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Instrumentation and Electrical Limited

PRELIMINARY CONDENSED AUDITED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 AUGUST 2009

B & W Instrumentation and Electrical Limited Incorporated in the Republic of South Africa (Registration number 2001/008548/06)
Share Code: BWI ISIN: ZAE00098687 ("B&W" or "the company" or "the group")

■ Revenue up **11.7%** ■ Operating profit **R76 million** ■ Cash on hand of **R140 million** ■ Total dividend of **7.5 cents** (2008: 7 cents) ■ Order book of **R570 million**

COMMENTARY

INTRODUCTION

The directors of B&W are pleased to present the results for the financial year ended 31 August 2009 ("the year"). B&W successfully weathered challenging economic conditions to achieve growth in both revenue and operating profit, albeit moderated by a number of contract delays. Focus on revising operating procedures yielded improved efficiencies and cost-savings, and positively impacted the group's cash position.

The mining sector continued to account for the majority of group revenue. In line with the board's plans an increased proportion of group revenue was derived from infrastructure and oil & gas projects during the year.

Further, new projects were secured to take B&W's order book to a record high of R570 million heading into the 2010 financial year. A revised schedule for commencement of the delayed contracts, together with a timeous start of the new work, should see a good proportion of the order book translate into revenue during the 2010 financial year.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies applied in the preparation of these preliminary condensed audited annual financial statements, which are based on reasonable judgments and estimates, are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the audited annual financial statements for the year ended 31 August 2008. These preliminary condensed audited annual financial statements as set out in this report have been prepared in terms of IAS 34: Interim Financial Reporting, the Companies Act (Act 61 of 1973), as amended, and the Listings Requirements of the JSE Limited.

COMPARATIVE FIGURES

Certain comparative figures have been reclassified to better comply with IFRS disclosure requirements.

The reclassifications have either increased or (decreased) the line items previously reported and the impact is as follows:

	GROUP	
	2009 R'000	2008 R'000
Balance sheet		
Trade and other payables	–	45 674
Provisions	–	1 830
Trade and other receivables	–	33 755
Deferred tax – current liability	–	11 051
Deferred tax – non-current liability	–	(11 051)
Retention debtors – non-current	–	13 748
Income statement		
Other income	–	513
Operating expenses	–	512
Operating profit	–	1
Profit before taxation	–	1
Profit for the year	–	1
Statement of changes in equity		
Retained income balance 1 September 2007	–	(1)
Profit for the year 2008	–	(1)
Issue of share capital	–	6 703
Treasury shares	–	(6 703)
	–	–

GROUP PROFILE

As one of the three largest providers of electrical and instrumentation ("E&I") services in South Africa, B&W operates in the mining, infrastructure, oil & gas, industrial, utilities, chemical and food & beverage industries. Specific services include equipment procurement, construction management, installation, post-installation commissioning and plant optimisation.

REVIEW OF OPERATIONS

B&W's new orders for the year totalled R480 million, 39% of which is situated outside of South Africa. 62% of the present order book relates to cross-border contracts.

The mining sector contributed 67% of total group revenue. Three large-scale projects for a coal mine near Middelburg were awarded during the year which offset to an extent the negative impact of project delays.

Infrastructure became an increasingly successful focus area with a major contract win for a cement plant and reticulation work in the Northern Cape.

The group also continued to secure new projects outside of South Africa and has offices in Madagascar and Mozambique to facilitate the execution of projects in those regions.

FINANCIAL RESULTS

Revenue increased 11.7% to R502.8 million compared to R450 million in the previous year. Operating profit was steady at R75.6 million.

Net profit after tax (NPAT) and earnings per share (EPS) remained relatively flat at R59.3 million and 29.64 cents per share, respectively.

Headline earnings per share ("HEPS") of 29.76 cents per share compared favourably with the prior year (2008: 29.0 cents).

B&W has intensified focus on cash management.

The group has maintained a healthy cash position and ended the year with cash in hand of R140.0 million.

PROSPECTS

B&W remains positive about growth in the year ahead with a record order book in hand and operational refinements yielding benefits for the group.

The directors believe the overall E&I projects pipeline indicates reasonable growth opportunities, particularly in the mining sector over the medium-term and in oil & gas from around 2013/2014.

However, only a marginal recovery is anticipated in the E&I industry in the short-term and tighter competition for tenders is expected to continue placing pressure on margins. The group will endeavour to overcome this by further streamlining operational procedures.

The bulk of current opportunities is situated in South Africa for the foreseeable future. Nonetheless the group will continue to pursue cross-border work in Africa, a high growth region where margins can be more favourable. Cross-border work should continue contributing significantly to B&W's top and bottom line growth.

Current economic and market conditions may yield exciting acquisition opportunities. B&W will pursue these where they will support expansion into Africa and/or diversification into complementary niche E&I markets.

RENEWAL OF CAUTIONARY

Shareholders are referred to the announcement dated 29 October 2009 in which they were advised that B&W had entered into negotiations, which if successfully concluded, may have a material effect on the price of the company's securities. B&W is currently in negotiations with Pontins (Proprietary) Limited ("Pontins"). Pontins is a leading earthing and lightning protection company which will augment B&W's existing electrical contracting business with a complementary niche service.

Accordingly, shareholders are advised to continue exercising caution when dealing in the company's securities until a further announcement is made.

DIVIDENDS

In light of B&W's healthy cash position, notice is given that a final dividend of 5 cents per share is hereby declared for the year. Together with the interim dividend of 2.5 cents per share declared on 20 April 2009, the total dividend for the year amounts to 25% of NPAT in line with the group's dividend policy. The dividend will be financed out of the group's free cash flow.

The salient dates for the dividend are as follows:

Last day to trade shares
cum dividend Friday, 4 December 2009
Shares trade *ex* dividend Monday, 7 December 2009
Record date Friday, 11 December 2009
Payment date Monday, 14 December 2009

No share certificates may be dematerialised or rematerialised between Monday, 7 December 2009 and Friday, 11 December 2009, both dates inclusive.

AUDIT OPINION

The preliminary condensed annual financial statements for the year have been audited by B&W's auditors, Certified Master Auditors Inc. Their unqualified audit report is available for inspection at the company's registered office.

SUBSEQUENT EVENTS

The board of directors of B&W are not aware of any material events that have occurred between the end of the year and the date of this report.

APPRECIATION

Our employees' tenacity in a tough market has continued to drive B&W's growth and we are most appreciative of their efforts. We also thank our fellow directors for their wise counsel which further contributed to our positive performance. Finally, we thank our clients, shareholders, business partners and advisors for their continued support.

John Barrow

Chairman

On behalf of the board

16 November 2009

Brian Harley

Managing Director

Directors:

John Barrow (Chairman); Brian Harley (Managing Director); Danie Evert (Financial Director); Johan Breedt; Tom Lombard; Ken Nel; Dean Nevay; Gary Swanepoel; Sam Vilakazi; Wolf Wassemeier*; Jimmy Oosthuizen*; Unati Mabandla*
**Independent non-executive director*

Registered office:

Master Business Associates Secretarial Services (Pty) Limited
234 Alexandra Avenue, Midrand, 1685
(Private Bag X168, Halfway House, 1685)

Designated Adviser:

Merchantec Capital

Transfer secretaries:

Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001
(PO Box 61763, Marshalltown, 2107)

Company secretary:

Master Business Associates Secretarial Services (Pty) Limited
234 Alexandra Avenue, Midrand, 1685
(Private Bag X168, Halfway House, 1685)

Auditors:

Certified Master Auditors Inc.

Investor Relations:

Envisage Investor & Corporate Relations

CONSOLIDATED BALANCE SHEET

	Audited 31 August 2009 R'000	Audited 31 August 2008 R'000
ASSETS		
Non-current assets	50 580	24 309
Property, plant and equipment	27 362	10 561
Deferred tax	3 041	–
Retention debtors	20 177	13 748
Current assets	331 442	236 941
Inventories	2 084	4 690
Loans to related parties	–	940
Trade and other receivables	189 594	120 684
Cash and cash equivalents	139 764	110 627
Total assets	382 022	261 250
EQUITY AND LIABILITIES		
Equity	156 064	111 779
Share capital	32 285	32 285
Retained income	123 771	79 494
Minority interest	8	–
Non-current liabilities	682	557
Deferred tax	682	557
Current liabilities	225 276	148 914
Loans from related parties	1 030	1 185
Other financial liabilities	78 017	–
Current tax payable	6 065	18 130
Trade and other payables	126 295	116 718
Deferred tax	9 967	11 051
Provisions	3 902	1 830
Total equity and liabilities	382 022	261 250
Number of ordinary shares in issue	200 000 000	200 000 000
Net asset value per share (cents)	78.0	55.9
Net tangible asset value per share (cents)	78.0	55.9

INCOME STATEMENT

	Audited year to 31 August 2009 R'000	Audited year to 31 August 2008 R'000
Revenue	502 840	450 333
Cost of sales	(397 062)	(350 731)
Gross profit	105 778	99 602
Other income	1 279	4 775
Operating expenses	(31 506)	(29 021)
Operating profit	75 551	75 356
Investment revenue	7 750	7 368
Finance costs	(386)	(432)
Profit before taxation	82 915	82 292
Taxation	(23 631)	(24 456)
Profit for the year	59 284	57 836
Equity holders of the parent	59 277	57 836
Minority interest	7	–
Adjustment for headline earnings – loss on sale of property, plant and equipment	236	207
Headline earnings attributable to ordinary shareholders	59 513	58 043
Weighted average number of ordinary shares in issue	200 000 000	200 000 000
Earnings per ordinary share (cents)	29.64	28.92
Headline earnings per ordinary share (cents)	29.76	29.02

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Treasury shares	Retained income	Minority interest	Total equity
R'000						
Balance at 1 September 2007	2	32 283	–	32 658	–	64 943
Profit for the year	–	–	–	57 836	–	57 836
Dividends	–	–	–	(11 000)	–	(11 000)
Issue of share capital	–	6 703	–	–	–	6 703
Treasury shares	–	–	(6 703)	–	–	(6 703)
Balance at 31 August 2008	2	38 986	(6 703)	79 494	–	111 779
Profit for the year	–	–	–	59 277	8	59 285
Issue of share capital	–	4 566	–	–	–	4 566
Treasury shares	–	–	(4 566)	–	–	(4 566)
Dividends	–	–	–	(15 000)	–	(15 000)
Balance at 31 August 2009	2	43 552	(11 269)	123 771	8	156 064

CASH FLOW STATEMENT

	Audited year to 31 August 2009 R'000	Audited year to 31 August 2008 R'000
Cash from operating activities	(14 387)	87 133
Net cash from investing activities	(19 493)	941
Net cash from financing activities	63 017	(11 000)
Total cash movement for the year	29 137	77 074
Cash at beginning of the year	110 627	33 553
Total cash at end of the year	139 764	110 627

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.

	South Africa and other	Madagascar	Mozambique	Total
R'000				
2009				
Profit and loss				
Contract revenue	366 400	88 632	47 808	502 840
Contract costs	(266 826)	(88 427)	(41 809)	(397 062)
Gross profit	99 574	205	5 999	105 778
Other income	525	702	52	1 279
Operating expenses	(30 403)	(985)	(118)	(31 506)
Operating profit	69 696	(78)	5 933	75 551
Investment income	7 708	42	–	7 750
Finance costs	(159)	(227)	–	(386)
Profit (loss) before tax	77 245	(263)	5 933	82 915
Assets and liabilities				
Total assets	240 226	72 387	69 409	382 022
Total liabilities	(138 476)	(34 105)	(53 377)	(225 958)