscored our commitment with actual integration of our vision, strategic intent and value system into all policies, procedures, decision-making processes and operations, with sustainability as the ultimate objective. Our corporate growth strategy (see *'Strategic intent' on page 15*) is set by the board after collaboration with senior executives from all applicable operations and/or divisions, and forms the basis of our annual budgeting processes. The group's budgets, target projects pipeline, tender philosophy and operational processes are all now geared to long-term sustainability. Our re-engineering in this regard was informed by a lesson hard learned in the previous year when we experienced an overextension of existing capacity due in large part to a focus on short-term economic growth only, when we were hit by the impact of unforeseen changes in project scope and timing, macro-economic factors and climate factors.

Due to the nature of the market in which the group operates, sustainability relies to a large extent on the future project availability as well as the successful positioning of the group as the preferred contractor. The latter is facilitated in many instances by our reputational integrity which is underpinned by a proven track record. In addition we place intense focus on early market intelligence, leveraging Pontins which is almost always first onsite at new projects and external market research we commission, allowing us to anticipate potential projects.

Prospects

The year ahead is expected to be challenging in a fiercely competitive market and subdued in an uncertain economic environment. However, we are confident of meeting the growth objectives set out in our aggressive five-year strategic growth plan.

Reasonable earnings growth in the medium term will be heavily dictated by whether markets and regions of operation resume some form of stability and consistency. Local infrastructure spend and a healthy, investor-friendly environment should spearhead some escalation of confidence and momentum in the currently depressed construction sector. Projects now on hold, particularly mining projects, will further strengthen confidence levels if they are reactivated.

We have identified a decent volume of work in South Africa and Africa for FY2013. The pipeline looking further ahead becomes exciting, and indications suggest a substantial workload available in most of the construction sectors. The oil and gas sector also indicates growth from 2014 onwards, including mining and general infrastructure spend in Africa. Further, renewable energy offers promising opportunities and a number of budget pricings have been submitted to various global and local clients for consideration in projects rolling out during 2014.

Order intake is currently sluggish, but is expected to improve in the first quarter of FY2013 with the more attractive opportunities in the longer term that will enable the group to return to former levels of growth.

Our aggressive five-year strategic growth plan will inevitably require additional working capital. The board will therefore consider undertaking capital raising initiatives going forward given the potential positive returns for shareholders.

Finally, we are continuing our expansion into Africa, which will be accelerated in the medium- to long-term.

Appreciation

The board extends its utmost appreciation to all management and staff for their ongoing commitment and support during a difficult year that helped successfully steer the group back to profit.

We also thank our business partners, suppliers, advisers and our valued clients and shareholders for their continued confidence in the group.

John Barrow
Non-executive Chairman

Brian Harley
CEO

16 November 2012

Strategic **intent**

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

	Strategy
Markets	■ Maintain existing markets in the short-term ■ Continue diversifying our services offering, e.g. commercial/infrastructure leveraging Pontins ■ Increase B&W's presence in oil and gas and power distribution, including renewable energy ■ Translate hard-won experience into practical benefit ■ Capitalise on local infrastructure spend
Regions	■ Continue geographical expansion in select African regions ■ Accelerate in the medium- to long-term
Operations	■ Improve our cash cycle ■ Remain cash positive/neutral ■ Optimise overheads structure and efficiency procedures ■ Retain and nurture key talent ■ Boost capacity and capability to meet expected growth in FY2014 ■ If required, raise additional capital through a combination of debt and equity ■ Continued investment in superior service delivery through: – Specific targeted projects – Disciplined operational execution – People development – Promise delivery – Hitch-free final hand-over
Growth	■ Real growth per annum, starting Q4 FY2013
CAPEX	■ Maintain our fleet with no expansion and/or replacement in the medium-term
Acquisitions	■ Consider potential earnings and cash flow-enhancing acquisitions pending further cash flow improvement

Stakeholder **engagement**

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

Stakeholder group	How we engage
Shareholders/providers of capital	■ Annual general meeting ■ Regular investor presentations/road shows ■ Regular one-on-one meetings ■ Ad-hoc meetings and conference attendance on request ■ Integrated annual report, SENS, results announcements posted on website, published in business press and posted to shareholders ■ Trading statements in line with JSE requirements ■ CEO and Financial Director readily available for dialogue ■ Investor newsletters disseminated ■ Polling of investors post results
Employees	■ Meetings with senior employees six times per annum (project directors, contract managers, site managers and departmental heads are in attendance) ■ Ongoing email and feedback sessions ■ Interactive online staff notice board ■ Employee newsletters ■ Employee Trust which allows employees to share directly in and benefit from B&W's financial growth ■ Internal training sessions ■ Head office meetings with supervisors weekly ■ Small Projects Division facilitating mentoring and training *See 'People and remuneration' for further detail.*
Customers	■ Regular meetings at head office/active project sites ■ Customer feedback surveys in accordance with the requirements of ISO 9001
Industry associations	■ Group Operations Director is a past president of Electrical Contractors Association (SA) ■ B&W is a member of Electrical Contractors Association (SA); Flameproof Association; and The Profibus Association
Communities	■ CSI projects take place directly in the areas in which B&W is active *See 'Socio-economic development' for further detail.*
Media	■ Journalists have ready access to group executives ■ Formal company press releases
Suppliers	■ Regular meetings at head office and supplier premises
Unions	■ B&W does not have significant union representation. SAEWA (South African Equity Workers Association) has organisational rights as party to Bargaining Council for the Electrical Contracting Industry ■ Concerns are dealt with expeditiously by the Operations Director

Transformation

B&W recognises that **integrating transformation** into **business practice** is **crucial** for the **sustainability** of the **group** and **South Africa** generally.

The group has a B-BBEE policy and improvement strategy in place to drive ongoing transformation in compliance with legislation. B&W continually seeks to better its B-BBEE scorecard, without detracting from investor value, and performance against targets is monitored through internal checks and audits. The group is currently B-BBEE Level 4 rated, an improvement from Level 5 in 2011.

Ownership

The current BEE shareholding is 8,99%, which includes the B&W Employee Trust holding a 5,98% stake in the group. The Trust benefits employees with more than four years of continuous service, with an emphasis on black staff (75% of benefits).

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

Management control

Black management has remained unchanged in 2012 at 36%. This reflects the success of ongoing training and onsite mentoring of suitable candidates. During the year a number of black candidates were promoted into positions of authority onsite. Candidates continue to be identified for further skills development and mentorship on an ongoing basis.

Highlights

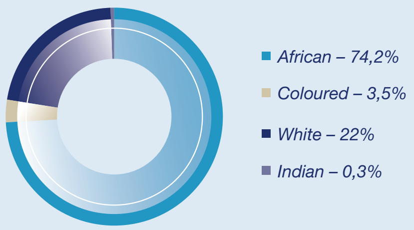
- BEE rating improved to Level 4

Employment equity

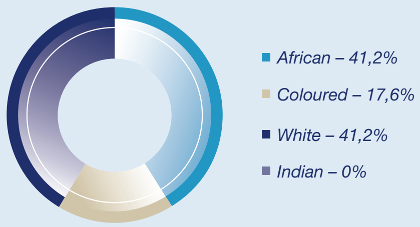
The group's employment equity demographics are set out in the table below:

Category/level	African	Coloured	Indian	White	Total
Top management	1			14	15
Senior management				33	33
Professionally qualified	71			27	98
Skilled	223	23	1	73	320
Semi-skilled	131	17	4	45	197
Unskilled	132	6			138
Disabled				1	1
Total	558	46	5	193	802

Male



Female



By the nature of the industry, which is male-biased in light of the type of work, employment equity targets fall secondary to overall resource requirements for the successful execution of projects. Targets are communicated to staff via quarterly meetings with nominated forum members (nominated by employees).

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

Skills development and training

See 'People and remuneration' on page 33.

Preferential procurement

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

Nonetheless B&W currently scores full points on B-BBEE spend (with procurement from black-owned suppliers improving during the year) and with spend on qualifying small enterprises. Procurement from black female-owned suppliers remains a challenge in light of their absence in the industry, and will continue to be addressed as far as practical in FY2013.

Enterprise development

B&W recognises that implementation of an Enterprise Development (ED) Policy is an essential mechanism to meet and embrace the objectives set out in the Broad-Based BEE Act 53 of 2003. B&W's ED Policy enables the group to fulfil its commitment to B-BBEE, facilitating economic participation by black people, women and people with disabilities.

The group aims to implement initiatives that empower and enable the transfer of skills to employees, clients and suppliers. Only suppliers that have provided valid certificates authenticating their B-BBEE status will be considered for ED initiatives and benefits.

Due to the group's consolidation and re-structuring throughout 2012, B&W has incorporated into its five-year strategic plan ways to identify a suitable black-owned enterprise in FY2013.

Health and safety

B&W is committed to a **safe** and **healthy working environment,** and this is evidenced by **strict compliance** with the **South African Occupational Health** and **Safety Act, 85 of 1993**, the **Mines Health** and **Safety Act, 29 of 1996,** and other relevant regulations and **internationally recognised standards** and **guidelines.**

Accolades

- NOSCAR status to be obtained for the third consecutive year (Head Office)
- NOSA five-star status five years running (Head Office and Secunda)
- Two Best Safety Contractor awards for health and safety performance (both at Sasolburg)

The group recognises that health and safety throughout all business processes is of critical importance to our five-year strategic plan and long-term sustainability. To this end all departmental heads, project directors, contract managers and site managers are responsible for ensuring that the group's Safety Management System is fully implemented. In addition ongoing initiatives and incentives are in place to build a 'safety culture' throughout the group, fostering individual safety accountability. Health and safety procedures are continually scrutinised and improved to ensure that the group's policies are in line with international standards and guidelines.

Our exceptional track record of a consistent low injury rate and a minimum number of incidents reflects our appropriate balance of adequate safety measures and meeting project deadline and budget targets. Safety statistics are compiled on a project basis and included in the board packs for every board meeting.

Duane Harley, Corporate Safety Manager, is responsible for health and safety at group level. On a project basis, a dedicated safety officer is appointed at the start with more than one being appointed on larger projects. All risks are identified by a risk assessment team comprising the safety officer and project supervisor, with input from all workers. Identified risks are categorised according to severity – 'transferred', 'treated' and 'tolerated'. Risks falling outside of these categories are managed through control measures to minimise the likelihood of an incident occurring or recurring.

As part of the group's SHE management plan, it is compulsory for all sites to have a daily safety-related talk by the safety officer before commencing work. These are commonly referred to as 'Toolbox Talks' and a different SHE issue is highlighted every day.

As most of the injuries sustained during the year pertained to minor hand injuries – as a result of the dependence on manual labour for tasks such as the pulling and termination of cabling – more emphasis was placed on hand injuries as a topic for the Toolbox Talks to heighten awareness in this regard.

Despite these minor injuries, the group achieved an acceptable LTIFR of 0,20 and DIFR of 0,00, with no disabling injuries occurring during the year. In the Northern Cape at Assmang Iron Ore, B&W was part of the KEP, PYE and WHIMS project team which achieved 365 days and 3 million LTI-free hours and 12 million fatality-free hours.

Key definitions

"DIFR"	Disabling Injury Frequency Rate
"LTI"	Lost Time Injury
"LTIFR"	Lost Time Injury Frequency Rate
"KEP"	Khumani Expansion Project
"PYE"	Product Yard Extension
"WHIMS"	Wet High Intensity Magnetic Separation

Health and safety *continued*

Key performance indicators

Criteria	Target	Actual 2012	Actual 2011
Number of fatalities	0	**0**	0
Fatality frequency rate per 200 000 hours worked	0,00	**0,00**	0,00
LTIFR per 200 000 hours worked	0,05	**0,20**	0,00
Days lost due to lost time injuries	0	**10**	0

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

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

B&W's total spend on SHE during the year is set out below:

SHE equipment and PPE	R2 017 571
SHE-related training	R333 763
Medical and inductions	R1 004 713
Total cost	R3 356 047

B&W employs the NOSA Five Star System to effectively manage SHE at an operational level. The system provides a detailed evaluation of the requirements needed to keep the organisation safe, healthy and environmentally sustainable. Grading takes place on an annual basis at the group's head office and other sites. A five-star grading reflects that all SHE risks have been identified, prioritised, and addressed in a systematic manner. The NOSA Five Star System also provides international benchmarking opportunities.

Employee wellbeing

In terms of general wellness, employees undergo entry and exit medical examinations prior to the start and at completion of most projects.

Under the group's HIV/AIDS policy all employees have access to voluntary testing which is promoted through B&W's HIV/AIDS awareness programmes. In addition, certain foreign contracts require compulsory testing as a prerequisite to issuing work permits. HIV/AIDS awareness is also promoted through the Toolbox Talks as well as HIV/AIDS awareness signage and pamphlets and the distribution of free condoms at all offices and sites.

Socio-economic **development**

Due to the nature of B&W's work and services, the group's community upliftment efforts are decentralised on a project by project basis so that beneficiaries can be identified directly from local communities. Local benefits include employment and training, providing support to local schools in the electrification of classrooms, refurbishment and at times supporting charitable organisations. Where applicable the group supplies employees with free accommodation and meals, and on rest and recuperation weekends, free transport from site back to their community areas. Free accommodation is also supplied at head office when travelling between sites.

In addition, training and development programmes are extended to the local communities to ensure sustainable employment opportunities once the project in question is concluded.

B&W employs the same CSI policy in areas of operation outside of South Africa and offers social welfare, schools, activities, and education and training to local communities. An example is in Tete, Mozambique, where the local school's electricity was upgraded and lighting installed on the sports field. In addition, four accommodation units were refurbished and given to the local community for housing.

Charity beneficiaries which received financial assistance during the year included:

- **The Focus Driven Foundation:** a non-profit organisation providing for less fortunate women, children and the elderly in Johannesburg
- **Alex Crisis Youth Centre:** a multi-purpose facility that serves the youth of Alexandra township in northern Johannesburg
- **Compass (Community Provision and Social Services):** an organisation which takes care of abused and abandoned women with babies and children
- **Girls and Boys Town:** a non-profit organisation strengthening the development of youth, families and communities in need
- **Oliver's House:** a charity organisation situated in Benoni, Gauteng, which manages two feeding programmes, as well as children's care, education and computer training centres

Environmental **conservation**

B&W is **committed** to the **protection** of the **environment.**

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

B&W has a formal environmental policy in place outlining the procedure for identifying, eliminating and managing environmental issues that may arise as a result of the execution of projects. The group's policies and procedures are audited by the SABS in terms of the requirements for ISO 9001:2008 accreditation. Independent audits and risk assessments are also conducted on an ad-hoc basis, as the environmental factors vary greatly with respect to the type of plant being constructed as well as the sensitivity of the specific project environment. Environmental policies are therefore formally documented and disseminated per project, all in compliance with the overall group policy.

Environmental training is offered as part of induction programmes, which are compulsory for all employees. In addition, environmental training is provided through Toolbox Talks and demonstrations, as well as on B&W signage on site. Audits by the client and contractor are done on a regular basis to ensure compliance.

Notices are displayed site-wide providing information and serving as a reminder of B&W's commitment to the environment.

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

To mitigate electricity shortages, the group's offices, as well as many of the sites, have their own generator capabilities. It is intended during the year ahead to formalise an environmental management plan detailing targets and objectives. This will continue to minimise the group's impact on the environment. Although measures are already in place to manage the following, they will be formalised in the environmental management plan:

- Hazardous waste storage
- Oil separators
- Globe and battery disposal units
- Waste management

Corporate **governance**

B&W is **committed** to upholding the fundamental tenants of governance: **discipline, independence, responsibility, fairness, social responsibility, transparency** and **accountability** to all **stakeholders.**

Highlights

- Gap analysis completed (by third party)
- Comprehensive and detailed risk management programme completed
- Strategic five-year plan formalised
- Social & Ethics Committee established
- External adviser appointed to facilitate with five-year strategic plan
- Business processes and risk analysis updated in line with latest codes and standards

Governance structure

Board

Audit & Risk Committee | Remuneration Committee | Social & Ethics Committee

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

As part of King III gap analysis internal governance structures were reviewed. The board expects to implement the recommendations of the gap analysis in the year ahead.

Exceptions to compliance with King III and the JSE Listings Requirements

The directors adhere to King III's 'apply or explain' approach. In the corporate governance report below, we endeavour to explain B&W's status in terms of implementation and the initiatives currently in progress to facilitate this. The King III Checklist (*see Appendix*) further summarises our compliance and/or offers explanation for non or partial application. We consider our efforts in this regard as a journey in terms of which we are continually moving towards better governance.

During the year a King III gap analysis was carried out, and in light of this a number of the group's governance practices were evaluated and modified in line with King III, current legislation, and recommendations.

The table below represents the areas of non or partial compliance with King III identified in the gap analysis. A number of processes have been put in place to address these gaps as outlined below:

Areas of non-compliance identified	Action plan
Board Charter and all committee charters out of date	The Board Charter has been updated in terms of King III and the Companies Act Remuneration Charter is in the process of review Charters to be reviewed annually
Code of Ethics not up to date with King III and Companies Act	Code of Ethics has been reviewed and updated
A number of provisions set out in the various B&W charters have not been formally addressed and/or recorded in the minutes of various meetings	Processes have been formalised and are being recorded in board meetings. Board meeting agendas have been revised to incorporate all governance issues requiring discussion, with recording thereof
B&W does not have a formal appointment policy and there is no indication in minutes of meetings that appointments are decided on by the board as a whole	Appointments are decided on by the board as a whole A formal and transparent nomination process is now in place
Board composition does not comply with King III requirements	Board composition was altered during the year. Please see *'The board'* below
The chairman is not an independent director and there is no lead independent director appointed	Wolf Wassermeier appointed as lead independent director
Directors' interests are not disclosed at every board meeting and disclosure is not a standing item on the board agenda	Disclosure is a standing item on the board agenda, with directors' interests discussed at every board meeting
Disclosures were made in the 2011 integrated annual report that have not been formally addressed and/or recorded in the various meetings of B&W (i.e. CIO appointment)	Dean Nevay has been appointed as Chief Information Officer (CIO)
Committees' feedback to the board is not formalised and the board therefore does not enjoy accurate and appropriate feedback	Committees give feedback to the board via minutes of meetings and discussions at formal board meetings
The company secretary does not attend board meetings, or take minutes in respect thereof, or attend other committee meetings as stipulated in the Companies Act	This has been addressed and company secretary duties are being performed in accordance with the Companies Act, Listings Requirements and King III. The company secretary now attends all board and committee meetings

Board composition

Executive: Brian Harley (CEO), Danie Evert (FD), Gary Swanepoel, Tom Lombard, Dean Nevay
Non-executive: John Barrow (Chairman)
Independent non-executive: Unati Mabandla, Jimmy Oosthuizen, Roger Pitt, George Robertson, Wolf Wassermeier (lead independent director)

The board

The B&W board is the focal point and custodian of corporate governance in the group. Board members are expected to act in the best interest of the company at all times.

The board composition was reviewed during the year, aiming to address imbalances in executive and non-executive directors in line with new legislation. The majority of board members are now non-executive directors. A formal authority matrix was also formalised during the year.

During the year, Johan Breedt, Sam Vilakazi and Stephen Pinkney, all executive directors, resigned from the board with effect from 20 January 2012, 24 February 2012 and 30 April 2012, respectively. Roger Pitt and George Robertson were appointed as independent non-executive directors on 27 January 2012 and 17 September 2012 (post year-end), respectively.

A brief *curriculum vitae* for each director is set out on pages 10 and 11 of the integrated annual report.

The Chairman provides leadership and guidance to the board and encourages proper deliberation on all matters requiring the board's attention while obtaining input from other directors. He plays an active role in setting the agenda for board meetings and presides over the group's shareholder meetings. The CEO leads the management team and is the principal spokesperson for the company. He is responsible for day-to-day operations and the controlled implementation of strategic and operational decisions. An appraisal of the CEO's performance is carried out annually by the Chairman. Non-executive directors are not involved in the day-to-day operations of the group but have unrestricted access to management at any time. Non-executive directors are also entitled to seek independent professional advice on any matters concerning the affairs of the group, at the company's expense.

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

Directors	Board meetings	Audit & Risk Committee meetings	Remuneration Committee meetings	Strategic planning meetings
LJ Barrow (Chairman)^	8(11)	1(7)*	1(1)	
BH Harley (CEO)	9(11)	1(7)*		6(6)
DJ Evert (Financial Director)	11(11)	7(7)*	1(1)*	6(6)
GMJ Breedt *(resigned 20 January 2012)*	1(11)			
T Lombard	9(11)			5(6)
YU Mabandla^–~	5(11)		0(1)	
DS Nevay	5(11)			6(6)
S Pinkney *(resigned 30 April 2012)*	5(11)			3(6)

Corporate **governance** *continued*

Directors *(continued)*	Board meetings	Audit & Risk Committee meetings	Remuneration Committee meetings	Strategic planning meetings
RMH Pitt^– *(appointed 17 September 2012)*	0(11)	0(7)		
JD Oosthuizen^–	9(11)	6(7)	1(1)	
GJ Robertson^–# *(appointed 27 January 2012)*	7(11)	5(7)		
GWR Swanepoel	11(11)			5(6)
VS Vilakazi *(resigned 24 February 2012)*	3(11)			
W Wassermeier^–	8(11)	7(7)	1(1)	
Designated Adviser	11(11)	7(7)		
T Manas+	5(11)			1(2)

^ Non-executive, – Independent, # Audit & Risk Committee Chairman, ~ Remuneration Committee Chairman, + Managing Director Pontins • Invitee

In terms of the MOI, one third of the directors retire at each annual general meeting, and consequently John Barrow, Unati Mabandla and Wolf Wassermeier are retiring by rotation at the next annual general meeting and all being eligible, will be offering themselves for re-election. Ratification of all new appointees takes place at the annual general meeting following their appointment and accordingly the appointment of Roger Pitt and George Robertson will be ratified at the upcoming annual general meeting.

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

B&W has a formal succession plan in place for all leadership positions in the group. It is intended that as far as possible executive board members will continue to be appointed from within the group in terms of sustainable succession planning. The succession plan was reviewed during the year and is currently being updated.

Support functions

The functions of the company secretariat were outsourced in January 2010 to independent supplier CIS Company Secretaries, a wholly owned subsidiary of Computershare South Africa. CIS Company Secretaries comprises a team of nine qualified individuals including a LLB, Bachelor of Business Administration, BCompt and LCIBM. In addition it enjoys the support of, amongst others, Computershare's legal, compliance and risk departments.

The role and functions of the company secretary include:

- Providing the directors, collectively and individually, with detailed guidance on their duties, responsibilities and powers
- Providing information on laws, legislation, regulations and matters of ethics and good corporate governance relevant to the company
- Ensuring compliance with laws and regulations
- Properly recording the minutes of all shareholder and board meetings
- Administering closed periods for dealing in the company's shares
- Assisting to the extent deemed necessary with the induction of new directors

Merchantec Capital is the company's Designated Adviser (DA) responsible for ensuring ongoing compliance with the JSE Listings Requirements and management of all JSE-related issues.

Share dealings and conflicts of interest

Share dealings are dealt with in terms of a formal approval policy overseen by the Chairman and DA. The share dealings of the Chairman are required to be authorised by an independent non-executive director prior to implementation.

Directors and management are advised by the DA in writing when the company is entering a closed period. The company secretary, in conjunction with the DA, ensures the publication of all share dealings on SENS.

During the year the JSE queried a reported disclosure of price sensitive information. B&W co-operated fully with the investigation and the JSE found that no contravention of legislation had occurred. No other incidences of non-compliance were reported during the year.

Board Charter

The Board Charter was reviewed and updated during the year to align with current legislation and best practice and accordingly sets out new duties, responsibilities and liabilities of the board.

The charter includes a statement of governance principles that guide the activities of the board and records the accountability of board members, collectively and individually, to ensure an appropriate balance of power and authority. The Charter further details the roles of the Chairman and CEO.

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

- Exercise leadership, integrity and judgement based on fairness, accountability, responsibility and transparency
- Determine the group's purpose, values and stakeholders relevant to its business
- Establish and maintain the structure of the company
- Provide strategic direction to the group
- Monitor and evaluate the implementation of business plans
- Identify key risk areas and key performance indicators
- Identify and monitor the non-financial aspects relevant to the business of the group
- Define levels of materiality, reserving specific powers to itself and delegating other matters with the necessary written authority to specific directors
- Review processes and procedures to ensure the effectiveness of the company's internal systems of control
- Ensure that the group complies with all relevant laws, regulations and codes of best business practice
- Ensure that that the company communicates with its shareholders and other relevant stakeholders
- Consider proposals for executive directors' remuneration from the Remuneration Committee

Board committees

During the year board functions were supported by the following committees:

- Audit & Risk Committee
- Remuneration Committee
- Social & Ethics Committee

The chairpersons of board committees attend the annual general meetings. Current membership is set out below:

	Remuneration	Social & Ethics	Audit & Risk
Chairman	Unati Mabandla	Dean Nevay	George Robertson
YU Mabandla~	*	*	
JD Oosthuizen~	*		*
W Wassermeier~	*		*
LJ Barrow	*		
GJ Robertson~			*

	Remuneration	Social & Ethics	Audit & Risk
RMH Pitt~			*
GWR Swanepoel		*	
DS Nevay		*	

~ Independent

Attendance of committee meetings is set out on page 25 and 26.

Audit & Risk Committee

Please *see the 'Audit & Risk Committee report' on page 36.*

Remuneration Committee

Please *see 'People and remuneration' on page 33.*

Social & Ethics Committee

During the year B&W established a Social & Ethics Committee. The committee consists of no less than three directors, one whom must be independent (see membership table above). The board appoints committee members, and a chairman is either appointed by the board or by majority vote of the committee members themselves. Members will retire and/or be re-appointed at each annual general meeting going forward. The committee secretary is the company secretary.

The committee's role and responsibilities are codified in a Social & Ethics Committee Charter, which will be reviewed annually going forward. Its fundamental role is to monitor and report on various issues including social and economic development (incorporating CSI), good corporate citizenship, the environment, health and public safety, consumer relationships, labour and employment and ensuring the wellbeing of B&W and its stakeholders.

Its responsibilities include:

- Having regard to relevant legislation and codes of best practice, monitoring the company's activities, in respect of:
  - Social and economic development, including the company's standing in terms of the United Nations Global Compact Principles
  - OECD recommendations regarding corruption
  - Employment Equity Act
  - the Broad-Based Black Economic Empowerment Act
- Good corporate citizenship, including the company's promotion of equality, prevention of unfair discrimination, and reduction of corruption; contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and record of sponsorship, donations and charitable giving
- The environment, health and public safety, including the impact of the company's activities and of its products or services
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws
- Labour and employment, including the company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; its employment relationships; and its contribution toward the educational development of its employees
- To consult with the company's social and ethics advisory panel with respect to any matter within the mandate of the committee
- To draw matters within its mandate to the attention of the board as required
- To report annually to shareholders at the company's annual general meeting on the matters within its mandate

The committee meets at least once a year. Although management is tasked with overseeing the day-to-day operational sustainability of their respective areas of business, and reporting thereon to the committee, the board remains ultimately responsible for group sustainability.

Key indicators monitored by the committee

Indicator	Target	Status (31 August 2012)
Transformation and B-BBEE ratings including:		
B-BBEE ownership	14,35	14,29
Management control	3,60	3,10
Employment equity	1,50	1,34
Skills development and training	11,00	10,73
Preferential procurement	16,85	16,60
Enterprise development	15,00	15,00
Socio-economic development	5,00	5,00
Labour relations	100% compliance	100% compliance
Safety and health	NOSA 5 Star NOSCAR	NOSA 5 Star NOSCAR
Environment including: Carbon footprint Legislative compliance	Compliant with all legislation	Compliant with all legislation
Compliance with laws and regulations	100% compliant with laws and regulations	100% compliant with laws and regulations

BEE code	Progress %	Scorecard rating (%)
Ownership	6,7	14,29
Management control	3,6	3,10
Employment equity	3,98	1,34
Skills development	10,8	10,73
Preferential procurement	16,85	16,60
Enterprise development	10,0	15,00
Socio-economic development	5,00	5,00

Risk and material issues

Risk management is embedded in the operational ethos and activities of the group.

Understanding our material issues

B&W has a formalised risk assessment procedure, which involves defining and rating internal and external risks, the latter according to their impact and probability of occurrence. A risk report is sent to the Audit & Risk Committee, detailing risks identified and the material impact they have on B&W's risk profile. Consequences are determined, proposed preventative measures are defined, and strategies and objectives are set out and evaluated.

Risks are constantly measured, incorporating feedback from stakeholders. These risks then inform the material issues impacting the group. At B&W material issues are those considered to be of high concern to our stakeholders and also of high strategic relevance to the group in terms of risk and opportunity. The concept of materiality therefore goes beyond financial impact to encompass social, environmental and community issues.

Risk

Key risks facing the group and our mitigating actions in these regards include:

Risk	Risk mitigation
Fluctuations in foreign currency	▪ Currency hedges and appropriate contingencies included in quoted price
Client default	▪ Credit checks by professionals and Credit Bureau ▪ Cherry-picking (blue chip clients) ▪ Intensifying debt collection ▪ Advance payments prior to commencement ▪ Wherever feasible reducing the retention book and freeing up cash flow by substituting bonds or guarantees for retentions
Site injury or fatalities	▪ Training of health and safety personnel ▪ Intensive training of site supervisory personnel ▪ Provision of maximum PPE to all site staff and visitors ▪ Daily Toolbox Talks to all site staff ▪ Health and safety audits by independent bodies ▪ Maintaining records and analysing safety statistics including Lost Time Injuries (LTIs), 'near misses' and 'abnormal incidents' ▪ Internal site audits every four to six weeks, depending on location of sites ▪ Client and contractor work in conjunction on all safety aspects
Loss or damage to own plant and vehicles	▪ Sufficient business insurance
Input cost inflation	▪ Negotiable cost price adjustment clauses or appropriate contingencies included in quoted price ▪ Negotiating fixed and firm prices with suppliers prior to tender submission

Risk	Risk mitigation
Loss or damage to works	■ Appropriate contractors all risk insurance
Loss or damage to persons or property not incorporated in the works	■ Appropriate public liability insurance
Retirement, death or disablement of key staff	■ Succession planning ■ Mentoring ■ Identifying, recruiting and mentoring key future candidates in the industry
Increased competition	■ Streamlining operational efficiency ■ Increasing market research ■ Intensifying marketing efforts ■ Diversification ■ Identifying new revenue streams ■ Identifying an appropriate value-add BEE partner ■ Continued focus on service delivery
Economic slowdown	■ Intensifying marketing efforts ■ Accessing new markets ■ Geographic expansion ■ Monitoring operational costs ■ Automated project cost control systems
Reputational risk	■ Attention to safety and quality ■ Project audits ■ Independent audits (NOSA, SABS) ■ Regular site visits by directors ■ CEO and Marketing Manager arranging ongoing client project meetings to assess current progress and bottlenecks and assist with corrective action ■ Project close out meeting to identify problems in order to correct and prevent recurrence ■ Ongoing regular contact of Marketing Manager with clients ■ Code of Ethics
Governance non-compliance	■ Ensuring compliance with all legislation ■ Staying abreast of legislation through corporate governance refresher courses
Unethical behaviour	■ Whistleblowing facility, fielded by departmental heads and reported at board meetings
Negative environmental impacts	■ Implementation of environmental management plan

Risk management

Ethical leadership

B&W is committed to the highest standards of honesty, integrity and fairness, and has zero tolerance for the commissioning or concealment of fraudulent acts by employees, contractors or suppliers. The board ensures the Code of Ethics ("the Code") is effected through group strategy as well as in operational decisions. The group's disciplinary codes and procedures further ensure compliance with the Code's underlying tenets.

Employee adherence to the Code is monitored at board meetings and disciplinary action is taken where it is breached. In addition, active policing is practiced during project audits. Training from a recognised third party is implemented to ensure adherence to the Code. The Code is reviewed annually, and during the year was updated to bring it in line with King III.

The group has a confidential open door policy for whistle blowing. No instances of unethical behaviour or corruption were reported during the year.

Risk processes

The board is responsible for assessing the effectiveness of risk management processes throughout the group. The Audit & Risk Committee assists the board in determining the company's risk tolerance, while management is responsible for incorporating risk mitigation into daily activities. Risk assessment is deemed a critical part of onsite project management and is reported to the board per project on a monthly basis.

The group's approach to risk is governed by a formal risk management framework, reviewed annually, where risks are identified and evaluated on a risk:reward basis, per project, for target projects and projects already at tender stage.

Information security management

The board acknowledges its overall responsibility for IT governance and business continuity. To support this, a Company Information Officer (CIO) assumes primary responsibility for IT governance and reports to the board at monthly meetings. Dean Nevay was appointed CIO during the year.

An internal IT control framework is in place, with assurance outsourced to independent expert Syrex Intranets. Risks are identified by the CIO and recommendations are made at board meetings.

During the year the group's time management system, project cost control structures and HR database were updated.

Accounting and auditing

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

The board, via the Audit & Risk Committee, is responsible for evaluating the independence and effectiveness of the external auditors. It also considers whether any non-audit services rendered by the auditors are likely to substantively impair their independence and all non-audit services must be pre-approved by the committee. No such non-audit services were performed during the year.

Adequate internal controls exist within the group to ensure that a separate internal audit function is not necessary. During the year ad-hoc internal audits were carried out on current projects to ensure compliance with the group's established internal controls. The findings of project audits were raised on an exception basis at board meetings. Further, external reviews are conducted at interims and an external audit is performed at year-end by the company's auditors. External audits are conducted by SABS regarding ISO 9000 accreditation compliance. NOSA audits with regard to safety compliance are conducted annually.

Legal compliance

The board ensures that all legal matters are addressed at each board meeting including discussing new legislation that impacts on the group. The company secretary and DA are instrumental in this regard, and together with the board endeavour to ensure ongoing education through external courses and training.

See exceptions table in *'Corporate Governance' on page 24* detailing areas of non-compliance and remedial action taken.

People and remuneration

B&W regards its **employees** as **key to its success,** especially in a **migratory industry** where **skills** are **scarce.**

Highlights

Training spend increased to R3 241 195 from R2 896 630

Labour relations

B&W believes that every employee has the right to belong to a union. B&W falls under the jurisdiction of the National Bargaining Council for Electrical Contracting Industries. SAEWA (South African Equity Workers Association) is the only union represented at the Bargaining Council and as such is the only union with organisational rights within the group. Although numerous employees belong to a multitude of unions, no other union is sufficiently representative within the company to warrant organisational rights. No incidences of labour unrest were experienced during the year.

The HR manager is responsible for employee relations and the group's disciplinary and grievance policy is communicated to staff via employee orientation and induction, on employment at B&W.

Skills development and training

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

During the year B&W created a Small Projects Division and the projects in this division will be used to train and mentor key managers and supervisors, allowing them to develop their skills and move on to larger projects.

A group training officer has been employed, with the task of devising and giving daily updates to employees on the various skills and training programmes offered by B&W. A workplace skills plan is in place which allows for the identification of skills gaps to assist in this process. Formal training, internal training, coaching, mentoring and on the job training will continue to take place. Further B&W has started the necessary procedures to become a training provider, which will enable the group to extend technical courses not only to group employees, but to other contractors as well for the benefit of the industry at large. Formal NQF 2, 3 and 4 training is offered each year, with a total of 47 learners currently participating (100% of whom are black/Previously Disadvantaged Individuals (PDIs)).

B&W substantially increased its total training spend in the year from R2 896 630 to R3 241 195.

Remuneration Committee report

The Remuneration Charter is currently being reviewed and updated in accordance with King III.

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

The number of hours of training is detailed in the table below:

	Average hours/employee	Combined hours
Semi-skilled	49	103 488
Junior skilled	5	1 500
Junior management	5	1 100
Senior management	5	300

People and remuneration *continued*

B&W has an established formal and transparent policy on executive remuneration and the remuneration packages of individual directors. The group remuneration policy sets out B&W's intention to attract and retain critical talent as well as to motivate current employees to perform to their best ability and in the best interests of the company and its stakeholders. Basic salaries of employees are as far as possible market-related with annual increases and bonuses determined with reference to the employees' role, personal and operational performance, organisational size, key performance areas, the business climate and current market conditions as well as criteria such as exceptional effort and inflation. This is, where necessary, further benchmarked against independent market surveys. Any intended remuneration outside of the market ranges requires explanation to the board by the committee.

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

B&W operates an assisted share purchase scheme for directors and senior managers for long-term incentivisation.

Junior staff and hourly paid workers who have been employed by the company for more than four years share in growth by way of the B&W Employee Trust, which owns 5,98% of the equity.

A remuneration review is carried out annually. Directors' performance is reviewed every two years, while the CEO's performance is evaluated annually by the Chairman. Directors' performance is measured against set criteria.

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

31 August 2013	Position	Salaries (cost to company) R	Incentives R	Total R
SZ Roos	Contracts Manager	1 118 585		1 118 585
AP Smuts	Contracts Manager	1 076 303		1 076 303
KE Nel	Marketing Manager	1 068 870		1 068 870

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

Type of fee	Proposed fee 2012/13
Monthly fee	
Non-executive	R11 300
Audit & Risk Committee (per meeting)	
Chairman	R22 600
Member	R11 300
Remuneration Committee (per meeting)	
Chairman	R22 600
Member	R11 300
Social & Ethics Committee (per meeting)	
Chairman	R22 600
Member	R11 300

Non-attendance of board meetings may result in a penalty of R11 300 per non-attendance.

Directors' **statement of responsibility**

The annual financial statements, which are presented on pages 42 to 90, have been prepared in accordance with IFRS and are supported by reasonable and conservative judgements and estimates. The directors are responsible for the preparation of the annual financial statements and related financial information, which fairly present the state of affairs and the results of the company and the group. The directors have recruited the services of an independent IFRS consultant to assist with fulfilment of their obligations in this regard. Management fulfils its responsibility by maintaining adequate accounting records to ensure the integrity of the annual financial statements.

The directors are also responsible for the company's system of internal controls. These controls are designed to provide reasonable, but not absolute assurance as to the integrity and reliability of the annual financial statements, that transactions are conducted in accordance with management's authority and that the assets are adequately safeguarded against loss. These controls are monitored throughout the company by management. Nothing has come to the directors' attention to indicate that there were any material breakdowns in the functioning of these controls during the year under review.

The annual financial statements have been prepared on the going concern basis since the directors have every reason to believe that the company has adequate resources to continue in operation for the foreseeable future. The annual financial statements support the viability of the company. The auditors, Certified Master Auditors Inc., are responsible for reporting on the fair presentation of the annual financial statements and their report is presented on page 38.

The annual financial statements were approved by the board of directors on 16 November 2012 and are signed on its behalf by:

John Barrow
Chairman

Brian Harley
CEO

16 November 2012

Declaration **by company secretary**

In our capacity as company secretary, we declare that for the year ended 31 August 2012 the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 2008, as amended, and that such returns are true, correct and up to date.

CIS Company Secretaries Proprietary Limited
Company secretary

16 November 2012

Audit & Risk **Committee report**

The Audit & Risk Committee is an independent statutory committee appointed by the shareholders. Other oversight functions are performed by the committee as determined by the board of directors of the company. This report covers both these sets of duties and responsibilities.

Committee charter

A board approved charter stipulating the committee's composition, role, responsibilities and authority has been adopted. The committee is satisfied that it complied with the responsibilities as set out in this charter and the relevant legal and regulatory responsibilities.

Committee members, meeting attendance, training and assessment

The committee is independent and comprises four independent non-executive directors.

The committee meets at least four times per year in terms of its charter. Meeting attendance is set out on pages 25 and 26.

The Chairman of the board, CEO, Financial Director, external auditor and other assurance providers (legal, IFRS, compliance, insurance, risk, quality control, safety, health and environment) attend meetings by invitation only.

During the year all members of the committee attended a course on corporate governance and risk management.

The effectiveness of the committee and its members will be assessed on an annual basis.

Role and responsibilities

The committee's role and responsibilities include statutory duties in terms of the Companies Act and further responsibilities assigned to it by the board. The committee substantially performed its duties as required by King III. Instances where King III requirements have not been applied have been explained in the corporate governance statement included elsewhere in the integrated annual report.

Statutory duties

Section 94 of the Companies Act stipulates the statutory duties of the committee.

External auditor appointment and independence

The committee is satisfied regarding the independence and competence of the external auditors and the designated partner.

During the year under review the external auditor did not provide any non-audit services to the company.

The committee ensured that the appointment of the external auditor complied with the Companies Act and other relevant legislation.

The committee in consultation with management agreed to the engagement, terms, audit plan and audit fee.

The committee has nominated, for election at the annual general meeting, Certified Master Auditors Inc. as the external audit firm and G Davias as the designated auditor responsible for performing the function of auditor, for the 2013 year.

Financial statements and accounting practices

The committee takes appropriate steps to ensure that the accounting policies and financial statements of the company comply with IFRS.

Internal financial controls

The committee reviews the external audit reports on the financial statements and the risk management reports and where appropriate makes recommendations on risk management and internal financial controls. Based on discussions with the external auditors on the results of the audit and information and explanations given by management, the committee has no reason to believe that there were any material breakdowns in the effectiveness of internal financial controls during the year which have not been addressed, or are in the process of being addressed. Thus the financial records can be relied on for preparing financial statements.

Concerns and complaints

The committee deals with all concerns and complaints regarding accounting practices and the auditing or contents of the financial statements and the company's internal financial controls. No matters of significance have been raised in respect of the year under review.

Duties assigned by the board

Further oversight functions as determined by the board and included in the committee charter are as follows:

Risk management

The committee assists the board in ensuring that the company has implemented an effective policy and plan for risk management that will enhance the company's ability to achieve its strategic objectives, and the disclosure regarding risk is comprehensive, timely and relevant.

The committee reviews the risk management process regularly undertaken by executive directors and senior management of the company at least annually.

Confidential meetings

The committee agendas provide for confidential meetings between the committee members and the external auditors.

Evaluation of the expertise and experience of finance function and the Financial Director

The committee has considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and expertise of the senior members of management responsible for the financial function.

The committee has satisfied itself that the Financial Director, Danie Evert, has appropriate experience and expertise.

Integrated reporting and combined assurance

The committee fulfils an oversight role regarding the company's integrated annual report and reporting process. The committee is satisfied that the sustainability information is reliable and consistent with the financial results and is satisfied that the company has optimised the assurance coverage obtained from management and internal and external assurance providers.

The committee reviews all announcements regarding the company's results or other financial information to be made public prior to submission and approval by the board.

The committee has, at its meeting held on 16 November 2012, recommended the integrated annual report and financial statements for the year ended 31 August 2012 for approval by the board of directors.

GJ Robertson
Audit & Risk Committee Chairman

16 November 2012

Independent **auditor's report**

for the year ended **31 August 2012**

To the shareholders of B & W Instrumentation and Electrical Limited

Report on the financial statements

We have audited the financial statements of B & W Instrumentation and Electrical Limited, as set out on pages 42 to 90, which comprise the statement of financial position as at 31 August 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of B & W Instrumentation and Electrical Limited as at 31 August 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act, 71 of 2008.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 August 2012, we have read the directors' report, the Audit & Risk Committee report and the declaration by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

G Davias
Certified Master Auditors Inc

16 November 2012

CMA Office and Conference Park
1, 2nd Road
Midrand
1685

Directors' **report**

for the year ended **31 August 2012**

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

Nature of business

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

Financial results

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

Dividend

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

Accounting policies

The annual financial statements, which are presented on pages 42 to 90, have been prepared in accordance with IFRS and in the manner required by the South African Companies Act, 2008. The annual financial statements have been prepared on the going concern basis. Detailed accounting policies are set out on pages 47 to 63 of the integrated annual report of which this directors' report forms part.

Preparation of annual financial statements

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

Directorate

The directors of the company at the date of this integrated annual report are set out below. The number of board and committee meetings attended by each of the directors during the period 1 September 2011 to 31 August 2012 is tabled on pages 25 and 26 of the corporate governance report.

Directors' shareholding

At year-end the directors held 90 974 500 shares in the issued share capital of the company.

	Direct shareholding		Indirect shareholding			Total
	Beneficial	**Non-beneficial**	**Beneficial**	**Non-beneficial**	**Unexercised shares in the share incentive scheme**	
2012						
LJ Barrow^	500 000	–	34 400 000	–	–	34 900 000
BH Harley	12 680 000	–	–	–	–	12 680 000
DJ Evert	250 000	–	3 640 000	–	1 130 000	5 020 000
DS Nevay	4 250 000	–	8 430 000	–	–	12 680 000
GWR Swanepoel	4 250 000	–	8 430 000	–	–	12 680 000
T Lombard	4 434 500	–	8 430 000	–	–	12 864 500
YU Mabandla^-	–	–	–	–	50 000	50 000
JD Oosthuizen^-	–	–	–	–	50 000	50 000
W Wassermeier^-	–	–	–	–	50 000	50 000
	26 364 500	–	63 330 000	–	1 280 000	90 974 500

^Non-executive -Independent

Directors' **report** *continued*

for the year ended **31 August 2012**

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

*^Non-executive -Independent *Resigned 31 January 2011*

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

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

No material contracts in which directors have an interest were entered into during the year. Directors' emoluments are set out in note 35 to the annual financial statements.

Company secretary

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

Auditors

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

Special resolutions

The following special resolutions were passed at the annual general meeting on 20 January 2012:

- Approval of non-executive directors' remuneration
- General approval to acquire securities
- Approval of financial assistance for subscription of securities
- Approval of loans or other financial assistance to directors

Share capital

On 31 August 2012 the authorised share capital of the company comprised 500 000 000 ordinary shares, of which 212 168 959 were in issue.

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

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

Liquidity and solvency

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

Subsequent events

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

16 November 2012

Statement **of financial position**

As at **31 August 2012**

		Group			Company		
			2011	2010		2011	2010
		2012	Restated	Restated	**2012**	Restated	Restated
	Notes	**R'000**	R'000	R'000	**R'000**	R'000	R'000
Assets							
Non-current assets							
Property, plant and equipment	2	**27 081**	32 543	36 939	**22 950**	24 967	28 760
Goodwill	3	**7 368**	7 368	7 368	**–**	–	–
Intangible assets	4	**1 702**	2 553	3 404	**–**	–	–
Investments in subsidiaries	5	**–**	–	–	**33**	33	32
Other financial assets	9	**250**	–	–	**250**	–	–
Deferred tax	11	**4 304**	10 924	–	**1 022**	8 872	–
Retention debtors	12	**4 329**	–	15 766	**999**	–	15 766
		45 034	53 388	63 477	**25 254**	33 872	44 558
Current assets							
Inventories	13	**15 449**	2 547	3 502	**12 984**	1 351	3 136
Loans to related parties	8	**–**	8 904	3 700	**26 192**	76 749	41 755
Other financial assets	9	**3 567**	3 567	3 484	**3 567**	3 567	3 484
Trade and other receivables	14	**221 392**	337 407	319 146	**202 955**	233 749	284 215
Cash and cash equivalents	15	**15 155**	12 876	71 082	**3 175**	–	44 117
		255 563	365 301	400 914	**248 873**	315 416	376 707
Total assets		**300 597**	418 689	464 391	**274 127**	349 288	421 265
Equity and liabilities							
Equity							
Equity attributable to equity Holders of parent							
Share capital	16	**38 583**	38 583	38 583	**49 852**	49 852	49 852
Reserves		**246**	500	315	**969**	–	–
Retained income		**144 425**	140 776	165 970	**112 250**	81 542	142 730
		183 254	179 859	204 868	**163 071**	131 394	192 582
Non-controlling interest	17	**151**	459	216	**–**	–	–
Total equity		**183 405**	180 318	205 084	**163 071**	131 394	192 582
Liabilities							
Non-current liabilities							
Finance lease obligation	19	**554**	47	131	**–**	–	–
Deferred tax	11	**–**	–	11 682	**–**	–	10 942
		554	47	11 813	**–**	–	10 942

		Group			Company		
	Notes	**2012 R'000**	2011 Restated R'000	2010 Restated R'000	**2012 R'000**	2011 Restated R'000	2010 Restated R'000
Current liabilities							
Loans from related parties	8	3 630	4 862	1 634	8 744	15 981	1 017
Loans from shareholders	6	4 628	7 823	–	4 628	7 823	–
Financial liabilities	18	20 144	–	–	20 144	–	–
Current tax payable		4 357	17 042	6 841	4 819	2 581	445
Finance lease obligation	19	201	52	158	–	–	–
Trade and other payables	20	79 342	154 385	230 296	68 385	137 349	207 985
Provisions	21	4 336	6 831	8 565	4 336	6 831	8 294
Bank overdraft	15	–	47 329	–	–	47 329	–
		116 638	238 324	247 494	111 056	217 894	217 741
Total liabilities		117 192	238 371	259 307	111 056	217 894	228 683
Total equity and liabilities		300 597	418 689	464 391	274 127	349 288	421 265
Net asset value per share (cents)		89,7	88,2	100,4	76,9	61,9	90,8
Net tangible asset value per share (cents)		85,3	83,4	95,1	76,9	61,9	90,8

Statement **of comprehensive income**

for the year ended **31 August 2012**

		Group			Company		
	Notes	**2012 R'000**	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
Revenue		**442 374**	683 384	601 283	**334 431**	528 416	507 140
Contract costs	23	**(374 888)**	(661 500)	(478 158)	**(241 374)**	(559 100)	(423 074)
Gross profit/(loss)		**67 486**	21 884	123 125	**93 057**	(30 684)	84 066
Other income		**1 876**	224	1 040	**658**	174	1 040
Operating expenses		**(53 590)**	(45 714)	(45 855)	**(46 593)**	(36 098)	(39 284)
Operating profit/(loss)	24	**15 772**	(23 606)	78 310	**47 122**	(66 608)	45 822
Investment revenue	25	**45**	40	3 567	**43**	951	4 035
Finance costs	26	**(5 548)**	(3 619)	(323)	**(5 511)**	(3 599)	(208)
Profit/(loss) before taxation		**10 269**	(27 185)	81 554	**41 654**	(69 256)	49 649
Taxation	29	**(7 683)**	11 429	(24 041)	**(11 713)**	17 616	(14 905)
Profit/(loss) for the year		**2 586**	(15 756)	57 513	**29 941**	(51 640)	34 744
Other comprehensive income:							
Foreign currency translation reserve movement	27	**(1 235)**	187	318	**–**	–	–
Total comprehensive income/(loss)		**1 351**	(15 569)	57 831	**29 941**	(51 640)	34 744
Profit/(loss) attributable to:							
Owners of the parent		**2 882**	(15 997)	57 308	**29 941**	(51 640)	34 744
Non-controlling interest		**(296)**	241	205	**–**	–	–
		2 586	(15 756)	57 513	**29 941**	(51 640)	34 744
Total comprehensive income/(loss) attributable to:							
Owners of the parent		**1 659**	(15 812)	57 623	**29 941**	(51 640)	34 744
Non-controlling interest		**(308)**	243	208	**–**	–	–
		1 351	(15 569)	57 831	**29 941**	(51 640)	34 744
Earnings per share							
Earnings/(loss) per share (cents)							
Basic and diluted EPS	39	**1,4**	(7,8)	28,5	**14,1**	(24,3)	16,6

Statement **of changes in equity**

for the year ended **31 August 2012**

	Share capital R'000	Share premium R'000	Treasury shares R'000	Total share capital R'000	Share-based payment reserve R'000	Foreign currency trans-lation reserve R'000	Total share capital and reserves R'000	Retained income R'000	Total attribut-able to equity holders of the group R'000	Non-control-ling interest R'000	Total equity R'000
Group											
Balance at 1 September 2010	**2**	**49 850**	**(11 269)**	**38 583**	**–**	**315**	**38 898**	**165 970**	**204 868**	**216**	**205 084**
Changes in equity											
Total comprehensive loss for the year	–	–	–	–	–	185	185	(15 997)	(15 812)	243	(15 569)
Dividends	–	–	–	–	–	–	–	(9 197)	(9 197)	–	(9 197)
Total changes	–	–	–	–	–	185	185	(25 194)	(25 009)	243	(24 766)
Balance at 1 September 2011	**2**	**49 850**	**(11 269)**	**38 583**	**–**	**500**	**39 083**	**140 776**	**179 859**	**459**	**180 318**
Changes in equity											
Total comprehensive income for the year	–	–	–	–	–	(1 223)	(1 223)	2 882	1 659	(308)	1 351
Equity-settled share-based payment	–	–	–	–	1 736	–	1 736	–	1 736	–	1 736
Transfer from reserve	–	–	–	–	(767)	–	(767)	767	–	–	–
Total changes	–	–	–	–	969	(1 223)	(254)	3 649	3 395	(308)	3 087
Balance at 31 August 2012	**2**	**49 850**	**(11 269)**	**38 583**	**969**	**(723)**	**38 829**	**144 425**	**183 254**	**151**	**183 405**
Notes	16	16	16		42	27				17	

	Share capital R'000	Share premium R'000	Total share capital R'000	Share-based payment reserve R'000	Retained income R'000	Total attributable to equity holders of the company R'000	Total equity R'000
Company							
Balance at 1 September 2010	**2**	**49 850**	**49 852**	**–**	**142 730**	**192 582**	**192 582**
Changes in equity							
Total comprehensive loss for the year	–	–	–	–	(51 640)	(51 640)	(51 640)
Dividends	–	–	–	–	(9 548)	(9 548)	(9 548)
Total changes	–	–	–	–	(61 188)	(61 188)	(61 188)
Balance at 1 September 2011	**2**	**49 850**	**49 852**	**–**	**81 542**	**131 394**	**131 394**
Changes in equity							
Total comprehensive income for the year	–	–	–	–	29 941	29 941	29 941
Equity-settled share-based payment	–	–	–	1 736	–	1 736	1 736
Transfer from reserve	–	–	–	(767)	767	–	–
Total changes	–	–	–	969	30 708	31 677	31 677
Balance at 31 August 2012	**2**	**49 850**	**49 852**	**969**	**112 250**	**163 071**	**163 071**
Notes	16	16	16	42			

Statement **of cash flows**

for the year ended **31 August 2012**

		Group			Company		
	Notes	**2012 R'000**	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
Cash flows from operating activities							
Cash generated from/(used in) operations	30	**49 256**	(95 404)	(5 495)	**87**	(65 842)	(33 695)
Interest income		**45**	40	3 567	**43**	951	4 035
Finance costs		**(5 548)**	(3 619)	(323)	**(5 511)**	(3 599)	(208)
Tax paid	31	**(13 748)**	(977)	(19 347)	**(1 626)**	(62)	(17 117)
Net cash from operating activities		**30 005**	**(99 960)**	**(21 598)**	**(7 007)**	**(68 552)**	**(46 985)**
Cash flows from investing activities							
Purchase of property, plant and equipment	2	**(4 283)**	(2 168)	(14 344)	**(2 654)**	(1 062)	(11 479)
Sale of property, plant and equipment	2	**4 420**	215	314	**1 145**	6	314
Business combinations/acquisition of subsidiary		**–**	–	(11 653)	**–**	–	–
Loans to related parties advanced/(repaid)		**7 672**	(1 975)	(3 097)	**43 320**	(20 030)	11 584
Acquisition of financial assets		**(250)**	(83)	(3 484)	**(250)**	(83)	(3 484)
Advances to retention debtors		**(4 329)**	–	–	**(999)**	–	–
Loan advanced by shareholders		**–**	7 823	–	**–**	7 823	–
Repayment of shareholders' loan		**(3 195)**	–	–	**(3 195)**	–	–
Net cash from investing activities		**35**	**3 812**	**(32 264)**	**37 367**	**(13 346)**	**(3 065)**
Cash flows from financing activities							
Advanced/(repayment) of financial liabilities		**20 144**	–	–	**20 144**	–	–
Inflow/(outflow) from finance lease		**656**	(190)	289	**–**	–	–
Dividends paid	32	**–**	(9 197)	(15 109)	**–**	(9 548)	(15 694)
Net cash from financing activities		**20 800**	**(9 387)**	**(14 820)**	**20 144**	**(9 548)**	**(15 694)**
Total cash movement for the year		**50 840**	**(105 535)**	**(68 682)**	**50 504**	**(91 446)**	**(65 744)**
Cash at the beginning of the year		**(34 453)**	71 082	139 764	**(47 329)**	44 117	109 861
Effect of exchange rate movement on cash balances		**(1 232)**	–	–	**–**	–	–
Total cash at the end of the year	**15**	**15 155**	**(34 453)**	**71 082**	**3 175**	**(47 329)**	**44 117**

Accounting **policies**

for the year ended **31 August 2012**

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, JSE Listings Requirements and the Companies Act, 71 of 2008, under the supervision of Financial Director, Danie Evert. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. The functional and reporting currency is South African Rand.

These accounting policies are consistent with the previous period, except for the changes set out in note 1.19 – Standards and interpretations issued now effective.

1.1 Significant judgements and sources of estimation uncertainty

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

Allowance for slow moving, damaged and obsolete stock

An allowance to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. Any write down is included in the operating profit note.

Impairment testing

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

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 – Provisions.

Taxation

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

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Residual values of property, plant and equipment

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

Contract revenue and contracts in progress

The group recognises contract revenue and contracts in progress as described in the accounting policy note 1.14. Judgements are required for the estimation of the stage of completion and cost to completion. Should the stage of completion be significantly different from the actual amount of work carried out, this would have a material impact on the amount of contract revenue in progress.

1.2 Property, plant and equipment

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

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

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

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

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

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

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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

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

1.3 Investments in subsidiaries

Company annual financial statements

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

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

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

1.4 Consolidation

Group annual financial statements – basis of consolidation

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

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

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

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

Business combinations

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

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

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

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

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

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

Non-controlling interests that arise as a result of a business combination are either measured at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

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

Interests in joint ventures

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

Jointly controlled operations

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

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

1.5 Financial instruments

Initial recognition and measurement

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

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

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

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

Classification

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

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

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

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

Loans and receivables

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

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

Loans to related parties

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

Retention debtors

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

Trade and other receivables

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

Cash and cash equivalents

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

Financial liabilities at amortised cost

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

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

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

Derecognition of financial assets and liabilities

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

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

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

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

Offset

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

1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

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

Tax expenses

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

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

1.7 Leases

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

Finance leases – lessee

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

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

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

Operating leases – lessee

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

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

1.8 Inventories

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

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

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

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

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

1.9 Impairment of assets

Non-financial assets

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets

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

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

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

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

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

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

1.10 Share capital and equity

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

Treasury shares

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

1.11 Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, group accounts for those services as they are rendered by the counterparty during the vesting period.

If the share-based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

1.12 Employee benefits

Short-term employee benefits

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

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

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

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

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

1.13 Provisions and contingencies

Provisions are recognised when the group has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

1.14 Contract revenue

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

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

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

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

Contract revenue comprises:

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

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

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

Contract revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value-added tax.

A group of contracts are treated as a single contract where they are negotiated with different customers but the contracts are closely inter-related and akin to a single project with a single project margin and performed concurrently or continuously.

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

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

1.15 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:
- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

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

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

1.16 Foreign currencies

Functional and presentation currency

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

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

Foreign currency transactions

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

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

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

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Intangible assets

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

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

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

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

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

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

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

Item	Useful life
Trade names	5 years
Customer relationships	5 years

1.18 Segmental reporting

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

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

The CODM evaluates the segmental performance based on operating profit or loss before tax. Refer to note 38.

1.19 New standards and interpretations

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

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	■ Amendment clarifies that changes in accounting policies in the year of adoption fall outside of the scope of IAS 8. ■ Amendment permits the use of revaluation carried out after the date of transition as a basis for deemed cost.	1 January 2011	These amendments did not have any material impact on the financial statements.
	■ Amendment permits the use of carrying amount under previous GAAP as deemed cost for operations subject to rate regulation.	1 July 2011	These amendments did not have any material impact on the financial statements.
	■ Standard amended to provide guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS compliant financial statements, or presenting IFRS complaint financial statements for the first time.	1 July 2011	These amendments did not have any material impact on the financial statements.

for the year ended **31 August 2012**

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IFRS 3 *Business Combinations*	■ Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. ■ Clarification on the measurement of non-controlling interests. ■ Additional guidance provided on unreplaced and voluntarily replaced share-based payment awards.	1 January 2011	These amendments did not have any material impact on the financial statements.
IFRS 7 *Financial Instruments: Disclosures*	■ Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading.	1 January 2011	These amendments did not have any material impact on the financial statements.
	■ Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.	1 July 2011	These amendments did not have any material impact on the financial statements.
IAS 1 *Presentation of Financial Statements*	■ Clarification of statement of changes in equity. ■ New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.	1 January 2011	These amendments did not have any material impact on the financial statements.
IAS 34 *Interim Financial Reporting*	■ Clarification of disclosure requirements around significant events and transactions including financial instruments.	1 January 2011	This amendment did not have any material impact on the financial statements.
IFRIC 13 *Customer Loyalty Programmes*	■ Clarification on the intended meaning of the term ‘fair value’ in respect of award credits.	1 January 2011	This amendment did not have any material impact on the financial statements.

New standards and interpretations – issued but not yet effective

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	■ Amendments add an exception to the retrospective application of IFRS to require that first-time adopters apply the requirements in IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to IFRS. ■ *Annual Improvements 2009 – 2011 Cycle:* Amendments clarify the options available to users when repeated application of IFRS 1 is required and to add relevant disclosure requirements. ■ *Annual Improvements 2009 – 2011 Cycle:* Amendments to borrowing costs.	1 January 2013	These amendments are not expected to have any material impact on the financial statements.
IFRS 7 *Financial Instruments: Disclosures*	■ Amendments require entities to disclose gross amounts subject to rights of set off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of setoff on the entity's rights and obligations.	1 January 2013	This amendment is not expected to have any material impact on the financial statements.
IFRS 9 *Financial Instruments*	■ New standard that forms the first part of a three-part project to replace IAS 39 *Financial Instruments: Recognition and Measurement.*	1 January 2015	This amendment is not expected to have any material impact on the financial statements.
IFRS 10 *Consolidated Financial Statements*	■ New standard that replaces the consolidation requirements in SIC-12 *Consolidation – Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements.* Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess. ■ Amendments to the transition guidance of IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities,* thus limiting the requirements to provide adjusted comparative information.	1 January 2013	These amendments are not expected to have any material impact on the financial statements.

Accounting **policies** *continued*

for the year ended **31 August 2012**

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IFRS 10 *Consolidated Financial Statements (continued)*	■ IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must be accounted for at fair value under IFRS 9, *Financial Instruments* or IAS 39, *Financial Instruments: Recognition and Measurement.*	1 January 2014	
IFRS 11 *Joint Arrangements*	■ New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities. ■ Amendments to the transition guidance of IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities,* thus limiting the requirements to provide adjusted comparative information.	1 January 2013	These amendments are not expected to have any material impact on the financial statements.
IFRS 12 *Disclosure of Interests in Other Entities*	■ New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. ■ Amendments to the transition guidance of IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, thus limiting the requirements to provide adjusted comparative information. ■ New disclosures required of Investment Entities (as defined in IFRS 10).	1 January 2013 1 January 2014	These amendments are not expected to have any material impact on the financial statements.
IFRS 13 *Fair Value Measurement*	■ New guidance on fair value measurement and disclosure requirements.	1 January 2013	This amendment is not expected to have any material impact on the financial statements.
IAS 12 *Income Taxes*	■ Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.	1 January 2012	This amendment is not expected to have any material impact on the financial statements.

Standard	Details of amendment	Annual periods beginning on or after	Impact on financial reporting
IAS 16 *Property, Plant and Equipment*	■ *Annual Improvements 2009 – 2011 Cycle:* Amendments to the recognition and classification of servicing equipment.	1 January 2013	This amendment is not expected to have any material impact on the financial statements.
IAS 19 *Employee Benefits*	■ Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.	1 January 2013	This amendment is not expected to have any material impact on the financial statements.
IAS 27 *Consolidated and Separate Financial Statements*	■ Consequential amendments resulting from the issue of IFRS 10,11 and 12. ■ Requirement to account for interests in 'Investment Entities' at fair value under IFRS 9, *Financial Instruments,* or IAS 39, *Financial Instruments Recognition and Measurement,* in the separate financial statements of a parent.	1 January 2013 1 January 2014	This amendment is not expected to have any material impact on the financial statements.
IAS 28 *Investments in Associates*	■ Consequential amendments resulting from the issue of IFRS 10, 11 and 12.	1 January 2013	This amendment is not expected to have any material impact on the financial statements.
IAS 32 *Financial Instruments: Presentation*	■ Amendments require entities to disclose gross amounts subject to rights of setoff, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of setoff on the entity's rights and obligations. ■ *Annual Improvements 2009 – 2011 Cycle:* Amendments to clarify the tax effect of distribution to holders of equity instruments.	1 January 2013	These amendments are not expected to have any material impact on the financial statements.
IAS 34 *Interim Financial Reporting*	■ *Annual Improvements 2009 – 2011 Cycle:* Amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities.	1 January 2013	This amendment is not expected to have any material impact on the financial statements.
IFRIC 20	■ Stripping costs in the production phase of a surface mine.	1 January 2013	This amendment is not expected to have any material impact on the financial statements.

2. Property, plant and equipment

	2012 Cost R'000	2012 Accumulated depreciation R'000	2012 Carrying value R'000	2011 Cost R'000	2011 Accumulated depreciation R'000	2011 Carrying value R'000
Group						
Land	2 000	–	2 000	2 000	–	2 000
Buildings	3 255	(185)	3 070	3 255	(120)	3 135
Plant and machinery	9 969	(4 292)	5 677	11 167	(3 972)	7 195
Furniture and fixtures	605	(369)	236	770	(338)	432
Motor vehicles	23 674	(11 170)	12 504	27 234	(10 947)	16 287
IT equipment	951	(678)	273	838	(593)	245
Mobile offices	5 144	(1 823)	3 321	5 054	(1 805)	3 249
Total	45 598	(18 517)	27 081	50 318	(17 775)	32 543

	2010 Cost R'000	2010 Accumulated depreciation R'000	2010 Carrying value R'000
Group			
Land	2 000	–	2 000
Buildings	3 255	(55)	3 200
Plant and machinery	9 829	(2 560)	7 269
Furniture and fixtures	770	(247)	523
Motor vehicles	27 197	(7 221)	19 976
IT equipment	797	(404)	393
Mobile offices	4 948	(1 370)	3 578
Total	48 796	(11 857)	36 939

	2012 Cost R'000	2012 Accumulated depreciation R'000	2012 Carrying value R'000	2011 Cost R'000	2011 Accumulated depreciation R'000	2011 Carrying value R'000
Company						
Land	2 000	–	2 000	2 000	–	2 000
Buildings	3 255	(185)	3 070	3 255	(120)	3 135
Plant and machinery	8 775	(3 866)	4 909	9 044	(2 954)	6 090
Furniture and fixtures	463	(277)	186	463	(233)	230
Motor vehicles	18 393	(9 105)	9 288	18 399	(7 874)	10 525
IT equipment	804	(592)	212	697	(519)	178
Mobile offices	5 087	(1 802)	3 285	4 493	(1 684)	2 809
Total	38 777	(15 827)	22 950	38 351	(13 384)	24 967

	2010 Cost R'000	2010 Accumulated depreciation R'000	2010 Carrying value R'000
Company			
Land	2 000	–	2 000
Buildings	3 255	(55)	3 200
Plant and machinery	8 198	(1 689)	6 509
Furniture and fixtures	463	(182)	281
Motor vehicles	18 730	(5 373)	13 357
IT equipment	685	(367)	318
Mobile offices	4 387	(1 292)	3 095
Total	37 718	(8 958)	28 760

2. Property, plant and equipment *(continued)*

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
Reconciliation of property, plant and equipment – Group – 2012					
Land	2 000	–	–	–	2 000
Buildings	3 135	–	–	(65)	3 070
Plant and machinery	7 195	268	(440)	(1 346)	5 677
Furniture and fixtures	432	–	(120)	(76)	236
Motor vehicles	16 287	2 951	(3 252)	(3 482)	12 504
IT equipment	245	149	(12)	(109)	273
Mobile offices	3 249	915	(444)	(399)	3 321
	32 543	4 283	(4 268)	(5 477)	27 081
Reconciliation of property, plant and equipment – Group – 2011					
Land	2 000	–	–	–	2 000
Buildings	3 200	–	–	(65)	3 135
Plant and machinery	7 269	1 338	–	(1 412)	7 195
Furniture and fixtures	523	–	–	(91)	432
Motor vehicles	19 976	683	(385)	(3 987)	16 287
IT equipment	393	41	–	(189)	245
Mobile offices	3 578	106	–	(435)	3 249
	36 939	2 168	(385)	(6 179)	32 543

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
Reconciliation of property, plant and equipment – Group – 2010						
Land	1 600	400	–	–	–	2 000
Buildings	1 539	1 701	–	–	(40)	3 200
Plant and machinery	5 593	2 964	324	(14)	(1 598)	7 269
Furniture and fixtures	307	278	54	(16)	(100)	523
Motor vehicles	15 993	6 791	1 164	(267)	(3 705)	19 976
IT equipment	419	142	41	(6)	(203)	393
Mobile offices	1 911	2 068	–	–	(401)	3 578
	27 362	14 344	1 583	(303)	(6 047)	36 939

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
Reconciliation of property, plant and equipment – Company – 2012					
Land	2 000	–	–	–	2 000
Buildings	3 135	–	–	(65)	3 070
Plant and machinery	6 090	154	(195)	(1 140)	4 909
Furniture and fixtures	230	–	–	(44)	186
Motor vehicles	10 525	1 475	(546)	(2 166)	9 288
IT equipment	178	110	–	(76)	212
Mobile offices	2 809	915	(58)	(381)	3 285
	24 967	2 654	(799)	(3 872)	22 950

for the year ended **31 August 2012**

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
2. Property, plant and equipment *(continued)*					
Reconciliation of property, plant and equipment – Company – 2011					
Land	2 000	–	–	–	2 000
Buildings	3 200	–	–	(65)	3 135
Plant and machinery	6 509	845	–	(1 264)	6 090
Furniture and fixtures	281	–	–	(51)	230
Motor vehicles	13 357	99	(226)	(2 705)	10 525
IT equipment	318	12	–	(152)	178
Mobile offices	3 095	106	–	(392)	2 809
	28 760	1 062	(226)	(4 629)	24 967
Reconciliation of property, plant and equipment – Company – 2010					
Land	1 600	400	–	–	2 000
Buildings	1 539	1 700	–	(39)	3 200
Plant and machinery	5 212	2 416	(14)	(1 105)	6 509
Furniture and fixtures	260	86	(15)	(50)	281
Motor vehicles	11 474	4 879	(266)	(2 730)	13 357
IT equipment	409	85	(5)	(171)	318
Mobile offices	1 545	1 913	–	(363)	3 095
	22 039	11 479	(300)	(4 458)	28 760

Details of properties						
ERF 530, Alrode, Extension 7						
– Purchase price: Land	1 600	1 600	1 600	1 600	1 600	1 600
– Building costs	1 555	1 555	1 555	1 555	1 555	1 555
	3 155	**3 155**	**3 155**	**3 155**	**3 155**	**3 155**
Erf 432, Alberton North						
– Purchase price: Land	400	400	400	400	400	400
– Building costs	1 700	1 700	1 700	1 700	1 700	1 700
	2 100	**2 100**	**2 100**	**2 100**	**2 100**	**2 100**

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

The group and company's property, plant and equipment were pledged as security for overdraft facilities granted by Standard Bank Limited.

	2012			2011		
	Cost R'000	**Accumulated impairment R'000**	**Carrying value R'000**	Cost R'000	Accumulated impairment R'000	Carrying value R'000
3. Goodwill						
Group						
Goodwill	**7 368**	**–**	**7 368**	7 368	–	7 368

	2010		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000
3. Goodwill *(continued)*			
Group			
Goodwill	7 368	–	7 368

	Opening balance R'000	Closing balance R'000
Reconciliation of goodwill – Group – 2012		
Goodwill	**7 368**	**7 368**

	Opening balance R'000	Closing balance R'000
Reconciliation of goodwill – Group – 2011		
Goodwill	7 368	7 368

	Opening balance R'000	Closing balance R'000
Reconciliation of goodwill – Group – 2010		
Goodwill	7 368	7 368

Goodwill has been allocated to the Pontins Proprietary Limited cash generating unit and has been tested for impairment based on a value in use calculation. Inputs used were five-year pre-tax cash flow projections based on financial budgets approved by the executive committee. The discount rates used are pre-tax and reflect the specific risks relating to the industry. The key assumptions used are a zero growth rate which is conservative and in line with industry forecasts. A pre-tax discount rate of 14% has been applied to the cash flow projections based on the group's current expected rate of return as determined by the market. The results revealed that no impairment of goodwill was necessary.

	2012			2011		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated impairment R'000	Carrying value R'000
4. Intangible assets						
Group						
Trade name	1 661	(997)	664	1 661	(664)	997
Customer relationships	2 594	(1 556)	1 038	2 594	(1 038)	1 556
Total	4 255	(2 553)	1 702	4 255	(1 702)	2 553

	2010		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000
Group			
Trade name	1 661	(332)	1 329
Customer relationships	2 594	(519)	2 075
Total	4 255	(851)	3 404

	Opening balance R'000	Amortisation R'000	Closing balance R'000
Reconciliation of intangible assets – Group – 2012			
Trade name	997	(333)	664
Customer relationships	1 556	(518)	1 038
	2 553	(851)	1 702

for the year ended **31 August 2012**

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

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

Name of company	Type of holding	**% holding 2012**	% holding 2011	% holding 2010
5. Investments in subsidiaries				
B&W Madagascar SaRL (Incorporated in Madagascar)	Direct	**99,00**	99,00	99,00
B&W Electricidade, Lda (Incorporated in Mozambique)	Direct	**99,00**	99,00	99,00
Pontins Proprietary Limited (Incorporated in SA)*	Direct	**100,00**	100,00	100,00
B W I E Instrumentation & Electrical SWD Proprietary Limited (Incorporated in Swaziland)	Direct	**100,00**	100,00	–

Name of company	**Carrying amount 2012 R'000**	Carrying amount 2011 R'000	Carrying amount 2010 R'000
B&W Madagascar SaRL (Incorporated in Madagascar)	**9**	9	9
B&W Electricidade, Lda (Incorporated in Mozambique)	**23**	23	23
Pontins Proprietary Limited (Incorporated in SA)*	**–**	–	–
B W I E Instrumentation & Electrical SWD Proprietary Limited (Incorporated in Swaziland)	**1**	1	–
	33	33	32

**Amount less than R1 000*

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
6. Loans (from) shareholders						
GMJ Breedt	**–**	(675)	–	**–**	(675)	–
LJ Barrow	**(1 225)**	(1 523)	–	**(1 225)**	(1 523)	–
T Lombard	**(253)**	(1 002)	–	**(253)**	(1 002)	–
BH Harley	**(301)**	(1 351)	–	**(301)**	(1 351)	–

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
6. Loans (from) shareholders *(continued)*						
DS Nevay	**(1 045)**	(1 013)	–	**(1 045)**	(1 013)	–
GWR Swanepoel	**(1 804)**	(1 612)	–	**(1 804)**	(1 612)	–
KE Nel	**–**	(647)	–	**–**	(647)	–
The loans are unsecured, bear interest at 5% per annum, and are repayable within the next 12 months. The carrying value of the loans approximate their fair value.						
	(4 628)	(7 823)	–	**(4 628)**	(7 823)	–

Name of company	Type of joint venture	**% holding 2012**	% holding 2011	% holding 2010	**Carrying amount 2012**	Carrying amount 2011	Carrying amount 2010
7. Investment in joint ventures							
B&W Grinaker-LTA joint venture	Jointly controlled operation	**50,00**	50,00	50,00	**–**	–	–
As the joint venture is a controlled operation, there is no carrying amount.							

The fair value amounts of joint ventures are R Nil (2011: R Nil, 2010: R Nil)

Summary of the group's interests in the joint venture

	2012	2011	2010
Current assets	**257**	1 209	4 892
Current liabilities – non-interest bearing	**(257)**	(1 207)	(1 356)
Financial liabilities	**–**	–	(3 536)
Revenue	**(6 949)**	(26 762)	(8 387)
Expenses	**6 949**	26 762	(8 387)

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
8. Loans (from)/to related parties						
Joint ventures						
B&W Grinaker-LTA joint venture (Grinaker-LTA portion)	**–**	(1 207)	(616)	**–**	–	–
B&W Grinaker-LTA joint venture	**(235)**	8 904	3 700	**(469)**	17 807	7 400
The loans is unsecured, interest free with no fixed term of repayment.						
	(235)	7 697	3 084	**(469)**	17 807	7 400

for the year ended **31 August 2012**

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
8. Loans (from)/to related parties *(continued)*						
Related parties						
B&W Industrial Technology Proprietary Limited	**(280)**	(470)	(634)	**(280)**	(470)	(634)
B&W Employee Trust	**(3 115)**	(3 185)	(383)	**(3 115)**	(3 185)	(383)
	(3 395)	(3 655)	(1 017)	**(3 395)**	(3 655)	(1 017)
B&W Share Incentive Scheme Trust	**–**	–	–	**4 874**	12 553	13 154
B W I E Instrumentation & Electrical SWD Proprietary Limited	**–**	–	–	**–**	(12 126)	–
B&W Madagascar SaRL	**–**	–	–	**3 569**	28 640	2 305
Pontins Proprietary Limited	**–**	–	–	**17 749**	17 749	17 749
B&W Electricidade, Lda	**–**	–	–	**(4 880)**	(200)	1 147
The B W I E Instrumentation & Electrical SWD Proprietary Limited, B&W Madagascar SaRL, Pontins Proprietary Limited and B&W Electricidade Lda loans are unsecured, interest free with no fixed terms of repayment. The carrying value of the loans approximate their fair value.						
	–	–	–	**21 312**	46 616	34 355
Current assets	**–**	8 904	3 700	**26 192**	76 749	41 755
Current liabilities	**(3 630)**	(4 862)	(1 634)	**(8 744)**	(15 981)	(1 017)
	(3 630)	4 042	2 066	**17 448**	60 768	40 738

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

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

The loan from the B&W Employee Trust resulted from assistance given by the trust to B&W Instrumentation and Electrical Limited. The loan to the B&W Share Incentive Scheme 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 2013 financial year.

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
9. Other financial assets						
Loans and receivables						
Linear Products CC	**3 567**	3 567	3 484	**3 567**	3 567	3 484
The loan bears interest at 2% below the prime overdraft rate and is secured by a mortgage bond over a related party's land and building as well as a cession of the property, plant and equipment of the Linear Products CC. The CC has been liquidated, and the property with the bond attached is being sold. The company believes it will collect the total amount outstanding from the liquidation, along with the sureties put in place in the personal names of the members.						
Thusano Electrical CC	**250**	–	–	**250**	–	–
Unsecured, interest free loan, repayable on 1 September 2013. This loan was made for the purpose of B-BBEE ratings. The fair value of this loan is R238 000.						
	3 817	3 567	3 484	**3 817**	3 567	3 484
Non-current assets						
Loans and receivables	**250**	–	–	**250**	–	–
Current assets						
Loans and receivables	**3 567**	3 567	3 484	**3 567**	3 567	3 484
	3 817	3 567	3 484	**3 817**	3 567	3 484

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

Loans and receivables past due but not impaired

The loan and receivable from Linear Products CC is currently in default but is not considered to be impaired. Legal proceeding to recover the amount have commenced subsequent to the year-end and the security by way of a mortgage of R1,5 million (2011: R1,5 million) and the balance by way of a cession of movable assets, is expected to be sufficient to recover the full value of the loan.

for the year ended **31 August 2012**

10. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables R'000	Fair value through profit or loss – held for trading R'000	Fair value through profit or loss – designated R'000	Held to maturity investments R'000	Available-for-sale R'000	Total R'000
Group – 2012						
Other financial assets	**3 817**	**–**	**–**	**–**	**–**	**3 817**
Trade and other receivables	**67 017**	**–**	**–**	**–**	**–**	**67 017**
Cash and cash equivalents	**15 355**	**–**	**–**	**–**	**–**	**15 355**
	86 189	**–**	**–**	**–**	**–**	**86 189**
Group – 2011						
Loans to related parties	8 904	–	–	–	–	8 904
Other financial assets	3 567	–	–	–	–	3 567
Trade and other receivables	92 977	–	–	–	–	92 977
Cash and cash equivalents	12 876	–	–	–	–	12 876
	118 324	–	–	–	–	118 324
Group – 2010						
Loans to related parties	3 700	–	–	–	–	3 700
Non-current retention debtors	15 766	–	–	–	–	15 766
Other financial assets	3 484	–	–	–	–	3 484
Trade and other receivables	156 555	–	–	–	–	156 555
Cash and cash equivalents	71 082	–	–	–	–	71 082
	250 587	–	–	–	–	250 587
Company – 2012						
Loans to related parties	**26 192**	**–**	**–**	**–**	**–**	**26 192**
Other financial assets	**3 817**	**–**	**–**	**–**	**–**	**3 817**
Trade and other receivables	**50 204**	**–**	**–**	**–**	**–**	**50 204**
Cash and cash equivalents	**3 175**	**–**	**–**	**–**	**–**	**3 175**
	83 388	**–**	**–**	**–**	**–**	**83 388**
Company – 2011						
Loans to related parties	76 749	–	–	–	–	76 749
Other financial assets	3 567	–	–	–	–	3 567
Trade and other receivables	63 138	–	–	–	–	63 138
	143 454	–	–	–	–	143 454
Company – 2010						
Loans to related parties	41 755	–	–	–	–	41 755
Other financial assets	3 484	–	–	–	–	3 484
Non-current retention debtors	15 766	–	–	–	–	15 766
Trade and other receivables	124 854	–	–	–	–	124 854
Cash and cash equivalents	44 117	–	–	–	–	44 117
	229 976	–	–	–	–	229 976

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
11. Deferred tax						
Deferred tax asset						
Retention debtors	**(2 651)**	(2 563)	(11 629)	**(1 718)**	(2 331)	(11 149)
Section 24C allowance	**(372)**	(845)	(4 103)	**(372)**	(845)	(3 741)
Provisions	**4 717**	4 766	4 907	**4 543**	4 650	4 746
Property, plant and equipment	**(1 564)**	(1 212)	(857)	**(1 431)**	(1 135)	(798)
Assessed losses	**4 174**	10 778	–	**–**	8 533	–
	4 304	10 924	(11 682)	**1 022**	8 872	(10 942)
Reconciliation of deferred tax asset (liability)						
At the beginning of the year	**10 924**	(11 682)	(7 608)	**8 872**	(10 942)	(10 649)
(Decrease)/increase in tax losses available for set off against future taxable income	**(6 603)**	10 778	–	**(8 533)**	8 533	–
Originating temporary difference on property, plant and equipment	**(353)**	(355)	(175)	**(296)**	(338)	(115)
Movement in provisions	**(49)**	(141)	2 474	**(106)**	(96)	2 312
Movement in retentions and section 24C allowance	**385**	12 324	(6 373)	**1 085**	11 715	(2 490)
Total	**4 304**	10 924	(11 682)	**1 022**	8 872	(10 942)
Non-current assets	**4 304**	10 924	–	**1 022**	8 872	–
Non-current liabilities	**–**	–	(11 682)	**–**	–	(10 942)
Total	**4 304**	10 924	(11 682)	**1 022**	8 872	(10 942)

The deferred tax asset has been raised for the group and company based on contracts in hand for the 2013 financial year, future profits will be sufficient to utilise the deferred tax asset.

12. Retention debtors

Retention debtors are in respect of contract customers. The fair value of the long-term retention debtors has been calculated as R4 035 000 and R933 000 for the group and company respectively.

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
Total retention debtors	**11 726**	9 653	50 041	**6 137**	8 326	39 818
Short-term portion of retention debtors included in trade and other receivables	**(7 397)**	(9 653)	(34 275)	**(5 138)**	(8 326)	(24 052)
Long-term retention debtors	**4 329**	–	15 766	**999**	–	15 766
13. Inventories						
Raw materials, components	**15 449**	2 547	3 502	**12 984**	1 351	3 136
14. Trade and other receivables						
Trade receivables	**219 528**	335 904	316 994	**200 920**	232 305	282 486
Other receivable	**1 864**	1 503	2 152	**2 035**	1 444	1 729
	221 392	337 407	319 146	**202 955**	233 749	284 215

14. Trade and other receivables *(continued)*

Trade receivables pledged as security

Trade receivables of the group and company were pledged as security for overdraft facilities granted by Standard Bank Limited.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired. At 31 August 2012, the group had trade and other receivables of R825 000 (2011: R 2942 000; 2010: R6 937 000) that were past due but not impaired and have been recovered subsequent to the year-end.

The ageing of amounts past due but not impaired is as follows:

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
One month past due	**825**	1 264	1 139	**825**	–	1 139
Two months past due	**–**	797	–	**–**	–	–
Three months past due	**–**	881	5 798	**–**	–	5 798
	825	2 942	6 937	**825**	–	6 937

Trade and other receivables impaired

The group or company does not have (2011: Nil; 2010: Nil) any trade and other receivables that are impaired.

Contract revenue work in progress included below:

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
Construction costs	**833 541**	865 416	559 813	**833 149**	632 926	503 150
Profit recognised to date	**124 041**	70 764	90 176	**124 041**	37 217	69 440
Billings	**(805 796)**	(698 893)	(489 591)	**(805 796)**	(506 676)	(420 392)
	151 787	237 287	160 398	**151 394**	163 467	152 198

Included in trade and other receivables are short-term retention debtors amounting to R7 397 (2011: R9 653 2010: R34 275) and R5 138 (2011: R8 326 2010: R24 052) for the group and company respectively.

The carrying amounts of trade and other receivables approximate their fair value.

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
15. Cash and cash equivalents						
Cash and cash equivalents consist of:						
Bank balances	**15 155**	12 876	71 082	**3 175**	–	44 117
Bank overdraft	**–**	(47 329)	–	**–**	(47 329)	–
	15 155	(34 453)	71 082	**3 175**	(47 329)	44 117
Current assets	**15 155**	12 876	71 082	**3 175**	–	44 117
Current liabilities	**–**	(47 329)	–	**–**	(47 329)	–
	15 155	(34 453)	71 082	**3 175**	(47 329)	44 117

Cash balances of the group and company were pledged as security for overdraft facilities granted by Standard Bank Limited.

	Group 2012 R'000	Group 2011 R'000	Group 2010 R'000	Company 2012 R'000	Company 2011 R'000	Company 2010 R'000
16. Share capital						
Authorised						
500 million ordinary shares of 0,001 cents each	5	5	5	5	5	5
Reconciliation of number of shares issued in 000s:						
Reported as at the beginning of the year	212 169	212 169	207 795	212 169	212 169	207 795
Issue of shares in terms of business combination	–	–	4 374	–	–	4 374
Treasury shares	(7 795)	(7 795)	(7 795)	–	–	–
	204 374	204 374	204 374	212 169	212 169	212 169

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

	Group 2012 R'000	Group 2011 R'000	Group 2010 R'000	Company 2012 R'000	Company 2011 R'000	Company 2010 R'000
Issued						
Ordinary	2	2	2	2	2	2
Share premium	49 850	49 850	49 850	49 850	49 850	49 850
Treasury shares	(11 269)	(11 269)	(11 269)	–	–	–
	38 583	38 583	38 583	49 852	49 852	49 852

	Group 2012 R'000	Group 2011 R'000	Group 2010 R'000	Company 2012 R'000	Company 2011 R'000	Company 2010 R'000
17. Non-controlling interests						
The non-controlling interest can be reconciled as follows:						
Balance at the beginning of the year	459	216	8	–	–	–
Share of profits for the year	(296)	241	205	–	–	–
Share of other comprehensive income	(12)	2	3	–	–	–
	151	459	216	–	–	–
18. Financial liabilities						
Investec Bank Limited	20 144	–	–	20 144	–	–
The loan is unsecured, bears interest at the prime lending rate and is repayable on demand. The directors are of the opinion that the carrying amount of the liability approximates its fair value.						

for the year ended **31 August 2012**

	Group 2012 R'000	Group 2011 R'000	Group 2010 R'000	Company 2012 R'000	Company 2011 R'000	Company 2010 R'000
18. Financial liabilities *(continued)*						
Current liabilities						
At amortised cost	**20 144**	–	–	**20 144**	–	–

In terms of Article 100 of the company's MOI the borrowing powers of the directors are unlimited. Total borrowings for the year were R20 144 000.

	Group 2012 R'000	Group 2011 R'000	Group 2010 R'000	Company 2012 R'000	Company 2011 R'000	Company 2010 R'000
19. Finance lease obligation						
Minimum lease payments due						
– within one year	**261**	59	177	**–**	–	–
– in second to fifth year inclusive	**636**	49	138	**–**	–	–
	897	108	315	**–**	–	–
Less: future finance charges	**(142)**	(9)	(26)	**–**	–	–
Present value of minimum lease payments	**755**	99	289	**–**	–	–
Non-current liabilities	**554**	47	131	**–**	–	–
Current liabilities	**201**	52	158	**–**	–	–
	755	99	289	**–**	–	–
20. Trade and other payables						
Trade payables	**45 213**	95 352	113 866	**44 295**	94 043	112 967
Advances from customers	**6 222**	17 508	49 217	**6 222**	9 423	45 164
Billings in excess of costs incurred to date	**1 837**	10 001	50 003	**1 581**	10 001	32 915
Other payables	**26 070**	31 524	17 210	**16 287**	23 882	16 939
	79 342	154 385	230 296	**68 385**	137 349	207 985

Billings in excess of costs incurred to date is made up as follows:

	Group 2012 R'000	Group 2011 R'000	Group 2010 R'000	Company 2012 R'000	Company 2011 R'000	Company 2010 R'000
Billings	**35 896**	125 770	235 097	**35 640**	125 770	173 633
Contract costs	**(29 405)**	(118 537)	(154 329)	**(29 405)**	(118 537)	(115 216)
(Loss)/profit recognised to date	**(4 654)**	2 768	(30 765)	**(4 654)**	2 768	(25 502)
	1 837	10 001	50 003	**1 581**	10 001	32 915

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
21. Provisions				
Reconciliation of provisions – Group – 2012				
Provision for bonuses	6 831	4 336	(6 831)	4 336

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Total R'000
21. Provisions *(continued)*				
Reconciliation of provisions – Group – 2011				
Provision for bonuses	8 565	6 831	(8 565)	6 831
Reconciliation of provisions – Group – 2010				
Provision for bonuses	3 902	8 565	(3 902)	8 565
Reconciliation of provisions – Company – 2012				
Provision for bonuses	**6 831**	**4 336**	**(6 831)**	**4 336**
Reconciliation of provisions – Company – 2011				
Provision for bonuses	8 294	6 831	(8 294)	6 831
Reconciliation of provisions – Company – 2010				
Provision for bonuses	3 903	8 294	(3 903)	8 294

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

22. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	Financial liabilities at amortised cost R'000	Total R'000
Group – 2012		
Loans from related parties	**3 629**	**3 629**
Financial liabilities	**20 144**	**20 144**
Trade and other payables	**43 846**	**43 846**
Finance lease obligation	**756**	**756**
Loans from shareholders	**4 628**	**4 628**
	73 003	**73 003**
Group – 2011		
Loans from related parties	4 862	4 862
Trade and other payables	91 591	91 591
Finance lease obligation	99	99
Loans from shareholders	7 823	7 823
Bank overdraft	47 329	47 329
	151 704	151 704
Group – 2010		
Loans from related parties	1 634	1 634
Trade and other payables	124 279	124 279
Finance lease obligation	289	289
	126 202	126 202

for the year ended **31 August 2012**

22. Financial liabilities by category *(continued)*

	Financial liabilities at amortised cost R'000	Total R'000
Company – 2012		
Loans from related parties	8 744	8 744
Financial liabilities	20 144	20 144
Trade and other payables	42 784	42 784
Loans from shareholders	4 628	4 628
Bank overdraft	–	–
	76 300	76 300
Company – 2011		
Loans from related parties	15 981	15 981
Trade and other payables	92 744	92 744
Loans from shareholders	7 823	7 823
Bank overdraft	47 329	47 329
	163 877	163 877
Company – 2010		
Loans from related parties	1 017	1 017
Trade and other payables	111 157	111 157
	112 174	112 174

23. Contract costs

	Group 2012 R'000	Group 2011 R'000	Group 2010 R'000	Company 2012 R'000	Company 2011 R'000	Company 2010 R'000
Cost of materials	164 974	237 691	203 750	98 894	245 627	186 152
Direct labour	90 645	135 490	94 251	63 884	100 021	76 153
Overheads	119 269	288 319	180 157	78 596	213 452	160 769
	374 888	661 500	478 158	241 374	559 100	423 074

24. Operating profit/(loss)

Profit or loss for the year is stated after accounting for the following:

	Group 2012 R'000	Group 2011 R'000	Group 2010 R'000	Company 2012 R'000	Company 2011 R'000	Company 2010 R'000
Operating lease charges						
Premises						
Minimum lease payments	711	918	967	711	773	799
Profit/(loss) on sale of property, plant and equipment	152	170	(14)	346	220	(14)
Loss on exchange differences	(1 724)	(174)	(1 026)	(312)	(174)	(1 026)
Amortisation of intangible assets	851	851	851	–	–	–
Impairment of loans	–	–	–	7 689	–	–
Depreciation on property, plant and equipment	5 477	6 179	6 047	3 873	4 629	4 458
Employee costs	28 367	26 493	21 082	19 968	20 919	19 270
Share-based payment	1 736	–	–	1 736	–	–

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
25. Investment revenue						
Interest revenue						
Interest received on loan accounts	**–**	–	153	**–**	919	629
Interest received from bank	**45**	40	3 414	**43**	32	3 406
	45	40	3 567	**43**	951	4 035
26. Finance costs						
Bank	**4 995**	2 923	171	**4 995**	2 923	56
Interest paid to suppliers	**138**	592	–	**101**	572	–
Interest paid on loans	**415**	104	152	**415**	104	152
	5 548	3 619	323	**5 511**	3 599	208

	Gross R'000	**Net before non-controlling interest R'000**	**Non-controlling interest R'000**	**Net R'000**
27. Other comprehensive income				
Components of other comprehensive income – Group – 2012				
Exchange differences on translating foreign operations				
Foreign currency translation reserve – period movement*	**(1 235)**	**(1 235)**	**12**	**(1 223)**

	Gross interest R'000	Net before non-controlling interest R'000	Non-controlling interest R'000	Net R'000
Components of other comprehensive income – Group – 2011				
Exchange differences on translating foreign operations				
Foreign currency translation reserve – period movement*	187	187	(2)	185

	Gross interest R'000	Net before non-controlling interest R'000	Non-controlling interest R'000	Net R'000
Components of other comprehensive income – Group – 2010				
Exchange differences on translating foreign operations				
Foreign currency translation reserve – period movement*	318	318	(3)	315

**The FCTR has no tax effect*

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
28. Auditor's remuneration						
Fees	**816**	794	769	**735**	723	700

for the year ended **31 August 2012**

29. Taxation

Major components of the tax expense/(income)

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
Current						
Local income tax – current period	**3 711**	8 980	18 554	**3 864**	–	13 043
Local income tax – recognised in current tax for prior periods	**(2 648)**	1 243	–	**–**	1 243	–
STC	**–**	955	1 569	**–**	955	1 569
	1 063	11 178	20 123	**3 864**	2 198	14 612
Deferred						
Originating and reversing temporary differences	**6 620**	(22 607)	3 918	**7 849**	(19 814)	293
Refer to note 11 for components of deferred tax						
	7 683	(11 429)	24 041	**11 713**	(17 616)	14 905

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	Group			Company		
	2012 %	2011 %	2010 %	**2012 %**	2011 %	2010 %
Applicable tax rate	**28,00**	28,00	28,00	**28,00**	28,00	28,00
Tax incentives	**(4,42)**	1,70	(1,20)	**(1,09)**	0,67	(1,20)
Disallowable charges	**4,91**	(1,03)	0,10	**1,21**	(0,06)	–
Secondary tax on companies	**20,55**	(3,51)	3,20	**–**	(1,38)	3,20
Foreign tax rate difference	**–**	21,45	(0,60)	**–**	–	–
Prior period tax	**25,78**	(4,57)	–	**–**	(1,80)	–
	74,82	42,04	29,50	**28,12**	25,43	30,00

30. Cash generated from/(used in) operations

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
Profit/(loss) before taxation	**10 269**	(27 185)	81 554	**41 654**	(69 256)	49 649
Adjustments for:						
Depreciation and amortisation	**6 328**	7 030	6 898	**3 873**	4 629	4 458
Loss/(profit) on sale of assets	**(152)**	170	(14)	**(346)**	220	(14)
Interest received	**(45)**	(40)	(3 567)	**(43)**	(951)	(4 035)
Finance costs	**5 548**	3 619	323	**5 511**	3 599	208
Movements in provisions	**(2 497)**	(1 734)	4 662	**(2 497)**	(1 463)	4 391
Equity-settled share-based payment expense	**1 736**	–	–	**1 736**	–	–
Changes in working capital:						
Inventories	**(12 902)**	955	(1 134)	**(11 633)**	1 785	(1 052)
Trade and other receivables	**116 014**	(2 308)	(117 744)	**30 794**	66 231	(124 326)
Trade and other payables	**(75 043)**	(75 911)	23 527	**(68 962)**	(70 636)	37 026
	49 256	(95 404)	(5 495)	**87**	(65 842)	(33 695)

	Group			Company		
	2012	2011	2010	**2012**	2011	2010
	R'000	R'000	R'000	**R'000**	R'000	R'000
31. Tax paid						
Balance at the beginning of the year	**(17 042)**	(6 841)	(6 065)	**(2 581)**	(445)	(2 950)
Current tax for the year recognised in profit or loss	**(1 063)**	(11 178)	(20 123)	**(3 864)**	(2 198)	(14 612)
Balance at the end of the year	**4 357**	17 042	6 841	**4 819**	2 581	445
	(13 748)	(977)	(19 347)	**(1 626)**	(62)	(17 117)
32. Dividends paid						
Dividends	**–**	(9 197)	(15 109)	**–**	(9 548)	(15 694)

33. Commitments and guarantees

Authorised capital expenditure

The group and company have no capital commitments.

Guarantees

The following guarantees have been issued in favour of various customers:

	Group			Company		
	2012	2011	2010	**2012**	2011	2010
	R'000	R'000	R'000	**R'000**	R'000	R'000
First National Bank						
Performance	**–**	27 326	30 580	**–**	27 326	30 580
Lombard Insurance						
Performance	**71 763**	56 237	60 111	**58 498**	55 789	60 111
Retention	**58 220**	56 853	42 583	**46 787**	56 525	42 583
Advance payments	**9 504**	6 535	41 117	**9 504**	6 535	41 117
	139 487	119 625	143 811	**114 789**	118 849	143 811
Operating leases – as lessee (expense)						
Minimum lease payments due						
– within one year	**660**	660	660	**660**	660	660

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

34. Related parties

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

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

for the year ended **31 August 2012**

	Group 2012 R'000	Group 2011 R'000	Group 2010 R'000	Company 2012 R'000	Company 2011 R'000	Company 2010 R'000
34. Related parties *(continued)*						
Related party balances						
Amounts included in trade receivables (trade payables)						
Pontins Proprietary Limited	–	–	–	9 423	1 087	967
Calaban Properties Proprietary Limited	(1 868)	(1 447)	(1 072)	(1 868)	(1 447)	(1 072)
Related party transactions						
Interest paid to (received from) related parties						
B&W Industrial Technology Proprietary Limited	–	–	58	–	–	58
Calaban Properties Proprietary Limited	–	–	64	–	–	64
B&W Employee Trust	154	104	31	154	104	31
B&W Share Incentive Scheme Trust	–	–	–	–	(919)	(476)
Directors	261	–	–	261	–	–
Sales resulting from related parties						
B&W Electricidade Lda	–	–	–	7 712	21 735	–
Rent paid to related parties						
Calaban Properties Proprietary Limited	660	660	660	660	660	660
Cost of sales bought from related parties						
Pontins Proprietary Limited	–	–	–	879	2 364	2 161
B&W Electricidade Lda	–	–	–	16 813	32 646	7 649
Compensation to director and other key management						
Short-term employee benefits	14 888	11 063	14 268	10 240	11 063	13 186

	Emoluments R'000	Bonus R'000	Retirement R'000	Medical R'000	Allowances and other benefits R'000	Total R'000
35. Directors' emoluments						
Executive						
2012						
GMJ Breedt	176	62	49	13	54	354
T Lombard	589	69	140	34	194	1 026
DJ Evert	704	81	158	71	186	1 200
BH Harley	1 391	135	191	126	168	2 011
DS Nevay	661	78	154	77	186	1 156
GWR Swanepoel	774	370	173	77	185	1 579
S Vilakazi	589	43	65	–	18	715
SR Pinkney	756	97	128	25	258	1 264
	5 640	935	1 058	423	1 249	9 305

35. Directors' emoluments *(continued)*

Executive *(continued)*

Executive directors paid by subsidiary

	Emoluments R'000	Bonus R'000	Retirement R'000	Medical R'000	Allowances and other benefits R'000	Total R'000
2012						
TJ Manas	811	443	111	78	79	1 522
A Economou	513	433	89	94	258	1 387
KL Rahn	484	423	107	–	232	1 246
F Toto	202	202	32	–	56	492
	2 010	1 501	339	172	625	4 647
2011						
GMJ Breedt	504	62	109	60	145	880
LJ Barrow*	156	47	–	23	80	306
HJ Rall**	597	45	83	38	70	833
T Lombard	548	69	133	31	194	975
DJ Evert	744	78	149	65	96	1 132
BH Harley	1 300	135	191	116	168	1 910
DS Nevay	623	78	140	71	186	1 098
CJ Minnie**	565	–	–	79	90	734
KE Nel**	232	72	45	24	92	465
GWR Swanepoel	725	87	161	71	185	1 229
S Vilakazi	550	41	60	–	38	689
SR Pinkney	187	–	31	–	65	283
	6 731	714	1 102	578	1 409	10 534

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

Executive directors paid by subsidiary

	Emoluments R'000	Bonus R'000	Retirement R'000	Medical R'000	Allowances and other benefits R'000	Total R'000
TJ Manas	692	256	95	71	191	1 305
A Economou	596	246	83	71	167	1 163
K Rahn	557	237	97	–	145	1 036
F Toto	193	108	26	–	48	375
	2 038	847	301	142	551	3 879

	Basic emoluments R'000	13th cheque R'000	Total R'000
Non-executive			
2012			
YU Mabandla	140	11	151
W Wassermeier	228	11	239
JD Oosthuizen	216	11	227
LJ Barrow	151	11	162
GJ Robertson	155	–	155
	890	44	934

	Basic emoluments R'000	13th cheque R'000	Total R'000
35. Directors' emoluments *(continued)*			
Non-executive			
2011			
YU Mabandla	141	11	152
W Wassermeier	171	11	182
JD Oosthuizen	173	11	184
LJ Barrow	11	–	11
	496	33	529

36. Risk management

Capital risk management

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

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

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

There are no externally imposed capital requirements.

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

Liquidity risk

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

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

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

Group	R'000
At 31 August 2012	Less than 1 year
Financial liabilities	20 144
Loans from related parties	3 629
Trade and other payables	43 846
Finance lease obligation	756
Loans from shareholders	4 628
At 31 August 2011	Less than 1 year
Loans from related parties	4 862
Trade and other payables	91 591
Finance lease obligation	99
Loans from shareholders	7 823
Bank overdraft	47 329

36. Risk management *(continued)*

Group	R'000
At 31 August 2010	Less than 1 year
Loans from related parties	1 634
Trade and other payables	124 279
Finance lease obligation	289

Company	
At 31 August 2012	Less than 1 year
Financial liabilities	20 144
Loans from related parties	8 743
Trade and other payables	42 784
Loans from shareholders	4 628
At 31 August 2011	Less than 1 year
Loans from related parties	15 981
Loans from shareholders	7 823
Trade and other payables	92 744
Bank overdraft	47 329
At 31 August 2010	Less than 1 year
Loans from related parties	1 017
Trade and other payables	162 821

Interest rate risk

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

At 31 August 2012, if interest rates had been 1% higher/lower with all other variables held constant, the group post-tax profit for the year would have been R466 000 (2011: R290 000; 2010: R363 000) lower/higher, the company post-tax profit for the year would have been R463 000 (2011: R189 000; 2010: R426 000) lower/higher, mainly as a result of higher/lower interest income.

Credit risk

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

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

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

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
Financial instrument						
Loans to related parties	**–**	8 904	3 700	**26 192**	76 749	41 755
Trade and other receivables	**67 017**	92 977	319 146	**50 204**	63 138	284 215
Other financial assets	**3 817**	3 567	3 484	**3 817**	3 567	3 484
Cash and cash equivalents	**15 355**	12 876	71 082	**3 175**	–	44 117

Foreign exchange risk

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

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

36. Risk management *(continued)*

Foreign exchange risk *(continued)*

At 31 August 2012, if the currency had weakened/strengthened by 10% against the US Dollar with all other variables held constant, group post-tax profit for the year would have been R1 345 000 (2011: R1 659 000; 2010: R6 991 000), mainly as a result of foreign exchange gains or losses on translation of US Dollar denominated trade receivables, and foreign exchange losses or gains on translation of US Dollar denominated cash and cash equivalents. The effect on the company result will have been a change of R249 000 (2011: R260 000; 2010: R3 553 000).

At 31 August 2012, if the currency had weakened by 10% against the Mozambiquan Metical with all other variables held constant, post-tax profit for the year would have differed by R61 000 (2011: R48 000; 2010: R185 000) mainly as a result of foreign exchange gains/losses on translation of Mozambiquan Metical denominated trade receivables, and foreign exchange losses/gains on translation of Mozambiquan metical denominated cash and cash equivalents. The effect on the company results would have been a change of R1 000 (2011: R Nil; 2010 R Nil).

At 31 August 2012, if the currency had weakened/strengthened by 10% against the Madagascan Ariary with all other variables held constant, group post-tax profit for the year would have differed by R Nil (2011: R93 000; 2010: R75 000), mainly as a result of foreign exchange gains/losses on translation of Madagascan Ariary denominated trade receivables and foreign exchange losses/gains on translation of Madagascan Ariary cash and cash equivalents. The effect on the company results would have been a change of R Nil (2011: R Nil; 2010: R Nil).

At 31 August 2012, if the currency had weakened by 10% against other currencies with all other variables held constant, group post-tax profit for the year would have differed by R13 000 (2011: R11 000; 2010: R15 000) mainly as a result of foreign exchange gains/losses on translation of other currencies denominated trade receivables, and foreign exchange losses/gains on translation of other currencies denominated cash and cash equivalents. The effect on the company results would have been a change of R13 000 (2011: R11 000; 2010: R15 000).

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
Foreign currency exposure at the end of the reporting period						
Current assets						
Included in cash and cash equivalents						
US $	**11 114**	9 461	38 489	**3 465**	808	14 864
Pula	**3**	3	3	**3**	3	3
Aus $	**97**	84	90	**97**	84	90
Euros	**22**	–	2	**22**	–	2
Canadian $	**27**	23	23	**27**	23	23
Swiss Francs	**37**	36	30	**37**	36	30
Mozambiquan Metical	**829**	672	371	**6**	2	–
Madagascan Ariary	**–**	1 295	74	**–**	–	–
Zambian Kwacha	**1**	–	–	**1**	–	–
Included in trade debtors						
US $	**7 570**	13 577	31 425	**–**	2 807	20 669
Ariary	**–**	–	684	**–**	–	–
Metical	**16**	–	1 478	**–**	–	–

	Group			Company		
	2012	2011	2010	**2012**	2011	2010
36. Risk management *(continued)*						
Exchange rates used for conversion of foreign items were:						
US $	**8,44**	7,1	7,3	**8,44**	7,1	7,3
AUS $	**8,72**	7,5	6,6	**8,72**	7,5	6,6
Botswana Pula	**1,1**	1	1,1	**1,1**	1	1,1
Mozambiquan Metical	**3,41**	3,78	5	**3,41**	3,78	
Swiss Franc			7,1			7,1
Madagascan Ariary	**272,2**	282,01	285,3	**272,2**	282,01	
Canadian $	**8,52**	7,2	7	**8,52**	7,2	7
Euros	**10,58**	10,2	9,3	**10,58**	10,2	9,3
Zambian Kwacha	**578,03**			**578,03**		

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

37. Events after the reporting period

The group or company are not aware of any material matter or circumstance arising after the reporting period requiring disclosure.

38. Segmental reporting

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

Transactions reflected below between segments are carried out on an arm's length basis.

	South Africa R'000	Foreign operations R'000	Total R'000
2012			
Profit and loss			
Contract revenue	258 853*	183 521**	442 374***
Contract costs	(169 777)*	(205 111)**	(374 888)***
Gross profit/(loss)	89 076	(21 590)	67 486
Other income	875	1 001	1 876
Investment income	45	–	45
Finance costs	(5 548)	–	(5 548)
Depreciation and amortisation	(5 181)	(1 147)	(6 328)
Operating expenses	(26 675)	(20 587)	(47 262)
Taxation	(13 370)	5 687	(7 683)
Profit/(loss) after tax	39 222	(36 636)	2 586
Assets and liabilities			
Total assets	276 839	23 758	300 597
Total liabilities	(107 793)	(9 399)	(117 192)
Total	169 046	14 359	183 405

38. Segmental reporting *(continued)*

	South Africa R'000	Foreign operations R'000	Total R'000
2011			
Profit and loss			
Contract revenue	338 390	344 994	683 384
Contract costs	(332 600)	(328 900)	(661 500)
Gross profit	5 790	16 094	21 884
Other income	224	–	224
Investment income	40	–	40
Finance costs	(3 619)	–	(3 619)
Depreciation and amortisation	(5 949)	(1 081)	(7 030)
Operating expenses	(19 182)	(19 502)	(38 684)
Taxation	15 759	(4 330)	11 429
Loss after tax	(6 937)	(8 819)	(15 756)
Assets and liabilities			
Total assets	321 054*	97 635**	418 689***
Total liabilities	(215 617)*	(22 754)**	(238 371)***
Total	105 437	74 881	180 318
2010			
Profit and loss			
Contract revenue	320 142	281 141	601 283
Contract costs	(263 527)	(214 631)	(478 158)
Gross profit	56 615	66 510	123 125
Other income	1 040	–	1 040
Investment income	3 567	–	3 567
Finance costs	(323)	–	(323)
Depreciation and amortisation	(5 715)	(1 183)	(6 898)
Operating expenses	(20 742)	(18 215)	(38 957)
Taxation	(6 095)	(17 946)	(24 041)
Profit after tax	28 347	29 166	57 513
Assets and liabilities			
Total assets	412 525	51 866	464 391
Total liabilities	(228 759)	(30 548)	(259 307)
Total	183 766	21 318	205 084

* *South African segment sales and cost of sales have been reduced by R8 600 000 (2011: R24 100 000) and R17 700 000 (2011: R32 600 000) respectively due to inter-segment sales.*

** *Foreign operations segment sales and cost of sales have been reduced by R16 800 000 (2011: R32 600 000) and R7 700 000 (2011: R24 100 000) respectively, due to inter-segment sales.*

*** *Included above are intercompany sales of R25 400 000 (2011: R56 700 000) and cost of sales of R25 400 000 (2011: R56 700 000).*

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
39. Earnings per share						
Weighted average number of shares						
Shares in issues for the full year	**204 374**	204 374	200 000	**212 168**	212 168	207 795
Issue of shares adjusted for period outstanding during the year	**–**	–	1 276	**–**	–	1 276
	204 374	204 374	201 276	**212 168**	212 168	209 071
Reconciliation of headline earnings						
Profit/(loss) attributable to ordinary shareholders	**2 882**	(15 997)	57 308	**29 941**	(51 640)	34 744
(Loss)/profit on disposal of property plant and equipment (net of tax)	**(109)**	170	(14)	**(249)**	220	(14)
	2 773	(15 827)	57 294	**29 692**	(51 420)	34 730
Headline earnings per share						
Basic and diluted (cents)	**1,4**	(7,7)	28,5	**14,0**	(24,2)	16,6

The group and company have no dilutive instruments.

	Group			Company		
	2012	2011	2010	**2012**	2011	2010
40. Dividends						
Distributions per share (cents)						
No interim distribution declared for the year ended 31 August 2012 (2011: No interim distribution declared; 2010: Interim distribution number 6 declared on 20 April 2010 and paid on 24 May 2010)	**–**	–	2,5	**–**	–	2,5
No final distribution declared for the year ended 31 August 2012 (2011: Final distribution number 7 declared on 16 November 2010 and paid on 10 December 2010; 2010: Final distribution number 5 declared on 16 November 2009, paid on 14 December 2009)	**–**	4,5	5	**–**	4,5	5
Distribution on ordinary shares	**–**	4,5	7,5	**–**	4,5	7,5

41. Authorisation and issue of financial statements

The financial statements were authorised for issue by the board of directors on 9 November 2012. Neither the directors nor the shareholders have the power to amend the financial statement after their issuance.

for the year ended **31 August 2012**

42. Share-based payments

The company and group entered established an equity-settled share-based payment incentive scheme in 2007, whereby one third of each tranche vest a year after having been granted in August 2007 and December 2008 respectively. As the effect on current and prior periods is immaterial the expense has been reflected prospectively in the current period.

	Number '000	Weighted exercise price	Total value R'000
Share options with exercise price R1,68			
Outstanding at the beginning of the year	1 980	1,68	3 326
Expired during the year	(180)	1,68	(302)
Outstanding at the end of the year	1 800	1,68	3 024
Exercisable at the end of the year	1 800	1,68	3 024
Share options with exercise price R1,20			
Outstanding at the beginning of the year	2 055	1,20	2 466
Expired during the year	(190)	1,20	(228)
Outstanding at the end of the year	1 865	1,20	2 238
Exercisable at the end of the year	1 865	1,20	2 238

Outstanding options	Exercise date within one year
Options with exercise price of R1,68	1 800
Options with exercise price of R1,20	1 865

A third of the options with an exercise price of R1,68 expire every year commencing 2013. The options with an exercise price of R1,20 expire by one third every year commencing 2015.

Information on options granted during the year

Fair value was determined by using the Black Scholes Method. The following inputs were used:

- Weighted average share price per JSE closing price on date of grant, R1,68 and R1,20 respectively;
- Exercise price, R1,68;
- R1,20 respectively;
- Expected volatility, 26,25%;
- Standard deviation, 1,30%;
- Option life, three years for both tranches;
- Expected dividends, 0;
- The risk-free interest rate, 2008: 10,27%; 2009 – 2011: 9,30%

There were no other inputs.

Method and the assumptions to incorporate the effects of expected early exercise:

- volatility of the options was calculated using three years trading data of the company and a competitor listed on the Johannesburg Stock Exchange. There were no other features incorporated in the measurement of the fair value of the option.

Total expenses of R1 736 000 (2011: R Nil; 2010: R Nil) were recognised prospectively for to equity-settled share-based payment transactions in 2012. Had the share-based payment transactions been accounted for in each year commencing 2008 onward, the effect would have been R218 000, R380 000, R680 000, R88 000 and R371 000 respectively.

43. Prior period reclassification

Comparative figures for advances from customers have been reclassified from financial liabilities to trade and other payables as the advances from customers do not meet the definition of a financial liability.

The effects of the reclassification are as follows:

	Group			Company		
	2012 R'000	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000	2010 R'000
Statement of financial position						
Financial liabilities	–	(17 508)	(49 217)	–	(9 423)	(45 164)
Trade and other payables	–	17 508	49 217	–	9 423	45 164

Investor **calendar**

for the year ended **31 August 2012**

Financial year-end	31 August 2012
Annual general meeting	18 January 2013
Announcement of annual results	19 November 2012
Annual report posted	November 2012
Announcement of interim results	April 2013

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" or "the group")

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

Notice is hereby given that the annual general meeting ("annual general meeting") of shareholders of B&W will be held at 10:00 on Friday, 18 January 2013 at Ascot Mews, Heidelberg Road, Alberton, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

The board of directors of the company ("the board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 2008 (Act 71 of 2008), as amended, the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 11 January 2013. Accordingly, the last day to trade B&W shares in order to be recorded in the register to be entitled to vote will be Friday, 4 January 2013.

1. To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 31 August 2012, including the reports of the auditors, directors and the Audit & Risk Committee.
2. To ratify the election of GJ Robertson to the B&W board.
3. To ratify the election of RMH Pitt to the B&W board.
4. To re-elect YU Mbandla who, in terms of Article 117 of the company's Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers herself for re-election.
5. To re-elect W Wassermeier who, in terms of Article 117 of the company's Memorandum of Incorporation, 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/herself for re-election appears on pages 10 and 11 of the annual report to which this notice is attached.
6. To appoint GJ Robertson as a member and chairman of the B&W Audit & Risk Committee.
7. To appoint RMH Pitt as a member of the B&W Audit & Risk Committee.
8. To appoint W Wassermeier as a member of the B&W Audit & Risk Committee.
   An abbreviated *curriculum vitae* in respect of each member of the Audit & Risk Committee appears on pages 10 and 11 of the annual report to which this notice is attached.
9. To confirm the re-appointment of Certified Master Auditors Inc as independent auditors of the company with Mr George Davias, being the individual registered auditor who has undertaken the audit of the company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration.

The minimum percentage of voting rights required for each of the resolutions set out in item number 1 to 9 above to be adopted is more than 50% (fifty percent) of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the annual general meeting.

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

10. Special resolution number 1

Non-executive directors' remuneration

"**Resolved that**, in terms of the provisions of sections 66(9) of the Companies Act, 2008 (Act 71 of 2008), as amended, the annual remuneration payable to the non-executive directors of B&W for their services as directors of the company for the financial year ending 31 August 2013, be and is hereby approved as follows:

Type of fee	Proposed fee
Monthly feee	
Non-executive	R11 300
Audit & Risk Committee (per meeting)	
Chairman	R22 600
Member	R11 300
Remuneration Committee (per meeting)	
Chairman	R22 600
Member	R11 300
Social & Ethics Committee (per meeting)	
Chairman	R22 600
Member	R11 300

Non-attendance at board meetings may result in a penalty of R11 300 per non-attendance.

Explanatory note

In terms of section 66(9) of the Companies Act, a company is required to pre-approve the payment of remuneration to non-executive directors for their services as directors for the ensuing financial year by means of a special resolution passed by shareholders of the company within the previous two years.

Special resolutions to be adopted at this annual general meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

11. Ordinary resolution number 1

Approval of remuneration policy

"**Resolved that** the remuneration policy of the directors of B&W, as set out on page 33 of the annual report to which this notice is attached, be and is hereby approved as a non-binding advisory vote of shareholders of the company in terms of the King III Report on Corporate Governance."

Ordinary resolutions to be adopted at this annual general meeting require approval from a simple majority, which is more than 50% of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

12. Ordinary resolution number 2

Control of authorised but unissued ordinary shares

"**Resolved that** the authorised but unissued ordinary shares in the capital of B&W be and are 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 all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 38 and 41 of the Companies Act, 2008 (Act 71 of 2008), as amended, the Memorandum of Incorporation of the company and the Listings Requirements of JSE Limited, as amended from time to time."

Ordinary resolutions to be adopted at this annual general meeting require approval from a simple majority, which is more than 50% of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

13. Ordinary resolution number 3

Approval to issue ordinary shares, and to sell treasury shares, for cash

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

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company,

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 2008 (Act 71 of 2008), the Memorandum of Incorporation of the company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE Listings Requirements") from time to time.

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

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 50% (fifty 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 or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- an announcement giving full details, including the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the company wishes to use ordinary shares, held as treasury stock by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

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

14. Special resolution number 2

General approval to acquire shares

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

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

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital;
- the company may only effect the repurchase once a resolution has been passed by the board of directors of the company ("the board") confirming that the board has authorised the repurchase, that the company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the group;
- the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- an announcement will be published once the company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

Explanatory note

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

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

Special resolutions to be adopted at this annual general meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

14.1 Other disclosure in terms of section 11.26 of the JSE Listings Requirements

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

- directors and management – pages 10 and 11;
- major shareholders of the company – page 107;
- directors' interests in securities – page 39; and
- share capital of the company – page 40.

14.2 Material change

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

14.3 Directors' responsibility statement

The directors, whose names are given on pages 10 and 11 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

14.4 Adequacy of working capital

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

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

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

14.5 Litigation statement

The directors, whose names are given on pages 10 and 11 of the integrated annual report, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

15. Special resolution number 3

Financial assistance for subscription of securities

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

(a) the board of directors of the company ("the board"), from time to time, determines (i) the specific recipient, or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; (iii) the terms and conditions under which such financial assistance is provided; and

(b) the board may not authorise the company to provide any financial assistance pursuant to this special resolution number 3 unless the board meets all those requirements of section 44 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance."

Explanatory note

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

Special resolutions to be adopted at this annual general meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

16. Special resolution number 4

Loans or other financial assistance to directors

"**Resolved that**, as a special resolution, in terms of section 45 of the Companies Act, 2008 (Act 71 of 2008) ("Companies Act"), the shareholders of B&W hereby approve of the company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 4, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a director or prescribed officer of the company, or to a related or inter-related company or corporation or to a member of any such related or inter-related corporation or to a person related to any such company, corporation, director, prescribed officer or member provided that:

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

Explanatory note

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

Special resolutions to be adopted at this annual general meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

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

(a) By the time that this notice of annual general meeting is delivered to shareholders of the company, the board will have adopted a resolution ("Section 45 Board Resolution") authorising the company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 4 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a director or prescribed officer of the company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of any such related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or a member;

(b) the Section 45 Board Resolution will be effective only if and to the extent that special resolution number 4 is adopted by the shareholders of the company, and the provision of any such direct or indirect financial assistance by the company, pursuant to such resolution, will always be subject to the board being satisfied that (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act; and

(c) in as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of 1% (one percent) of the company's net worth at the date of adoption of such resolution, the company hereby provides notice of the Section 45 Board Resolution to shareholders of the company. Such notice will also be provided to any trade union representing any employees of the company.

17. Special resolution number 5

Adoption of Memorandum of Incorporation of the company

"**Resolved that**, as a special resolution, the new Memorandum of Incorporation of B&W, a copy of which has been tabled at this annual general meeting for purposes of identification, be and is hereby adopted in accordance with the provisions of section 16(1)(c) of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act") and in compliance with Schedule 10 of the Listings Requirements of the JSE Limited ("JSE"), with effect from the date of approval of this special resolution number 5."

The board of directors of B&W has passed a resolution proposing that this special resolution number 5 is adopted for the purpose of ensuring that the company's Memorandum of Incorporation is in line with the Companies Act and in compliance with Schedule 10 of the Listings Requirements of the JSE. The salient features of the company's Memorandum of Incorporation are set out on pages 100 to 106 as an annexure to this notice of annual general meeting.

The company's Memorandum of Incorporation, or a copy thereof, will be available for inspection at the company's registered office at 42 Fourth Avenue, Alberton North, 1456, during normal business hours from the date of issue of this addendum to the notice of annual general meeting up to and including the date of the annual general meeting or any adjournment thereof.

Explanatory note

The purpose of this special resolution number 5 is for the company to comply with the Companies Act and the JSE Listings Requirements, which require a listed company to amend its entire Memorandum of Incorporation to bring it in harmony with the provisions of the Companies Act and Schedule 10 of the JSE Listings Requirements within two years from 1 May 2011.

Special resolutions to be adopted at this annual general meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

18. Ordinary resolution number 4

Signature of documents

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

Ordinary resolutions to be adopted at this annual general meeting require approval from a simple majority, which is more than 50% of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

19. Other business

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

Voting and proxies

Special resolutions to be adopted at this annual general meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting. Ordinary resolutions to be adopted at this annual general meeting require approval from a simple majority, which is more than 50% of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

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

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

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

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

Proxy forms should be forwarded to reach the transfer secretaries, Computershare Investor Services Proprietary Limited, at least two (2) business days before the time of the meeting.

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

By order of the board

CIS Company Secretaries Proprietary Limited
Company secretary

16 November 2012

Johannesburg

Annexure 1

Salient **features of the Memorandum of Incorporation**

For the purpose of this annexure 1, "Act" refers to the Companies Act, 2008 (Act 71 of 2008), as amended, consolidated, re-enacted or renumbered from time to time, and includes all schedules and the Regulations to such Act.

The salient features of the Memorandum of Incorporation, are set out below. These are not a substitute for and must be read in conjunction with the full draft of the Memorandum of Incorporation, which is available for inspection at the company's office situated at 42 4th Avenue, Alberton North, 1456.

A reference to a section by number refers to the corresponding section of the Act, notwithstanding the renumbering of such section after the date on which the company is incorporated.

A reference to a clause by number refers to a corresponding provision of the Memorandum of Incorporation.

In any instance where there is a conflict between a provision (be it expressed, implied or tacit) of the Memorandum of Incorporation and:

- a provision of any shareholders' agreement, the provision of the Memorandum of Incorporation shall prevail to the extent of the conflict;
- alterable or elective provision of the Act, the provision of the Memorandum of Incorporation shall prevail to the extent of the conflict; and
- an unalterable or non-elective provision of the Act, the unalterable or non-elective provision of the Act shall prevail to the extent of the conflict unless the Memorandum of Incorporation imposes on the company a higher standard, greater restriction, longer period of time or similarly more onerous requirement, in which event the relevant provision of the Memorandum of Incorporation shall prevail to the extent of the conflict.

2 Amendment of Memorandum of Incorporation

2.1 Subject to the provisions of clause 8.6, this Memorandum of Incorporation may only be altered or amended by way of a special resolution of the ordinary shareholders in accordance with section 16(1)(c), except if such amendment is in compliance with a court order as contemplated in section 16(1)(a).

6 Company rules

The board is prohibited from making, amending or repealing any rules as contemplated in section 15(3) and the board's capacity to make such rules is hereby excluded.

8 Issue of shares and variation of rights

8.1 The company is authorised to issue 500 000 000 (five hundred million) ordinary par value shares of 0.001 cents each, of the same class, each of which ranks *pari passu* in respect of all rights.

8.6 The authorisation and classification of shares, the numbers of authorised shares of each class, and the preferences, rights, limitations and other terms associated with each class of shares as set out in this Memorandum of Incorporation may be changed only by an amendment of this Memorandum of Incorporation by special resolution of the shareholders and in accordance with the JSE Listings Requirements, and such amendments shall not be implemented without a special resolution adopted by the holders of shares of that class at a separate meeting.

8.7 No shares may be authorised in respect of which the preferences, rights, limitations or any other terms of any class of shares may be varied in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7).

8.11 All securities of the company for which a listing is sought on the JSE and all securities of the same class as securities of the company which are listed on the JSE must, notwithstanding the provisions of section 40(5), but unless otherwise required by the Act, only be issued after the company has received the consideration approved by the board for the issuance of such securities.

11 Transfer of securities

11.4 All authorities to sign transfer deeds or other instruments of transfer granted by holders of securities for the purpose of transferring certificated securities which may be lodged, produced or exhibited with or to the company at its registered office shall, as between the company and the grantor of such authorities, be taken and deemed to continue and remain in full force and effect, and the company may allow the same to be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at such of the company's offices at which the authority was first lodged, produced or exhibited. Even after the giving and lodging of such notice, the company shall be entitled to give effect to any instruments signed under the authority to sign and certified by any officer of the company as being in order before the giving and lodging of such notice.

12 No lien

Securities shall not be subject to any lien in favour of the company and shall be freely transferable by the holder thereof.

13 Transmission of securities

13.1 The executor of the estate of a deceased sole holder of a Security shall be the only person recognised by the company as having any title to such Security.

14 Debt instruments

The board may authorise the company to issue secured or unsecured debt instruments as set out in section 43(2), but no special privileges associated with any such debt instruments as contemplated in section 43(3) may be granted, and the authority of the board in such regard is limited by this Memorandum of Incorporation.

15 Capitalisation shares and scrip dividends

15.1 The board shall have the power and authority, in terms of section 47, and subject to necessary compliance with the JSE Listings Requirements, to:

15.1.1 approve the issuing of any authorised shares as capitalisation shares on a pro-rata basis to the shareholders of one or more classes of shares; or

15.1.2 issue shares of one class as capitalisation shares in respect of shares of another class; or

15.1.3 resolve to permit shareholders to elect to receive a cash payment in lieu of a capitalisation share ("scrip dividend").

17 Financial assistance

The board may authorise the company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any such securities, as set out in section 44, and the authority of the board in this regard is not limited or restricted by this Memorandum of Incorporation.

18 Acquisition by the company of its own shares

18.1 Subject to the JSE Listings Requirements, the provisions of section 48 and the further provisions of this clause 18:

18.1.1 the board may determine that the company acquire a number of its own shares; and

18.1.2 the board of any subsidiary of the company may determine that such subsidiary acquire shares of the company, but:

18.1.2.1 not more than 10% (ten percent), in aggregate, of the number of issued shares of any class may be held by, or for the benefit of, all of the subsidiaries of the company, taken together; and

18.1.2.2 no voting rights attached to those shares may be exercised while the shares are held by that subsidiary and it remains a subsidiary of the company.

18.2 Any decision by the company to acquire its own shares must satisfy the JSE Listings Requirements and the requirements of section 46.

19 Record date for exercise of shareholder rights

19.1 The record date for the purpose of determining which shareholders are entitled to:

19.1.1 receive notice of a shareholders' meeting;

19.1.2 participate in and vote at a shareholders' meeting;

19.1.3 decide any matter by written consent or by electronic communication;

19.1.4 receive a distribution; or

19.1.5 be allotted or exercise other rights,

Shall be determined by the board, provided that, for as long as the JSE Listings Requirements apply to the company, such record date shall be the record date as required by the JSE Listings Requirements.

20 Shareholders' meeting

20.1 The board is entitled to call a shareholders' meeting at any time.

20.5 In addition to other meetings of the company that may be convened from time to time, the company shall convene an annual general meeting of its shareholders once in each calendar year, but no more than 15 (fifteen) months after the date of the previous annual general meeting.

20.10 All meetings (whether called for the passing of special or ordinary resolutions) shall be called on not less than 15 (fifteen) business days' notice.

20.11 The quorum for a shareholders' meeting to begin or for a matter to be considered, shall be at least 3 (three) shareholders entitled to attend and vote and present in person. In addition:

20.11.1 a shareholders' meeting may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and

20.11.2 a matter to be decided at a shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty five percent) of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda.

20.16 After a quorum has been established for a meeting, or for a matter to be considered at a meeting, all the shareholders forming part of the quorum must be present at the meeting for the matter to be considered at the meeting.

21 Shareholders' meetings by electronic communication

21.1 Subject to the provisions of the JSE Listings Requirements, the company may conduct a shareholders' meeting entirely by electronic communication or provide for participation in a meeting by electronic communication, as set out in section 63, and the power of the company to do so is not limited or restricted by this Memorandum of Incorporation.

22 Votes of shareholders

22.1 Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with this Memorandum of Incorporation, at a meeting of the company:

22.1.1 every person present or represented by proxy and entitled to exercise voting rights shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise;

22.1.2 on a poll any person who is present at the meeting, whether as a shareholder or as proxy for a shareholder, has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder; and

22.1.3 the holders of securities other than ordinary shares shall not be entitled to vote on any resolution at a meeting of shareholders, except as provided in clause 22.2.

23 Proxies and representatives

23.5 All of the provisions of the Act relating to the appointment and revocation of proxies and the rights of proxies generally shall apply and, in particular:

23.5.1 a shareholder has the right to appoint 2 (two) or more persons concurrently as proxies as set out in section 58(3)(a);

23.5.2 a shareholder's proxy may not delegate the proxy's powers to another person as set out in section 58(3)(b);

23.5.3 a shareholder or his proxy may deliver to the company a copy of the instrument appointing a proxy before the commencement of the meeting at which the proxy intends to exercise that shareholder's rights, subject to the Chairman being able to authorise any proxy presented at the meeting as being valid for purposes of voting in the meeting if such proxy has not been lodged 2 (two) business days prior to the meeting as long as the Chairman is satisfied that such proxy satisfies the same requirements applicable to a proxy lodged 2 (two) business days prior to the meeting; and

23.5.4 unless the instrument appointing a proxy provides otherwise, a shareholder's proxy may decide, without direction from the shareholder, whether to exercise or abstain from exercising any voting right of the shareholder, as set out in section 58(7), and none of such rights or powers are limited, restricted or varied by this Memorandum of Incorporation.

25 Shareholders' resolutions

25.1 For an ordinary resolution to be approved it must be supported by more than 50% (fifty percent) of the voting rights of shareholders exercised on the resolution, as provided in section 65(7).

25.2 For a special resolution to be approved it must be supported by the holders of at least 75% (seventy five percent) of the voting rights exercised on the resolution, as provided in section 65(9).

25.4 In the event that any shareholder abstains from voting in respect of any resolution, such shareholder will, for the purposes of determining the number of votes exercised in respect of that resolution, be deemed not to have exercised a vote in respect thereof.

26 Composition and powers of the board of directors

26.1 In addition to the minimum number of directors, if any, that the company must have to satisfy any requirement in terms of the Act to appoint an audit committee and a social and ethics committee, the board must comprise at least 4 (four) directors and the shareholders shall be entitled, by ordinary resolution, to determine such maximum number of directors as they from time to time shall consider appropriate.

26.6 No director shall be appointed for life or for an indefinite period and the directors shall rotate in accordance with the following provisions of this clause 26.6:

26.6.1 at each annual general meeting referred to in clause 20.5, 1/3 (one third) of the non-executive directors for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to 1/3 (one third), but not less than 1/3 (one third), shall retire from office;

26.6.2 the non-executive directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as non-executive directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot;

26.6.3 a retiring director shall be eligible for re-election at such annual general meeting contemplated in clause 25.6.1 above, provided that such meeting is held in person and not by means of a written resolution as contemplated in section 60;

26.6.4 if at any meeting at which an election of directors ought to take place the offices of the retiring directors are not filled, unless it is expressly resolved not to fill such vacancies, the meeting shall stand adjourned and the further provisions of this Memorandum of Incorporation, including clauses 20.12 to 20.15 (inclusive) will apply mutatis mutandis to such adjournment, and if at such adjourned meeting the vacancies are not filled, the retiring directors, or such of them as have not had their offices filled, shall be deemed to have been re-elected at such adjourned meeting.

26.8 The board has the power to:

26.8.1 fill any vacancy on the board or to appoint a new director on a temporary basis, as set out in section 68(3), provided that such appointment must be confirmed by the shareholders, in accordance with clause 26.2, at the next annual general meeting of the company, as required in terms of section 70(3)(b)(i); and

26.8.2 exercise all of the powers and perform any of the functions of the company, as set out in section 66(1), and the powers of the board in this regard are only limited and restricted as contemplated in this clause 26.

27 Directors' meetings

27.3 In addition to the provisions of section 73(1), any director shall at any time be entitled to call a meeting of the directors.

27.4 The board has the power to:

27.4.1 consider any matter and/or adopt any resolution other than at a meeting contemplated in section 74 and, accordingly, any decision that could be voted on at a meeting of the board may instead be adopted by the written consent of a majority of the directors, given in person or by electronic communication, provided that each director has received notice of the matter to be decided. Such written consent shall be as valid and effective as if it had been passed at a meeting of directors. Any such written consent should be included in the minute book and may consist of several documents, which shall be deemed to have been passed on the date on which it was signed by the last director (unless the written consent includes a statement to the contrary);

27.4.2 conduct a meeting entirely by electronic communication, or to provide for participation in a meeting by electronic communication, as set out in section 73(3), provided that, as required by such section, the electronic communication facility employed ordinarily enables all persons participating in the meeting to communicate concurrently with each other without an intermediary and to participate reasonably effectively in the meeting;

27.4.3 determine the manner and form of providing notice of its meetings as contemplated in section 73(4); and

27.4.4 proceed with a meeting despite a failure or defect in giving notice of the meeting, as provided in section 73(5), and the powers of the board in respect of the above matters are not limited or restricted by this Memorandum of Incorporation.

27.5 The quorum requirement for a directors' meeting (including an adjourned meeting), the voting rights at such a meeting, and the requirements for approval of a resolution at such a meeting are as set out in section 73(5).

28 Directors' compensation and financial assistance

28.1 The company may pay fees to the directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous 2 (two) years, as set out in section 66(8) and (9), and the power of the company in this regard is not limited or restricted by this Memorandum of Incorporation.

28.2 Any director who:

28.2.1 serves on any board committee; or

28.2.2 devotes special attention to the business of the company; or

28.2.3 goes or resides outside South Africa for the purpose of the company; or

28.2.4 otherwise performs or binds himself to perform services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may subject to clause 28.1 if applicable, be paid such extra remuneration or fees or allowances in addition to or in substitution of the remuneration or fees to which he may be entitled as a director, as a disinterested quorum of the directors may from time to time determine.

28.3 The directors may also be paid all their travelling and other expenses necessarily incurred by them in connection with:

28.3.1 the business of the company; and

28.3.2 attending meetings of the directors or of committees of the directors of the company.

28.4 The board may, as contemplated in and subject to the requirements of section 45, authorise the company to provide financial assistance to a director, prescribed officer or other person referred to in section 45(2), and the power of the board in this regard is not limited or restricted by this Memorandum of Incorporation.

30 Borrowing powers

30.1 The directors may from time to time exercise all of the powers of the company to:

30.1.1 borrow for the purposes of the company such sums as they think fit; and

30.1.2 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of securities, mortgage or charge upon all or any of the property or assets of the company.

32 Annual financial statements

32.5 A copy of the annual financial statements must be sent to shareholders at least 15 (fifteen) business days before the date of the annual general meeting of the company at which such annual financial statements will be considered.

34 Distributions

34.1 Subject to the provisions of the Act, and particularly section 46, the company may make a proposed distribution, notably, inter alia, dividends or capital payments, if such distribution:

34.1.1 is pursuant to an existing legal obligation of the company, or a court order; or

34.1.2 is authorised by resolution of the board and in compliance with the JSE Listings Requirements, provided that such resolution does not provide for capital to be repaid upon the basis that it may be called up again.

34.2 All unclaimed distributions may be invested or otherwise made use of by the directors for the benefit of the company until claimed, provided that distributions unclaimed cannot be invested or otherwise made use of by the directors for the benefit of the company for a period of 3 (three) years from the date on which they were declared, whereafter such unclaimed distributions may be declared forfeited by the directors for the benefit of the company. The directors may at any time annul such forfeiture upon such conditions (if any) as they think fit. All unclaimed monies, other than distributions, that are due to a shareholder/s shall be held by the company in trust for an indefinite period until lawfully claimed by such shareholder/s.

36 Payment of commission

The company may pay a commission at a rate not exceeding 10% (ten percent) of the issue price of a share to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares of the company or for procuring or agreeing to procure, whether absolutely or conditionally, subscriptions for any shares of the company.

37 Notices

37.1 All necessary notices and documents required to be delivered to shareholders by the Act or the JSE Listings Requirements ("Shareholder Communications"), shall be delivered by the company, at least, to all certificated shareholders who have elected to receive such Shareholder Communications in accordance with any delivery mechanism detailed in the Act, including section 6(9)(b). All Shareholder Communications shall, in addition to the above, be delivered to the JSE and where required by the JSE Listings Requirements be released through SENS provided that, in the event that the shares or other securities of the company are not listed on the JSE, all the provisions of this Memorandum of Incorporation relating to the publication of Shareholder Communications via SENS shall no longer apply and such Shareholder Communications shall thereafter only be published in accordance with the provisions of the Act.

Analysis of **shareholders**

for the year ended **31 August 2012**

Summarised report as at 31 August 2012

Breakdown of issued capital

Type of shares	Number of shareholders	% of shareholders	Number of shares	% of shareholders
Certificated shares	31	2,54%	8 416 000	3,97
Dematerialised shares	1 190	97,46%	203 752 959	96,03
Issued capital	**1 221**	**100,00%**	**212 168, 959**	**100,00**

Beneficial shareholders holding 5% or more

Shareholder	Type of holding	Number of shares	% of shareholders
B & W Industrial Technology Proprietary Limited	Dematerialised	71 760 000	33,82%
Mr Kenneth Eric Nel	Dematerialised	12 680 000	5,98%
B & W Employee Trust	Dematerialised	12 680 000	5,98%
Mr Brian Harold Harley	Dematerialised	12 680 000	5,98%

Range of units

Share range	Number of shareholders	% of shareholders	Number of shares	% of shareholders
1 – 999	84	6,88	36 770	0,02
1 000 – 9 999	589	48,24	2 475 487	1,17
10 000 – 99 999	442	36,20	11 849 679	5,59
100 000 – 999 999	86	7,04	20 538 246	9,68
1 000 000 – 9 999 999	16	1,31	67 468 777	31,80
10 000 000 >	4	0,33	109 800 000	51,75
	1 221	**100,00**	**212 168 959**	**100,00**

Breakdown by domicile

Domicile	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Non-resident shareholders	24	1,97	672 506	0,32
Resident shareholders	1 197	98,03	211 496 453	99,68
	1 221	100,00	212 168 959	100,00

Public/non-public shareholders

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Non-public shareholders	**7**	**0,57**	**97 489 500**	**45,95**
Mr Leonard John Barrow			34 900 000	16,45
Mr Thomas Lombard			12 864 500	6,06
Mr Dean Stuart Nevay			12 680 000	5,98
Mr Gary William Roberts Swanepoel			12 680 000	5,98
Mr Brian Harold Harley			12 680 000	5,98
The B&W Share Purchase Scheme			7 795 000	3,67
Mr Daniel Johannes Evert			3 890 000	1,83
Public shareholders	**1 212**	**99,43**	**111 679 459**	**54,05**
	1 219	**100,00**	**212 168 959**	**100,00**

Analysis of **shareholders** *continued*

for the year ended **31 August 2012**

Distribution of shareholders

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Banks	1	0,08	6 575	0,00
Close corporation	30	2,45	1 144 422	0,54
Individual	1 084	88,78	114 057 204	53,76
Insurance company	1	0,08	5 401 982	2,55
Investment company	16	1,31	1 400 923	0,66
Private company	17	1,39	74 696 562	35,21
Trust	72	5,90	15 461 291	7,29
	1 221	100,00	212 168 959	100,00

The employees (including directors) who own shares are not bound by any trading restrictions, other than those stipulated by the JSE.

The MOI does not stipulate any specific people with the right to make an appointment to the board.

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" or "the group")

For use only by ordinary shareholders who:
- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with "own-name" registration,

at the annual general meeting of shareholders of the company to be held at Ascot Mews, Heidelberg Road, Alberton, at 10:00 on Friday, 18 January 2013 and any adjournment thereof.

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

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work Telephone home Cell

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

1. or failing him/her,
2. or failing him/her,
3. the chairperson of the meeting,

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

		Number of ordinary shares		
		For	Against	Abstain
1.	To receive, consider and adopt the annual financial statements of the company and group for the financial year ended 31 August 2012			
2.	To ratify the election of GJ Robertson as director to the B&W board			
3.	To ratify the election of RMH Pitt as director to the B&W board			
4.	To re-elect YU Mabandla, who retires by rotation, as director			
5.	To re-elect W Wassermeier, who retires by rotation, as director			
6.	To approve the appointment of GJ Robertson as member and Chairman of the Audit & Risk Committee			
7.	To approve the appointment of RMH Pitt as member of the Audit & Risk Committee			
8.	To approve the appointment of W Wassermeier as member of the Audit & Risk Committee			
9.	To confirm the re-appointment of Certified Master Auditors Inc., as auditors of the company with George Davias as the individual registered auditor, for the ensuing financial year			
10.	Special resolution number 1 Approval of the non-executive directors' remuneration			
11.	Ordinary resolution number 1 Approval of the remuneration policy			
12.	Ordinary resolution number 2 Control of authorised but unissued ordinary shares			
13.	Ordinary resolution number 3 Approval to issue ordinary shares, and to sell treasury shares, for cash			
14.	Special resolution number 2 General approval to acquire shares			
15.	Special resolution number 3 Financial assistance for subscription of securities			
16.	Special resolution number 4 Loans or other financial assistance to directors			
17.	Special resolution number 5 Adoption of Memorandum of Incorporation of the company			
18.	Ordinary resolution number 4 Signature of documents			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.
A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the company.

Signed at on 2012/13

Signature

Assisted by (if applicable)

Notes to the **form of proxy**

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the annual general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the company) of the shareholder's choice in the space provided, with or without deleting "the chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the chairperson of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty eight hours before the commencement of the annual general meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the chairperson of the annual general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the annual general meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairperson of the annual general meeting.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
12. Where there are joint holders of ordinary shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:

Hand deliveries to:	Postal deliveries to:
Computershare Investor Services Proprietary Limited	Computershare Investor Services Proprietary Limited
Ground Floor, 70 Marshall Street, Johannesburg, 2001	PO Box 61051, Marshalltown, 2107

    to be received by no later than 10:00 on Wednesday, 16 January 2013 (or 48 hours before any adjournment of the annual general meeting which date, if necessary, will be notified on SENS).

14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.
15. Summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act:
    - A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the relevant shareholders' meeting.
    - A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
    - The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.
    - The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.
    - If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.
    - Attention is also drawn to the 'notes to the form of proxy'.

The completion of a form of proxy does not preclude any shareholder from attending the annual general meeting.

Appendix

King III checklist

Principle number	Description	Compliance
1.1	The board should provide effective leadership based on an ethical foundation	√
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	√
1.3	The board should ensure that the company's ethics are managed effectively	√
2.1	The board should act as the focal point for and custodian of corporate governance	√
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	√
2.3	The board should provide effective leadership based on an ethical foundation	√
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	√
2.5	The board should ensure that the company's ethics are managed effectively	√
2.6	The board should ensure that the company has an effective and independent audit committee	√
2.7	The board should be responsible for the governance of risk	√
2.8	The board should be responsible for information technology (IT) governance	√
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	√
2.10	The board should ensure that there is an effective risk-based internal audit	The company does not have an internal audit function as contemplated in King III. B&W has a comprehensive risk matrix detailing material risks and controls that mitigate these risks.
2.11	The board should appreciate that stakeholders` perceptions affect the company's reputation	√
2.12	The board should ensure the integrity of the company's integrated annual report	√
2.13	The board should report on the effectiveness of the company's system of internal controls	The board has reported on the effectiveness of internal controls (see pages 32, 36 and 37 of this integrated annual report). Certain procedures and controls have been updated throughout the consolidation year.
2.14	The board and its directors should act in the best interests of the company	√

Appendix *continued*

King III checklist *(continued)*

Principle number	Description	Compliance
2.15	The board should consider business rescue proceeding or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	√
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	The Chairman of the board is a non-executive director, however a lead independent director was appointed in compliance with the JSE Listings Requirements.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	√
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	√
2.19	Directors should be appointed through a formal process	A policy regarding appointment of directors has been established.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes	√
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	√
2.22	The evaluation of the board` its committees and the individual directors should be performed every year	To date being done informally at board meetings. Formal evaluations will be conducted during 2013.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	All required committees have been established.
2.24	A governance framework should be agreed between the group and its subsidiary boards	√
2.25	Companies should remunerate directors and executives fairly and responsibly	√
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	√
2.27	Shareholders should approve the company's remuneration policy	√
3.1	The board should ensure that the company has an effective and independent audit committee	√
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	√
3.3	The audit committee should be chaired by an independent non-executive director	√

King III checklist *(continued)*

Principle number	Description	Compliance
3.4	The audit committee should oversee integrated reporting	√
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Partially compliant. Discussed and reviewed at board meetings. A formal assurance model is currently being drafted.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	√
3.7	The audit committee should be responsible for overseeing of internal audit	The company does not have an internal audit function as contemplated in King III.
3.8	The audit committee should be an integral component of the risk management process	A comprehensive risk management process has been completed and is being reviewed by the Audit & Risk Committee.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	√
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	√
4.1	The board should be responsible for the governance of risk	√
4.2	The board should determine the levels of risk tolerance	√
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	√
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	√
4.5	The board should ensure that risk assessments are performed on a continual basis	√
4.6	The board should ensure that the frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	√
4.7	The board should ensure that management considers and implements appropriate risk responses	√
4.8	The board should ensure continual risk monitoring by the management	√
4.9	The board should receive assurance regarding the effectiveness of the risk management process	√
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Partially compliant*

King III checklist *(continued)*

Principle number	Description	Compliance
5.1	The board should be responsible for information technology (IT) governance	√
5.2	IT should be aligned with the performance and sustainability objectives of the company	√
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	A formal IT charter has been established.
5.4	The board should monitor and evaluate significant IT investments and expenditure	√
5.5	IT should form an integral part of the company's risk management	√
5.6	The board should ensure that information assets are managed effectively	√
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	√
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	√
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	√
6.3	Compliance risk should form an integral part of the company's risk management process	√
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	√
7.1	The board should ensure that there is an effective risk based internal audit	The company does not have an internal audit function as contemplated in King III.
7.2	Internal audit should follow a risk based approach to its plan	Refer to 7.1
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	Refer to 7.1
7.4	The audit committee should be responsible for overseeing internal audit	Refer to 7.1
7.5	Internal audit should be strategically positioned to achieve its objectives	Refer to 7.1
8.1	The board should appreciate that stakeholders perception affect a company's reputation	√

King III checklist *(continued)*

Principle number	Description	Compliance
8.2	The board should delegate to management to proactively deal with stakeholder relationships	√
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	√
8.4	Companies should ensure the equitable treatment of shareholders	√
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	√
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	√
9.1	The board should ensure the integrity of the company's integrated annual report	√
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	√
9.3	Sustainability reporting and disclosure should be independently assured	At present the company does not obtain independent assurance, however this may be considered in the future.

**Refer to the table on page 24 for detail*

Notes

Contacts

Company secretary and registered office
CIS Company Secretaries Proprietary Limited
Ground Floor, 70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

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

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

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

Auditors
Certified Master Auditors Inc.
Chartered Accountants (SA)
1, 2nd Road
Midrand, 1685
(Private Bag X168, Halfway House, 1685)

Commercial banker
Standard Bank Corporate and Investment Banking
7th Floor, 3 Simmonds Street,
Johannesburg, 2001
(PO Box 61029, Marshalltown, 2107)

Enquiries relating to integrated annual report
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