2013

Integrated Annual Report

B&W Instrumentation and Electrical Limited

Definitions

'AltX'	The Alternative Exchange of the JSE on which B&W is currently listed
'B&W' or 'the company'	B & W Instrumentation and Electrical Limited, listed on AltX
'B-BBEE'	Broad-based black economic empowerment
'the board'	The board of directors of B & W Instrumentation and Electrical Limited
'Companies Act'	South African Companies Act, 71 of 2008, as amended
'CIDB'	Construction Industry Development Board, established to promote a regulatory and developmental framework for the South African construction industry
'the current year'	The year ending 31 August 2014
'Designated Adviser' or 'DA'	Merchantec Capital, a designated adviser of AltX focusing specifically on JSE mid-cap companies
'EB'	Electrical Engineering Works – Building for which an electrical certificate is required
'E&I'	Electrical and instrumentation, the niche industry in which B&W operates
'EP'	Electrical Engineering Works – Infrastructure
'the group'	B&W and its subsidiaries and associates
'GRI'	Global Reporting Initiative
'JSE'	JSE Limited incorporating the Johannesburg Securities Exchange, the main bourse in South Africa
'King III'	King Report on Corporate Governance for South Africa 2009
'Listings Requirements'	Listings Requirements of the JSE
'LTI'	Lost time injury
'LTIFR'	Lost time injury frequency rate
'MOI'	Memorandum of Incorporation
'OEMs'	Original equipment manufacturers
'Pontins'	Pontins Proprietary Limited, a specialist earthing, lightning and surge protection provider acquired by B&W in 2009
'PPE'	Personal protective equipment
'the previous year'	The year ended 31 August 2012
'Regiments Capital'	Regiments Capital Proprietary Limited, a black-owned diversified financial services company
'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 2013

Financial definitions

'IFRS'	International Financial Reporting Standards
'EBITDA'	Earnings before interest, taxation, depreciation and amortisation
'HEPS'	Headline earnings per share
'ROI'	Return on investment
'ROCE'	Return on capital employed

Report navigation

Highlight

Financial highlight

Page referencing

Website reference

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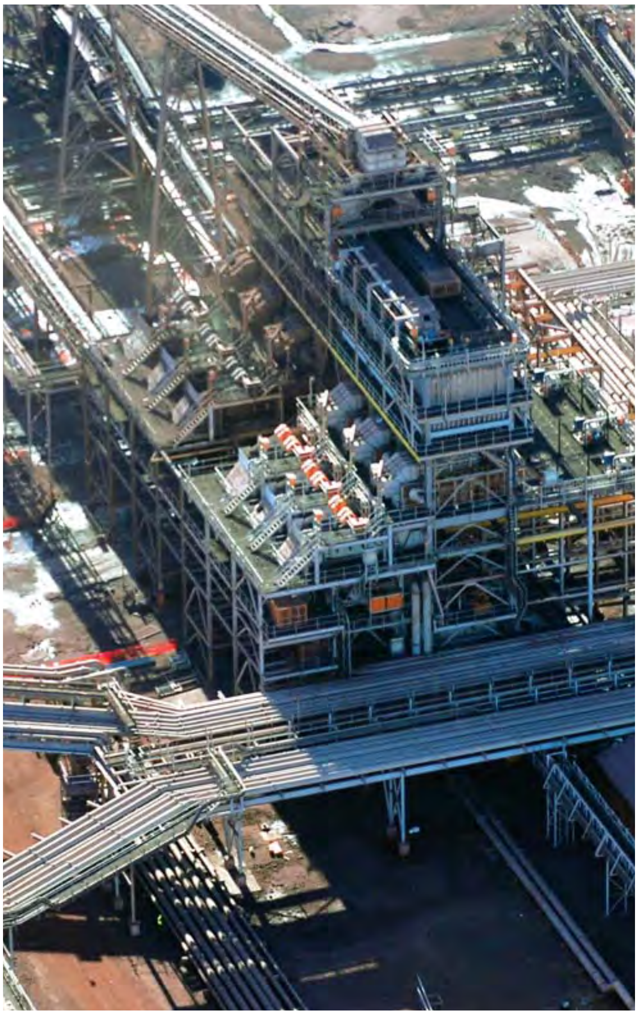
About this report



B&W is one of the three leading E&I construction groups in South Africa. The company was established in 1973 and listed on the JSE's AltX in July 2007. B&W provides specialist construction services for building and operating the E&I infrastructure in a plant, in accordance with design specifications.

This report is B&W's third integrated annual report, and reflects ongoing advancement in our long-term goal of achieving a fully integrated report. We present the annual financial results and the economic, environmental, social and governance performance of the group for the year 1 September 2012 to 31 August 2013, which follows our report published in November 2012.

Content encompasses all divisions and subsidiaries of the company, across all regions of operation, as illustrated in the 'Group snapshot' on page 5. There was no change to the boundary or any measurement techniques. There were no reclassifications of previously reported information. There was no business combination during the year.

Corporate information

B & W Instrumentation and Electrical Limited
(Incorporated in the Republic of South Africa)
(Registration number 2001/008548/06)
ISIN: ZAE000098687
Share code: BWI
Listed: JSE AltX
Listing date: July 2007
Shares in issue: 212 168 959

Registered offices: South Africa, Mozambique, Swaziland, Kenya and Namibia.

The group's executive directors are **Brian Harley** (CEO), **Danie Evert** (Financial Director), **Dean Nevay** (Projects Director) and **Gary Swanepoel** (Operations Director). They can be contacted at the registered office of the company (see IBC).

This integrated annual report 2013 is available online at www.bwie.co.za. For feedback and/or suggested further information and/or improvements to the formatting, accessibility, functionality and usability, please contact:
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Basis of preparation

In line with the requirements of King III, this integrated annual report provides a consolidated review of the group's financial, social, economic and environmental performance for the year 1 September 2012 to 31 August 2013. The company has applied the majority of the principles in the King III Report. In respect of those which have not been applied, explanation is offered. B&W has 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, and the *Draft International Integrated Reporting Framework*.

In accordance with the stated objectives of integrated reporting, the report focuses on issues that materially impact B&W's ability to create and sustain value, and on which the company materially impacts in the course of business, and outlines how these issues have been integrated into our business strategy. The report is primarily targeted at current stakeholders and potential investors in the group.

The annual financial statements have been prepared in accordance with IFRS, the requirements of the Companies Act and the Listings Requirements of the JSE.

Although B&W does not strictly adhere to the principles of GRI, it complies with the standards set by the GRI in terms of sustainability development. As such 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.

Assurance

The combined assurance model of the group in its current format is set out below:

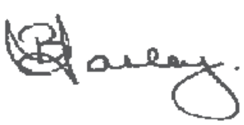
Business process	Nature of assurance	Status	Assurance provider	Integrated report disclosure
Annual financial statements	**Unqualified audit**	Assured	Certified Master Auditors Inc.	48
B-BBEE	**BEE scorecard**	Assured	Smith & Smith	37
SHE risk management	**NOSA five-star rating**	Assured	NOSA	42
Quality management	**ISO 9001:2008**	Assured	SABS	Throughout the report

Forward-looking statements

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 31 August 2013. 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 these forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, save as required to do so by legislation and/or regulation.

Responsibility statement and review

The Audit & Risk Committee and the board acknowledge their responsibility to ensure the integrity of this integrated annual report. It has been reviewed by the Audit & Risk Committee, the board, company secretary, DA and investor relations consultants. The annual financial statements included in this integrated annual report have been audited by the external auditors.



Brian Harley
CEO

Danie Evert
Financial Director

George Robertson
Chairman Audit & Risk Committee

Highlights

Sustainability

- Cash flow stabilised
- Margins for work in hand slightly up
- Secured first solar project → entry into renewable energy sector
- Improved corporate governance
- LTIFR of 0,00

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 ratings
- Established African footprint
- Exceptional safety record
- Successful skills development programme
- Ongoing innovation to ensure optimal process capability

Our group

Group snapshot

- Level 5 B-BBEE accredited
- ISO 9001:2008 accredited
- 8EB and 8EP CIDB ratings
- Five-star NOSA safety ratings at select sites
- Disabling Injury Frequency Rate (‘DIFR’) of 0,00

Celebrating 40 years in the E&I market, B&W is today a top three leader in South Africa and the only contractor exclusively specialised in E&I construction. At peak we employ 3 000 people across sub-Saharan Africa.

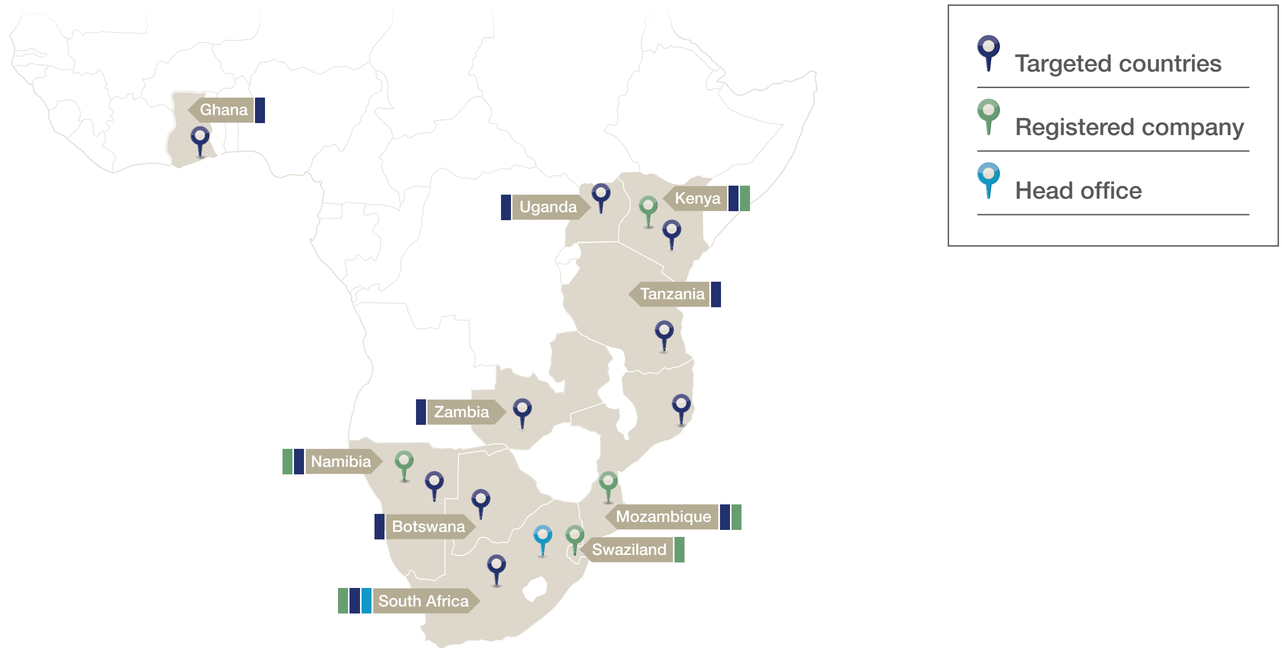
We service the industries of infrastructure, mining, chemical, oil & gas, utilities, renewable energy, power generation and industrial, building a plant that will function electrically and instrumentally in accordance with specific design. Our full range of services encompasses:

- construction management and supervision;
- earthing, lightning and surge protection services;
- supply of material (not supplied by the client);
- procurement and inspection services;
- installation of the 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; and
- post-installation maintenance including client operator training.

Group snapshot continued

Footprint

As one of the first South African construction companies to venture into sub-Saharan Africa, we now have an extensive footprint and a wealth of experience throughout South Africa and sub-Saharan Africa. Headquartered in Gauteng, we have registered companies in Mozambique, Swaziland, Kenya and Namibia.



Our history

2013
B&W secures first solar project marking entry into renewable energy sector

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

Achieves Level 4 BBBEE rating

2011
Revenue increases 14% in tough trading conditions

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

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

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

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

Our structure

B&W Instrumentation and Electrical Limited

Company services	Company operations	Pontins	Registered companies	B & W Instrumentation and Electrical SA Proprietary Limited
Health, safety and environment	E&I installations process plants	Earthing and lightning specialists	Mozambique	29,83% equity
Marketing and proposals	Regions		Swaziland	Level 5 B-BBEE status
Financial	Maintenance and shutdowns		Kenya	
Procurement	Special services		Namibia	
Quality assurance				
Planning				
HR skills development				

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

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

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

Early 1990s
B&W develops instrumentation capability
Enters mining industry

1984
Alberton becomes head office
B&W expands client base

Early 1980s
B&W utilised extensively in SAB expansion

1982
Branch office established in Alberton, Gauteng

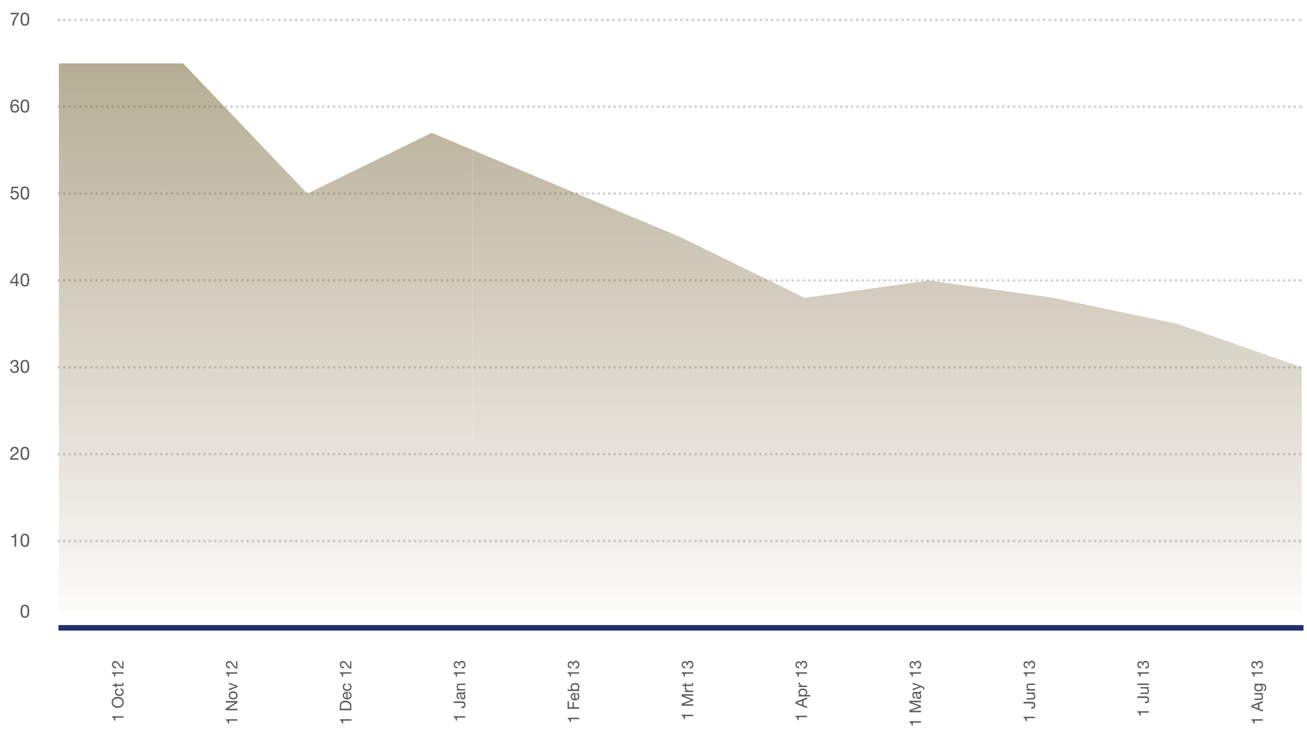
1973
B&W formed in Cape Town as an electrical contractor

1972
Pontins established

Seven-year review

	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Revenue	**399 860**	442 374	683 384	601 283	502 840	450 333	294 043
Gross profit	**41 463**	67 486	21 884	123 125	105 778	99 603	54 459
Gross profit margin (%)	**10,4**	15,3	3,2	20,5	21,0	22,1	18,5
Operating profit/(loss)	**(45 974)**	15 772	(23 606)	78 310	75 551	75 356	35 073
Operating margin (%)	**(11,5)**	3,6	(3,5)	13,0	15,0	16,7	11,9
Profit/(loss) before taxation	**(50 610)**	10 269	(27 185)	81 554	82 915	82 292	35 880
Profit/(loss) before taxation margin (%)	**(12,7)**	2,3	(4,0)	13,6	16,5	18,3	12,2
Profit/(loss) for the year	**(35 762)**	2 586	(15 756)	57 513	59 284	57 836	24 791
Profit margin (%)	**(8,9)**	0,6	(2,3)	9,6	11,8	12,8	8,4
Earnings/(loss) per share (cents)							
Basic	**(17,6)**	1,4	(7,7)	28,5	29,6	28,9	14,3
Diluted	**(17,6)**	1,4	(7,7)	28,5	29,6	28,9	14,3
Dividends paid per share (cents)	**–**	–	4,5	7,5	7,5	5,5	
Net asset value per share (cents)	**73,3**	89,7	88,2	100,4	78,0	55,9	32,5
Net tangible asset value per share (cents)	**69,3**	85,3	83,4	95,1	78,0	55,9	32,5

Share performance



How we approach projects

All targeted projects are analysed by management in terms of value, region and perceived and actual risk. Tenders are generally estimated using international norms, adjusted from time to time according to:

- risk;
- brownfield projects (refurbishment of existing plants);
- requirement of shutdowns;
- geography (depending on availability of technical skills in a region);
- project footprint (congestion causes inefficiency); and
- access (delayed access causes inefficiency).

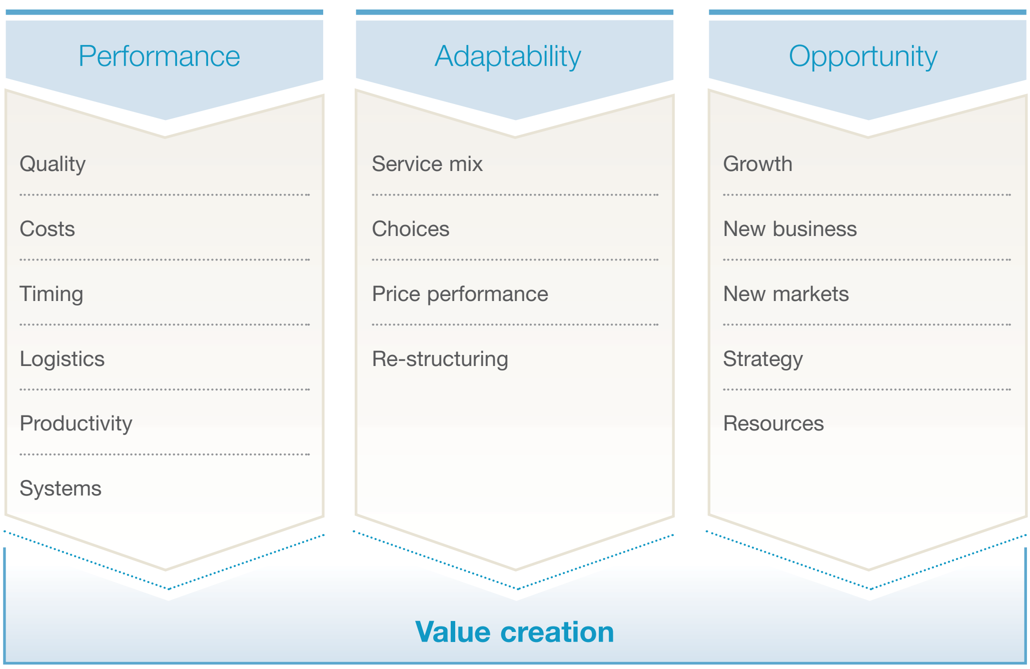
Project life cycle

Phase 1				Phase 2	Phase 3	Phase 4
Timing **2 – 3 months**				Average duration **6 – 8 months**		
Preparation	**Tender**			**Construction**		**Handover**
Market and sector analysis	Targeted projects by region Timing (vs) Teams	Tender process – 3 x weeks Risk analysis	Site estab-lishment Scope definition	Bulk building	Internal punch Sweeping and point to point checks	Hot loops, system check and final sell

How we create value

Our values	How we live our values	Progress
Integrity	We aim to only enter into transactions that have an across-the-board positive effect on all parties involved, whether directly or indirectly.	Establishment of Social and Ethics Committee with oversight of our ethics and impact on stakeholders
Excellence	We aim for distinction in terms of product and service quality and overall corporate culture.	Maintained ISO 9001:2008 accreditation LTIFR of 0,00 and DIFR of 0,00 NOSCAR Award 2012 NOSA Five-Star Status Service Provider of the Project: Sasol SUEP Safety Officer of the Project: Sasol SUEP Best Safety Officer: Kwale Sands, Kenya
Commitment	We remain unswervingly committed to our strategic objectives.	Our five-year strategic plan was reviewed and adapted to the current environment
Empowerment	We practice an empowerment value system based on the 'teachability index': the willingness to learn and the willingness to accept change.	Ongoing enterprise development which includes providing assistance and development of small contractors Introduced a succession planning programme 102 250 total hours of training undertaken as part of our skills development programme

B&W maintains its competitive advantage in cyclical market conditions by leveraging the group's strengths and adaptability to capitalise on opportunity. In so doing we aim to generate revenue to reinvest in our core competencies and resources, and to create value for all our stakeholders.



Our stakeholders

We recognise stakeholder engagement as key to our corporate accountability and have identified key stakeholder groups who may impact on or be impacted by our business strategy. As a responsible corporate citizen we have adopted an inclusive approach to stakeholder engagement.

Our stakeholders are identified and our relationship with them reviewed by the board once a year, as part of the directors' mandate. The group's method of engagement with any identified stakeholder group is then revised if necessary.

In the year under review we focused on improving our engagement with shareholders. This was in response to external investor polling which reflected a need for further disclosure of the group's strategy and business model, a lack of understanding of how we operate and scant information with regard to the E&I sector in general. We therefore, for the first time held pre-close investor days in February and July 2013 (announced on SENS), with additional information in line with disclosure regulations, which were well received.

Key stakeholders

Stakeholder	What matters to them	Engagement	Responsibility	Feedback	Progress FY2013
Shareholders	↗ Sustainability ↗ Profitability ↗ ROI (share price and dividends) ↗ Cash generation ↗ Corporate governance and compliance ↗ Risk management ↗ Growth prospects ↗ Investment performance ↗ Accessibility to leadership ↗ Timeous information ↗ Strength and sustainability of leadership	↗ Annual general meeting ↗ Regular investor presentations/road shows ↗ Regular 1:1 meetings ↗ Conference attendance on request ↗ Integrated report, SENS and results announcements posted on website, published in business press and posted to shareholders ↗ CEO and Financial Director readily available for dialogue ↗ Investor newsletters ↗ Polling of investors post-results	↗ CEO assisted by Financial Director/ Chairman and consultant	↗ Feedback from results presentations and 1:1 meetings is relayed to and dealt with at board level	Pre-close investor days introducing: ↗ Greater accessibility to deeper management ↗ Address of specific issues of concern raised in polls
Lenders/ providers of capital	↗ Capital management ↗ Sustainability ↗ Profitability ↗ ROI (share price and dividends) ↗ ROCE ↗ Cash generation ↗ Corporate governance and compliance ↗ Risk management ↗ Growth prospects	↗ Contractually required information flow ↗ Regular *ad hoc* meetings ↗ Integrated report, SENS and results announcements	↗ CEO and Financial Director	↗ Discuss management accounts monthly and weekly cash flows ↗ Discuss current facilities	↗ B&W is currently in the process of raising additional capital ↗ Group cash flow is improving on an ongoing basis and the transfer of monies back into South Africa is progressing well

How we create value continued

Stakeholder	What matters to them	Engagement	Responsibility	Feedback	Progress FY2013
Employees	↗ Job security ↗ Sustainability ↗ Personal growth and development ↗ Skills development ↗ Remuneration and incentives	↗ Head office meetings with supervisors weekly ↗ Meetings with senior employees six times per year (project directors, contract managers, site managers and departmental heads) ↗ Interactive online staff notice board ↗ Employee newsletters ↗ Employee Trust – allows employees to share directly in and benefit from B&W's financial growth ↗ Small Projects Division facilitating mentoring and training *(See 'Our people' and 'The remuneration report' for further details)*	↗ HR manager and Remuneration Committee	↗ Ongoing email and feedback sessions ↗ Through interactive online staff notice board	↗ Focus on 'family values' throughout the group ↗ Assistance to employees with personal problems ↗ Ongoing training and development of existing key personnel to counter recruitment challenges
Customers	↗ Project execution and delivery ↗ Quality ↗ Service ↗ Value for money ↗ Security of supply	↗ Regular meetings at head office/active project sites ↗ Customer feedback surveys in accordance with the requirements of ISO9001:2008 ↗ Tender processes ↗ Contractual engagement processes	↗ Executive and senior management and marketing teams	↗ Customer feedback surveys	↗ Positive feedback from clients ↗ Building long-term relationships
Industry associations	↗ Training learners ↗ Maximising local content	↗ Group Projects 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	↗ HR manager ↗ Projects Director	↗ Regular meetings to discuss industry/ legislative changes	↗ Input and assistance from a contractor point of view to streamline the flow of information and ensure dedicated communication

Value Added Statement

The value added statement depicts the performance and efforts of management, employees and providers of capital. The statement further indicates the value added distribution to those contributing throughout the year.

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

Economic		2013	2012	2011	2010	2009
Headline earnings per share	(cents)	**(17,6)**	1,4	(7,78)	28,5	29,2
Gross margin	(%)	**10,4**	15,3	3,2	20,5	21,0
Operating margin	(%)	**(11,5)**	3,6	(3,5)	13,0	15,0
Return on equity	(%)	**(23,8)**	1,4	(8,7)	28,0	38,0
Dividends declared	(cents)	**–**	–	4,5	7,5	7,5
Preferential procurement	(%)	**50**	54	59	53	49
Enterprise development investment	(Rm)	**0,25**	1,5	3,6	3,2	3,3

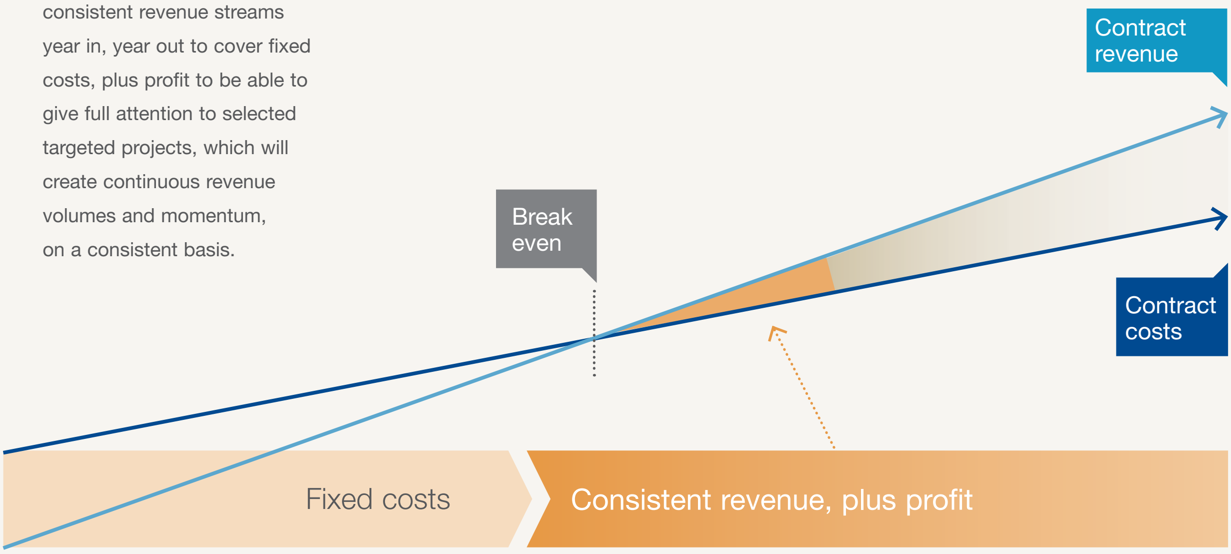
Social		2013	2012	2011	2010	2009
Permanent and contract employees		**812**	802	733	696	599
Employee turnover	(%)	**47**	57	40	46	49
Skills development: employment costs	(%)	**4,9**	5,1	6,3	7,4	5,4
B-BBEE rating	level	**5**	4	5	5	6
Employment equity: black employees	(%)	**70**	68	73	71	72
Employment equity: black management	(%)	**30**	39	41	39	40
Corporate social investment	(Rm)	**0,68**	0,72	2,45	1,75	0,38

Our five-year strategy continued

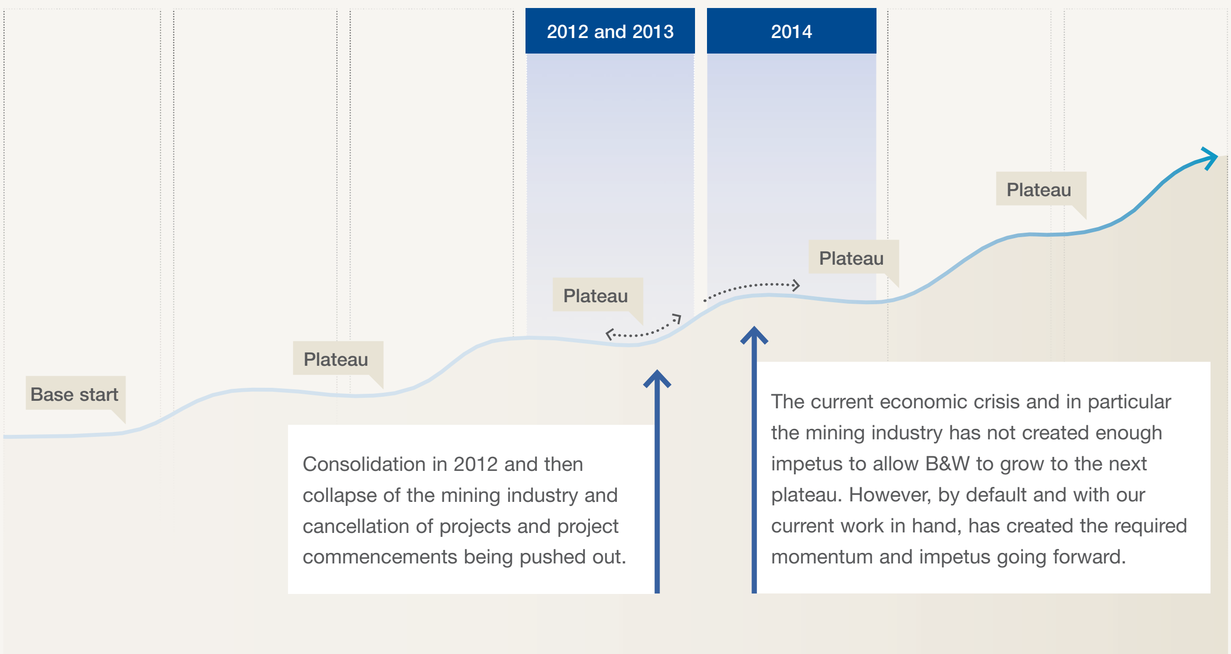
Progress to date

Project capacity

→ To sustain reasonable organic growth, B&W must create consistent revenue streams year in, year out to cover fixed costs, plus profit to be able to give full attention to selected targeted projects, which will create continuous revenue volumes and momentum, on a consistent basis.



Business life cycle



In light of macro-economic conditions and internal initiatives in the group in 2012/13, namely – the collapse of the mining industry and resultant delays and cancellations of projects, the prevailing general economic downturn and the group's own consolidation in 2012 – the impetus for B&W to achieve our targets was impeded.

However, our current work in hand has created the required momentum to enable the group to deliver pleasing results in 2014 and onward. Notwithstanding this more positive outlook for the financial year ahead, given the prolonged downturn in the economy generally and the construction sector in specific, we have adopted a more cautious approach to 2014/5 and have, accordingly, refined our strategy to focus on the key aspects of our day-to-day business, as set out in the table below:

Short- to medium-term strategy

Our vision	Strategic objective	Target/outcome
Service delivery	↗ Leverage professional service capabilities to exceed clients' expectations and in turn create wealth for our stakeholders	↗ Get a customer – keep a customer and develop innovative ideas to the highest possible level
Consolidation	↗ Execute the basics correctly, learn from past harsh lessons and focus on our core business	↗ Accountability and responsibility. Strengthen our core competencies for the upswing
Cash management	↗ Reduce debtors days on a day-to-day basis and reinvest internally generated funds/cash from operations to create a solid foundation during 2014 and 2015 and for growth beyond 2015	↗ Fund future growth and raise any additional capital required through a combination of debt and equity
Project capacity	↗ Build future capacity to ensure future capability through quality management and ability to develop and retain talent	↗ Long term sustainability through integrity, ethics and resilience
CAPEX	↗ Maintain fleet with no expansion	↗ On hold for six months

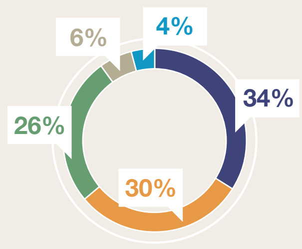
Long-term strategy

Our vision/mission	**Strategic objective**	**Target/outcome**
↗ Build B&W into significant E&I specialist construction company, by offering a comprehensive and professional service meeting clients' expectations and needs	↗ Process capability ↗ Service delivery ↗ Construction basics	↗ Build long-term capacity ↗ Performance driven ↗ Disciplined project execution
↗ To become a recognised industry leader and preferred service provider	↗ Improve and strengthen our core competencies	↗ Accountability and service driven culture
↗ Create wealth for our investors and shareholders	↗ Re-establish our image, reputation and credibility ↗ Performance driven culture	↗ Increase shareholder value over the long-term ↗ Strengthen our balance sheet
↗ Instill a focused and detailed business strategy, locally and regionally	↗ Targeted projects by sector that are aligned to our core competencies and focus on sound opportunities	↗ Quality management and capacity ↗ Develop and retain talent
↗ Operations	↗ Understand and learn from past mistakes	↗ Disciplined operational execution ↗ People development

The E&I market and where we fit in

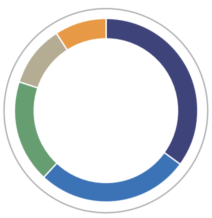
B&W is today a top three leader in E&I in South Africa and the only contractor exclusively specialised in E&I construction. The group is also the only independent E&I contractor as our competitors are all divisions of large construction groups or OEMs.

Estimated market share



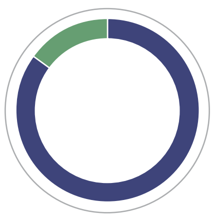
- 7 Major competitors
- Other
- 10 Minor competitors
- Foreign competitors
- B&W

Revenue **by industry**



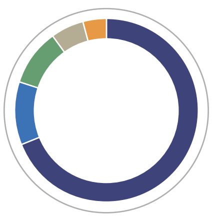
- **59%** Mining
- **10%** Pontins
- **11%** Oil & gas
- **5%** Infrastructure
- **15%** Industrial

Revenue **by region**



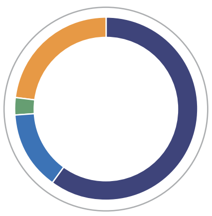
- **78%** South Africa
- **22%** Africa

Targeted work **by industry: 2014**



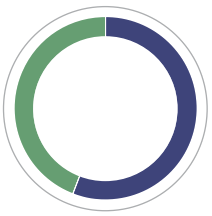
- **69%** Mining
- **10%** Pontins
- **11%** Oil & gas
- **6%** Infrastructure
- **4%** Industrial

Orders received **by industry**



- **60%** Mining
- **3%** Industrial
- **14%** Oil & gas
- **23%** Infrastructure

Orders received **by region**



- **56%** South Africa
- **44%** Africa

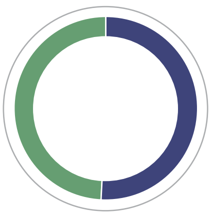
Targeted work **by industry: 2015**

- **34%** Mining
- **13%** Infrastructure
- **19%** Oil & gas
- **10%** Pontins
- **14%** Industrial
- **10%** Renewable

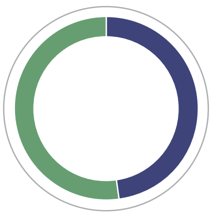
Targeted work by region

Sub-Saharan Africa offers a wealth of opportunity with planned projects of $500 billion, of which B&W associates with approximately $54 billion. The countries targeted are Mozambique, Zambia, Namibia, Botswana, Kenya, Tanzania, Uganda and Ghana.

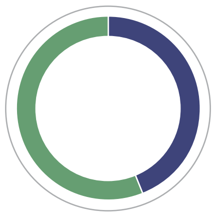
2014



2015



2016



Market overview

Challenges	Positive drivers
↗ Mining industry – Dampened growth – Labour issues – Labour costs ↗ Prolonged downturn in construction sector ↗ Depleting government spend ↗ Economies still feeling the global financial crisis ↗ Delayed payments affecting working capital ↗ Slow roll-out of projects ↗ Less available cash for growth	↗ Strong order book with slightly improved margins ↗ Coal mining very positive ↗ Oil & gas prospects very positive ↗ Good opportunities in Africa across all sectors ↗ Reasonable project pipeline despite slow roll-out

For further commentary on the current macroeconomic environment please see the 'Joint Chairman's and CEO's report' on page 20.

Leadership

Directorate

Executive

Brian Harley (57)
PrCPM MBA Dip (Bus Man) NTC6
CEO
Appointed to the board: 2002

Brian was appointed B&W's CEO in 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 JSE construction company.

Gary Swanepoel (49)
PrCM NHD (Building Science)
Operations Director
Appointed to the board: 1996

Gary joined B&W in 1994. He has worked in the construction industry for over 25 years, of which the majority has been with B&W. His previous experience includes being a quantity surveyor both in South Africa and abroad on various large E&I projects.

Danie Evert (50)
BCom (Acc)
Financial Director
Appointed to the board: 2007

Danie joined B&W in 2005 and was appointed as the company's Financial Director in 2007. He has worked in the construction industry for over 25 years. Danie previously worked as financial manager and information systems manager in both South Africa and abroad for a major JSE construction company.

Dean Nevay (44)
PrCM (SACPCM) BCom N Dip Elec (L/C) MBA Certified PROFIBUS Engineer (PCC) ISO 9001:2000 (TIQMS)
Projects Director
Appointed to the board: 1996

Dean joined B&W in 1992. He 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 a past president of the Electrical Contractors Association (SA) and previously a councillor on the National Bargaining Council.

Non-executive

John Barrow (69)

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

Chairman

Appointed to the board: 1984

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

Independent non-executive

Wolf Wassermeier (70)

Lead Independent Director

Appointed to the board: 2007

Wolf 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 JSE construction company.

Unati Mabandla (42)

BA PR Adv PM Cert of Proficiency

Appointed to the board: 2007

Unati 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.

Roger Pitt (33)

CA(SA)

Appointed to the board: 2012

Roger is a member of the Audit & Risk Committee. After completing his articles, he moved into corporate finance where he gained experience across the full range of corporate actions. Roger also currently serves on the board and audit & risk committee of a private company and chairs the audit & risk committee of a private financial services group.

George Robertson (65)

CA(Z)

Appointed to the board: 2012

George chairs the company's Audit & Risk Committee. He has extensive financial experience with 30 years as part of the financial team in a large mechanical, electrical and instrumentation company, where he was appointed business unit finance director.

Joint Chairman and CEO's report

John Barrow (Chairman) *Brian Harley (CEO)*

After a challenging year and the associated negative impacts, the group has been able to post improved profitability and through its completed consolidation will be well positioned, all be it off a low base, to catch the upswing.

Overview

The 2013 financial year has been challenging and difficult in the construction sector with many obstacles to overcome. These included loss-making projects, delayed payments and unresolved claims that had a significant impact on our day-to-day working capital.

Although these challenges negatively impacted the group throughout the year, it is pleasing to note that the group was profitable for the second half of the year and has been able to reduce the loss posted in February 2013.

The local economy, and in particular the construction sector, continue to remain in a prolonged downturn, hampered by the slow roll out of projects while the mining sector is mixed to say the least. Although we saw a slight improvement in margins, competition remains tough and it will be some time before the construction sector beds itself down and returns to some form of normality.

Due to the prolonged downturn and the disrupted mining sector, management has focused on day-to-day key activities to consolidate and restructure operations to ensure success. However, our outlook for 2014 and 2015 remains cautious. Some of the key elements we addressed included reducing operating expenses, service delivery, project capacity and cash management.

Operations

Given the prolonged economic downturn B&W are in reasonably good shape regarding work in hand at year-end, with slightly improved margins.

Current work in hand of R401,0 million sets a stable foundation to return to profitability in the 2014 financial year and is aligned with revenue versus units of work which is now producing positive results with regards to service delivery and project execution.

The fruits of focusing management's energy on the four strategic elements on a day-to-day basis is now clearly evident both in results over the last six trading months and indeed the significant reduction in operational expenses due to restructuring operations and emphasising project focus directly on site as opposed to 'arm's length', all bodes well to take advantage of the upswing during 2016, all be it off a low base.

Our conservative approach to 2014 and 2015 will create a positive opportunity and leverage our professional service capabilities to exceed clients' expectations while at the same time build future capacity to ensure future capability through quality management.

The group's B-BBEE reduced from a Level 4 to Level 5 during the year due to our current cash constraints. However, we continue to explore new initiatives and are confident in improving our rating during the 2014 financial year. On a more positive note we comply fully with the Mining Charter.

Sustainability

The group remains totally committed to cementing sustainability throughout all activities, divisions and operations, both locally and regionally, to deliver sustainable growth and wealth creation for shareholders and at the same time protect our people, environment and communities.

The group's strategy, and indeed our short-term focused strategy implemented to guide B&W through these troubled times, is geared and aligned to enhance the quality of life of our employees and the communities, locally and regionally, who are affected by our operations.

This further translates into B&W's social investment initiatives to empower communities and to create long-term sustainability. These values are committed to operating a triple bottom-line performance to deliver economic growth and wealth creation for shareholders.

Corporate governance

The group's directors and executive management are totally committed to and endorse the codes as set out by the King III Report, the JSE Listings Requirements, the Companies Act, legislation and regulations.

The board through its various committees and company secretarial team guide executive management and ensure that strategic objectives and goals are met.

The group is further committed to embark on a 'gap analysis' during 2014 to review our corporate governance policies and practices and continually strives for improvement.

Health and safety environment

Throughout B&W's 40 years of existence we pride ourselves in an impeccable track record in safety and care for our employees.

Management's commitment towards safety and the environment is the foundation and framework driving operations and project execution in a safe and harmonious manner.

It is this commitment and resilience that ensures long-term sustainability through teamwork, goal setting and service delivery and envisages the group's commitment to employees and communities.

A safe happy, harmonious working environment will inevitably ensure commitment to safety and the environment and a successful conclusion on all projects.

Prospects

The short- to medium-term will continue to be plagued by the prolonged economic slump and the uncertainty in the construction sector. However, there are some positive signs, although not across all sectors at this point in time. Tendering activity has picked up slightly over the past three months with marginally increased margins.

Through our strategic process our marketing and sales efforts have produced a reasonable robust order book for 2014 in trying times and created a sound framework to build momentum into the future for sustained growth.

Cross-border activity remains promising and the group has targeted selected countries to secure future long-term work, but will continue to pursue opportunities on a project by project basis in other regions with our preferred clients. The targeted countries are Mozambique, Kenya, Namibia, Ghana, Tanzania, Botswana, Zambia and Uganda.

Although the outlook for the mining sector remains mixed to say the least, B&W have identified mining progress during 2014 and 2015, with expected moderate growth for 2014.

The oil & gas sector is showing positive signs of real growth during the first quarter of 2016 mainly due to expansions, clean fuels and indeed new projects in Africa and northern Mozambique. This, when the economy recovers, will give impetus and generate momentum in the construction sector and have a strong influence on the overall recovery in the construction sector.

The infrastructure sector in Africa has exciting opportunities and although B&W currently don't always participate directly in this sector, the group is reviewing its stance and will initiate strategies to become active in infrastructure on a selective basis particularly when cash flow permits such participation. The group believes this will play a major role in our long-term growth and sustainability.

Appreciation

The board extends its utmost appreciation to all management, staff and to all persons on site who have displayed extreme resilience through tough times by demonstrating their will to succeed and never give up.

We also thank our business partners, suppliers, advisers, our valued clients and shareholders for not only their continued support but also their belief and confidence in the group.

John Barrow
Non-executive Chairman

Brian Harley
CEO

15 November 2013

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 strives to ensure that the company conducts its business in accordance with this overarching principle in terms of B&W's Code of Conduct.

Oversight and monitoring of the group's good corporate citizenship is the responsibility of the Social & Ethics Committee.

The group's Code of Ethics ('the Code') applies to all directors and employees in the group. The board, assisted by the Social & Ethics Committee, ensures that the Code is considered in strategic and operational decisions. B&W's disciplinary codes and procedures further accord with the Code and give effect to its tenets. The group undertakes regular training on directors' responsibilities, applicable legislation and regulations from recognised third parties to ensure adherence to the Code, and it is reviewed annually.

A confidential policy is in place for whistleblowing, enabling employees to anonymously report unethical business conduct in the workplace. Given that the nature of the construction industry sees minor pilferage and theft from time to time, the group has a further tip-off system in place. When significant instances occur, we make use of an outsourced service to investigate these. In addition, active policing is practiced during project audits.

No instances of unethical behavior or corruption were reported during the year.

Transparency and accountability

Corporate governance

Highlights

- Comprehensive succession plan in place
- Board Charter updated in terms of King III and the Companies Act
- Code of Ethics updated

Statement of compliance

B&W's board is committed to responsibility, accountability, fairness and transparency in accordance with the King III Report and applicable laws, as well as to integrity in all business dealings. The board aims to integrate responsible corporate citizenship into the group's business strategy, audits and assessments and to embed sound corporate governance practices into daily operations and processes for sustainability.

In line with the King III Report's 'apply or explain' approach, the directors will continue to state the extent to which the company applies good corporate governance principles to create and sustain value for stakeholders over the short-, medium- and long-term, and to explain any non-compliance. (Please see 'Compliance framework' on page 28).

The board acknowledges that applying good corporate governance principles is a dynamic responsibility in line with developments in South Africa and internationally. In this light a comprehensive King III gap analysis was completed at the end of the previous year. The recommendations were implemented in the year under review (see page 28).

Corporate governance continued

B&W's governance structure

The board

Responsibility	↗ The performance and affairs of the group, with full control over all underlying companies. ↗ Sound judgement and leadership with integrity based on the King III RAFT principles (see Ethical leadership on page 22). ↗ Safeguarding B&W's sustainability.

Members and meeting attendance

	Board meetings
Executive	
BH Harley (CEO)	6/6
DJ Evert (Financial Director)	6/6
T Lombard *(resigned November 2012)*	2/6
DS Nevay (Projects Director)	5/6
GWR Swanepoel (Operations Director)	5/6
Trevor Manas (Managing Director Pontins)*	4/6
Non-executive	
LJ Barrow (Chairman)	5/6
Independent non-executive	
YU Mabandla	2/6
RMH Pitt	5/6
JD Oosthuizen *(retired January 2013)*	2/6
GJ Robertson	6/6
W Wassermeier (lead independent director)	5/6

Independence	Number of independent non-executive directors: 4/9 As the Chairman is not independent Wolf Wassermeier has been appointed as lead independent director. During the year the board performed an assessment of the independence of each non-executive director and concluded that each independent non-executive director is independent in line with recommendations as set out in King III.
Self-evaluation	Completed The board was satisfied that it operates effectively according to the approved Board Charter which sets out its duties and responsibilities. Action points: 1. the nomination and appointment process with regard to directors; 2. the identification of risks and the mitigation thereof; and 3. succession planning.

* *By invitation.*

Committees

	Audit & Risk Committee for the full report see page 46			Remuneration Committee for the full report see page 35		Social & Ethics Committee for full details see 'The impacts of our business' on pages 37 to 39	
Responsibilities	↗ Appointment and assessment of independence of the external auditor ↗ Financial statements and accounting practices ↗ Internal financial control ↗ Risk management ↗ Evaluation of Financial Director ↗ Integrated reporting and combined assurance model			↗ Assessing executive and non-executive directors' remuneration ↗ Determining short- and long-term incentives for group executives		Monitoring and reporting on: ↗ Social and economic development ↗ Good citizenship ↗ Environmental issues ↗ Health and public safety ↗ Consumer relations ↗ Labour and employment ↗ Wellbeing of employees	
Members and meeting attendance		(Audit)	(Risk)				
	GJ Robertson (Chair)	4/4	2/2	YU Mabandla (Chair)	1/1	DS Nevay (Chair)	1/1
	RMH Pitt	4/4	2/2	LJ Barrow	1/1	RMH Pitt	1/1
	W Wassermeier	4/4	2/2	W Wassermeier	1/1	GWR Swanepoel	1/1
	JD Oosthuizen *(retired January 2013)*	1/4	1/2	JD Oosthuizen *(retired January 2013)*	1/1	YU Mabandla	0/1
Number of independent non-executive directors			3/3		2/3		2/4

Corporate governance continued

A brief *curriculum vitae* for each director is set out on pages 18 and 19 of the integrated report.

The board

The board ensures effective control over the group by continuously monitoring the implementation of strategies, policies and goals which are prepared by executive management based on the group's core competencies, existing skills, overarching values and ultimate goal of value creation.

The board meets monthly with additional meetings as and when necessary. Attendance is set out on page 24.

The role of the board is documented in a formal Charter, which is reviewed and updated annually in accordance with new guidelines and legislation. During the year the Board Charter was revised to achieve compliance with the new Companies Act and JSE requirements.

B&W's unitary board comprises nine directors, four of whom are executives, one of whom is a non-executive (Chairman John Barrow), and four of whom are independent non-executives.

The responsibilities of the Chairman and CEO, and those of other non-executive and executive directors, are clearly separated to ensure a balance of power. 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. He undertakes an annual appraisal of the CEO's performance. As the Chairman is not independent, Wolf Wassermeier has been appointed as lead independent director.

The CEO is responsible for day-to-day operations and the controlled implementation of strategic and operational decisions. In this regard he is assisted by the Financial Director, Operations Director and Projects Director.

The independent non-executive directors are high merit individuals who objectively contribute a wide range of industry skills, knowledge and experience to the board's decision-making process (see page 19). These directors are not involved in the daily operations of the company. 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.

During the year, Tom Lombard resigned as executive director with effect from 23 November 2012 and independent non-executive director Jimmy Oosthuizen retired with effect from 18 January 2013.

In line with group's MOI one-third of the directors retire by rotation each year. Accordingly, Roger Pitt and George Robertson will retire at the upcoming annual general meeting. All, being eligible, will stand for re-election.

The board as a whole is responsible for the nomination and appointment process for new directors, which is formal and transparent. 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 the ongoing training and development of directors, for instance board members' attendance at seminars during the year on new legislation including the Companies Act.

Succession planning

During the year B&W's formal succession plan was updated. To evaluate leadership potential and development opportunities, the 'acceleration pool method' was used to gauge the number of employees who are prepared to step into the higher level job. Pool members will now receive appropriate growth and development to facilitate their success.

The selection and screening process is fair and transparent and is designed to ensure that every employee with leadership potential is fairly and thoroughly considered for participation. Criteria for selection are based on future potential of the employee, rather than his/her current capacity.

While only candidates who have real potential for leadership positions are included in the 'acceleration pool', we have ensured a diverse group of employees.

Share dealings and conflicts of interest

Directors are required to disclose their shareholdings, additional directorships and any potential conflicts of interest as well as any share dealings in the company's securities to the Chairman and DA. The share dealings of the Chairman are required to be authorised by the lead independent director (in whose absence another independent director will suffice) prior to implementation. The DA advises directors and management in writing when the company is entering a closed period. The company secretary, together with the DA, ensures publication of share dealings on SENS.

No instances of non-compliance were reported during the year.

Support functions

Access to the advice and services of the company secretary and to company records, information, documents and property is unrestricted.

The company secretary function is outsourced to CIS Company Secretaries Proprietary Limited ('CIS') which is a wholly owned subsidiary of Computershare Investor Services Proprietary Limited. CIS's client base includes listed and non-listed entities. CIS fulfils the role of the company secretary by ensuring that the board remains mindful of it duties and responsibilities and by equipping the board to discharge such duties and responsibilities. The company secretary provides a central source of guidance and advice to the board on matters of ethics and good corporate governance.

The board is satisfied with the expertise, experience and competence of CIS and confirms that the relationship between the board and CIS remains at arm's length.

It is the responsibility of the company secretary to provide the directors with detailed guidance on their duties, responsibilities and powers. The company secretary records the minutes of all shareholder and board meetings and administers closed periods for dealing in the company's shares. In addition to providing information on laws, legislation, regulations and matters of ethics and good corporate governance relevant to the company, the company secretary ensures compliance with laws and regulations.

The latter function is supported by the DA, Merchantec Capital, which assumes responsibility for ensuring ongoing compliance with the JSE Listings Requirements and management of all JSE-related issues.

Board committees

B&W has an established Audit & Risk Committee, Remuneration Committee and Social & Ethics Committee to assist the board in discharging its responsibility of corporate governance. There is transparency and full disclosure from board committees to the board in the form of verbal reports by committee Chairmen on recent committee activities at board meetings, and the minutes of committee meetings are available to the board at any time. The board is satisfied that all committees have satisfied their responsibilities during the year.

Attendance at committee meetings is set out on page 25.

In addition, the chairs of the committees or a nominated committee member attend the company's annual general meeting to answer any questions from stakeholders pertaining to them.

The terms of reference for each committee are outlined in formal charters, which are available on B&W's website.

IT governance

The board acknowledges its overall responsibility for IT governance and business continuity. To support the directors in this, the Projects Director Dean Nevay assumes the role of company information officer ('CIO') and reports to the board at quarterly meetings. He is responsible for identifying relevant risks.

An internal IT control framework is in place, with assurance outsourced to independent expert Syrex Intranets. The Audit & Risk Committee is responsible for monitoring and overseeing IT governance.

During the year the group's mail server was updated to improve security and accessibility. The group has a business continuity and disaster management plan in place with all servers automatically backed up, off-site.

Compliance framework

Legal compliance

The board is responsible for ensuring compliance with laws and regulations. New legislation that impacts the group is discussed at board meetings. The directors are assisted in this regard by the company secretary and DA.

Application of King III and Companies Act

During the year, the group progressed in its journey towards better governance as the board implemented the recommendations of the King III gap analysis undertaken in the previous year, and ensured that B&W met the requirements of the Companies Act.

The table below represents the areas of non- or partial compliance with King III and the new Companies Act, as identified in the gap analysis in FY2012. Processes have been put in place to address these gaps as outlined below:

Areas of non-compliance identified	Action plan	Status
B&W's MOI is not harmonised with the Companies Act and Schedule 10 of the JSE Listings Requirements	Redrafting and updating	Completed
Board Charter and all committee charters are out of date	Updating of in terms of King III and the Companies Act: ↗ Board Charter ↗ Audit & Risk Committee Charter ↗ Remuneration Charter ↗ Social & Ethics Committee	 Completed Completed Completed Completed
Code of Ethics is not up to date with King III Report and Companies Act	Code of Ethics updated	Completed
Number of provisions set out in the various B&W charters have not been formally addressed and/or recorded in minutes of the 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	Completed
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 Formal policy in place	Completed
Board composition does not comply with King III requirements	Board composition was altered during the year	Improved 4/9 independent non-executives in FY2013 compared to 4/12 at year-end 2012
The Chairman is not an independent director, and there is no lead independent director appointed	Wolf Wassermeier appointed as lead independent director	Completed
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	Completed
Disclosures were made in the 2011 integrated report that have not been formally addressed and/or recorded in the various meetings of B&W e.g. CIO appointment	Dean Nevay has been appointed as CIO	Completed
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 verbal reports at formal board meetings	Completed

Areas of non-compliance identified	Action plan	Status
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, and records minutes thereof	Completed

Chapter 2 of the company's King III compliance checklist is set out below. The full King III compliance checklist can be found on the company website.

Chapter 2: Boards and directors		
2.1	The board should act as the focal point for and custodian of corporate governance.	The board is the focal point and custodian of corporate governance at B&W. In accordance with the Board Charter the board is committed to the highest standards of corporate governance.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	The board, in accordance with the Board Charter, and all committee terms of reference reviewed in line with King III, is responsible for aligning the strategic objectives, vision and mission with performance and sustainability considerations. The group's formalised risk management process takes into account the full range of risks including strategic and operational risk, as well as performance and sustainability.
2.3	The board should provide effective leadership based on an ethical foundation.	The board provides effective leadership and is committed to the highest levels of corporate governance as a key driver of sustainability.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	The board charter commits the board of B&W to ensuring that the company is a good corporate citizen. The board has established a Social & Ethics Committee and ensures 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.	The board has established a Social and Ethics Committee, which assists in ensuring that the company's ethics are managed effectively.
2.6	The board should ensure that the company has an effective and independent Audit Committee.	The board is satisfied that the Audit & Risk Committee is effective. The committee is chaired by independent non-executive director George Robertson and further comprises independent non-executive directors Roger Pitt and Wolf Wassermeier.
2.7	The board should be responsible for the governance of risk.	The board retains ultimate responsibility for the control and management of risk. The Audit & Risk Committee assists the board in ensuring that B&W has implemented an effective policy and plan for risk management that will enhance its ability to achieve its strategic objectives and the disclosure regarding risk is comprehensive, timely and relevant. The committee further assists the board in monitoring risk management.
2.8	The board should be responsible for information technology ('IT') governance.	The board ensures that IT governance is an integral part of corporate governance and that it is assessed in line with the IT Charter.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	The board ensures 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.	Greyling & Van der Merwe provides an outsourced risk-based internal audit function. The internal auditors report directly to the Audit & Risk Committee and attend all the committee meetings.
2.11	The board should appreciate that stakeholders` perceptions affect the company's reputation.	The board of B&W recognises and believes in the importance of developing and nurturing positive and stable relationships with key stakeholders as a key driver of business success.

Compliance framework continued

Chapter 2: Boards and directors

2.12	The board should ensure the integrity of the company's integrated report.	The board continues to ensure that the integrated report provides, as far as possible, an accurate view of the group's accountability for financial, social and environmental sustainability and that this thinking permeates the entire business.
2.13	The board should report on the effectiveness of the company's system of internal controls.	The Audit & Risk Committee is responsible for overseeing the independent internal audit, which assists management in assessing and reporting on the soundness of the company's system of internal controls. The board reviews the company's system of internal controls.
2.14	The board and its directors should act in the best interests of the company.	The board acknowledges its role as a trustee and steward of the interests and resources of the company. The board acts in accordance with the Board Charter. Stewardship of shareholders investment, employees' livelihood and wellbeing, and the environment in which the group operates, are central to board decision-making at B&W.
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.	The board monitors the company's solvency and liquidity. Business rescue has not been required.
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 B&W, John Barrow, is a non-executive chairman. The roles of CEO and Chairman are separate and clearly defined. As the Chairman is not independent Wolf Wassermeier has been appointed as lead independent director.
2.17	The board should appoint the CEO and establish a framework for the delegation of authority.	The board has appointed Brian Harley as CEO and a delegation of authority framework is reviewed regularly.
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.	The board comprises a majority of non-executive directors, with five non-executive directors, four of whom are independent, and four executive directors. The responsibilities of the Chairman and CEO, and those of other non-executive and executive directors, are clearly separated to ensure a balance of power and prevent any one director from exercising unfettered powers of decision-making. The Chairman provides leadership to the board in all deliberations ensuring independent input, and oversees its efficient operation. The CEO is responsible for proposing, updating, implementing and maintaining the strategic direction of B&W as well as ensuring appropriately supervised and controlled daily operations. In this regard, the CEO is assisted by the Financial Director and other executive directors. The non-executive directors are high calibre individuals who objectively contribute a wide range of industry skills, knowledge and experience to the board's decision-making process. These non-executive directors are not involved in the daily operations of the company.
2.19	Directors should be appointed through a formal process.	A formal and transparent appointment process is in place. The entire board is responsible for the appointment of new board members, including the CEO.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	All new appointees are required to attend the AltX Directors Induction Programme. In addition the company secretary assists with induction where necessary. The Chairman and CEO are responsible for ensuring that ongoing training and development of directors is conducted.

Chapter 2: Boards and directors		
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	The functions of the company secretary are outsourced to an independent third party. The board of B&W is satisfied with the skills and qualifications of CIS Company Secretaries Proprietary Limited. The company secretary's responsibilities 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 To this end they will involve, wherever necessary, the Designated Adviser and other relevant advisors/experts to ensure that the directors have adequate information to sufficiently discharge their responsibilities.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	The board was evaluated by individual directors in August 2012. The evaluation of committees and individual directors is under review.
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	The board of B&W delegates certain functions without abdicating its own responsibilities to the following committees: ↗ Executive Committee ↗ Audit & Risk Committee ↗ Remuneration Committee ↗ Social and Ethics Committee
2.24	A governance framework should be agreed between the group and its subsidiary boards.	B&W ensures sound corporate governance throughout the group, communicating policies on corporate governance and ethics to subsidiary boards and their financial managers.
2.25	Companies should remunerate directors and executives fairly and responsibly.	The remuneration philosophy reflects B&W's commitment to best practice. The group's Remuneration Committee oversees the remuneration policy for executive and senior remuneration in line with the group's remuneration philosophy. The total remuneration packages of the executive directors and senior management are subject to annual review and benchmarked against external market data, taking into account the size of the company, its market sector and business complexity.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	The remuneration of directors and prescribed officers is disclosed in the integrated report annually.
2.27	Shareholders should approve the company's remuneration policy.	Shareholders consider and endorse, by way of a non-binding advisory vote, the company's remuneration policy at the annual general meeting.

Industry associations

B&W is represented at the following industry associations or organisations:

- ↗ Electrical Contractors Association of South Africa;
- ↗ Flameproof Association; and
- ↗ Profibus Association South Africa.

Risk report

Achievements

- Internal audit function established
- Current risk management process under review
- Two risk assessments conducted

Risk management remains integral in the day-to-day operations of our businesses. In the ordinary course of business the group is exposed to a wide range of risks that may have serious consequences for our operations and performance, and therefore our sustainability. Effective management of this supports the delivery of our objectives and achievement of sustainable growth.

Risk assessment process

A formalised risk assessment procedure is in place, and is currently under review by an independent service provider.

The current process is as follows:

- internal and external risks are defined and rated;
- impact and probability of occurrence is assessed;
- Risk report is compiled for the Audit & Risk Committee;
- specific risks identified and described;
- material impact of the risks on B&W's risk profile is outlined;
- consequences of the risks are determined;
- preventative measures are proposed and defined;
- strategies and objectives are set out and evaluated; and
- impact of environmental, social and ethical risks on key processes is reviewed and considered during the tender evaluation process and throughout a project life cycle.

Risk assessments are conducted at least once a year, and in the year under review were conducted twice. No new major risks were identified. Reducing debtor days remains a key focus. See page 15 for our 2014/15 business strategy which in part addresses certain key risks faced by the group.

Risk control framework

Board responsibility

The Audit & Risk Committee is responsible for overseeing the group's risk management programme and reporting to the board, which retains ultimate responsibility for the control and mitigation of risk. The day-to-day responsibility for risk management resides with management both at operational and group executive levels.

Internal audit and control

The board is responsible for the group's systems of internal control as the directors determine it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and to maintain adequate accounting records and an effective system of risk management. The Audit & Risk Committee assists in this regard, supported by the newly established (outsourced) internal audit function. Together they evaluate each year the adequacy and effectiveness of internal control systems and processes, and monitor whether internal control recommendations have been implemented.

The systems are designed to safeguard and maintain accountability of the group's assets and should identify and curtail significant fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations.

The systems of internal control are designed to manage rather than eliminate risk. Absolute assurance cannot be provided as inherent limitations in the system's effectiveness exist due to human involvement.

During the year B&W established an internal audit function by appointing Greyling & Van der Merwe to provide a risk-based internal audit. The Audit & Risk Committee is responsible for overseeing the internal auditors, including their appointment, performance monitoring and approval of their plan.

The outsourced internal audit is independent and objective and reports functionally to the Audit & Risk Committee. The function will provide a written assessment regarding the effectiveness of the company's system of internal control and risk management once its first internal audit is complete.

External audit and other professional providers

The independent external auditors, Certified Master Auditors Inc, as recommended by the Audit & Risk Committee and appointed by the group's shareholders, are responsible for reporting on whether the annual financial statements are fairly presented in compliance with IFRS and the Companies Act. The preparation of the annual financial statements remains the responsibility of the directors. The group has appointed an independent IFRS expert, WC Consulting, to assist directors in ensuring full compliance. The board, assisted by the Audit & Risk Committee, regularly meets with the external auditors and formally evaluates their independence annually.

During the year an independent service provider was appointed to review B&W's risks and related policies. They will recommend changes to enhance the efficiency of the current system.

Significant risks

Key risks facing the group that are currently identified include:

Risk	Risk mitigation
Fluctuations in foreign currency	↗ Currency hedges and appropriate contingencies included in quoted price ↗ Negotiate Rand-based payments wherever possible
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 Tool Box Talks to all site staff ↗ Health and safety audits by independent bodies ↗ Maintaining records and analysing safety statistics including '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 escalation clauses or appropriate contingencies included in quoted price ↗ Negotiating fixed and firm prices with suppliers prior to tender submission
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-added 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

Risk report continued

Risk	Risk mitigation
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
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

Remuneration report

The Remuneration Committee assists the board in ensuring that group remuneration and recruitment is aligned with overall business strategy, with the aim of enabling B&W to attract and retain personnel who will create long-term value for all stakeholders.

The committee is an independent and objective body which monitors and strengthens the credibility of the group's executive remuneration system. It ensures that executive remuneration is linked in part to individual performance, the group's performance and market conditions and benchmarks. The committee considers and makes recommendations to the board on remuneration packages and policies in this regard. It is therefore authorised by the board to seek any information required from any employee and may further obtain external legal and/or other independent professional advice if deemed necessary, at the expense of the group.

The committee is chaired by Unati Mabandla and further comprises non-executive director and group Chairman John Barrow and independent non-executive Wolf Wassermeier, with group Financial Director Danie Evert attending by invitation. The committee is governed by a formal charter which was reviewed during the year. Details of attendance and functioning of the committee are on page 25.

Executive directors who attend committee meetings by invitation are barred from deliberations in respect of their own or each other's remuneration.

Remuneration policy

B&W has an established policy on executive remuneration and the remuneration packages of individual directors. The policy sets out the group's intention to attract and retain critical talent as well as to motivate employees to perform to their highest potential and in the best interests of the company and its stakeholders.

Basic salaries of all 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 and an annual bonus equal 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 6% of the company's 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. All 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 (CTC) R	Incentives R	**Total R**
KE Nel	Marketing manager	1 182 217	–	**1 182 217**
AP Smuts	Contracts manager	1 079 269	–	**1 079 269**
M Luus	Contracts manager	1 017 262	–	**1 017 262**

Remuneration report continued

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

Type of fee	**Fee 2012/13 R**	Proposed fee 2013/14 R
Board (monthly)		
Non-executive	**11 300**	**11 300**
Audit & Risk Committee (per meeting)		
Chairman	**22 600**	**22 600**
Member	**11 300**	**11 300**
Remuneration Committee (per meeting)		
Chairman	**22 600**	**22 600**
Member	**11 300**	**11 300**
Social & Ethics Committee (per meeting)		
Chairman	**22 600**	**22 600**
Member	**11 300**	**11 300**

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

The impacts of our business

Social & Ethics Committee Report

The Social & Ethics Committee's responsibilities encompass monitoring and regulating the impact of the group on its stakeholders. Although management is tasked with overseeing the day-to-day operational sustainability of their respective areas of business, and reporting thereon to the Social & Ethics Committee, the board remains ultimately responsible for group sustainability.

The committee is chaired by Dean Nevay and further comprises Operations Director Gary Swanepoel, non-executive director Roger Pitt and independent non-executive director Unati Mabandla. (Details of attendance and functioning of the committee are on page 25.)

The purpose of the committee is to regularly monitor the group's activities, with regard to any relevant legislation, other legal requirements or prevailing codes of best practice, in respect of the following:

- social and economic development, including the group's standing in terms of the:
  - 10 principles set out in the United Nations Global Compact Principles;
  - OECD recommendations regarding corruption;
  - Employment Equity Act; and
  - Broad-Based Black Economic Empowerment Act.
- good corporate citizenship, including the group's:
  - promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - contribution to development of the communities in which our activities are predominantly conducted or within which our products or services are predominantly marketed; and
  - record of sponsorship, donations and charitable giving.
- environment, health and public safety, including the impact of the group's activities and its services;
- consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws;
- labour and employment, including the group's:
  - standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
  - employment relationships, and our contribution towards the educational development of our employees.

Key indicators monitored by the committee

Indicator	Target	Status 31 August 2012	**Status 31 August 2013**	% change
Transformation and B-BBEE ratings including:				
B-BBEE ownership	14,35	14,29	**5,6**	(60,81)
Management control	3,60	3,10	**5,00**	61,29
Employment equity	1,50	1,34	**2,3**	71,64
Skills development and training	11,00	10,73	**9,14**	(14,82)
Preferential procurement	16,85	16,60	**15,84**	(4,58)
Enterprise development	15,00	15,00	**13,91**	(7,29)
Socio-economic development	5,00	5,00	**5,00**	No change
Labour relations	100% compliance	100% compliance	**100% compliance**	No change
Safety and health	NOSA five-star NOSCAR	NOSA five-star NOSCAR	**NOSA five-star NOSCAR**	No change
Environment including: Carbon footprint Legislative compliance	Compliant with all legislation and in terms of client specifications	Compliant with all legislation and in terms of client specifications	**Compliant with all legislation and in terms of client specifications**	No change
Compliance with laws and regulations	100% compliant with laws and regulations	100% compliant with laws and regulations	**100% compliant with laws and regulations**	No change

Transformation

B&W views transformation in South Africa as a moral and business imperative and as essential to the sustainability of the group. The directors continually monitor progress against transformation objectives, supported by the Social & Ethics Committee.

We have in place a B-BBEE policy and improvement strategy in compliance with B-BBEE legislation. The group is currently B-BBEE Level 5. We are continually involved in seeking initiatives to better our scorecard, without detracting from investor value over the long-term.

The group's formal scorecard is set out on page 37.

Ownership

The current B-BBEE 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).

During the year we pursued our stated intention to increase the group's B-BBEE shareholding. A potential transaction in which black-owned Regiments Capital would acquire a stake in B&W was considered. However, it was mutually agreed to terminate discussions.

In order to tangibly address B-BBEE shareholding we have therefore started a process of restructuring the group at subsidiary level to increase B-BBEE shareholding at this level to over 26%.

Management control

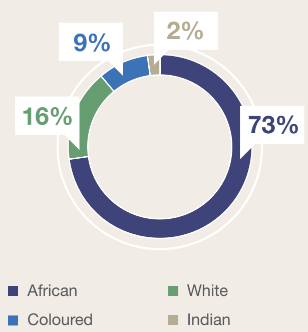
B&W's board includes one black female director. To enhance and accelerate development of management skill, suitable candidates are identified as part of the succession planning programme (see page 26) to undergo management development training and black candidates are prioritised wherever viable.

Employment equity

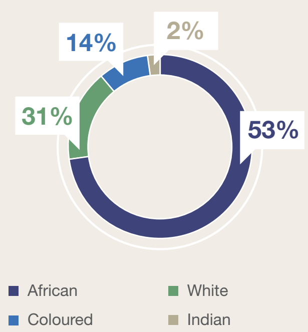
The group's employment equity demographics are set out in the table below:

Category/level	African	Coloured	Indian	White	Total
Top management	–	–	–	4	**4**
Senior management	–	1	–	30	**31**
Professionally qualified	29	5	–	51	**85**
Skilled	156	9	2	36	**203**
Semi-skilled	199	20	–	30	**249**
Unskilled	193	45	–	2	**240**
Disabled	–	–	–	–	**–**

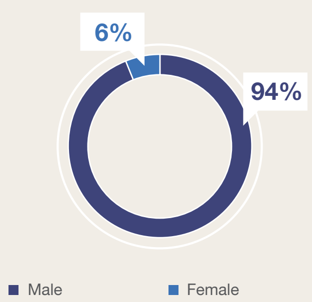
Employees by race Male



Employees by race Female



Employees by gender



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

Skills development and training

See 'Our people' on page 40.

Preferential procurement

B&W has procurement targets/supplier targets in place to ensure these goals are met as well as encouraging spend with empowered qualifying small enterprises. We have a policy of affirmative procurement preference wherever possible. Many of our 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 and spend with qualifying small enterprises. Procurement from black-owned suppliers improved, but procurement from black female-owned suppliers remains a challenge.

Enterprise development

Our aim is to implement initiatives that empower and enable the transfer of skills to employees, clients and suppliers. We continue to assist and develop small contracts by providing project resources, coaching and tendering assistance.

Corporate social investment

CSI now falls under the guidance and monitoring of the Social & Ethics Committee. Due to budgetary constraints, expenditure has been placed on hold. The time is being utilised by the committee to expand the company's policies and procedures in anticipation of future expenditure.

Notwithstanding this hold on expenditure, during the year B&W supported Meals on Wheels and made the following donations:

- clothing, food and toiletries to Reuven Old Age Home;
- 'Just Forty' donations to Moffatview Old Age Home; and
- sponsored a Christmas Party at Moffatview Old Age Home.

Our people

We regard our employees as critical for our success, especially as we operate in an industry where skills are scarce. We strive to attract and retain employees of the highest calibre to uphold the group's performance and sustainability, and in parallel prioritise optimal working conditions and opportunities for development.

Our key focus in human resources is the themes of 'family values', transparency and equal opportunity.

The group has 77 permanent and 735 contract employees, reflecting the nature of an industry where work is project driven and employment is subject to tenders awarded.

We are presently in a consolidation phase with a cautious outlook for 2014/15. In this light we have no additional recruitment drives at this time and continue to train and upgrade our existing key personnel.

Labour relations

B&W believes that every employee has the right to belong to a union and 100% of the workforce is covered by collective agreement. 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

The group is committed to internal advancement of staff, particularly those from previously disadvantaged groups. This is reflected in our ongoing skills development programmes.

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's formal succession plan was updated. To evaluate leadership potential and development opportunities, the 'acceleration pool method' was used to gauge the number of employees who are prepared to step into the higher level job. Pool members will now receive appropriate growth and development to facilitate their success.

The selection and screening process is fair and transparent and is designed to ensure that every employee with leadership potential is fairly and thoroughly considered for participation. Criteria for selection are based on future potential of the employee, rather than his/her current capacity. While only candidates who have real potential for leadership positions are included in the 'acceleration pool', we have ensured a diverse group of employees.

In the year B&W doubled its total training spend from R3,2 million to R6,9 million. The number of hours of training to which this translated is detailed in the table below:

	Average hours/ employee 2012	**Average hours/ employee 2013**	Combined hours 2012	**Combined hours 2013**
Semi-skilled	49	**43**	103 488	**99 100**
Junior skilled	5	**5**	1 500	**1 050**
Junior management	5	**7**	1 100	**1 800**
Senior management	5	**5**	300	**300**

During the year 252 employees received training across the following areas:

- working at heights;
- portable electrical hand tools;
- hazard identification risk assessment;
- legal liability;
- construction regulations;
- health and safety;
- first aid levels;
- basic fire fighting;
- SHE representative;
- scaffold erecting;
- SAMTRAC;
- logistics;
- three-day MBA;
- VIP payroll;
- Microsoft advance computer; and
- truck mounted.

B&W has 47 learners currently completing learnerships on varying levels – NQF 2, NQF3, NQF4. Once they have completed Level 4 the learner completes a trade test and successful learners are employed at B&W. Should the learner require further training B&W provides additional training.

We also conducted in-house training on the following unit standards:

- fall arrest techniques when working at heights;
- application of health and safety to a work area;
- legal liability;
- construction rules and regulations;
- hazard identification risk assessment;
- hand-held power tools; and
- first aid.

Safety framework

Safety is a key enabler of our five-year strategic plan and long-term sustainability. We fully comply 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.

We pride ourselves on an impeccable safety record to date, and remain committed to the safety of all employees both on and off site. We achieved an acceptable LTIFR of 0,00 and DIFR of 0,00, with no disabling injuries.

Key performance indicators

Criteria	Target	**Actual 2013**	Actual 2012	Actual 2011
Number of fatalities	–	**–**	–	–
Fatality frequency rate per 200 000 hours worked	–	**–**	–	–
LTIFR per 200 000 hours worked	0,05	**–**	0,20	–
Days lost due to lost-time injuries	–	**–**	10	–

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.

Once again the group achieved a five-star rating and a NOSCAR Safety Award at head office during the year. Other achievements include:

- two years LTI free on Assmang Iron Ore project in the Northern Cape;
- 228 254 hours LTI free for the complete Sasol Sasolburg SUEP Project; and
- 272 736 LTI free hours for the complete Sappi Ngodwana Go-Cell Project.

Our safety accolades:

- NOSCAR Award 2012 for the third consecutive year;
- NOSA five-star (head office) for the sixth consecutive year;
- Service Provider of the Project: Sasol SUEP and safety officer of the Project: Sasol SUEP; and
- Best Safety Officer: Kwale Sands Kenya.

Safety framework

Level	Responsibility	Procedures
Group level	Corporate Safety Manager, Duane Harley	↗ Oversight and implementation of SHE Management Plan. ↗ Safety statistics are compiled on a project basis and included in the board packs for every monthly board meeting. ↗ NOSA five-star system is used to manage SHE at an operational level, providing a detailed evaluation of the requirements to keep the organisation safe, healthy and environmentally sustainable. ↗ NOSA five-star system grading takes place annually 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. ↗ NOSA five-star system also provides international benchmarking opportunities.
Projects	One or more dedicated safety officer/s appointed at the onset of a project	↗ All sites start the work day with a safety-related 'Toolbox Talk' given by the safety officer or supervisor and highlighting a different SHE issue each day. ↗ 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/recurring.

Training

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 risks on projects, induction training is repeated on commencing work for each project. 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;
- hazard identification and risk assessment training;
- legal liability awareness;
- SHE representative training;
- site specific safety training; and
- working at heights.

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

	2013 R	2012 R
SHE equipment PPE	**1 721 731**	2 017 571
SHE-related training	**274 545**	333 763
Medical and inductions	**852 532**	1 004 713
Total cost	**2 848 809**	3 356 048

Employee wellbeing

We provide all employees with access to TB, HIV and flu testing. Most large projects have clinics on site to assist with first aid cases and we provide a medivac service for employees who require urgent medical attention outside the country. Employees undergo entry and exit medical examinations prior to the start and at completion of most projects.

We have an HIV/AIDS policy in place to which all employees have access. Voluntary testing for HIV/AIDS is available to all employees and is promoted through our 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.

Environmental conservation

B&W has a formal environmental policy in place outlining the procedure for identifying, eliminating and managing environmental issues that may arise on execution of projects. The policy and procedures are audited by NOSA, which forms part of our five-star head office accreditation. Independent audits and risk assessments are also conducted on an ad hoc project basis.

On a project basis our clients dictate specific environmental policies to be followed by contractors. The group trains and coaches site personnel on the relevant environmental policy through daily 'Toolbox Talks' to ensure compliance. Corrective action is taken where necessary and required. Environmental policies are therefore formally documented and disseminated per project, all in compliance with the overall group policy.

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

Due to the nature of B&W's operations, the impact of specific conservation measures is secondary to the potential for proper conservation though the education of the local labour forces. Environmental training is offered as part of induction programmes, which are compulsory for all employees. In addition environmental training is provided through the Toolbox Talks and demonstrations, as well as on/in B&W signage onsite. Audits by the client and main contractor are done on a regular basis to ensure compliance.

To mitigate electricity shortages the group's offices, as well as many of the project sites, have their own generator capabilities. In addition low energy lighting is currently being installed where appropriate at head office. Further automatic switch-off systems have been introduced to save energy at night. With regard to water preservation all plumbing is checked twice a year for leaks and upgraded if required.

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 disposal units; and
- waste management.

Annual financial statements

Directors' statement of responsibility

The annual financial statements, which are presented on pages 50 to 97, 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 48.

The annual financial statements were approved by the board of directors on 15 November 2013 and are signed on its behalf by:

John Barrow
Chairman

Brian Harley
CEO

15 November 2013

Declaration by company secretary

In our capacity as company secretary, we declare that for the year ended 31 August 2013 the company has lodged with the Companies and Intellectual Property Commission 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

15 November 2013

Audit & Risk Committee report

We are pleased to present our report for the financial year ended 31 August 2013.

The Audit & Risk Committee is an independent statutory committee appointed by the shareholders. The committee's role and responsibilities include statutory duties in terms of the Companies Act and further responsibilities delegated to it by the board. This report covers both these sets of duties and responsibilities.

Terms of reference

The committee's formal terms of reference have been reviewed and approved by the board of directors. The committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

Composition and meeting attendance

The committee is chaired by independent non-executive director George Robertson and further consists of two independent non-executive directors, Roger Pitt and Wolf Wassermeier. A short *curriculum vitae* of each of these directors is set out on pages 18 to 19 demonstrating their suitable and relevant skills and experience.

The committee meets at least four times a year as per its terms of reference. During the year six meetings were held. Details of attendance are set on page 25.

The Chairman of the board, CEO, Financial Director, external auditor, internal auditor and other assurance providers (legal, IFRS, compliance, insurance, risk, quality control, safety, health and environment) attend committee meetings by invitation only. The internal and external auditors have unrestricted access to the committee and committee agendas provide for confidential meetings between the committee members and the internal and external auditors. The group company secretary serves as secretary to the committee.

Statutory roles and responsibilities

The statutory duties of the committee are set out in section 94 of the Companies Act.

External audit

The committee has satisfied itself that Certified Master Auditors Inc. and Mr G Davias, the designated auditor, are independent of the company, which review included consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the group, and complies with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The committee ensured that the appointment of the auditor complied with all legislation relating to the appointment of auditors.

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

The committee in consultation with management agreed to the engagement letter, terms, audit plan and audit fees for the year.

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 2013/2014 financial year.

Financial statements and accounting practices

The committee has reviewed and, where appropriate, made recommendations on the financial statements, accounting policies and internal financial controls and has taken steps to ensure that the financial statements of the company are prepared in accordance with IFRS.

Internal financial controls

The committee reviews the internal and external audit reports on internal controls and 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 internal and external auditors on the results of their audit and information and explanations given by management, the committee has no reason to believe that there are any breakdowns in the effectiveness of internal financial controls 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 were raised in respect of the year under review.

Delegated roles and responsibilities

Further oversight functions as determined by the board and included in the terms of reference 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 has reviewed the risk management process undertaken by executive directors and senior management of the company and is satisfied that the risk management processes, including the role of the outsourced risk specialist, are appropriate.

Internal audit

The internal audit function, which was implemented during the year, has been outsourced to Greyling & Van der Merwe.

The role, responsibilities and authority of the internal audit function is defined and governed by an Internal Audit Charter approved by the committee and board. The internal audit is an independent objective assurance activity designed to add value and improve the company's internal controls. The aim of the internal audit function is for the company to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, internal financial controls and corporate governance.

The Audit Committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the board and these functions. The annual internal audit plan, which is risk-based, was reviewed and approved by the committee. The performance of the internal audit function will be reviewed on an annual basis.

Evaluation: Committee, finance function and Financial Director

The committee members were generally satisfied with the functioning of the committee.

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 Finance Director, Danie Evert, has appropriate experience and expertise.

Integrated reporting and combined assurance

The committee fulfils an oversight role regarding the company's integrated 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 considered and recommended the integrated annual report and financial statements for the year ended 31 August 2013 for approval by the board.

George Robertson
Audit & Risk Committee Chairman

15 November 2013

Independent auditors' report

for the year ended 31 August 2013

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 50 to 97, which comprise the statement of financial position as at 31 August 2013, 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 2013, 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 2013, we have read the Directors' report and the Audit Committee's report for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. This report is the responsibility of the respective preparer. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Certified Master Auditors Inc
G Davias
Registered Auditors

15 November 2013

CMA Office & Conference Park
1, 2nd Road
Halfway House
Midrand
1685

Directors' report

for the year ended 31 August 2013

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 joint Chairman's and CEO's report and are set out in detail in the annual financial statements and accompanying notes.

Dividend

In light of the consolidation 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 50 to 97, have been prepared in accordance with IFRS and in the manner required by the South African Companies Act, 2008, as amended. The annual financial statements have been prepared on the going-concern basis.

Detailed accounting policies are set out on pages 55 to 70 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 report are set out on pages 24 and 25 together with the number of board and committee meetings attended by each of them during the period 1 September 2012 to 31 August 2013.

Directors' shareholding

At year-end the directors held 76 894 030 shares in the issued share capital of the company.

Company secretary

The secretary of the company is CIS company Secretaries Proprietary Limited, the contact details for which are set out on the IBC.

Special resolutions

The following special resolutions were passed by shareholders at the annual general meeting held on 18 January 2013 and registered by the Companies and Intellectual Property Commission during the reporting period:

- approval of non-executive directors' remuneration;
- general approval to acquire shares;
- financial assistance for the subscription of securities in terms of s44 of the Companies Act, 2008; and
- loans or other financial assistance to directors in terms of s45 of the Companies Act, 2008.

Auditors

Certified Master Auditors Inc. will continue in office in accordance with section 90 of the Companies Act, 2008, as amended.

Subsequent events

Other than the joint cautionary announcement released on SENS with ELB Group Limited on 4 November 2013, the board of directors is not aware of any material matters or circumstances arising since year-end up to the date of this report, which has not been disclosed.

15 November 2013

Johannesburg

Statement of financial position

as at 31 August 2013

	Notes	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
Assets					
Non-current assets					
Property, plant and equipment	3	**27 784**	27 081	**19 515**	22 950
Goodwill	4	**7 368**	7 368	**–**	–
Intangible assets	5	**851**	1 702	**–**	–
Investments in subsidiaries	6	**–**	–	**34**	33
Other financial assets	7	**–**	250	**–**	250
Deferred tax	8	**19 415**	4 304	**16 580**	1 022
Retention debtors	9	**2 317**	4 329	**216**	999
		57 735	45 034	**36 345**	25 254
Current assets					
Inventories	10	**20 438**	15 449	**17 130**	12 984
Loans to related parties	11	**–**	–	**29 967**	26 192
Other financial assets	7	**911**	3 567	**911**	3 567
Current tax receivable		**109**	–	**–**	–
Trade and other receivables	12	**193 546**	221 392	**145 573**	202 955
Cash and cash equivalents	13	**15 206**	15 155	**–**	3 175
		230 210	255 563	**193 581**	248 873
Total assets		**287 945**	300 597	**229 926**	274 127
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	14	**38 583**	38 583	**49 852**	49 852
Reserves		**2 624**	246	**792**	969
Retained income		**108 592**	144 425	**73 724**	112 250
		149 799	183 254	**124 368**	163 071
Non-controlling interest	39	**421**	151	**–**	–
		150 220	183 405	**124 368**	163 071
Liabilities					
Non-current liabilities					
Finance lease obligation	15	**385**	554	**–**	–
Current liabilities					
Loans from related parties	11	**2 965**	3 630	**13 018**	8 744
Loans from shareholders	16	**3 926**	4 628	**3 926**	4 628
Financial liabilities	17	**8 411**	20 144	**8 411**	20 144
Current tax payable		**5 723**	4 357	**5 723**	4 819
Finance lease obligation	15	**169**	201	**–**	–
Trade and other payables	18	**100 263**	79 342	**59 242**	68 385
Provisions	19	**4 865**	4 336	**4 220**	4 336
Bank overdraft	13	**11 018**	–	**11 018**	–
		137 340	116 638	**105 558**	111 056
Total liabilities		**137 725**	117 192	**105 558**	111 056
Total equity and liabilities		**287 945**	300 597	**229 926**	274 127
Net asset value per share (cents)		**73,3**	89,7	**58,6**	76,9
Net tangible asset per share (cents)		**69,3**	85,3	**58,6**	76,9

Statement of comprehensive income

for the year ended 31 August 2013

		Group		Company	
	Notes	**2013 R'000**	2012 R'000	**2013 R'000**	2012 R'000
Contract revenue		**399 860**	442 374	**290 483**	334 431
Contract costs	24	**(358 397)**	(374 888)	**(264 037)**	(241 374)
Gross profit		**41 463**	67 486	**26 446**	93 057
Other income		**1 865**	1 876	**1 775**	658
Operating expenses		**(89 302)**	(53 590)	**(77 882)**	(46 593)
Operating (loss)/profit	25	**(45 974)**	15 772	**(49 661)**	47 122
Investment revenue	26	**76**	45	**53**	43
Finance costs	27	**(4 712)**	(5 548)	**(4 653)**	(5 511)
(Loss)/profit before taxation		**(50 610)**	10 269	**(54 261)**	41 654
Taxation	28	**14 848**	(7 683)	**15 558**	(11 713)
(Loss)/profit for the year		**(35 762)**	2 586	**(38 703)**	29 941
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation reserve gross movement	30	**2 577**	(1 235)	**–**	–
Other comprehensive income/(loss) for the year net of taxation	30	**2 577**	(1 235)	**–**	–
Total comprehensive (loss)/income for the year		**(33 185)**	1 351	**(38 703)**	29 941
(Loss)/profit attributable to:					
Owners of the parent		**(36 010)**	2 882	**(38 703)**	29 941
Non-controlling interest		**248**	(296)	**–**	–
		(35 762)	2 586	**(38 703)**	29 941
Total comprehensive (loss)/income attributable to:					
Owners of the parent		**(33 455)**	1 659	**(38 703)**	29 941
Non-controlling interest		**270**	(308)	**–**	–
		(33 185)	1 351	**(38 703)**	29 941
(Loss)/earnings per share (cents)					
Per share information					
Basic and diluted (loss)/earnings per share (cents)	31	**(17,6)**	1,4		

Statement of changes in equity

for the year ended 31 August 2013

	Share capital R'000	Share premium R'000	Treasury shares R'000	Total share capital R'000	Foreign currency trans-lation reserve R'000	Share-based payment reserve R'000	Total share capital and reserves R'000	Re-tained 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 2011	2	49 850	(11 269)	38 583	500	–	39 083	140 776	179 859	459	180 318
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 reserves	–	–	–	–	–	(767)	(767)	767	–	–	–
Total changes	–	–	–	–	(1 223)	969	(254)	3 649	3 395	(308)	3 087
Balance at 1 September 2012	2	49 850	(11 269)	38 583	(723)	969	38 829	144 425	183 254	151	183 405
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**2 555**	**–**	**2 555**	**(36 010)**	**(33 455)**	**270**	**(33 185)**
Transfer from reserves	**–**	**–**	**–**	**–**	**–**	**(177)**	**(177)**	**177**	**–**	**–**	**–**
Total changes	**–**	**–**	**–**	**–**	**2 555**	**(177)**	**2 378**	**(35 833)**	**(33 455)**	**270**	**(33 185)**
Balance at 31 August 2013	**2**	**49 850**	**(11 269)**	**38 583**	**1 832**	**792**	**41 207**	**108 592**	**149 799**	**421**	**150 220**
Notes	14	14	14	14		22				39	

	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 2011	2	49 850	49 852	–	81 542	131 394	131 394
Total comprehensive income for the year	–	–	–	969	29 941	30 910	30 910
Transfer from reserves	–	–	–	–	767	767	767
Total changes	–	–	–	969	30 708	31 677	31 677
Balance at 1 September 2012	2	49 850	49 852	969	112 250	163 071	163 071
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(38 703)**	**(38 703)**	**(38 703)**
Transfer from reserves	**–**	**–**	**–**	**(177)**	**177**	**–**	**–**
Total changes	**–**	**–**	**–**	**(177)**	**(38 526)**	**(38 703)**	**(38 703)**
Balance at 31 August 2013	**2**	**49 850**	**49 852**	**792**	**73 724**	**124 368**	**124 368**
Notes	14	14	14	22			

Statement of cash flows

for the year ended 31 August 2013

		Group		Company	
	Notes	**2013 R'000**	2012 R'000	**2013 R'000**	2012 R'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	32	**4 191**	49 256	**(2 256)**	87
Interest income		**76**	45	**53**	43
Finance costs		**(4 712)**	(5 548)	**(4 653)**	(5 511)
Tax refunded/(paid)	33	**994**	(13 748)	**904**	(1 626)
Net cash from operating activities		**549**	30 005	**(5 952)**	(7 007)
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(5 842)**	(4 283)	**(188)**	(2 654)
Sale of property, plant and equipment	3	**554**	4 420	**194**	1 145
Loans from related parties advanced		**–**	7 932	**16 428**	55 706
Loans from related parties repaid		**(665)**	(260)	**(15 929)**	(12 386)
Proceeds from financial assets		**2 906**	–	**2 906**	–
Acquisition of financial assets		**–**	(250)	**–**	(250)
Receipts from retention debtors		**4 329**	–	**999**	–
Advances to retention debtors		**(2 317)**	(4 329)	**(216)**	(999)
Net cash from investing activities		**(1 035)**	3 230	**4 194**	40 562
Cash flows from financing activities					
Repayment of financial liabilities		**(11 733)**	–	**(11 733)**	–
Advances from financial liabilities		**–**	20 144	**–**	20 144
Repayment of shareholder's loan		**(702)**	(3 195)	**(702)**	(3 195)
Finance lease inflows		**–**	770	**–**	–
Finance lease outflows		**(201)**	(114)	**–**	–
Net cash from financing activities		**(12 636)**	17 605	**(12 435)**	16 949
Total cash movement for the year		**(13 122)**	50 840	**(14 193)**	50 504
Cash at the beginning of the year		**15 155**	(34 453)	**3 175**	(47 329)
Effect of exchange rate movement on cash balances		**2 155**	(1 232)	**–**	–
Total cash at the end of the year	13	**4 188**	15 155	**(11 018)**	3 175

Accounting policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, JSE Listings Requirements, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Standards Council and the Companies Act, 71 of 2008, as amended, under the supervision of the 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 year, 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 for stock 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. The 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 19 – 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.

Accounting policies continued

Contract revenue and contracts in progress

The group recognises contract revenue and contracts in progress as described in accounting policy note 1.15. 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 any impairment losses.

There has been no major changes 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 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 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 are 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 are 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

1.4 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.

1.5 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. Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 loses, 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 non-controlling interests, over the fair value of the net assets acquired. Any gain from a bargain purchase is recognised in profit and loss immediately. The fair values of the

Accounting policies continued

consideration paid is the fair value at the date of exchange of 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, liability 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 interest 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.

1.6 Financial instruments

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.

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.

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, the amount of the loss is recognised as profit or loss within operating expenses. 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 and receivables are derecognised. 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.

Trade and other receivables

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

Retention debtors

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

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.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Accounting policies continued

Financial liabilities at amortised cost

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

Finance cost are recognised using the effective interest 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 cashflows of the financial asset, or retains the rights but assumes a contractual obligation to pay those cashflows 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 legal 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 settle on a net basis, such related financial assets and financial liabilities are offset.

1.7 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:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences 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).

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

1.8 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 are recognised as an operating lease asset or accrual. This asset or liability is not discounted.

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

1.9 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

Accounting policies continued

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.

1.10 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.

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

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

Financial assets

The group or company assess each reporting date whether objective exists that a financial asset or 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 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 assess whether objective evidence of impairment exists individually for the 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 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 the 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 impairment loss decreases, the previously recognised 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, impairments are recognised based on the following considerations:

- significant financial difficulties of the debtor, or the probability that the debtor will enter bankruptcy or financial reorganisation.

1.11 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 a company that a 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 from treasury shares are eliminated on consolidation. No profit or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the group's own equity instruments.

1.12 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 can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding increase in equity, are measured, indirectly, 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, the group accounts for those services as they are rendered by the counterparty during the vesting period.

Accounting policies continued

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.

1.13 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the 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.

1.14 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 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 notes to the financial statements.

1.15 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 cost to date compared to total estimated final costs to completion.

When the outcome of the 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.

When it is probable that total contract costs will exceed total 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 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 cost include direct material costs, sub-contracted costs, direct labour, direct overheads and a portion of indirect overheads.

1.16 Borrowing costs

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

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings;
- weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset.

Accounting policies continued

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.

1.17 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 Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.18 Segmental reporting

Segments are identified on the basis of internal reporting about components of the group that are largely 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 Operations.

The CODM evaluates the segmental performance based on operating profit or loss before tax. Refer to note 2.

1.19 New standards and interpretations

Standards and interpretations – that have become effective in the current year

Standard	Details of amendment	Annual years beginning on or after	Impact on financial reporting
IAS 1 *Presentation of Financial Statements*	↗ 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 July 2012	This amendment became effective in the current year and the adoption of this amendment neither affects the financial position or performance of the group, but only the disclosures. The presentation on the face of the statement of comprehensive income has additional line items separating those items of other comprehensive income that are subsequently reclassified to profit or loss and those that are not.
IAS 12 *Income Taxes*	↗ Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.	1 January 2012	This amendment became effective in the current year and the adoption of this amendment neither affects the financial position or performance of the group, nor does it affect disclosures, as the group does not own any Investment property.

New standards and interpretations – issued but not yet effective

Standard	Details of amendment	Annual years 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 IFRSs 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 IFRSs. ↗ *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.

Accounting policies continued

Standard	Details of amendment	Annual years beginning on or after	Impact on financial reporting
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 set-off 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.

Standard	Details of amendment	Annual years beginning on or after	Impact on financial reporting
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 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 1 *Presentation of Financial Statements*	↗ *Annual Improvements 2009 – 2011* Cycle: Amendments clarifying the requirements for comparative information including minimum and additional comparative information required.	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.	1 January 2013	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.

Accounting policies continued

Standard	Details of amendment	Annual years beginning on or after	Impact on financial reporting
IAS 32 *Financial Instruments: Presentation*	↗ 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 set-off 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 21 *Levies*	↗ Levies	1 January 2014	This interpretation is not expected to have any material impact on the financial statements.

Notes to the annual financial statements

for the year ended 31 August 2013

2. 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 2013 R'000	Foreign operations 2013 R'000	Total 2013 R'000
Contract revenue	312 760*	87 100**	399 860***
Contract costs	(280 725)*	(77 672)**	(358 397)***
Gross profit	32 035	9 428	41 463
Other income	1 865	–	1 865
Operating expenses	(69 948)	(19 354)	(89 302)
Operating loss	(36 048)	(9 926)	(45 974)
Investment revenue	76	–	76
Finance costs	(4 712)	–	(4 712)
Loss before taxation	(40 684)	(9 926)	(50 610)
Taxation	16 026	(1 178)	14 848
Loss for the year	(24 658)	(11 104)	(35 762)
Note			
Included in operating expenses are:			
Bad debts	37 008	–	37 008
Depreciation and amortisation	4 953	839	5 792
Assets and liabilities			
Total assets	243 599	44 346	287 945
Total liabilities	(121 814)	(15 911)	(137 725)
	121 785	28 435	150 220

Notes to the annual financial statements continued

for the year ended 31 August 2013

	South Africa 2012 R'000	Foreign operations 2012 R'000	Total 2012 R'000
2. Segmental reporting (continued)			
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
Operating expenses	(31 856)	(21 734)	(53 590)
Operating profit/(loss)	58 095	(42 323)	15 772
Investment revenue	45	–	45
Finance cost	(5 548)	–	(5 548)
Profit/(loss) before taxation	52 592	(42 323)	10 269
Taxation	(13 370)	5 687	(7 683)
Profit/(loss) for the year	39 222	(36 636)	2 586
Note			
Included in operating expenses are:			
Bad debts	–	–	–
Depreciation and amortisation	5 181	1 147	6 328
Assets and liabilities			
Total assets	276 839	23 758	300 597
Total liabilities	(107 793)	(9 399)	(117 192)
	169 046	14 359	183 405

* *South African segment sales and cost of sales have been reduced by R21 300 000 (2012: R8 600 000) and R3 700 000 (2012: R17 700 000), respectively due to inter-segment sales.*

** *Foreign operations segment sales and cost of sales have been reduced by RNil (2012: R16 800 000) and R17 600 000 (2012: R7 700 000), respectively, due to inter-segment sales.*

*** *Included above are inter-company sales of R21 300 000 (2012: R25 400 000) and cost of sales of R21 300 000 (2012: R25 400 000).*

	Cost 2013 R'000	Accumulated depreciation 2013 R'000	Carrying value 2013 R'000	Cost 2012 R'000	Accumulated depreciation 2012 R'000	Carrying value 2012 R'000
3. Property, plant and equipment						
Group						
Land	3 222	–	3 222	2 000	–	2 000
Buildings	4 390	(264)	4 126	3 255	(185)	3 070
Plant and machinery	10 269	(5 282)	4 987	9 969	(4 292)	5 677
Furniture and fixtures	1 017	(489)	528	605	(369)	236
Motor vehicles	26 181	(14 409)	11 772	23 674	(11 170)	12 504
IT equipment	997	(754)	243	951	(678)	273
Mobile offices	5 195	(2 289)	2 906	5 144	(1 823)	3 321
Total	51 271	(23 487)	27 784	45 598	(18 517)	27 081

	Cost 2013 R'000	Accumulated depreciation 2013 R'000	Carrying value 2013 R'000	Cost 2012 R'000	Accumulated depreciation 2012 R'000	Carrying value 2012 R'000
Company						
Land	2 000	–	2 000	2 000	–	2 000
Buildings	3 255	(250)	3 005	3 255	(185)	3 070
Plant and machinery	8 775	(4 621)	4 154	8 775	(3 866)	4 909
Furniture and fixtures	463	(320)	143	463	(277)	186
Motor vehicles	18 008	(10 773)	7 235	18 393	(9 105)	9 288
IT equipment	837	(642)	195	804	(592)	212
Mobile offices	5 034	(2 251)	2 783	5 087	(1 802)	3 285
Total	38 372	(18 857)	19 515	38 777	(15 827)	22 950

	Opening balance 2013 R'000	Additions 2013 R'000	Disposals 2013 R'000	Foreign exchange movements 2013 R'000	Depreciation 2013 R'000	Total 2013 R'000
Reconciliation of property, plant and equipment						
Group						
Land	2 000	1 222	–	–	–	3 222
Buildings	3 070	1 134	–	–	(78)	4 126
Plant and machinery	5 677	82	–	166	(938)	4 987
Furniture and fixtures	236	410	–	(16)	(102)	528
Motor vehicles	12 504	2 841	(579)	264	(3 258)	11 772
IT equipment	273	42	–	–	(72)	243
Mobile offices	3 321	111	(44)	11	(493)	2 906
	27 081	5 842	(623)	425	(4 941)	27 784

Notes to the annual financial statements continued

for the year ended 31 August 2013

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

Group

	Opening balance 2012 R'000	Additions 2012 R'000	Disposals 2012 R'000	Depreciation 2012 R'000	Total 2012 R'000
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

Company

	Opening balance 2013 R'000	**Additions 2013 R'000**	**Disposals 2013 R'000**	**Depreciation 2013 R'000**	**Total 2013 R'000**
Land	**2 000**	**–**	**–**	**–**	**2 000**
Buildings	**3 070**	**–**	**–**	**(65)**	**3 005**
Plant and machinery	**4 909**	**–**	**–**	**(755)**	**4 154**
Furniture and fixtures	**186**	**–**	**–**	**(43)**	**143**
Motor vehicles	**9 288**	**135**	**(126)**	**(2 062)**	**7 235**
IT equipment	**212**	**33**	**–**	**(50)**	**195**
Mobile offices	**3 285**	**20**	**(44)**	**(478)**	**2 783**
	22 950	**188**	**(170)**	**(3 453)**	**19 515**

Reconciliation of property, plant and equipment

Company

	Opening balance 2012 R'000	Additions 2012 R'000	Disposals 2012 R'000	Depreciation 2012 R'000	Total 2012 R'000
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

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
3. Property, plant and equipment (continued)				
Details of properties				
ERF 530, Alrode, Extension 7				
– Purchase price: Land	**1 600**	1 600	**1 600**	1 600
– Building costs	**1 555**	1 555	**1 555**	1 555
	3 155	3 155	**3 155**	3 155
ERF 432, Alberton North				
– Purchase price: Land	**400**	400	**400**	400
– Building costs	**1 700**	1 700	**1 700**	1 700
	2 100	2 100	**2 100**	2 100
ERF 99, Randpark, Extension 2				
– Purchase price: Land	**633**	–	**–**	–
– Building costs	**1 135**	–	**–**	–
	1 768	–	**–**	–
Property number P.19642 Mozambique, Tete				
– Purchase price: Land	**589**	–	**–**	–

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.

	Cost 2013 R'000	**Accumulated impairment 2013 R'000**	**Carrying value 2013 R'000**	Cost 2012 R'000	Accumulated impairment 2012 R'000	Carrying value 2012 R'000
4. Goodwill						
Group						
Goodwill	**7 368**	**–**	**7 368**	7 368	–	7 368

	Opening balance 2013 R'000	**Total 2013 R'000**	Opening balance 2012 R'000	Total 2012 R'000
Group				
Reconciliation of goodwill				
Goodwill	**7 368**	**7 368**	7 368	7 368

Notes to the annual financial statements continued

for the year ended 31 August 2013

4. Goodwill (continued)

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.

	Cost 2013 R'000	**Accumulated amortisation 2013 R'000**	**Carrying value 2013 R'000**	Cost 2012 R'000	Accumulated amortisation 2012 R'000	Carrying value 2012 R'000
5. Intangible assets						
Group						
Trade name	**1 661**	**(1 329)**	**332**	1 661	(997)	664
Customer relationships	**2 594**	**(2 075)**	**519**	2 594	(1 556)	1 038
Total	**4 255**	**(3 404)**	**851**	4 255	(2 553)	1 702

	Opening balance 2013 R'000	**Amortisation 2013 R'000**	**Total 2013 R'000**
Reconciliation of intangible assets			
Group			
Trade name	**664**	**(332)**	**332**
Customer relationships	**1 038**	**(519)**	**519**
	1 702	**(851)**	**851**

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

Name of company	Type of holding	% holding 2013	% holding 2012	Carrying amount 2013 R'000	Carrying amount 2012 R'000
6. Investments in subsidiaries					
B&W Madagascar SaRL (Incorporated in Madagascar)	Direct	**–**	99	**–**	9
B&W Electricidade Lda (Incorporated in Mozambique)	Direct	**99**	99	**23**	23
Pontins Proprietary Limited (Incorporated in RSA)*	Direct	**100**	100	**–**	–
B W I E Instrumentation & Electrical Swaziland (Proprietary) Limited (Incorporated in Swaziland)	Direct	**100**	100	**1**	1
BWIE Properties Proprietary Limited		**100**	–	**–**	–
H and S Training Academy Proprietary Limited*		**100**	–	**–**	–
B-Quip Proprietary Limited*		**100**	–	**–**	–
B & W Instrumentation and Electrical Kenya Limited		**100**	–	**10**	–
B & W Instrumentation and Electrical SA Proprietary Limited*		**66**	–	**–**	–
				34	33

* *Amount less than R1 000.*

	Group 2013 R'000	Group 2012 R'000	Company 2013 R'000	Company 2012 R'000
7. Other financial assets				
Loans and receivables				
Linear Products CC 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 Linear Products CC. The CC has been liquidated, and the property and the bond attached is being sold. The company believes it will collect the total amount outstanding from the liquidation, along with sureties put in place in the personal names of the members. Subsequent to year-end the loan has been fully repaid.	**661**	3 567	**661**	3 567
Thusano Electrical CC 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 its carrying value (2012: R238 000). The loan was settled on due date.	**250**	250	**250**	250
	911	3 817	**911**	3 817

Notes to the annual financial statements continued

for the year ended 31 August 2013

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
7. Other financial assets (continued)				
Non-current assets				
Loans and receivables	**–**	250	**–**	250
	–	250	**–**	250
Current assets				
Loans and receivables	**911**	3 567	**911**	3 567
	911	3 817	**911**	3 817

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 receivable from Linear Products CC is currently in default but is not considered to be impaired. Legal proceedings to recover the amount have commenced subsequent to the year-end and the security by the way of a mortgage of R1,5 million (2012: R1,5 million) and the balance by the way of a cession of movable assets, is expected to be sufficient to recover the full value of the loan. Subsequent to year-end the loan has been fully repaid.

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
8. Deferred tax				
Deferred tax asset				
Retention debtors	**(1 193)**	(2 651)	**(605)**	(1 718)
Section 24C allowance	**(1 392)**	(372)	**(1 392)**	(372)
Provisions	**5 073**	4 717	**4 612**	4 543
Property, plant and equipment	**(2 102)**	(1 564)	**(1 929)**	(1 431)
Assessed losses	**19 029**	4 174	**15 894**	–
	19 415	4 304	**16 580**	1 022
Reconciliation of deferred tax asset/(liability)				
At the beginning of the year	**4 304**	10 924	**1 022**	8 872
Increase/(decrease) in tax losses available for set off against future taxable income	**14 855**	(6 603)	**15 894**	(8 533)
Originating temporary difference on property, plant and equipment	**(538)**	(353)	**(498)**	(296)
Movement in provisions	**356**	(49)	**68**	(106)
Movement in retentions and section 24C allowance	**438**	385	**94**	1 085
	19 415	4 304	**16 580**	1 022

Recognition of deferred tax asset

The deferred tax asset has been raised for the group and company based on contracts in hand for the 2014 financial year, future profits will be sufficient to utilise the deferred tax asset.

9. Retention debtors

Retention debtors are in respect of contract customers. The fair value of the long-term retention debtors have been calculated as R2 020 000 (2012: R4 035 000) and R191 000 (2012: R933 000) for the group and company, respectively.

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Total retention debtors	**6 489**	11 726	**2 160**	6 137
Short-term portion of retention debtors included in trade and other receivables	**(4 172)**	(7 397)	**(1 944)**	(5 138)
Long-term retention debtors	**2 317**	4 329	**216**	999

10. Inventories

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Raw materials, components	**20 438**	15 449	**17 130**	12 984

11. Loans to/(from) related parties

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Joint ventures				
B&W Grinaker-LTA joint venture				
The loan was unsecured, interest free with no fixed terms of repayment	**–**	(235)	**–**	(469)
Related parties				
B&W Industrial Technology Proprietary Limited	**(208)**	(280)	**(208)**	(280)
B&W Employee Trust	**(2 757)**	(3 115)	**(2 757)**	(3 115)
	(2 965)	(3 395)	**(2 965)**	(3 395)
B&W Share Incentive Scheme Trust	**–**	–	**2 068**	4 874
B&W Madagascar SaRL	**–**	–	**–**	3 569
Pontins Proprietary Limited	**–**	–	**17 749**	17 749
B&W Electricidade Lda	**–**	–	**9 036**	(4 880)
B & W Instrumentation and Electrical SA Proprietary Limited	**–**	–	**(8 981)**	–
BWIE Properties Proprietary Limited	**–**	–	**1 114**	–
B & W Instrumentation and Electrical Kenya Limited	**–**	–	**(1 072)**	–
The above loans with the exception of the B&W Share Incentive Scheme Trust and the B&W Employee Trust, are unsecured, interest free with no fixed terms of repayment. The carrying value of the loans approximate their fair value.				
	–	–	**19 914**	21 312
Current assets	**–**	–	**29 967**	26 192
Current liabilities	**(2 965)**	(3 630)	**(13 018)**	(8 744)
	(2 965)	(3 630)	**16 949**	17 448

Notes to the annual financial statements continued

for the year ended 31 August 2013

11. Loans to/(from) related parties (continued)

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

The loan from the B&W Employee Trust arose as a trading account that occurred in the normal course of business between the entities during the year which was not settled as at year end. The loan is unsecured and bears interest at rates linked to prime lending rates. There have been no changes to the terms or conditions of the loan during the year.

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. The loan is unsecured, 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 2014 financial year. During the current year, the company's impairment of the loan was increased from an amount of R7 689 000 to R10 515 000, therefore resulting in an impairment loss of R2 826 000.

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
12. Trade and other receivables				
Trade receivables	**190 160**	219 528	**143 617**	200 920
Other receivables	**3 386**	1 864	**1 956**	2 035
	193 546	221 392	**145 573**	202 955
Included in other receivables is a payment of R1 115 000 for a property that the company takes ownership of after year-end.				
Trade and other 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 2013, the group had trade and other receivables of R7 338 000 (2012: R825 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:				
One month past due	**124**	825	**124**	825
Three months past due	**7 214**	–	**3 334**	–
Trade and other receivables impaired				
The group has RNil (2012: RNil) trade and other receivables that are impaired.				
Contract revenue work in progress included below:				
Construction costs	**639 841**	833 541	**531 726**	833 149
Profit recognised to date	**86 946**	124 041	**60 765**	124 041
Billings	**(624 619)**	(805 796)	**(491 921)**	(805 796)
	102 168	151 786	**100 570**	151 394

12. Trade and other receivables (continued)

Included in trade and other receivables are short-term retention debtors amounting to R4 172 (2012: R7 397) and R1 944 (2012: R5 138) for the group and company, respectively.

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

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
13. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank balances	**15 206**	15 155	**–**	3 175
Bank overdraft	**(11 018)**	–	**(11 018)**	–
	4 188	15 155	**(11 018)**	3 175
Current assets	**15 206**	15 155	**–**	3 175
Current liabilities	**(11 018)**	–	**(11 018)**	–
	4 188	15 155	**(11 018)**	3 175

The group has a R30 million overdraft facility, bearing interest at rates linked to prime interest rates. The bank facilities are secured with: first continuing mortgage bonds over Erven 530 Alrode Extension 7 and 432 Alberton North; a general notarial bond for R31 million and a notarial bond of R7,75 million over the movable assets; and a cession of the trade receivables of the group.

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
14. Share capital				
Authorised				
500 million ordinary shares of 0,001 cents each	**5**	5	**5**	5
Reconciliation of number of shares issued in 000's:				
Reported as at the beginning of the year	**212 169**	212 169	**212 169**	212 169
Treasury shares	**(7 795)**	(7 795)	**–**	–
	204 374	204 374	**212 169**	212 169
Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.				
Issued				
Ordinary	**2**	2	**2**	2
Share premium	**49 850**	49 850	**49 850**	49 850
Treasury shares	**(11 269)**	(11 269)	**–**	–
	38 583	38 583	**49 852**	49 852

Notes to the annual financial statements continued

for the year ended 31 August 2013

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
15. Finance lease obligation				
Minimum lease payments due				
– within one year	**212**	261	**–**	–
– in second to fifth year inclusive	**424**	636	**–**	–
	636	897	**–**	–
Less: future finance charges	**(82)**	(142)	**–**	–
Present value of minimum lease payments	**554**	755	**–**	–
Non-current liabilities	**385**	554	**–**	–
Current liabilities	**169**	201	**–**	–
	554	755	**–**	–
16. Loans to/(from) shareholders				
LJ Barrow	**(879)**	(1 225)	**(879)**	(1 225)
T Lombard	**–**	(253)	**–**	(253)
BH Harley	**(44)**	(301)	**(44)**	(301)
DS Nevay	**(1 090)**	(1 045)	**(1 090)**	(1 045)
GWR Swanepoel	**(1 913)**	(1 804)	**(1 913)**	(1 804)
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.				
	(3 926)	(4 628)	**(3 926)**	(4 628)
The group does not hold any collateral as security.				
17. Financial liabilities				
Investec Bank Limited	**8 411**	20 144	**8 411**	20 144
The loan is unsecured, bears interest at the prime lending rate and is repayable on demand. The loan is repayable in monthly, equal instalments with the last instalment payable in December 2013.				
In terms of Article 100 of the company's MOI the borrowing powers of the directors are unlimited. Total borrowings for the year were R8 411 000 (2012: R20 144 000).				
Current liabilities				
At amortised cost	**8 411**	20 144	**8 411**	20 144

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
18. Trade and other payables				
Trade payables	**42 967**	45 213	**39 523**	44 295
Advances from customers	**28 450**	6 222	**3 374**	6 222
Billings in excess of costs incurred to date	**3 323**	1 837	**3 203**	1 581
Other payables	**25 523**	26 070	**13 142**	16 287
	100 263	79 342	**59 242**	68 385
Billings in excess of costs incurred to date is made up as follows:				
Billings	**144 581**	35 896	**37 018**	35 640
Contract costs	**(127 958)**	(29 405)	**(24 171)**	(29 405)
Loss recognised to date	**(13 301)**	(4 654)	**(9 644)**	(4 654)
	3 322	1 837	**3 203**	1 581

	Opening balance R'000	**Additions R'000**	**Utilised during the year R'000**	**Total R'000**
19. Provisions				
Group				
Reconciliation of provisions – 2013				
Provision for bonuses	**4 336**	**4 865**	**(4 336)**	**4 865**
Reconciliation of provisions – 2012				
Provision for bonuses	6 831	4 336	(6 831)	4 336
Company				
Reconciliation of provisions – 2013				
Provision for bonuses	**4 336**	**4 220**	**(4 336)**	**4 220**
Reconciliation of provisions – 2012				
Provision for bonuses	6 831	4 336	(6 831)	4 336

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.

Notes to the annual financial statements continued

for the year ended 31 August 2013

Name of company	Type of joint venture	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
20. Investment in joint ventures					
B&W Grinaker-LTA joint venture	Jointly controlled operation	–	50	–	–
As the joint venture is a controlled operation, there is no carrying amount.					
The fair value amounts of joint ventures are RNil (2012: RNil).					
Summary of group's interest in joint venture					
Current assets				–	257
Current liabilities – non-interest-bearing				–	(257)
Revenue				–	(6 949)
Expenses				–	6 949

	Carrying value R'000	Fair value R'000
21. Financial assets by category		
The accounting policies for financial instruments have been applied to the line items below:		
Group – 2013		
Loans and receivables		
Other financial assets	**911**	**911**
Trade and other receivables	**89 978**	**89 978**
Cash and cash equivalents	**4 188**	**4 188**
	95 077	**95 077**
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

	Carrying value R'000	Fair value R'000
21. Financial assets by category (continued)		
Company – 2013		
Loans to related parties	**29 967**	**29 967**
Other financial assets	**911**	**911**
Trade and other receivables	**45 150**	**45 150**
	76 028	**76 028**
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

The reason the fair value approximates the carrying value for the above loans and receivables is due to the short-term nature of the amounts and hence the effects of discounting and the time value of money is insignificant.

	Number '000	Weighted exercise price R	Total value R'000
22. Share-based payments			
Group and company – 2013			
Share options with exercise price of R1,68			
Outstanding at the beginning of the year	**1 800**	**1,68**	**3 024**
Expired during the year	**(600)**	**1,68**	**(1 008)**
Outstanding at the end of the year	**1 200**	**1,68**	**2 016**
Exercisable at the end of the year	**1 200**	**1,68**	**2 016**
Share options with exercise price of R1,20			
Outstanding at the beginning of the year	**2 245**	**1,20**	**2 694**
Expired during the year	**–**	**–**	**–**
Outstanding at the end of the year	**2 245**	**1,20**	**2 694**
Exercisable at the end of the year	**2 245**	**1,20**	**2 694**

Notes to the annual financial statements continued

for the year ended 31 August 2013

	Number '000	Weighted exercise price R	Total value R'000
22. Share-based payments (continued)			
Group and company – 2012			
Share options with exercise price R1,68			
Outstanding at the beginning of the year	1 980	1,68	3 326
Forfeited 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
Forfeited 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

A third of the options with an exercise price 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 2012 financial 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 and R1,20, respectively;
- expected volatility 26,25%;
- option life, three years for both tranches;
- expected dividends RNil;
- the risk-free interest rate 2011: 9,30%; and
- standard deviation of 1,30%.

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 RNil (2012: R1 736 000) related to equity-settled share-based payments transactions were recognised in 2013 and 2012, respectively.

23. Financial liabilities by category

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

	Carrying value R'000	Fair value R'000
Group – 2013		
Financial liabilities at amortised cost		
Loans from related parties	**2 965**	**2 965**
Loans from shareholders	**3 926**	**3 926**
Other financial liabilities	**8 411**	**8 411**
Trade and other payables	**40 380**	**40 380**
Finance lease obligation	**554**	**554**
	56 236	**56 236**
Group – 2012		
Loans from related parties	3 629	3 629
Loans from shareholders	4 628	4 628
Financial liabilities	20 144	20 144
Trade and other payables	43 846	43 846
Finance lease obligation	756	756
	73 003	73 003
Company – 2013		
Loans from related parties	**13 018**	**13 018**
Loans from shareholders	**3 926**	**3 926**
Other financial liabilities	**8 411**	**8 411**
Trade and other payables	**38 611**	**38 611**
Bank overdraft	**11 018**	**11 018**
	74 984	**74 984**
Company – 2012		
Loans from related parties	8 744	8 744
Loans from shareholders	4 628	4 628
Financial liabilities	20 144	20 144
Trade and other payables	42 784	42 784
	76 300	76 300

The reason the fair value approximates the carrying value for the above financial liabilities at amortised cost is due to the short-term nature of the amounts and hence the effects of discounting and the time value of money is insignificant.

Notes to the annual financial statements continued

for the year ended 31 August 2013

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
24. Contract costs				
Cost of materials	**148 656**	164 974	**147 523**	98 894
Direct labour	**78 936**	90 645	**71 153**	63 884
Overheads	**130 805**	119 269	**45 361**	78 596
	358 397	374 888	**264 037**	241 374
25. Operating (loss)/profit				
Profit or loss for the year is stated after accounting for the following:				
Operating lease charges				
Premises				
– Minimum lease payments	**660**	711	**660**	711
(Loss)/profit on sale of property, plant and equipment	**(69)**	152	**25**	346
Loss on exchange differences	**(1 840)**	(1 724)	**(1 750)**	(312)
Amortisation on intangible assets	**851**	851	**–**	–
Depreciation on property, plant and equipment	**4 941**	5 477	**3 453**	3 873
Employee costs	**29 763**	28 367	**22 663**	19 968
Share-based payment	**–**	1 736	**–**	1 736
Impairment of loans	**–**	–	**2 826**	7 689
Bad debts*	**37 008**	–	**35 241**	–

* *Includes a bad debt of R33 335 000 which arose as a result of a dispute with a foreign debtor in Madagascar in relation to the Ambatovey project. In order to fully recover the total debt, the matter would need to have been heard in a Canadian court with significant legal costs being incurred over a three to four year period, with the outcome of the legal case being uncertain, thereby putting further strain on the already stretched liquidity of the group. The directors elected to settle the matter with the client whereby based on the negotiated settlement, the bad debt was incurred.*

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
26. Investment revenue				
Interest revenue				
Interest received from bank	**76**	45	**53**	43
27. Finance costs				
Bank	**4 218**	4 995	**4 218**	4 995
Interest paid to suppliers	**168**	138	**108**	101
Interest paid on loans – directors' loans	**183**	261	**184**	261
Interest paid on loans – employee trust	**143**	154	**143**	154
	4 712	5 548	**4 653**	5 511

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
28. Taxation				
Major components of the tax/(income) expense				
Current				
Local income tax – current year	**263**	3 711	**–**	3 864
Local income tax – recognised in current tax for prior year	**–**	(2 648)	**–**	–
	263	1 063	**–**	3 864
Deferred				
Originating and reversing temporary differences	**(15 111)**	6 620	**(15 558)**	7 849
	(14 848)	7 683	**(15 558)**	11 713
	%	%	**%**	%
Reconciliation of the tax expense				
Applicable tax rate	**28,00**	28,00	**28,00**	28,00
Tax incentives	**1,26**	(4,42)	**1,17**	(1,09)
Disallowable charges	**(0,54)**	4,91	**(0,50)**	1,21
Foreign tax rate difference	**0,62**	20,55	**–**	–
Prior period tax	**–**	25,78	**–**	–
	29,34	74,82	**28,67**	28,12
29. Auditors' remuneration				
Fees	**912**	816	**824**	735

	Gross R'000	Tax R'000	Net before non-controlling interest R'000	Non-controlling interest R'000	Net R'000
30. Other comprehensive income					
Components of other comprehensive income Group – 2013					
Exchange differences on translating foreign operations	**2 577**	**–**	**2 577**	**(22)**	**2 555**
Components of other comprehensive income Group – 2012					
Exchange differences on translating foreign operations	(1 235)	–	(1 235)	12	(1 223)

The foreign currency translation reserve has no tax effect.

Notes to the annual financial statements continued

for the year ended 31 August 2013

	Group		Company	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000
31. Earnings per share				
Weighted average number of shares				
Shares in issues for the full year ('000)	**204 374**	204 374	**212 168**	212 168
Reconciliation between earnings/(loss) and headline earnings/(loss)				
Profit/(loss) attributable to ordinary shareholders	**(36 010)**	2 882	**(38 703)**	29 941
Adjusted for:				
(Profit)/loss on disposal of property, plant and equipment (net of tax)	**50**	(109)	**(18)**	(249)
	(35 960)	2 773	**(38 721)**	29 692
Headline (loss)/earnings per share				
Basic and diluted (cents)	**(17,6)**	1,4	**(18,3)**	14,1
Diluted earnings per share is equal to earnings per share because there are no dilutive potential ordinary shares in issue.				
32. Cash generated from/(used in) operations				
(Loss)/profit before taxation	**(50 610)**	10 269	**(54 261)**	41 654
Adjustments for:				
Depreciation and amortisation	**5 792**	6 328	**3 453**	3 873
Loss/(profit) on sale of assets	**69**	(152)	**(25)**	(346)
Interest received	**(76)**	(45)	**(53)**	(43)
Finance costs	**4 712**	5 548	**4 653**	5 511
Movements in provisions	**529**	(2 497)	**(116)**	(2 497)
Equity-settled share-based payment expense	**–**	1 736	**–**	1 736
Bad debts	**37 008**	–	**35 241**	–
Changes in working capital:				
Inventories	**(4 989)**	(12 902)	**(4 146)**	(11 633)
Trade and other receivables	**(9 162)**	116 014	**22 141**	30 794
Trade and other payables	**20 918**	(75 043)	**(9 143)**	(68 962)
	4 191	49 256	**(2 256)**	87
33. Tax refunded/(paid)				
Balance at the beginning of the year	**(4 357)**	(17 042)	**(4 819)**	(2 581)
Current tax for the year recognised in profit or loss	**(263)**	(1 063)	**–**	(3 864)
Balance at the end of the year	**5 614**	4 357	**5 723**	4 819
	994	(13 748)	**904**	(1 626)

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
34. 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:				
Lombard Insurance				
Performance	**38 166**	71 763	**36 804**	58 498
Retention	**43 210**	58 220	**42 476**	46 787
Advance payments	**28 129**	9 504	**29 129**	9 504
	109 505	139 487	**108 409**	114 789
Standard Bank				
Advance payments	**11 966**	–	**11 966**	–
Operating leases – as lessee (expense)				
Minimum lease payments due				
– within one year	**660**	660	**660**	660

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

35. Related parties

Relationships

Subsidiaries	Refer to note 6
Joint ventures	Refer to note 20
Companies with common directors	Hotguard 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

Notes to the annual financial statements continued

for the year ended 31 August 2013

	Group		Company	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000
35. Related parties (continued)				
Related party balances				
Amounts included in trade receivable (trade payable)				
Pontins Proprietary Limited	–	–	7 243	9 423
Calaban Properties Proprietary Limited	(2 296)	(1 868)	(2 296)	(1 868)
Related party transactions				
Interest paid to related parties				
B&W Employee Trust	143	154	143	154
Directors	–	261	184	261
Sales resulting from related parties				
B&W Electricidade Lda	–	–	–	7 712
B&W Instrumentation and Electrical Kenya Limited	–	–	17 578	–
B & W Instrumentation and Electrical SA Proprietary Limited	–	–	3 246	–
Rent paid to related parties				
Calaban Properties Proprietary Limited	660	660	660	660
Cost of sales bought from related parties				
Pontins Proprietary Limited	–	–	509	879
B&W Electricidade Lda	–	–	–	16 813
Compensation to directors and other key management				
Short-term employee benefits	13 149	14 888	8 182	10 240

	Emoluments R'000	Bonus R'000	Retirement R'000	Medical R'000	Allowances and other benefits R'000	Total R'000
36. Directors' emoluments						
Executive						
2013						
BH Harley	1 324	226	178	131	168	2 027
DJ Evert	778	169	169	79	214	1 409
DS Nevay	753	165	173	86	186	1 363
GWR Swanepoel	877	342	194	86	185	1 684
T Lombard	361	–	49	12	65	487
S Vilakazi	41	–	–	–	–	41
	4 134	902	763	394	818	7 011

36. Directors' emoluments (continued)

	Emoluments R'000	Bonus R'000	Retirement R'000	Medical R'000	Allowances and other benefits R'000	Total R'000
Executive directors paid by subsidiary						
TJ Manas	**847**	**412**	**154**	**86**	**242**	**1 741**
A Economou	**654**	**206**	**137**	**113**	**197**	**1 307**
KL Rahn	**688**	**393**	**117**	**–**	**175**	**1 373**
F Toto	**236**	**156**	**47**	**–**	**107**	**546**
	2 425	**1 167**	**455**	**199**	**721**	**4 967**
2012						
GMJ Breedt	176	62	49	13	54	354
BH Harley	1 391	135	191	126	168	2 011
DJ Evert	704	81	158	71	186	1 200
DS Nevay	661	78	154	77	186	1 156
GWR Swanepoel	774	370	173	77	185	1 579
T Lombard	589	69	140	34	194	1 026
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
Executive directors paid by subsidiary						
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

	Basic emoluments R'000	Total R'000
Non-executive		
2013		
YU Mabandla	**183**	**183**
W Wassermeier	**229**	**229**
JD Oosthuizen	**101**	**101**
LJ Barrow	**162**	**162**
GJ Robertson	**275**	**275**
R Pitt	**221**	**221**
	1 171	**1 171**

Notes to the annual financial statements continued

for the year ended 31 August 2013

36. Directors' emoluments (continued)

	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

37. 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 (excluding derivative financial liabilities) disclosed in notes 11, 15, 16 and 17 cash and cash equivalents disclosed in note 13, and equity as disclosed in the statement of financial position. The group does not have any long-term external borrowings.

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.

37. Risk management (continued)

	Less than 1 year
Group	
At 31 August 2013	
Financial liabilities	**8 411**
Loans from related parties	**2 965**
Trade and other payables	**40 380**
Finance lease obligation	**554**
Loans from shareholders	**3 926**
At 31 August 2012	
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
Company	
At 31 August 2013	
Financial liabilities	**8 411**
Loans from related parties	**13 018**
Trade and other payables	**38 611**
Bank overdraft	**11 018**
Loans from shareholders	**3 926**
At 31 August 2012	
Financial liabilities	20 144
Loans from related parties	8 743
Trade and other payables	42 784
Loans from shareholders	4 628

Interest rate risk

As the group has significant 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 2013, if interest rates had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R391 000 (2012: R466 000) lower/higher, the company post tax profit for the year would have been R388 000 (2012: R463 000) lower/higher mainly as a result of a 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 counter-party.

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

Notes to the annual financial statements continued

for the year ended 31 August 2013

37. Risk management (continued)

The directors believe that all the debtors will be recovered. Financial assets exposed to credit risk at year end were as follows:

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Financial instrument				
Loans to related parties	**–**	–	**29 967**	26 192
Trade and other receivables	**89 978**	67 017	**45 150**	50 204
Other financial assets	**911**	3 817	**911**	3 817
Cash and cash equivalents	**4 188**	15 355	**–**	3 175

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 Kenyan Shilling. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The group did not hedge the foreign exchange fluctuations.

At 31 August 2013, 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 232 million (2012: R1 345 million), mainly as a result of foreign exchange gains or losses on translation of US Dollar denominated trade receivables, and foreign exchange losses or gains on transaction of US Dollar denominated cash and cash equivalents. The effect on the company result will have been a change of R154 000 (2012: R249 000).

At 31 August 2013, if the currency had weakened/strengthened by 10% against the Mozambiquan Metical with all other variables held constant, group post tax profit for the year would have differed by R559 000 (2012: R61 000) mainly as a result of foreign exchange gains/losses on translation of Mozambiquan Metical denominated trade receivables, and foreign exchange losses or gains on translation of Mozambiquan metical denominated cash and cash equivalents. The effect on the company results would have been a change of RNil (2012: R1 000).

At 31 August 2013, if the currency had weakened/strengthened by 10% against the Kenyan Shilling with all other variables held constant, group post tax profit for the year would have differed by R39 000 mainly as a result of foreign exchange gains or losses on translation of Kenyan Shilling denominated trade receivables, and foreign exchange losses/gains on translation of Kenyan Shilling denominated cash and cash equivalents. The effect on the company results would have been a change of RNil.

At 31 August 2013, if the currency had weakened/strengthened by 10% against other currencies with all other variables held constant, group post tax profit for the year would have differed by R21 000 (2012: R13 000) mainly as a result of foreign exchange gains or 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 R21 000 (2012: R13 000).

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000

37. Risk management (continued)

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Foreign currency exposure at the end of the reporting period				
Current assets				
US $	**8 961**	11 114	**746**	3 465
Pula	**4**	3	**4**	3
Aus $	**75**	97	**75**	97
Euros	**138**	22	**138**	22
Canadian $	**31**	27	**31**	27
Swiss Francs	**46**	37	**46**	37
Mozambiquan Metical	**3 968**	829	**–**	6
Kenyan Shilling	**201**	–	**–**	–
Zambian Kwacha	**3**	1	**3**	1
Included in trade debtors				
US $	**8 151**	7 570	**1 389**	–
Metical	**3 794**	16	**–**	–
Included in trade creditors				
Kenyan Shilling	**745**	–	**–**	–
Exchange rates used for conversion of foreign items were:				
US $	**10,32**	8,44	**10,32**	8,44
AUS $	**9,21**	8,72	**9,21**	8,72
Botswana Pula	**1,20**	1,10	**1,20**	1,10
Mozambiquan Metical	**2,93**	3,41	**2,93**	3,41
Madagascan Ariary	**216,21**	272,20	**216,21**	272,20
Canadian $	**9,80**	8,52	**9,80**	8,52
Euros	**13,65**	10,58	**13,65**	10,58
Kenyan Shilling	**0,12**	–	**0,12**	–
Zambian Kwacha	**502,51**	578,03	**502,51**	578,03

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

38. Events after the reporting period

Other than the joint cautionary announcement released on SENS with ELB Group Limited on 4 November 2013, the board of directors is not aware of any material matters or circumstances arising since year-end up to the date of this report, which has not been disclosed.

39. Non-controlling interests

	Group		Company	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
The non-controlling interest can be reconciled as follows:				
Balance at the beginning of the year	**151**	459	**–**	–
Share of profits for the year	**248**	(296)	**–**	–
Share of other comprehensive income	**22**	(12)	**–**	–
	421	151	**–**	–

40. Authorisation and issue of the financial statements

The financial statements were authorised for issue by the board of directors on 15 November 2013. Neither the directors nor the shareholders have the power to amend the financial statements after their issuance.

Stakeholder information

Analysis of shareholders

Register date: 30 August 2013

Issued Share Capital: 212 168 959 shares

	Number of shareholdings	% of shareholders	Number of shares	% of shareholders
Type of shares				
Certificated shares	31	2,89	8 416 000	3,97
Dematerialised shares	1 040	97,11	203 752 959	96,03
Total	1 071	100	212 168 959	100
Beneficial shareholders holding of 5% or more				
B & W Industrial Technology Proprietary Ltd.		Dematerialised	71 760 000	33,82
Brian Harold Harley		Dematerialised	12 744 030	6,01
Kenneth Eric Nel		Dematerialised	12 680 000	5,98
B&W Employee Trust		Dematerialised	12 680 000	5,98
Shareholder spread				
1 – 999 shares	71	6,63	29 335	0,01
1 000 – 9 999 shares	521	48,65	2 132 704	1,01
10 000 – 99 999 shares	373	34,83	10 516 046	4,96
100 000 – 999 999 shares	84	7,84	20 356 002	9,59
1 000 000 – 9 999 999 shares	18	1,68	69 334 872	32,68
10 000 000 and over	4	0,37	109 800 000	51,75
Total	1 071	100	212 168 959	100
Domicile				
Non-resident shareholders	20	1,87	1 584 638	0,75
Resident shareholders	1 051	98,13	210 584 321	99,25
Total	1 071	100	212 168 959	100
Distribution of shareholders				
Bank	1	0,09	6 575	0,00
Broker	3	0,28	1 334 880	0,63
Close corporation	24	2,24	1 134 321	0,53
Individual	914	85,34	62 923 951	29,66
Insurance company	1	0,09	5 401 982	2,55
Mutual fund	16	1,49	32 147 079	15,15
Pension fund	20	1,87	5 075 653	2,39
Private company	29	2,71	80 619 973	38,00
Share purchase scheme	1	0,09	7 795 000	3,67
Trust	62	5,79	15 729 545	7,41
Total	1 071	100	212 168 959	100

	Number of shareholdings	% of shareholders	Number of shares	% of shareholders
Public/non-public shareholders				
Non-public shareholders	7	0,65	97 369 030	45,89
Leonard John Barrow	1	0,09	34 900 000	16,45
Brian Harold Harley	1	0,09	12 744 030	6,01
Dean Stuart Nevay	1	0,09	12 680 000	5,98
Gary William Roberts Swanepoel	1	0,09	12 680 000	5,98
B&W Employee Trust	1	0,09	12 680 000	5,98
B&W Share Purchase Scheme	1	0,09	7 795 000	3,67
Daniel Johannes Evert	1	0,09	3 890 000	1,83
Public shareholders	1 064	99,35	114 799 929	54,11
Total	1 071	100	212 168 959	100

Investor calendar

for the year ended 31 August 2013

Financial year-end	31 August 2013
Annual general meeting	31 January 2014
Announcement of annual results	18 November 2013
Annual report posted	November 2013
Announcement of interim results	April 2014

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, 31 January 2014 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, 24 January 2014. 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, 17 January 2014.

1. To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 31 August 2013, including the reports of the auditors, directors and the Audit & Risk Committee.
2. To re-elect, RMH Pitt 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.
3. To re-elect, GJ Robertson 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 for re-election appears on pages 18 and 19 of the annual report to which this notice is attached.
4. To appoint, GJ Robertson as a member and Chairperson of the B & W Instrumentation and Electrical Limited's Audit & Risk Committee.
5. To appoint, RMH Pitt as a member of the B & W Instrumentation and Electrical Limited's Audit & Risk Committee.
6. To appoint, W Wassermeier as a member of the B & W Instrumentation and Electrical Limited's Audit & Risk Committee.
   An abbreviated *curriculum vitae* in respect of each member of the B & W Instrumentation and Electrical Limited's Audit & Risk Committee appears on pages 18 and 19 of the annual report to which this notice is attached.
7. To confirm the reappointment 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 7 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:

8. 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 Instrumentation and Electrical Limited ('the company') for their services as directors of the company for the financial year ending 31 August 2014 be and is hereby approved as follows:

Type of fee	Proposed fee in ZAR for the year ending 31 August 2014
Board (monthly)	
Non-executive	11 300
Audit & Risk Committee (per meeting)	
Chairperson	22 600
Member	11 300
Remuneration Committee (per meeting)	
Chairperson	22 600
Member	11 300
Social & Ethics Committee (per meeting)	
Chairperson	22 600
Member	11 300

Explanatory note

In terms of section 66(9) of the Companies Act, 2008 (Act 71 of 2008), as amended, 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.

9. Ordinary resolution number 1

Approval of remuneration policy

'Resolved that the remuneration policy of the directors of B & W Instrumentation and Electrical Limited ('the company'), as set out on page 35 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.

10. 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 Instrumentation and Electrical Limited ('the company') be and are hereby placed under the control and authority of the directors of the company ('directors') and that the directors be and are hereby authorised and empowered to allot and issue 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.'

Notice of annual general meeting continued

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.

11. Ordinary resolution number 3

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

'Resolved that the directors of the company 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), as amended, 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:

- 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;
- 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 securities which are the subject of a general issue for cash may not exceed 50% (fifty percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 102 186 979 securities. Any securities issued under this authorisation will be deducted from the aforementioned 102 186 979 listed securities. In the event of a sub-division or a consolidation during the period contemplated above, the authority will be adjusted to represent the same allocation ratio;
- in determining the price at which securities may be issued in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of such securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed in writing between the issuer and the party/ies subscribing for the securities;
- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing, being the issue and the parties subscribing for the securities and 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 securities representing, on a cumulative basis within 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, 5% (five percent) or more of the number of securities in issue prior to the issue; and
- whenever the company wishes to use repurchased 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.

12. Special resolution number 2

General approval to acquire shares

'Resolved, by way of a general approval that B & W Instrumentation and Electrical Limited ('the company') 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 counter party;
- this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital;
- the company may only effect the repurchase once a resolution has been passed by the board of directors of the company ('the board') confirming that the board has authorised the repurchase, that the company has passed the solvency and liquidity test ('test') and that since the test was done there have been no material changes to the financial position of the group;
- the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- 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.

12.1 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 18 and 19;
- major shareholders of the company – page 98;
- directors' interests in securities – page 49; and
- share capital of the company – page 81.

12.2 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.

12.3 Directors' responsibility statement

The directors, whose names are given on pages 18 and 19 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.

Notice of annual general meeting continued

12.4 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.

12.5 Litigation statement

The directors, whose names are given on pages 18 and 19 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.

13. 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), as amended, ('Companies Act'), the shareholders of B & W Instrumentation and Electrical Limited ('the company') hereby approve of the company providing, at any time and from time to time during the period of 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.

14. 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), as amended, ('Companies Act'), the shareholders of B & W Instrumentation and Electrical Limited ('the company') hereby approve of the company providing, at any time and from time to time during the period of 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 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.

15. Ordinary resolution number 4

Signature of documents

'Resolved that each director of B & W Instrumentation and Electrical Limited ('the company') 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.

Notice of annual general meeting continued

16. 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 48 hours, excluding Saturdays, Sundays and public holidays, 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
15 November 2013

Johannesburg

Form of proxy

B & W Instrumentation and Electrical Limited

Incorporated in the Republic of South Africa
(Registration number 2001/008548/06)
Share code: BWI ISIN: ZAE000098687
('B&W' or ' the company')

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ('certificated ordinary shareholders'); or
- have dematerialised their ordinary shares ('dematerialised ordinary shareholders') and are registered with 'own-name' registration,

at the annual general meeting of shareholders of the company to be held at Ascot Mews, Heidelberg Road, Alberton, at 10:00 on Friday, 31 January 2014 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 2013			
2. To approve the re-election as director of RMH Pitt who retires by rotation			
3. To approve the re-election as director of GJ Robertson who retires by rotation			
4. To approve the appointment of GJ Robertson as member and Chairperson of the Audit & Risk Committee			
5. To approve the appointment of RMH Pitt as member of the Audit & Risk Committee			
6. To approve the appointment of W Wassermeier as member of the Audit & Risk Committee			
7. To confirm the re-appointment of Certified Master Auditors Inc. as auditors of the company together with Mr George Davias for the ensuing financial year			
8. **Special resolution number 1:** Approval of the non-executive directors' remuneration			
9. **Ordinary resolution number 1:** Approval of the remuneration policy			
10. **Ordinary resolution number 2:** Control of authorised but unissued ordinary shares			
11. **Ordinary resolution number 3:** Approval to issue ordinary shares, and to sell treasury shares, for cash			
12. **Special resolution number 2:** General approval to acquire shares			
13. **Special resolution number 3:** Financial assistance for subscription of securities			
14. **Special resolution number 4:** Loans or other financial assistance to directors			
15. **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   2013/14

Signature

Assisted by (if applicable)

Notes to 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 shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters 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:
    Computershare Investor Services Proprietary Limited
    Ground Floor, 70 Marshall Street, Johannesburg, 2001

    Postal deliveries to:
    Computershare Investor Services Proprietary Limited
    PO Box 61051, Marshalltown, 2107

    to be received by no later than 10:00 on Wednesday, 29 January 2014 (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.

    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 proxy'.

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

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.
Registered Auditors
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