

**Reviewed consolidated interim results
for the six months ended 28 February 2013**



Consolidated statements of **financial position**

	Reviewed 28 February 2013 R'000	Reviewed 29 February 2012 R'000	Audited 31 August 2012 R'000
ASSETS			
Non-current assets	58 211	54 977	45 034
Property, plant and equipment	27 511	28 782	27 081
Deferred tax	18 471	12 374	4 304
Goodwill	7 368	7 368	7 368
Intangible assets	1 276	2 128	1 702
Retention debtors	3 585	4 325	4 329
Other financial assets	–	–	250
Current assets	255 786	256 881	255 563
Inventories	23 047	3 360	15 449
Other financial asset	1 817	3 567	3 567
Trade and other receivables	220 171	213 632	221 392
Cash and cash equivalents	10 751	36 322	15 155
Total assets	313 997	311 858	300 597
EQUITY AND LIABILITIES			
Equity	142 162	180 512	183 405
Share capital	38 583	38 583	38 583
Reserves	(197)	399	246
Retained income	103 627	140 987	144 425
Non-controlling interest	149	543	151
Non-current liabilities	472	19	554
Finance lease obligation	472	19	554
Current liabilities	171 363	131 327	116 638
Loans from related parties	3 361	4 608	3 630
Financial liabilities	20 139	20 120	20 144
Current tax payable	3 568	15 874	4 357
Trade and other payables	102 848	39 227	79 342
Finance lease obligation	181	54	201
Loans from shareholders	3 803	6 326	4 628
Bank overdraft	36 075	43 692	–
Provisions	1 388	1 426	4 336
Total equity and liabilities	313 997	311 858	300 597
Number of ordinary shares in issue	204 373 959	204 373 959	204 373 959
Net asset value per share (cents)	69,6	88,3	89,7
Net tangible asset value per share (cents)	65,3	83,7	85,3

Consolidated statements of **comprehensive income**

	Reviewed six months to 28 February 2013 R'000	Reviewed six months to 29 February 2012 R'000	Audited 12 months to 31 August 2012 R'000
Contract revenue	185 091	272 888	442 374
Contract costs	(176 673)	(243 757)	(374 888)
Gross profit	8 418	29 131	67 486
Other income	1 533	–	1 876
Operating expenses	(61 999)	(23 275)	(53 590)
Operating (loss)/profit	(52 048)	5 856	15 772
Investment revenue	53	5	45
Finance costs	(2 660)	(2 413)	(5 548)
(Loss)/profit before taxation	(54 655)	3 448	10 269
Taxation	13 860	(3 152)	(7 683)
(Loss)/profit for the period	(40 795)	296	2 586
Other comprehensive (loss)/income			
Foreign currency translation reserve	(448)	(101)	(1 235)
Total comprehensive (loss)/income	(41 243)	195	1 351
(Loss)/profit attributable to:			
Owners of the parent	(40 798)	211	2 882
Non-controlling interest	3	85	(296)
	(40 795)	296	2 586
Total comprehensive (loss)/income attributable to:			
Owners of the parent	(41 241)	111	1 659
Non-controlling interest	(2)	84	(308)
	(41 243)	195	1 351
(Loss)/profit attributable to:			
Owners of the parent	(40 798)	211	2 882
Adjustment for headline earnings – profit on sale of property, plant and equipment	(4)	33	(109)
Headline (loss)/earnings attributable to ordinary shareholders	(40 802)	244	2 773
Weighted average number of ordinary shares in issue	204 373 959	204 373 959	204 373 959
(Loss)/earnings per ordinary share (cents)	(20,0)	0,1	1,4
Headline (loss)/earnings per ordinary share (cents)	(20,0)	0,1	1,4

Note

Included in the operating expenses are bad debts recognised of R35,3 million. This comprises:

- a write down on the Madagascar accounts receivable amount; and
- the partial impairment of the other financial assets item: loans and receivables – Linear products.

Consolidated statement of **changes in equity**

	Share capital R'000	Share premium R'000	Treasury shares R'000	Share- based payment reserve R'000	Foreign currency translation reserve R'000	Distribu- table reserve R'000	Minority interest R'000	Total equity R'000
Balance at 1 September 2011	2	49 850	(11 269)	–	500	140 776	459	180 318
Total comprehensive income for the period	–	–	–	–	(101)	211	84	194
Balance at 29 February 2012	2	49 850	(11 269)	–	399	140 987	543	180 512
Total comprehensive income for the period	–	–	–	–	(1 122)	2 671	(392)	1 157
Equity-settled share-based payment	–	–	–	1 736	–	–	–	1 736
Transfer from reserve	–	–	–	(767)	–	767	–	–
Balance at 31 August 2012	2	49 850	(11 269)	969	(723)	144 425	151	183 405
Total comprehensive loss for the period	–	–	–	–	(443)	(40 798)	(2)	(41 243)
Balance at 28 February 2013	2	49 850	(11 269)	969	(1 166)	103 627	149	142 162

Consolidated **cash flow statement**

	Reviewed six months 28 February 2013 R'000	Reviewed six months 29 February 2012 R'000	Audited 12 months 31 August 2012 R'000
Cash (used in)/generated from operations	(35 533)	24 295	49 256
Interest income	53	5	45
Finance costs	(2 660)	(2 413)	(5 548)
Tax paid	(1 096)	(5 770)	(13 748)
Net cash from operating activities	(39 236)	16 117	30 005
Purchase of property, plant and equipment	(2 934)	(817)	(4 283)
Sale of property, plant and equipment	147	2 046	4 420
Repayment on loans from directors	(825)	(1 497)	(3 195)
Loans to related parties (repaid)/advanced	(268)	–	7 672
Proceeds from loans from group companies	–	8 648	–
Sale/(purchase) of financial assets	2 000	–	(250)
Movements on retention debtors	744	–	(4 329)
Net cash from investing activities	(1 136)	8 380	35
(Repayment of)/proceeds from financial liabilities	(5)	2 612	20 144
(Payments on)/inflow from finance lease	(102)	(26)	656
Net cash from financing activities	(107)	2 586	20 800
Total cash movement for the period	(40 479)	27 083	50 840
Cash at the beginning of the period	15 155	(34 453)	(34 453)
Effect of exchange rate movement on cash balances	–	–	(1 232)
Total cash at the end of the period	(25 324)	(7 370)	15 155

Segmental **reporting**

	South Africa R'000	Foreign operations R'000	Total R'000
Six months to February 2013			
Profit and loss			
Contract revenue	156 024	29 067	185 091
Contract costs	(149 062)	(27 611)	(176 673)
Gross profit	6 962	1 456	8 418
Other income	1 533	–	1 533
Operating expenses	(53 943)	(8 056)	(61 999)
Operating loss	(45 448)	(6 600)	(52 048)
Investment income	53	–	53
Finance costs	(2 660)	–	(2 660)
Loss before tax	(48 055)	(6 600)	(54 655)
Assets and liabilities			
Total assets	283 852	30 145	313 997
Total liabilities	(144 293)	(27 542)	(171 835)
Six months to February 2012			
Profit and loss			
Contract revenue	109 272	163 616	272 888
Contract costs	(73 206)	(170 551)	(243 757)
Gross profit/(loss)	36 066	(6 935)	29 131
Other income	–	–	–
Operating expenses	(9 320)	(13 955)	(23 275)
Operating profit/(loss)	26 746	(20 890)	5 856
Investment income	5	–	5
Finance costs	(2 413)	–	(2 413)
Profit/(loss) before tax	24 338	(20 890)	3 448
Assets and liabilities			
Total assets	242 132	69 726	311 858
Total liabilities	(125 751)	(5 595)	(131 346)

Commentary

Basis of preparation

The accounting policies applied in the preparation of these reviewed consolidated interim financial statements, which are based on reasonable judgements 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 previous year ended 31 August 2012. The reviewed consolidated interim financial statements as set out in this report have been prepared in terms of IAS 34: *Interim Financial Reporting*, SAICA Financial Reporting Guides, the Companies Act, 2008 (Act 71 of 2008), and the Listings Requirements of the JSE Limited. These results were prepared under the supervision of Financial Director Danie Evert.

Review opinion

The consolidated interim financial results for the six months ended 28 February 2013 ("the period") have been reviewed by B&W's auditors, Certified Master Auditors Inc. Their unqualified review opinion is available for inspection at the company's registered office.

Introduction

As anticipated the period proved challenging, which resulted in a weak performance. The severity of the trading conditions was exacerbated by the write-off of bad debts.

B&W is reaching the end of a two-year consolidation phase, which has seen the company approach contract acquisition selectively. At period-end the order book totalled R454,0 million, with all projects at acceptable margins. New orders make up R383,0 million, the majority of which are from the mining sector.

During the period low project volumes as a result of delays resulted in a decline in revenue. Further, the period reflected the final R33,3 million write-down on the Madagascar project. A strategic decision was taken to settle the outstanding debt on the project for R12,5 million, in light of the questionable long-term sustainability of the debtor corporation. As a historical contract which reached resolution in the period following protracted negotiations, this is not a true reflection of current trading conditions in which collections on all contracts, locally and in Africa, are seamless.

Group profile

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

Financial results

Revenue decreased 32,2% to R185,1 million from R272,9 million in the comparative period. B&W posted a loss after tax of R40,8 million compared to a profit of R296 000 at 29 February 2012. This equated to a loss per share of 20 cents compared to earnings per share of 0,1 cent in the comparative period. Lower project volumes put pressure on operating expenses, which totalled R62,0 million (February 2012: R23,3 million).

At period-end the group had a negative cash balance of R25,3 million, compared to the negative R7,4 million in the comparative period. The reduction in cash resources was a factor mainly of the invoicing cycle, and has already seen a correction post period-end.

Funding

The company maintains no material long-term interest-bearing borrowings.

Operations

Since period-end only 3,5%, or R13,5 million, of the new orders have commenced construction. This is indicative of the prevailing state of the E&I construction industry. A number of projects have been cancelled or postponed, and targeted projects have to take account of scarce project availability with commencement in the short-term.

Africa accounts for 44% of the group's total new orders, with the balance in South Africa. This is expected to equalise going forward in light of greater volumes of work outside South Africa. B&W's Africa contracts have commenced largely post period-end.

Further, B&W expects a more normalised revenue split between sectors (still largely mining dominated) in the next financial year and into FY2015. While mining will remain the largest driver of top line growth, its expected contribution to total revenue should reduce as that from other sectors increases.

BEE

As previously announced on 6 March 2013, B&W and Regiments Capital Proprietary Limited ("Regiments Capital") have mutually agreed not to proceed with the B-BBEE transaction which would have seen Regiments Capital become a 32,5% shareholder. B&W has commenced a restructuring process at a group level to ensure the B-BBEE shareholding at a subsidiary level exceeds 26%.

Prospects

B&W will continue to pursue its five-year strategic plan, with target measurables based on the number of projects rather than revenue. This will include selective targeting projects with a minimum acceptable profit levels and payment behaviour.

The first quarter of 2013 has remained challenging, and B&W is expecting to turn the corner during the last

quarter of the calendar year and heading into 2014. The group is positive looking to 2014/5, with clearly defined projects and improved margins.

In addition cash flow is progressively improving and has stabilised post period-end. It is expected to strengthen further going forward.

Relative to competitors, the order book remains satisfactorily strong.

Directorate

During the period Thomas Lombard resigned as an executive director, with effect from 23 November 2012. Jimmy Oosthuizen retired as an independent non-executive director at the annual general meeting on 18 January 2013.

The board thanks Thomas and Jimmy for their contributions to the company and wishes them well in their future endeavours.

Dividend

No interim dividend has been declared in line with the group's strategy of consolidation. It remains the group's policy to declare a final dividend at year-end of 25% of NPAT, cash flow permitting.

Subsequent events

The board of directors is not aware of any material matters or circumstances arising since the end of the period up to the date of this report, which have not been disclosed.

Appreciation

The board thanks all management, in particular Project Director Gary Swanepoel, and staff for their tenacity and efforts during a challenging period. We also thank our business partners, suppliers, advisors and our valued clients and shareholders for their continued confidence in the group.

John Barrow
Chairman

Brian Harley
Chief Executive Officer

On behalf of the board.

22 April 2013

Directors

John Barrow* (Chairman); Brian Harley (CEO);
Danie Evert (Financial Director); Dean Nevay;
Gary Swanepoel; Wolf Wasserman*^;
Unati Mabandla*^; George Robertson*^;
Roger Pitt*^.

* Non-executive director ^ Independent

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Company secretary

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Investor Relations

Envisage Investor & Corporate Relations