



CONTROL INSTRUMENTS

GROUP LIMITED

SHURLOK INTERNATIONAL

Vehicle electronics for the international
automotive industry

CI-FLEET MANAGEMENT SYSTEMS (CI-FMS)

Commercial vehicle and fleet management
systems and equipment

CI-AUTOMOTIVE TRADING (CI-AT)

- Specialised automotive instrumentation
- Audio and navigation systems

CORPORATE PROFILE

Control Instruments is an international electronics group based in South Africa.

Its shares have been listed on the JSE Securities Exchange South Africa in the Electronics and Electrical sector since 1987.

The Group is managed with a view to long-term growth and profitability.

MISSION STATEMENT

To be a leading developer and supplier of electronic hardware and software products aimed at niche segments of the worldwide automotive industry and vehicle and fleet management markets.

Profitability improved significantly during 2002, a year which saw the benefits of the restructuring, acquisitions and write-offs of the past few years come through to the bottom line. The continued improvements are reflected in the operating results and make it possible to resume the payment of dividends. The cash surplus from operations and the sale of non-core business interests enabled the Group to:

- invest in additional production and engineering facilities;
- acquire the business of Siemens VDO Audio Navigation in Southern Africa; and
- fund the acquisition of some of its own shares.

The Group is actively pursuing opportunities in the Original Equipment Manufacture (OEM) motor industry and the commercial vehicle and fleet management markets worldwide. These are enormous markets and the niche areas in which the Group's operations are focused offer substantial opportunities.

Non-core businesses now comprise minor and non-critical stakes in a few of the original start-up Information Technology investments.

During the year, the Control Instruments Share Incentive Scheme acquired 3,119,739 shares in the open market using funds advanced by the Group.

In addition, the Group reached agreement on 9 December 2002 regarding the disposal by the Hersov Family Trust of 12,050,159 shares. Of these, 1,832,283 were placed with directors of the Group and other third parties, 8,000,000 were acquired by a subsidiary of the Group and will be held as treasury stock and the balance of 2,217,876 has been cancelled and delisted from the JSE Securities Exchange South Africa. These transactions were ratified by shareholders on 6 January 2003.

Prior to this transaction which marked the end of a business and shareholder relationship of over twenty years between the Group and the Hersov family, James Hersov resigned as a director. Our thanks go to James and his father Basil for their support over these years.

Sam O'Leary joined the board on 1 December 2002 as a non-executive director. Sam has many years of corporate and financial experience. The Group's board now comprises four non-executive directors and four executive directors.

I would like to thank the Group's customers, our partners and staff for their commitment and efforts and also my colleagues on the board.

We are optimistic about the future, provided there are no major adverse factors beyond the Group's control. The results reflect strong growth, a trend which is expected to continue, and the Group's forward order book is healthy. Shareholders should note that benefits from certain contracts and vehicle model changes will probably only be felt in the second half of 2003 and the results for the first half of 2003 are expected to be in line with those for the same period in 2002.



H HEFER *Chairman*

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

RESULTS

Sales grew by 28.8% from R260 million to R335 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 211% from R8.9 million to R27.6 million and profit before tax also improved from a loss of R8.2 million in 2001 to a profit of R9.7 million in the 2002 financial year. Profit after tax was R7.8 million compared to a loss of R9.7 million in 2001.

Headline earnings per share improved from a loss of 7.0 cents to a profit of 13.6 cents. Included in this figure are unrealised foreign exchange losses which reduced headline earnings per share by 5.0 cents from 18.6 cents.

The Group's operations generated R40 million in cash of which R27 million was invested in capital projects and business investments.

OPERATIONAL REVIEW

The Group's operations at Shurlok, CI-FMS and CI-AT all performed well during the year. These businesses continued to capitalise on the opportunities arising out of:

- their ability to develop and produce worldclass products at competitive prices;
- South Africa's successful Motor Industry Development Program (MIDP);
- many of the world's motor manufacturers increasing their purchases of vehicles and components from their South African plants and suppliers;
- the increased use of electronic systems in motor vehicles; and
- the increased integration of electronic hardware and software solutions in vehicle and fleet management applications.

The Group continued to invest in the expansion of its manufacturing and engineering facilities. Employment levels were also increased. During the second half of 2002 the Group acquired additional property situated adjacent to two of its plants in Pietermaritzburg and it is planning to develop additional engineering facilities in 2003.

To complement its CI-VDO business, the Group acquired Siemens VDO's Southern African Audio Navigational (AN) business. The integration of this business into CI-VDO, now known as CI-Automotive Trading (CI-AT), has brought CI-AT in line with Siemens VDO's worldwide trading structure and has further strengthened the Group's relationship with Siemens VDO.

The Group has now disposed of the majority of its non-core investments. Rhomberg Electronics (Pty) Limited was sold for US\$1 million. The first US\$700,000 was received in July 2002 and the balance of US\$300,000 will be paid in two equal instalments on 1 May 2003 and 1 November 2003. As part of this transaction, the Group obtained a 50% interest in Aquapay (Pty) Limited which owns certain technical rights in respect of pre-paid water metering technology.

The business of SAN People (Pty) Limited was sold to its management and the Group has no future funding or any other obligations in respect of this business. The Group has taken a preference shareholding in the new business and is thus in a position to benefit from any upside potential.

SHURLOK INTERNATIONAL

www.shurlok.com

Shurlok supplies electronic products to the local and international OEM automotive industry. It is based in Pietermaritzburg with engineering facilities in Pretoria.

Shurlok continued to record substantial turnover growth during 2002 and has improved its profitability. The benefits of:

- acquisitions made in previous years;
- investment in plant and machinery;
- larger volume runs; and
- the stabilisation of the worldwide supply of electronic components;

are beginning to flow through to the bottom line and are contributing to Shurlok's growth.

Shurlok has a strong forward order book and is actively seeking additional global business. Its international customer base includes BMW, Daimler Chrysler, Toyota, Ford, GM, Volkswagen, Renault, Lotus, Bentley and Proton.

Shurlok is expecting a good 2003, particularly in the second half when a number of new model related products should enter production.

CI-FLEET MANAGEMENT SYSTEMS (CI-FMS)

www.cifms.co.za

CI-FMS designs and develops onboard computers (OBCs) and their associated software. These products are used to manage and improve the efficiency of vehicles and vehicle fleets and are sold worldwide under the Siemens VDO FM brand name.

Siemens VDO is the acknowledged world leader in fleet management systems and 80% of CI-FMS' unit sales are made internationally through Siemens VDO's worldwide distribution network. Sales during the year showed strong growth in all the key international markets except for the USA. Profitability was enhanced, particularly in the first half of 2002 as a result of the weak rand exchange rate.

A number of new products were released during 2002, including a new generation product platform in December 2002. This platform forms the foundation for future products.

2003 is expected to be a year in which unit growth continues, but profit growth could be affected to some extent by continued rand strength.

CI-AUTOMOTIVE TRADING (CI-AT)

www.ciauto.com

CI-AT is the sole distributor of Siemens VDO aftermarket products in sub-Saharan Africa. It is one of Siemens VDO's six worldwide distribution nodes.

During 2002 the Southern African FM distribution business, re-acquired from Matrix in October 2001, and the Siemens VDO Audio Navigation (AN) business, acquired in early 2002, were integrated into CI-AT. This structure now mirrors the worldwide structure of Siemens VDO Trading Division.

Both these acquisitions contributed to turnover and profitability in 2002. FM unit sales were strong in Southern and Central Africa, a trend which is expected to continue in 2003. CI-AT's core Siemens VDO products also performed well. Prospects for 2003 are good.

PROSPECTS

Management is positive about the Group's prospects for 2003. Because of the timing of vehicle model changes by the automotive manufacturers, not much profit growth is expected in the first half of 2003. However the forecasts from customers indicate that the second half of 2003 should produce stronger results.

While the Group is well positioned for the year ahead, it operates in niche sectors of global markets and is therefore subject to local and international political and economic disruptions which are not under its control.



R FRIEDMAN *Group Managing Director*

28 February 2003

The directors have applied and complied with the significant principles contained in the Code of Corporate Practice and Conduct as set out in the King II Report on Corporate Governance and they recognise the need to conduct the enterprise with integrity and in accordance with generally accepted corporate governance practices.

BOARD OF DIRECTORS AND COMPANY SECRETARY

The board of directors of the Group comprises four executive and four non-executive directors. Details of the directorate at 31 December 2002 and at the date of this report are set out on page 10 and the name of the company secretary and the registered address of the Company appear on the inside back cover.

The board meets at least four times a year and is responsible for the strategic direction and control of the Group. Its responsibilities include the review of business plans and budgets, monitoring of performance, approval of major policy decisions, the appointment of the chairman and group managing director and agreement of the top management structures and management succession. The board is currently preparing a board charter. While the board is responsible to shareholders it also values its staff, partners and customers with whom it interacts. Attendance by directors at Control Instruments board meetings and board committee meetings is detailed overleaf.

The remuneration of the executive directors is determined by the Remuneration Committee and the remuneration of the non-executive directors is by way of fees. The non-executive directors do not participate in the Group's bonus or performance remuneration, medical aid, pension and share option schemes.

One third of the directors, excluding the managing director, retire by rotation at each annual general meeting.

The Remuneration and Audit Committees are sub-committees of the board.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the non-executive directors and it meets at least twice a year. Its responsibility is to review salary trends in the market and determine the executive remuneration based on its findings.

AUDIT COMMITTEE

The Audit Committee comprises the non-executive directors. Meetings are held at least three times a year and where appropriate are attended by the external auditors and members of executive management. External auditors have unfettered access to the chairman and members of the Audit Committee. The Audit Committee provides assistance to the board with respect to reviewing the financial reporting process, the systems of internal control and the management of financial risks, the audit process and the Group's process for monitoring compliance with laws and regulations and its own code of business conduct.

The Audit Committee considers the annual financial statements of Control Instruments Group Limited and its subsidiaries to be a fair presentation of their financial positions at 31 December 2002 and the results of their operations, changes in equity and cash flows for the year ended 31 December 2002, in terms of South African GAAP and the Companies Act.

ATTENDANCE AT MEETINGS

Board meetings

<i>Director</i>	16/1/2002	6/3/2002	24/4/2002	31/7/2002	11/11/2002
EPH Bieber	√	√	√	√	√
SV Bromfield	√	√	√	√	-
TE Buzer	√	√	√	√	√
LH Fine	√	n/a	n/a	n/a	n/a
RB Forrester	√	√	√	√	√
RJ Fraenkel	√	√	√	√	√
R Friedman	√	√	-	√	√
HV Hefer	√	√	√	√	√
JR Hersov	√	√	√	√	n/a

Audit committee meetings

<i>Committee member</i>	6/3/2002	24/4/2002	31/7/2002	11/11/2002
EPH Bieber	√	√	√	√
SV Bromfield	√	√	√	-
HV Hefer	√	√	√	√
JR Hersov	√	√	√	n/a

By invitation

TE Buzer	√	√	√	√
RB Forrester	√	√	√	√
RJ Fraenkel	√	√	√	√
R Friedman	√	-	√	√
PricewaterhouseCoopers	√	n/a	√	√

Remuneration committee meetings

<i>Committee member</i>	6/3/2002	24/4/2002	31/7/2002	11/11/2002
EPH Bieber	√	√	√	√
SV Bromfield	√	√	√	-
HV Hefer	√	√	√	√
JR Hersov	√	√	√	n/a

INTERNAL CONTROL

The board of directors is responsible for the Group's internal control systems. Management maintains accounting records and develops and maintains appropriate systems of internal control. One of these is the internal audit function which examines and evaluates the Group's activities and resultant business risks. Internal audit programs are assessed and approved by the Audit Committee and findings reported to the board.

The internal control systems are designed to provide reasonable, but not absolute, assurance with respect to the integrity and reliability of the financial statements. No material loss or misstatement arising from material breakdown in the functioning of the systems has been reported to the directors in respect of this financial year.

MANAGEMENT MEETINGS

Management meetings are held once a month with each of the operations. This is a forum for management issues, strategy and policy recommendations and matters significant to the Company. Matters requiring the attention of the board are thus raised timeously.

RISK MANAGEMENT

The major risks facing the Group are assessed annually by senior management in conjunction with the Audit Committee and the internal audit function.

Specific risks have been identified by each operation and these are reviewed at every monthly management or board meeting. The results of these reviews are presented to the Audit Committee.

The internal audit function performs a comprehensive audit of each operation. The scope of each review is agreed to by the Audit Committee and the detailed results of each review are submitted to the Audit Committee.

GOING CONCERN

The annual financial statements set out on pages 13 - 53 have been prepared on the going concern basis as the directors have every reason to believe that the Group has more than adequate resources in place to continue operating for the foreseeable future.

EMPLOYEE PARTICIPATION

There is a high level of autonomy in each of the Group's business units. While the Group actively seeks new opportunities for investment, it is imperative that each business unit fully utilises the energy and initiative of its people.

EMPLOYMENT EQUITY

The Group's employment policies are specifically designed to attract, empower and retain appropriate quality staff at all levels. The Employment Equity Programme in each subsidiary has been prepared in accordance with legislation. Its objectives include refining the Group's philosophy and policy on training and development and creating a learning environment.

CODE OF BUSINESS PRACTICES

The Group upholds the following values that are vital to sustain its ability to provide worldclass products and services:

- conducting business with integrity in an open, honest and frank manner;
- fostering loyalty and long-term relationships within the Group and with its customers and partners;
- accepting, where applicable, social and environmental responsibility;
- producing and selling products that meet worldclass standards; and
- nurturing innovative ideas and entrepreneurship.

DIRECTORATE

NON-EXECUTIVE DIRECTORS

Herc Hefer **	Chairman. Appointed to the board in 1987.
Peter Bieber **	Appointed to the board in 1997.
Stuart Bromfield ***	Appointed to the board in 2001.
Sam O'Leary (Irish) **	Appointed to the board with effect from 1 December 2002.
James Hersov **	Appointed to the board in 1994. Resigned November 2002.

EXECUTIVE DIRECTORS

Richard Friedman	Managing director. Joined the company in 1985 and appointed to the board in 1987.
Terry Buzer (British)	Managing director of Control Instruments (Pty) Limited. Joined the Company in 1982. Appointed to the board in 1987.
Rod Forrester	Managing director of Shurlok International (Pty) Limited. Joined the Company in 1970. Appointed to the board in 1997.
Rob Fraenkel	Financial director. Joined the Company and appointed to the board in 1998.

* Member of the Audit Committee

* Member of the Remuneration Committee

• Independent director

STATEMENT OF DIRECTORS' RESPONSIBILITY

AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITY

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and the related information. The auditors are responsible for reporting on the fair presentation of the financial statements. The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the South African Companies Act 1973.

The directors are also responsible for the Group and the Company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.


The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the Group and Company have adequate resources in place to continue in operation for the foreseeable future.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 December 2002, set out on pages 13 to 53, were approved by the board of directors on 28 February 2003 and are signed on its behalf by:




RICHARD FRIEDMAN *Group Managing Director*



ROB FRAENKEL *Group Financial Director*

CERTIFICATE BY COMPANY SECRETARY

As company secretary, I hereby confirm that for the year ended 31 December 2002, the Company lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act 1973 and that all such returns are true, correct and up to date.



BARRY BRINK *Company Secretary*

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF CONTROL INSTRUMENTS GROUP LIMITED

We have audited the annual financial statements and Group annual financial statements of Control Instruments Group Limited set out on pages 13 to 53 for the year ended 31 December 2002. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

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

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

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 31 December 2002 and the results of their operations, changes in equity and cash flows for the year then ended in accordance with Statements of Generally Accepted Accounting Practice in South Africa, and in the manner required by the South African Companies Act 1973.



PRICEWATERHOUSECOOPERS INCORPORATED

Registered Accountants and Auditors

Chartered Accountants (SA)

Cape Town

28 February 2003

BUSINESS

The Group's subsidiaries are active in the Original Equipment Manufacture (OEM) motor industry and the commercial vehicle and fleet management markets worldwide. They design, engineer, manufacture and distribute electronic hardware and software products for the following international niche markets:

- vehicle electronics;
- vehicle and fleet management and telematic systems;
- specialised automotive instrumentation; and
- vehicle audio and navigation systems.

FINANCIAL RESULTS

The earnings attributable to ordinary shareholders for the year ended 31 December 2002 were R7,842,000 (year ended 31 December 2001: loss of R9,688,000). The financial position of the Company and the Group is set out in the balance sheets.

DISTRIBUTIONS TO SHAREHOLDERS

A total dividend of two cents was declared in respect of the 2002 financial year (2001: no dividend). An interim dividend of one cent per share, in respect of the six months ended 30 June 2002 was paid on 9 September 2002 to shareholders registered on 6 September 2002 and the board has declared a final dividend of one cent per share for the year ended 31 December 2002.

In terms of the requirements of STRATE the last day to trade *cum* dividend will be Friday, 28 March 2003. The shares will commence trading *ex* dividend from Monday, 31 March 2003 and the record date will be Friday, 4 April 2003. The dividend will be paid on Monday, 7 April 2003. Share certificates may not be dematerialised or rematerialised between Monday, 31 March 2003 and Friday, 4 April 2003, both days inclusive.

SHARE CAPITAL

The issued capital at 31 December 2002 was R4,424,315.10 divided into 88,486,302 ordinary shares of five cents each. In January 2003, the Group repurchased 10,217,876 shares at 100 cents per share (see note 30).

The 111,513,698 unissued ordinary shares of five cents each are under the control of the directors until the forthcoming annual general meeting.

The only shareholders, other than the directors, registered as holding beneficially directly or indirectly 5% or more of the Group's shares at 31 December 2002 were:

	<u>NUMBER OF SHARES</u>	<u>%</u>
Basil Hersov Family Trust	12,050,159	13.6
Deanery Investments	9,398,022	10.6
Pictet et cie Banquiers	5,659,200	6.4

SHAREHOLDER ANALYSIS

AT 31 DECEMBER 2002

	<u>NUMBER OF SHARES</u>	<u>%</u>
Public shareholders	37,623,660	42.5
Non-public shareholders		
Shareholding in excess of 10%	21,448,181	24.2
Directors and directors' associates (Company and subsidiaries)	17,155,608	19.5
Control Instruments Share Incentive Scheme	10,465,053	11.8
Control Instruments Group Pension Fund	1,793,800	2.0
	<u>88,486,302</u>	<u>100.0</u>

THE CONTROL INSTRUMENTS SHARE INCENTIVE SCHEME

3,119,739 shares were purchased by the Scheme during the year under review.

The movement of shares in the Share Incentive Scheme for the period was:

	<u>31 DECEMBER 2002</u>	<u>31 DECEMBER 2001</u>
Available for allocation at beginning of the year	7,345,314	7,376,564
Purchased during the year	3,119,739	-
Shares paid for and taken up by participants	-	(31,250)
Total available for allocation	10,465,053	7,345,314
Employee entitlement	(10,159,375)	(8,040,625)
Surplus/(shortfall) at end of the year	<u>305,678</u>	<u>(695,311)</u>

All option holders have exercised their options, with shares being available for delivery in tranches of 12.5% every 6 months from October 1999.

DIRECTORATE

The directors of the Company at the date of this report are shown on page 10. JR Hersov resigned as a director of the Company with effect from 7 November 2002. JPS O'Leary was appointed a director of the Company with effect from 1 December 2002.

The directors retiring at the forthcoming annual general meeting in terms of the Company's Articles of Association are EPH Bieber, RB Forrester and JPS O'Leary. The retiring directors are eligible and offer themselves for re-election. Brief summaries of their *curricula vitae* are given below.

EPH BIEBER *BSc; FFA; FASSA; Member of UCT Council*

By profession, Peter Bieber is an actuary. His current and past directorships include Total South Africa Limited, East Daggafontein Mines Limited and Cape of Good Hope Bank Limited. He was formerly General Manager Investments of Old Mutual and has 50 years experience in the financial industry. He was appointed to the board of Control Instruments Group Limited in January 1997.

RB FORRESTER

Rod Forrester has over 30 years experience in the electronics, manufacturing and automotive industry. He has been the Managing Director of Shurlok International since 1987 and was appointed to the board of Control Instruments Group Limited in March 1997.

JPS O'LEARY *B Com; FCA; CA(SA)*

Sam O'Leary is a Chartered Accountant who has many years experience in investment banking and the financial markets. He has assisted a number of public companies at board level with strategic and financial planning issues. Sam is a former partner of Price Waterhouse as well a former director of Fleming Martin and Barnard Jacobs Mellet.

DIRECTORS' INTEREST IN SHARES

The direct and indirect interests of the directors and their immediate families in the issued capital of the Group at 31 December 2002 were 17,155,608 shares (2001: 29,450,876). R Friedman and RJ Fraenkel are the only directors who beneficially hold directly or indirectly in excess of 1% of the shares of the Company.

31 December 2002

	DIRECT		INDIRECT		TOTAL
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial	
R Friedman	3,841,230	-	3,286,223	8,047,647	15,175,100
RJ Fraenkel	679,300	-	251,838	-	931,138
RB Forrester	-	-	532,220	-	532,220
TE Buzer	299,285	-	-	-	299,285
HV Hefer	212,717	-	-	-	212,717
EPH Bieber	148	-	5,000	-	5,148
SV Bromfield	-	-	-	-	-
JPS O'Leary	-	-	-	-	-
					<u>17,155,608</u>

31 December 2001

			TOTAL
	Beneficial	Non-Beneficial	
R Friedman	7,127,453	8,047,647	15,175,100
JR Hersov	12,050,159	-	12,050,159
RJ Fraenkel	931,138	-	931,138
RB Forrester	532,220	-	532,220
TE Buzer	299,285	-	299,285
LH Fine	245,109	-	245,109
HV Hefer	212,717	-	212,717
EPH Bieber	5,148	-	5,148
			<u>29,450,876</u>

There have been changes in the directors' shareholding in the period between year-end and the publication of this annual report. Subject to the approval of the special and ordinary resolutions at the general meeting of shareholders held on 6 January 2003, the following directors purchased shares on 13 December 2002. The special and ordinary resolutions were duly approved by the requisite majority of shareholders at that general meeting.

	NUMBER OF SHARES	PRICE	INTEREST IN TRANSACTION
JPS O'Leary	500,000	100 cents	Direct beneficial
R Friedman	200,000	100 cents	Indirect beneficial
HV Hefer	37,283	100 cents	Direct beneficial
EPH Bieber	25,000	100 cents	Direct beneficial

The direct and indirect interests of the directors and their immediate families in the issued capital of the Group subsequent to the above purchases are indicated opposite.

6 January 2003

	DIRECT		INDIRECT		TOTAL
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
R Friedman	3,841,230	-	3,486,223	8,047,647	15,375,100
RJ Fraenkel	679,300	-	251,838	-	931,138
RB Forrester	-	-	532,220	-	532,220
JPS O'Leary	500,000	-	-	-	500,000
TE Buzer	299,285	-	-	-	299,285
HV Hefer	250,000	-	-	-	250,000
EPH Bieber	25,148	-	5,000	-	30,148
SV Bromfield	-	-	-	-	-
					<u>17,917,891</u>

DIRECTORS' EMOLUMENTS

	Directors' fees	Salary & allowances	Bonuses & performance related payments	Pension scheme contributions	TOTAL
	R	R	R	R	R
Executive directors					
R Friedman (Managing director)	-	1,038,709	300,000	128,565	1,467,274
RJ Fraenkel (Financial director)	-	882,696	250,000	105,426	1,238,122
TE Buzer	-	897,918	250,000	134,833	1,282,751
RB Forrester	-	838,518	200,000	104,934	1,143,452
Non-executive directors					
HV Hefer (Chairman)	125,000	-	-	-	125,000
EPH Bieber	75,000	-	-	-	75,000
SV Bromfield	75,000	-	-	-	75,000
JPS O'Leary	6,250	-	-	-	6,250
JR Hersov	63,462	-	-	-	63,462
LH Fine	9,675	-	-	-	9,675
Total	<u>354,387</u>	<u>3,657,841</u>	<u>1,000,000</u>	<u>473,758</u>	<u>5,485,986</u>

INVESTMENTS

Full details of the investments in subsidiary companies and joint ventures are given on pages 50 - 52.

POST BALANCE SHEET EVENT

In January 2003, the Group repurchased 10,217,876 shares at 100 cents per share.

- 8,000,000 are being held as Treasury Stock in Control Instruments Management Services (Pty) Limited;
- 2,217,876 have been cancelled and delisted from the JSE Securities Exchange South Africa.

ACCOUNTING POLICIES

THE BASIS OF ACCOUNTING

The consolidated financial statements are prepared in accordance with and comply with statements of South African Generally Accepted Accounting Practice (GAAP).

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies. They are consistent in all material respects with those applied in the previous year except for the policies relating to joint ventures and depreciation of land and buildings.

BASIS OF CONSOLIDATION

The Group financial statements incorporate those of the Company and its subsidiaries. The results of the subsidiaries are included in the Group income statement from the effective dates of acquisition and excluded from the effective dates of disposal. All inter-company balances, transactions and unrealised surpluses and deficits arising from transactions within the Group are eliminated on consolidation.

ASSOCIATE COMPANIES

The equity method is used to account for investments in associate companies. These are long-term investments where the interest of the Company is sufficiently material to enable it to exercise a significant influence on the financial and operating policies of the companies concerned. Under the equity method of accounting the carrying amount of the Group's investment is adjusted to take account of the attributable share of changes in the net equity of the associate company since acquisition.

JOINT VENTURES

The equity method is used to account for investments in jointly controlled entities. These are long-term investments where the interest of the Company is sufficiently material to enable it to exercise a joint control on the financial and operating policies of the companies concerned. Under the equity method of accounting the carrying amount of the Group's investment is adjusted to take account of the attributable share of changes in the net equity of the jointly controlled entity since acquisition.

INVESTMENTS

Investments are stated at cost less amounts written off where there has been a permanent diminution in value.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or joint venture undertaking at the date of acquisition. Goodwill is reported in the balance sheet as an intangible asset and is amortised using the straight-line method over the shorter of its estimated useful life or twenty years.

DEFERRED TAXATION

Deferred taxation is provided, using the comprehensive method, for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine any deferred income tax liability.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets, provisions for pensions and other post-retirement benefits and tax losses carried forward. Deferred assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

PROPERTY, PLANT & EQUIPMENT

Fixed assets are recorded at historical cost less depreciation. Fixed assets are depreciated on the straight-line basis estimated to write each asset down to estimated residual value over the term of its useful life at the following rates:

Land and buildings	2%	per annum
Plant and machinery	5 - 25%	per annum
Furniture and fittings	10 - 20%	per annum
Vehicles	25%	per annum
Office equipment	20 - 33%	per annum

In determining the estimated residual value, expected future cash flows have been discounted to their present value.

LEASED ASSETS

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liability to the lessor is raised.

Lease payments are allocated using the effective interest rate method to determine the lease finance cost which is charged against operating income and the capital repayment, which in turn reduces the liability to the lessor. Payments made under operating leases are charged to the income statement.

RESEARCH & DEVELOPMENT

Research expenditure is written off as incurred. In Group companies that have an established record of recovering capitalised development costs by way of subsequent sales, direct costs of product development and an appropriate proportion of overhead costs are capitalised from the time that the asset recognition criteria are met and until the product is brought into a marketable state. Capitalised development costs are amortised on a straight-line basis over a period not exceeding three years.

OTHER INTANGIBLE ASSETS

Trademarks, patents and distribution rights are reflected at the open market value placed on them at the date of acquisition and are amortised on a straight-line basis over periods not exceeding eight years.

INVENTORIES

Inventories are valued at the lower of cost and estimated net realisable value. Cost is determined on an average basis. The cost of finished goods and work in progress includes materials, direct labour and an appropriate portion of overheads. Provision is made for obsolete and slow-moving stock.

BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

FOREIGN CURRENCIES

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transaction. Gains and losses arising from the settlement of such transactions are recognised in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Unrealised exchange rate differences on monetary assets and liabilities are recognised in the income statement in the period in which they occur.

FOREIGN INVESTMENTS

Assets and liabilities of foreign subsidiaries classified as foreign entities are translated at rates of exchange approximating those ruling at the financial year-end. Income and expenditure of foreign subsidiaries classified as foreign entities are translated at the weighted average rate of exchange during the year. Profits and losses arising on the translation of foreign subsidiaries are taken directly to non-distributable reserves. On disposal of the subsidiary, the reserves will be transferred to retained earnings.

REVENUE RECOGNITION

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer. Interest is recognised on a time proportion basis, which takes into account the effective yield on the asset over the period it is expected to be held. Dividends and management fees are recognised when the right to receive payment is established. Revenue relating to service contracts is accounted for on an accrual basis in accordance with the substance of the relevant agreement.

RETIREMENT BENEFIT INFORMATION

The Group operates a defined contribution plan, the assets of which are held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the relevant Group companies, taking account of the recommendations of independent actuaries. The Group's contribution to the defined contribution pension plans are charged to the income statement in the year to which they relate.

Some Group companies provide post-retirement healthcare benefits to their retirees (twenty people). The entitlement to these benefits was dependent upon the employee remaining in service until retirement age and completing a minimum service period. The expected costs of these benefits were accrued over the period of employment.

FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. These instruments are generally carried at their estimated fair value. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derivative financial instruments, principally forward foreign exchange contracts, are used by the Group in its management of financial risk.

CASH & CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current borrowings under current liabilities.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The Group recognises the estimated liability on all products still under warranty at the balance sheet date. This provision is calculated based on service histories.

COMPARATIVE FIGURES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

CHANGES IN ACCOUNTING POLICIES

JOINT VENTURES

During the year the Group changed its accounting policy regarding the Group's interest in jointly controlled entities. The new accounting policy states that the Group's interest in jointly controlled entities will be accounted for on the equity method and not by proportionate consolidation. Jointly controlled entities are long-term investments where the interest of the Company is sufficiently material to enable it to exercise joint control on the financial and operating policies of the companies concerned. Under the equity method of accounting the carrying amount of the Group's investment is adjusted to take account of the attributable share of changes in the net equity of the jointly controlled entity since acquisition. (See note 29).

LAND & BUILDINGS

The Group also changed its accounting policy with respect to the treatment of land and buildings. In order to conform with the accounting standards AC 123 (Property, plant and equipment) and AC 135 (Investment property), land and buildings are no longer treated as investment properties and are now depreciated over a period of 50 years. (See note 29).

BALANCE SHEETS

AT 31 DECEMBER 2002

	NOTES	GROUP		COMPANY	
		31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
ASSETS					
Non-current assets		72,902	67,207	70,980	66,000
Property, plant & equipment	1	41,894	31,891	-	-
Intangible assets	2	13,635	13,157	-	-
Investment in subsidiaries	3	-	-	57,764	57,518
Investment in joint ventures	4	3,341	804	-	-
Other investments & non-current receivables	5	13,608	21,339	13,216	8,482
Deferred tax	6	424	16	-	-
Current assets		92,561	70,360	12,048	161
Inventories	7	31,239	25,436	-	-
Receivables & prepayments	8	43,550	43,823	524	101
South African Revenue Services		31	177	16	16
Cash & cash equivalents		17,741	924	11,508	44
Total assets		<u>165,463</u>	<u>137,567</u>	<u>83,028</u>	<u>66,161</u>
EQUITY & LIABILITIES					
Capital & reserves		77,910	71,050	68,545	65,714
Share capital	9	4,424	4,424	4,424	4,424
Share premium		47,603	47,603	47,603	47,603
Retained earnings		25,810	18,853	16,518	13,687
Reserves	10	73	170	-	-
Non-current liabilities		14,610	13,216	13,019	-
Long-term borrowings	11	12,342	11,622	13,019	-
Retirement benefit obligations		1,500	1,500	-	-
Deferred tax	6	768	94	-	-
Current liabilities		72,943	53,301	1,464	447
Trade & other payables	12	59,272	44,316	1,464	155
South African Revenue Services		1,408	-	-	-
Current borrowings	11	9,565	5,337	-	292
Provision for liabilities & charges	13	2,698	3,648	-	-
Total equity & liabilities		<u>165,463</u>	<u>137,567</u>	<u>83,028</u>	<u>66,161</u>

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

	NOTES	GROUP		COMPANY	
		31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
Revenue	14	335,097	259,747	1,389	320
Cost of sales		(221,119)	(169,061)	-	-
Gross profit		113,978	90,686	1,389	320
Other operating income		8,026	14,955	-	372
Operating expenses		(94,393)	(96,764)	(6,169)	(1,561)
Administrative expenses		(50,034)	(48,456)	(6,169)	(1,561)
Marketing & selling expenses		(11,693)	(18,495)	-	-
Other operating expenses		(32,666)	(29,813)	-	-
Earnings/(loss) before interest, tax, depreciation & amortisation		27,611	8,877	(4,780)	(869)
Depreciation & amortisation of other intangible assets		(9,622)	(10,593)	-	-
Amortisation of goodwill		(1,773)	(1,085)	-	-
Profit/(loss) from operations	14	16,216	(2,801)	(4,780)	(869)
Profit/(loss) on disposal of investments & operations		-	4,224	-	(6,748)
Restructuring costs		-	(1,253)	-	-
Impairment of goodwill		-	(3,200)	-	-
(Creation)/reversal of provision against investments & loans		(1,920)	(2,177)	7,876	(8,131)
Net finance (costs)/income	16	(4,082)	(2,953)	726	(45)
Loss from joint ventures	17	(482)	(81)	-	-
Profit/(loss) before tax		9,732	(8,241)	3,822	(15,793)
Tax	18	(1,890)	(1,447)	(106)	-
Net profit/(loss)		7,842	(9,688)	3,716	(15,793)
Earnings/(loss) per share (cents)	19	8.8	(11.0)		
Headline earnings/(loss) per share (cents)	19	13.6	(7.0)		
Dividends per share (cents)	20	1.0	-		

	NOTES	GROUP		GROUP	
		Continuing Operations		Discontinuing Operations	
		31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
Revenue	14	334,256	243,005	841	16,742
Cost of sales		(220,651)	(160,805)	(468)	(8,256)
Gross profit		113,605	82,200	373	8,486
Other operating income		8,023	13,848	3	1,107
Operating expenses		(91,117)	(76,536)	(3,276)	(20,228)
Administrative expenses		(47,629)	(36,862)	(2,405)	(11,594)
Marketing & selling expenses		(11,693)	(12,008)	-	(6,487)
Other operating expenses		(31,795)	(27,666)	(871)	(2,147)
Earnings/(loss) before interest, tax, depreciation & amortisation		30,511	19,512	(2,900)	(10,635)
Depreciation & amortisation of other intangible assets		(9,618)	(9,802)	(4)	(791)
Amortisation of goodwill		(1,773)	(930)	-	(155)
Profit/(loss) from operations	14	19,120	8,780	(2,904)	(11,581)
(Loss)/profit on disposal of investments & operations		-	(51)	-	4,275
Restructuring costs		-	(1,253)	-	-
Impairment of goodwill		-	(3,200)	-	-
(Creation)/reversal of provision against investments & loans		(2,020)	(2,177)	100	-
Net finance (costs)/income	16	(2,513)	(2,081)	(1,569)	(872)
Income/(loss) from joint ventures	17	46	(81)	(528)	-
Profit/(loss) before tax		14,633	(63)	(4,901)	(8,178)
Tax	18	(1,882)	(1,408)	(8)	(39)
Net profit/(loss)		12,751	(1,471)	(4,909)	(8,217)
Earnings/(loss) per share (cents)	19	14.4	(1.7)	(5.6)	(9.3)
Headline earnings/(loss) per share (cents)	19	18.7	7.0	(5.1)	(14.0)

STATEMENTS OF CHANGES OF EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2002

	SHARE CAPITAL R 000	SHARE PREMIUM R 000	RESERVES R 000	RETAINED EARNINGS R 000	TOTAL R 000
GROUP					
Balance at 1 January 2001	4,424	47,603	105	28,545	80,677
As previously reported	4,424	47,603	105	29,269	81,401
Change in accounting policy				(724)	(724)
Net profit/(losses) not recognised in the income statement:					
Creation of currency translation reserve			316		316
Joint venture previously not equity accounted				(4)	(4)
Utilisation of maintenance reserve			(251)	-	(251)
Net loss				(9,688)	(9,688)
Balance at 31 December 2001	4,424	47,603	170	18,853	71,050
As previously reported	4,424	47,603	170	19,861	72,058
Change in accounting policy				(1,008)	(1,008)
Net losses not recognised in the income statement:					
Utilisation of currency translation reserve			(97)		(97)
Net profit				7,842	7,842
Dividend paid				(885)	(885)
Balance at 31 December 2002	4,424	47,603	73	25,810	77,910
COMPANY					
Balance at 1 January 2001	4,424	47,603	-	29,480	81,507
Net loss				(15,793)	(15,793)
Balance at 31 December 2001	4,424	47,603	-	13,687	65,714
Net profit				3,716	3,716
Dividend paid				(885)	(885)
Balance at 31 December 2002	4,424	47,603	-	16,518	68,545

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

	NOTES	GROUP		COMPANY	
		31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
Cash flows from operating activities					
Operating profit/(loss) before working capital changes	21.1	27,967	6,882	(4,780)	(869)
Working capital changes	21.2	17,170	7,974	886	351
Cash generated from/(utilised in) operations		45,137	14,856	(3,894)	(518)
Interest received		205	184	726	3
Interest paid		(4,287)	(3,137)	-	(48)
Dividends paid		(885)	-	(885)	-
Tax paid		(70)	(125)	(106)	-
Utilisation of maintenance reserve		-	(251)	-	-
		40,100	11,527	(4,159)	(563)
Cash flows from investing activities					
Purchase of fixed assets		(16,964)	(12,041)	-	-
Proceeds from disposal of fixed assets		-	447	-	-
Increase in intangible assets		(5,132)	(2,369)	-	-
Decrease/(increase) in investments in joint ventures		147	(804)	-	-
Acquisition of distribution rights		-	(5,250)	-	-
Disposal of operations, net of cash	21.3	(2,851)	27,925	-	-
Proceeds from disposal of investments & associates	21.4	6,360	879	-	6,532
Acquisition of operation, net of cash	21.5	(6,000)	-	-	-
(Increase)/decrease in investments & non-current receivables		(2,219)	(6,759)	2,896	(6,175)
		(26,659)	2,028	2,896	357
Cash flows from financing activities					
Proceeds from/(settlement of) long-term borrowings		3,376	(5,103)	13,019	-
		3,376	(5,103)	13,019	-
Net cash inflow/(outflow) for the year		16,817	8,452	11,756	(206)
Cash & cash equivalents at the beginning of the year		924	(7,528)	(248)	(42)
Cash & cash equivalents at the end of the year	21.6	17,741	924	11,508	(248)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

I. PROPERTY, PLANT & EQUIPMENT

	LAND & BUILDINGS R 000	PLANT MACHINERY & EQUIPMENT R 000	VEHICLES R 000	TOTAL R 000
Year ended 31 December 2002				
Opening carrying value	11,459	20,178	254	31,891
Disposed of with operation	-	(459)	-	(459)
Acquisition of operation	-	241	-	241
Additions	1,957	14,932	75	16,964
Depreciation charge	(322)	(6,359)	(62)	(6,743)
Closing carrying value	<u>13,094</u>	<u>28,533</u>	<u>267</u>	<u>41,894</u>
At 31 December 2002				
Cost	14,424	56,203	458	71,085
Accumulated depreciation	(1,330)	(27,670)	(191)	(29,191)
Closing carrying value	<u>13,094</u>	<u>28,533</u>	<u>267</u>	<u>41,894</u>
Year ended 31 December 2001				
Opening carrying value	8,424	26,776	161	35,361
Disposed of with operations	-	(7,440)	(35)	(7,475)
Additions	3,319	8,572	196	12,087
Disposals	-	(465)	(5)	(470)
Depreciation charge	(284)	(7,265)	(63)	(7,612)
Closing carrying value	<u>11,459</u>	<u>20,178</u>	<u>254</u>	<u>31,891</u>
At 31 December 2001				
Cost	12,467	47,954	404	60,825
Accumulated depreciation	(1,008)	(27,776)	(150)	(28,934)
Closing carrying value	<u>11,459</u>	<u>20,178</u>	<u>254</u>	<u>31,891</u>
Leased assets included above comprise:				
At 31 December 2002				
Cost	-	13,169	215	13,384
Accumulated depreciation	-	(3,089)	(28)	(3,117)
Closing carrying value	<u>-</u>	<u>10,080</u>	<u>187</u>	<u>10,267</u>
At 31 December 2001				
Cost	-	6,748	91	6,839
Accumulated depreciation	-	(2,101)	(2)	(2,103)
Closing carrying value	<u>-</u>	<u>4,647</u>	<u>89</u>	<u>4,736</u>

Assets with a book value of R15,781,000 (2001: R7,927,000) are encumbered as stated in note 11.

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
2. INTANGIBLE ASSETS				
Goodwill				
Opening carrying value	1,811	6,293	-	-
Reallocation of goodwill from distribution rights	4,038	-	-	-
Goodwill on disposals	-	(3,397)	-	-
Amortisation charge	(1,773)	(1,085)	-	-
Closing carrying value	<u>4,076</u>	<u>1,811</u>	<u>-</u>	<u>-</u>
At 31 December				
Cost	6,807	2,769	-	-
Accumulated amortisation	(2,731)	(958)	-	-
Closing carrying value	<u>4,076</u>	<u>1,811</u>	<u>-</u>	<u>-</u>
Trademarks, patents & distribution rights				
Opening carrying value	5,006	55	-	-
Reallocation of distribution rights to goodwill	(4,038)	5,250	-	-
Disposed of with operations	-	(34)	-	-
Amortisation charge	(200)	(265)	-	-
Closing carrying value	<u>768</u>	<u>5,006</u>	<u>-</u>	<u>-</u>
At 31 December				
Cost	2,831	6,869	-	-
Accumulated amortisation	(2,063)	(1,863)	-	-
Closing carrying value	<u>768</u>	<u>5,006</u>	<u>-</u>	<u>-</u>
Capitalised product development costs				
Opening carrying value	6,340	9,025	-	-
Capitalised during the year	5,130	2,369	-	-
Disposed of with operations	-	(2,338)	-	-
Amortisation charge	(2,679)	(2,716)	-	-
Closing carrying value	<u>8,791</u>	<u>6,340</u>	<u>-</u>	<u>-</u>
At 31 December				
Cost	15,023	9,892	-	-
Accumulated amortisation	(6,232)	(3,552)	-	-
Closing carrying value	<u>8,791</u>	<u>6,340</u>	<u>-</u>	<u>-</u>
Total intangible assets	<u>13,635</u>	<u>13,157</u>	<u>-</u>	<u>-</u>

Capitalised product development costs principally comprise internally generated expenditure on development costs on projects. Development costs are only capitalised in Group companies that have an established record of recovering development costs by way of subsequent sales of such developed products.

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
3. INVESTMENT IN SUBSIDIARIES				
Unlisted shares at cost			11,712	11,712
Loans to subsidiaries			57,885	66,318
			<u>69,597</u>	<u>78,030</u>
Provision for diminution in value of subsidiaries			(21,945)	(31,841)
			<u>47,652</u>	<u>46,189</u>
Loans to indirectly held subsidiaries			10,112	11,329
Total investment in subsidiaries			<u>57,764</u>	<u>57,518</u>

4. INVESTMENT IN JOINT VENTURES

The Group has a 50% interest in Authority On Line (Pty) Limited and Aquapay (Pty) Limited.

4.1 Authority On Line

Unlisted shares at cost	3,200	3,200
Accumulated impairment	(3,200)	(3,200)
Loans to joint venture	<u>745</u>	<u>892</u>
Share of accumulated loss since acquisition	(42)	(88)
Net carrying value	<u>703</u>	<u>804</u>

The following amounts represent the Group's share of the assets, liabilities and profits/(losses) in Authority On Line:

Plant & equipment	9	117
Investments & non-current receivables	420	1,020
Current assets	384	348
Long-term borrowings	(135)	(540)
Current liabilities	<u>(720)</u>	<u>(989)</u>
Interest in equity	(42)	(44)
Comprising:		
Share capital	-	-
Share of accumulated loss	<u>(42)</u>	<u>(44)</u>
Turnover	<u>386</u>	<u>512</u>
Profit/(loss) before tax	2	(41)
Tax	-	-
Profit/(loss) after tax	<u>2</u>	<u>(41)</u>

	GROUP	
	31/12/02 R 000	31/12/01 R 000
4.2 Aquapay		
Unlisted shares at cost	3,166	-
Net asset value	-	-
Goodwill	3,166	-
Amortisation of goodwill	(528)	-
Net carrying value	<u>2,638</u>	<u>-</u>
Goodwill		
Opening carrying value	-	-
Goodwill on acquisition	3,166	-
Amortisation	(528)	-
Closing carrying value	<u>2,638</u>	<u>-</u>
At 31 December		
Cost	3,166	-
Accumulated amortisation	(528)	-
	<u>2,638</u>	<u>-</u>
Total investment in joint ventures	<u>3,341</u>	<u>804</u>

There were no contingencies or capital commitments relating to the Group's interest in joint ventures. (Refer note 29, changes in accounting policies).

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
5. OTHER INVESTMENTS & NON-CURRENT RECEIVABLES				
Investments				
Listed				
Nil (2001: 52,160) ordinary shares in Cellpoint Incorporated	-	737	-	737
Market value	-	737	-	737
Unlisted				
Nil (2001: 490) 90% fully convertible redeemable preference shares of R1.00 each in Rhomberg Electronics (Pty) Limited	-	10,466	-	-
Other	14	14	14	14
	14	10,480	14	14
Total investments	14	11,217	14	751
Non-current receivables				
Control Instruments Share Incentive Scheme	9,723	7,566	9,723	7,566
Provision for diminution in value of the Share Incentive Scheme	(2,071)	(2,177)	(2,071)	(2,177)
	7,652	5,389	7,652	5,389
Other non-current receivables	7,546	4,733	7,154	2,342
Provision for impairment	(1,604)	-	(1,604)	-
	5,942	4,733	5,550	2,342
Total non-current receivables	13,594	10,122	13,202	7,731
Total other investments & non-current receivables	13,608	21,339	13,216	8,482

The loan to the Control Instruments Share Incentive Scheme is secured by a pledge of 10,465,053 (2001: 8,625,000) Control Instruments Group Limited shares with a market value of R10,046,461 (2001: R4,571,250).

	GROUP		COMPANY	
	31/12/02	31/12/01	31/12/02	31/12/01
	R 000	R 000	R 000	R 000

6. DEFERRED TAX

The following deferred tax balances are reflected in the balance sheet:

Deferred tax asset	424	16	-	-
Deferred tax liability	(768)	(94)	-	-
	<u>(344)</u>	<u>(78)</u>	<u>-</u>	<u>-</u>

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

Balance at the beginning of the year	(78)	1,357	-	-
Movements during the year:				
Timing differences	31	(1,408)	-	-
Previously unrecognised deferred tax	(297)	-	-	-
Derecognition of previously raised assets	-	(27)	-	-
Balance at the end of the year	<u>(344)</u>	<u>(78)</u>	<u>-</u>	<u>-</u>

The balance comprises:

Capital allowances	(4,896)	(856)	-	-
Provisions	2,296	502	-	-
Prepayments	(1)	(25)	-	-
Assessable losses	2,059	276	-	-
Other timing differences	198	25	-	-
	<u>(344)</u>	<u>(78)</u>	<u>-</u>	<u>-</u>

7. INVENTORIES

Raw materials	11,550	13,788	-	-
Work in progress	9,929	2,442	-	-
Finished goods	13,662	11,519	-	-
	<u>35,141</u>	<u>27,749</u>	<u>-</u>	<u>-</u>
Provision for stock write-down	(3,902)	(2,313)	-	-
	<u>31,239</u>	<u>25,436</u>	<u>-</u>	<u>-</u>

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
8. RECEIVABLES & PREPAYMENTS				
Trade receivables	28,659	31,867	-	-
Prepayments	323	337	70	-
Other receivables	14,568	11,619	454	101
	<u>43,550</u>	<u>43,823</u>	<u>524</u>	<u>101</u>

9. SHARE CAPITAL

Authorised

200,000,000 ordinary shares of 5 cents each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
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Issued

88,486,302 ordinary shares of 5 cents each	<u>4,424</u>	<u>4,424</u>	<u>4,424</u>	<u>4,424</u>
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All the unissued shares are under the control of the Company's directors until the next annual general meeting.

10. RESERVES

Reserves comprise the following:

Foreign currency translation reserve	25	122	-	-
General reserve	48	48	-	-
	<u>73</u>	<u>170</u>	<u>-</u>	<u>-</u>

The movement in each category of reserves was as follows:

Foreign currency translation reserve

Balance at the beginning of the year	122	(194)	-	-
Currency translation differences (utilised)/arising during the year	(97)	316	-	-
Balance at the end of the year	<u>25</u>	<u>122</u>	<u>-</u>	<u>-</u>

Aircraft maintenance reserve

Balance at the beginning of the year	-	251	-	-
Current year utilisation	-	(251)	-	-
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
11. BORROWINGS				
Current				
Bank overdraft	-	-	-	292
Current portion of finance leases & long-term loans	6,960	3,343	-	-
Current loans	2,605	1,994	-	-
Total current borrowings	9,565	5,337	-	292
Non-current				
Secured				
Mortgage loan	1,414	1,440	-	-
Finance leases	9,501	5,203	-	-
Long-term loans	7,547	6,402	-	-
	18,462	13,045	-	-
Unsecured				
Loans	840	1,920	13,019	-
	19,302	14,965	13,019	-
Less short-term portion included in current borrowings	(6,960)	(3,343)	-	-
Total non-current borrowings	12,342	11,622	13,019	-
Total borrowings	21,907	16,959	13,019	292
Long-term loans and finance lease liabilities are secured by plant, vehicles and equipment with a book value of R15,781,000 (2001: R7,927,000).				
Total borrowings				
At fixed interest rates				
1 - 6 months	-	637	-	-
7 - 12 months	-	-	-	-
At floating interest rates	21,067	14,402	-	292
Interest free	840	1,920	13,019	-
	21,907	16,959	13,019	292
Weighted average effective interest rates				
Bank overdraft	-	-	-	13.0%
Current loans	4.0%	4.0%	-	-
Finance lease liabilities	15.0%	11.5%	-	-
Long-term loans	15.0%	11.5%	-	-

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
Maturity of non-current borrowings (excluding finance lease liabilities)				
Between 1 & 2 years	6,641	11,167	-	-
Between 2 & 5 years	-	-	-	-
5 years & later	-	-	-	-
	<u>6,641</u>	<u>11,167</u>	<u>-</u>	<u>-</u>

**Finance lease liabilities -
minimum lease payments**

	Up to 1 year	1-5 years	Total
Total lease payments due	5,048	7,298	12,346
Finance costs included in total lease payments	(1,248)	(1,597)	(2,845)
Present value of finance lease liabilities	<u>3,800</u>	<u>5,701</u>	<u>9,501</u>

Borrowing powers

The borrowing powers of the Company in terms of the Company's Articles of Association are unlimited.

12. TRADE & OTHER PAYABLES

Trade payables	47,453	35,436	464	5
Accrued expenses	11,819	8,880	1,000	150
	<u>59,272</u>	<u>44,316</u>	<u>1,464</u>	<u>155</u>

13. PROVISION FOR LIABILITIES

	Total	Warranty	Maintenance	Other
Balance at the beginning of the year	3,648	1,436	1,605	607
Charged to the income statement	889	1,096	(439)	232
Additional provision	1,398	1,096	-	302
Unused amounts reversed	(509)	-	(439)	(70)
Utilised during the year	(1,839)	(270)	(1,166)	(403)
Balance at the end of the year	<u>2,698</u>	<u>2,262</u>	<u>-</u>	<u>436</u>

Warranty provision The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. It is expected that the provision will be used during the 2003 financial year.

Maintenance provision A provision was made for certain maintenance contracts. The full provision was used during the 2002 financial year.

Upgrade provision This provision of R436,000 (2001: R134,000) is for the cost of providing licensed users with free upgrades on certain products. It is expected that the provision will be used during the 2003 financial year.

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
14. PROFIT/(LOSS) FROM OPERATIONS				
Profit/(loss) from operations is arrived at after taking into account the following:				
Revenue from continuing operations				
Sale of goods	318,190	234,689	-	-
Rendering of services	15,560	3,764	1,389	320
Royalties	-	4,552	-	-
Rent received	506	-	-	-
	<u>334,256</u>	<u>243,005</u>	<u>1,389</u>	<u>320</u>
Revenue from discontinuing operations				
Sale of goods	838	5,401	-	-
Rendering of services	3	11,341	-	-
	<u>841</u>	<u>16,742</u>	<u>-</u>	<u>-</u>
	<u>335,097</u>	<u>259,747</u>	<u>1,389</u>	<u>320</u>
Revenue from subsidiary companies included above				
Management fees			<u>1,389</u>	<u>320</u>
Foreign exchange (losses)/gains	<u>(4,342)</u>	<u>3,443</u>	<u>-</u>	<u>372</u>
Loss on disposal of property, plant & equipment	<u>-</u>	<u>(23)</u>	<u>-</u>	<u>-</u>
Auditors' remuneration				
Audit fee	834	613	20	33
Under/(over) provision in prior year	13	(23)	-	-
Other services	32	47	-	-
	<u>879</u>	<u>637</u>	<u>20</u>	<u>33</u>
Depreciation on property, plant & equipment				
Owned	5,830	7,005	-	-
Under finance lease	913	607	-	-
	<u>6,743</u>	<u>7,612</u>	<u>-</u>	<u>-</u>
Directors' emoluments (see note 26)			<u>5,486</u>	<u>5,192</u>

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
Amortisation of intangible assets				
Goodwill	1,773	1,085	-	-
Trademarks, patents & distribution rights	200	265	-	-
Capitalised product development costs	2,679	2,716	-	-
	<u>4,652</u>	<u>4,066</u>	<u>-</u>	<u>-</u>
Operating lease expenses				
Land & buildings	828	963	-	-
Equipment	153	252	-	-
Vehicles	45	49	-	-
	<u>1,026</u>	<u>1,264</u>	<u>-</u>	<u>-</u>

15. STAFF COSTS

Wages & salaries	53,790	56,137	3,717	-
Termination benefits	30	232	-	-
Social security costs	2,146	1,925	-	-
Retirement benefit costs	3,754	3,941	289	-
Other post retirement benefits	133	147	-	-
	<u>59,853</u>	<u>62,382</u>	<u>4,006</u>	<u>-</u>

Average number of people employed
by the Group

Full time	479	540	3	-
Part time	60	61	-	4
	<u>539</u>	<u>601</u>	<u>3</u>	<u>4</u>

16. NET FINANCE (COSTS)/INCOME

Interest received	205	184	726	3
Interest paid	(4,287)	(3,137)	-	(48)
	<u>(4,082)</u>	<u>(2,953)</u>	<u>726</u>	<u>(45)</u>

17. LOSS FROM JOINT VENTURES

The following items are included in this amount:

Share of profits/(losses) in Authority On Line (Pty) Limited	46	(81)		
Amortisation of goodwill of Aquapay (Pty) Limited	(528)	-		
	<u>(482)</u>	<u>(81)</u>		

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
18. TAX				
Normal taxation				
Current year	(2,612)	(12)	-	-
Prior year over provision	1,094	-	-	-
Secondary tax on companies	(106)	-	(106)	-
Deferred tax	(266)	(1,435)	-	-
	<u>(1,890)</u>	<u>(1,447)</u>	<u>(106)</u>	<u>-</u>
Tax rate reconciliation				
	%	%	%	%
Standard rate	30.0	(30.0)	30.0	(30.0)
Adjusted for				
Permanent differences	14.6	23.4	(4.7)	27.7
Prior year over provision	(11.2)	-	-	-
(Utilisation)/generation of assessed loss	(18.1)	24.2	(24.6)	2.3
Secondary tax on companies	1.1	-	2.0	-
Deferred tax previously not recognised	3.0	-	-	-
Effective rate	<u>19.4</u>	<u>17.6</u>	<u>2.7</u>	<u>-</u>
Estimated assessable losses available for setoff against future taxable income				
Total assessable losses	48,102	43,736	4,449	1,485
Applied to reduce deferred taxation	(6,862)	(920)	-	-
	<u>41,240</u>	<u>42,816</u>	<u>4,449</u>	<u>1,485</u>

	GROUP	
	31/12/02	31/12/01
	R 000	R 000

19. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) by the weighted average number of ordinary shares in issue during the year.

Continuing operations

Net profit/(loss) (R 000)	12,751	(1,471)
Weighted average number of shares in issue (000)	88,486	88,486
Basic earnings/(loss) per share (cents)	14.4	(1.7)

Discontinuing operations

Net loss (R 000)	(4,909)	(8,217)
Weighted average number of shares in issue (000)	88,486	88,486
Basic loss per share (cents)	(5.6)	(9.3)

Total

Net profit/(loss) (R 000)	7,842	(9,688)
Weighted average number of shares in issue (000)	88,486	88,486
Basic earnings/(loss) per share (cents)	8.8	(11.0)

Headline earnings/(loss) per share

Continuing operations

Net profit/(loss)	12,751	(1,471)
Loss on disposal of investments & operations	-	51
Loss on disposal of fixed assets	-	21
Restructuring costs	-	1,253
Creation of provision against loans & investments	2,020	2,177
Amortisation of goodwill	1,773	930
Impairment of goodwill	-	3,200
Headline earnings	<u>16,544</u>	<u>6,161</u>
Headline earnings per share (cents)	18.7	7.0

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
Discontinuing operations				
Net loss	(4,909)	(8,217)		
Profit on disposal of investments & operations	-	(4,275)		
Reversal of provision against loans	(100)	-		
Loss on disposal of fixed assets	-	2		
Amortisation of goodwill	528	155		
Headline loss	<u>(4,481)</u>	<u>(12,335)</u>		
Headline loss per share (cents)	(5.1)	(14.0)		
Total				
Headline earnings/(loss)	12,063	(6,174)		
Headline earnings/(loss) per share (cents)	13.6	(7.0)		

20. DIVIDENDS

Cash dividends

Interim: 1 cent	<u>885</u>	<u>-</u>	<u>885</u>	<u>-</u>
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A final dividend of one cent in respect of the 2002 financial year was declared on 28 February 2003. Total dividend of two cents was therefore declared in respect of the 2002 financial year (2001: no dividend).

21. NOTES TO THE CASH FLOW

21.1 Operating profit/(loss) before working capital changes

Profit/(loss) before tax	9,732	(8,241)	3,822	(15,793)
Adjusted for				
Depreciation & amortisation of intangibles	9,622	10,593	-	-
Amortisation of goodwill	1,773	1,085	-	-
Loss on disposal of fixed assets	-	23	-	-
(Profit)/loss on disposal of investments & operations	-	(5,304)	-	6,748
Impairment of goodwill	-	3,200	-	-
Reversal/(creation) of provision against investments & loans	1,920	2,177	(7,876)	8,131
Net interest costs/(income)	4,082	2,952	(726)	45
Exchange rate differences on non-cash items	356	316	-	-
Loss from joint ventures	482	81	-	-
	<u>27,967</u>	<u>6,882</u>	<u>(4,780)</u>	<u>(869)</u>

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
21.2 Working capital changes				
(Increase)/decrease in inventory	(2,327)	11,305	-	-
Decrease/(increase) in accounts receivable	2,805	(9,648)	(423)	415
Increase/(decrease) in accounts payable	16,692	6,317	1,309	(64)
	<u>17,170</u>	<u>7,974</u>	<u>886</u>	<u>351</u>

21.3 Disposal of subsidiaries & divisions, net of cash

On 28 February 2002, the Group disposed of part of the business of SAN People (Pty) Limited.

The comparative figures relate to the disposal of the Group's business operations in E-mail Corporation (Pty) Limited and part of Data Pro Services (Pty) Limited.

The fair value of assets and liabilities disposed of was as follows:

Property, plant & equipment	459	7,475	-	-
Goodwill	-	3,397	-	-
Other intangible assets	-	2,372	-	-
Inventories	2,283	264	-	-
Long-term receivables	-	700	-	-
Receivables & prepayments	334	5,617	-	-
Cash & cash equivalents	2,851	525	-	-
Long-term borrowings	-	(3,611)	-	-
Trade & other payments	(1,115)	(484)	-	-
Net fair value of assets	<u>4,812</u>	<u>16,255</u>	-	-
Proceeds in shares	(4,812)	-	-	-
Less cash disposed of	(2,851)	(525)	-	-
Profit on disposal	-	12,195	-	-
Net cash (outflow)/inflow	<u>(2,851)</u>	<u>27,925</u>	-	-

	GROUP		COMPANY	
	31/12/02	31/12/01	31/12/02	31/12/01
	R 000	R 000	R 000	R 000

21.4 Proceeds from disposal of investments & associates

On 1 July 2002, the Group disposed of investments in Rhomberg Electronics (Pty) Limited.

The fair value of assets and liabilities disposed of was as follows:

Investment in preference shares	10,466	-	-	-
Non-current receivables	2,000	-	-	-
Cost of investment disposed	12,466	-	-	-
Profit & loss recognised	-	-	-	-
Consideration received	12,466	-	-	-
Less:				
Ordinary shares in Aquapay (Pty) Limited	(3,166)	-	-	-
Amounts receivable at year end	(2,940)	-	-	-
Net cash inflow	6,360	-	-	-

21.5 Acquisition of operation, net of cash

On 1 January 2002 the Group acquired a 100% interest in the Audio Navigation (AN) business of Siemens VDO in Southern Africa.

The fair value of assets and liabilities arising from the acquisition are as follows:

Property, plant & equipment	241	-	-	-
Inventories	5,759	-	-	-
Net cash outflow	6,000	-	-	-

21.6 Cash & cash equivalents

Cash & bank balances	17,741	924	11,508	44
Bank overdrafts	-	-	-	(292)
	17,741	924	11,508	(248)

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
22. COMMITMENTS				
Capital expenditure commitments				
Authorised by directors & contracted for	1,541	5,937	-	-
Authorised by directors but not yet contracted for	-	190	-	-
	<u>1,541</u>	<u>6,127</u>	<u>-</u>	<u>-</u>
The capital expenditure is to be financed as follows:				
Internally generated funds	1,541	5,937	-	-
Existing credit facilities	-	190	-	-
	<u>1,541</u>	<u>6,127</u>	<u>-</u>	<u>-</u>
Operating lease commitments				
The future lease payments under non-cancellable operating leases are as follows:				
Not later than 1 year	1,151	733	-	-
Later than 1 year but not later than 5 years	921	2,778	-	-
Later than 5 years	-	213	-	-
	<u>2,072</u>	<u>3,724</u>	<u>-</u>	<u>-</u>
23. CONTINGENT LIABILITIES				
GEIS claim dispute	635	635	-	-
Labour dispute	120	-	-	-
Guarantees issued on behalf of the Group	-	-	40,000	34,000
	<u>755</u>	<u>635</u>	<u>40,000</u>	<u>34,000</u>

The Supreme Court has ruled in the Group's favour against the Department of Trade and Industry (DTI) with regard the dispute of the GEIS claim. The DTI has taken this matter on appeal.

A former employee has referred his dismissal to the CCMA. An award was made in favour of the employee and the Company has appealed to the labour court for review.

24. FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

The Group enters into forward exchange contracts to buy and sell specified amounts of various foreign currencies in the future at a predetermined exchange rate. The contracts are entered into in order to manage the Group's exposure to fluctuations in foreign currency exchange rates on specific transactions. The contracts are matched with anticipated future cash flows in foreign currencies primarily from sales and purchases. The Group does not use derivative financial instruments for speculative purposes. At 31 December 2002 and 31 December 2001 the settlement dates of open foreign exchange contracts ranged between one and six months. All forward exchange contracts have been marked to market at the year end and the Group has provided against all potential losses on these contracts.

The Group's outstanding foreign exchange contracts at year-end comprise:

	Average rate 2002	Average rate 2001	31/12/02 R 000	31/12/01 R 000
Euro	9.90	11.00	47,953	10,539
US Dollar	10.51	12.00	5,564	7,701
Japanese Yen	0.08	0.09	148	96
British Pound	15.75	17.00	-	540
			<u>53,665</u>	<u>18,876</u>

Receivables and trade payables at 31 December 2002 include aggregate net unhedged receivables of R3,003,000 (2001: R3,285,000 net payable) in respect of sales proceeds and purchases due in foreign currency.

Credit risk

Financial assets which potentially subject the Group to concentrations of credit risk consist mainly of cash and accounts receivable. The Group's cash is placed with high credit quality financial institutions. Trade receivables are disclosed net of bad debt provision. Credit risk with respect to trade debtors is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas. Accordingly the Group has no significant concentration of credit risk.

Net fair values

At 31 December 2002 and 31 December 2001 the carrying amounts of cash, accounts receivable, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these assets and liabilities. (See note 5 for the fair value of marketable securities). The fair value of forward foreign exchange contracts represents the estimated amounts that the Group would receive to terminate the contracts at the reporting date, thereby taking into account the unrealised gains or losses of open contracts.

Interest rate risk

The Group's interest rate risk relating to financial liabilities at balance sheet date is set out in note 12. The only financial assets exposed to interest rate risk are cash and cash equivalents to the value of R17,741,000 (2001: R924,000) with an average interest rate of 17% (2001: 13%).

25. SEGMENT INFORMATION

	Revenue R 000	Segment results R 000	Segment assets %	Segment liabilities %
Industry analysis				
Year ended 31 December 2002				
Electronics	334,256	12,705	97	94
Information Technology	841	(4,863)	3	6
	335,097	7,842	100	100

	Electronics R 000	IT R 000
Depreciation	6,739	4
Amortisation	4,652	-
Loss from joint ventures	-	(482)
(Creation)/reversal of provision against investment & loans	(2,020)	100

	Revenue R 000	Segment results R 000	Segment assets %	Segment liabilities %
Year ended 31 December 2001				
Electronics	243,005	1,810	77	81
Information Technology	16,742	(11,498)	23	19
	259,747	(9,688)	100	100

	Electronics R 000	IT R 000
Depreciation	6,377	1,235
Amortisation	2,246	1,820
Restructuring costs	1,253	-
Loss from joint ventures	-	(81)
Impairment of goodwill	-	3,200

Geographical analysis

The main geographical location of the Group's operations is the Republic of South Africa.

26. RELATED PARTY DISCLOSURE

	31/12/02 R 000	31/12/01 R 000
Directors' remuneration		
Executive directors		
Fees as director	-	-
Salaries	2,772	2,959
Performance bonuses	1,000	949
Expense allowances	886	698
Pension fund contributions	474	320
	<hr/>	<hr/>
	5,132	4,926
Non-executive directors		
Fees as director	354	266
	<hr/>	<hr/>
	5,486	5,192
Paid by company	4,360	266
Paid by subsidiaries	1,126	4,926
	<hr/>	<hr/>
	5,486	5,192
Transactions with directors		
Rental in respect of premises leased from director	96	88

Share options granted to directors

During the year no share options were granted to the directors of the Company (2001: nil). Share options are granted to directors on the same terms and conditions as those offered to other employees of the Group.

27. PENSION & OTHER POST-RETIREMENT OBLIGATIONS

Pension scheme

The Group has made provision for a pension scheme covering substantially all employees. All eligible employees are members of a defined contribution scheme administered by the Group or are members of funds within the various industries in which they are employed. The assets of the scheme are held in administered trust funds separate from the Group's assets. The fund is governed by the Pension Funds Act of 1956.

The defined contribution scheme administered by the Group is valued actuarially. The scheme was last valued as at 31 December 2001. The next actuarial valuation will be based on results as at 31 December 2004.

Post-retirement medical benefits

Certain Group companies have unfunded obligations to provide certain post-retirement medical aid benefits to a number of their retirees. It is no longer the Group's policy to provide these benefits to retirees other than those mentioned above. The entitlement to these benefits was dependent upon

the employee remaining in service until retirement age and completing a minimum service period and is subject to periodic review. The unfunded accumulated medical aid benefit obligation at 31 December 2002 was R1,500,000 (2001: R1,500,000) for twenty past employees. The cost of retirement benefits charged to the income statement during the financial year under review amounts to R3,754,000 (2001: R3,941,000).

28. DISCONTINUING OPERATIONS

The results relating to discontinued and discontinuing operations are as follows:

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
Revenue	841	16,742	-	-
Loss from operations	(2,904)	(11,581)	-	-
Net loss	(4,909)	(8,217)	-	-
Operating cash flows	(2,772)	(7,308)	-	-
Investing cash flows	9,120	12,904	-	-
Financing cash flows	(32,425)	3,419	-	-
Total cash flows	(26,077)	9,015	-	-

29. CHANGES IN ACCOUNTING POLICIES

Joint Ventures

During the year the Group changed its accounting policy regarding its interest in jointly controlled entities. The new accounting policy states that the Group's interest in jointly controlled entities will be accounted for on the equity method and not by proportionate consolidation.

The accounting policy change has been applied retrospectively and comparative figures have been restated. There was no effect on the net profit or the net assets.

Land & Buildings

The Group also changed its accounting policy with respect to the treatment of land and buildings. In order to conform with the accounting standards AC 123 (Property, plant and equipment) and AC 135 (Investment property), land and buildings are no longer treated as investment properties and are now depreciated over a period of 50 years.

The accounting policy change has been applied retrospectively and comparative figures have been restated. The tax effect of this change in accounting policy is recognised in full in the current year due to the prior year's unrecognised deferred tax asset.

The effect of this change is as follows:

	GROUP		COMPANY	
	31/12/02 R 000	31/12/01 R 000	31/12/02 R 000	31/12/01 R 000
Reduction in net profit				
Gross	322	284	-	-
Tax	(302)	-	-	-
Net	20	284	-	-
Restatement of opening retained earnings				
Gross	1,008	724	-	-
Tax	-	-	-	-
Net	1,008	724	-	-

30. POST BALANCE SHEET EVENTS

In January 2003 the Group:

- Repurchased 8,000,000 shares at 100 cents per share.
These shares are being held as treasury stock in Control Instruments Management Services (Pty) Limited.
- Repurchased 2,217,876 shares at 100 cents per share.
These shares have been cancelled and delisted from the JSE Securities Exchange South Africa.

PRINCIPAL SUBSIDIARY COMPANIES

AT 31 DECEMBER 2002

DIRECTLY HELD

	Number of shares held & % holding		Cost of shares		Indebtedness	
	31/12/02	31/12/01	R 000 31/12/02	R 000 31/12/01	R 000 31/12/02	R 000 31/12/01
Control Instruments (Pty) Limited	740,000 100%	740,000 100%	2,600	2,600*	2,630	27,203
<i>Vehicle and fleet management systems and equipment, specialised automotive instrumentation and audio and navigation systems</i>						
Shurlok International (Pty) Limited	480,000 100%	480,000 100%	2,684	2,684	1,280	353
<i>Automotive electronics</i>						
Control Instruments Management Services (Pty) Limited	4,000 100%	4,000 100%	16	16*	46,534	22,579
<i>Management services</i>						
Control Instruments Holdings Limited	6,800,000 100%	6,800,000 100%	3,012	3,012	1,627	7,920
<i>Holding company</i>						
Control Instruments Development (Pty) Limited	100,000,000 100%	100,000,000 100%	-	-*	5,324	7,808
<i>Software development and support</i>						
Control Instruments Software Development (Pty) Limited	100 100%	100 100%	3,000	3,000	-	-
<i>Software and electronic hardware development and support</i>						
Shurlok Engineering Holdings (Pty) Limited	1 100%	1 100%	-	-	6	5
<i>Holding company</i>						
Control Instruments Bureau Services (Pty) Limited t/a Freight Online	100 100%	100 100%	400	400	484	450
<i>Bureau application software for the transport market</i>						
			11,712	11,712	57,885	66,318

These companies have a December year-end and are:

- unlisted
- incorporated and carry on their principal operations in the Republic of South Africa.

*The Company has waived its right to repayment of these amounts in favour of third parties until the subsidiaries' assets, fairly valued, exceed their liabilities

INDIRECTLY HELD

	% Shareholding 31/12/02	% Shareholding 31/12/01
Control Instruments Holdings Limited AG	100	100
Control Instruments Limited AG	100	100

These companies are:

- unlisted
- incorporated and carry on their principal operations in Switzerland

Control Instruments Property (Pty) Limited	100	100
Dupec Electronics (Pty) Limited	100	100
Shurlok Engineering (Pty) Limited	100	90

These companies are:

- unlisted
- incorporated and carry on their principal operations in the Republic of South Africa

JOINT VENTURES

AT 31 DECEMBER 2002

INDIRECTLY HELD

Nature of business	Shares		Cost of shares		
	% held 31/12/02	% held 31/12/01	R 000 31/12/02	R 000 31/12/01	
Authority On Line (Pty) Limited t/a On Track	<i>Point-of-sale software</i>	50	50	-	-
Aquapay (Pty) Limited	<i>Pre-paid water metering technology</i>	50	-	3,166	-
				<u>3,166</u>	<u>-</u>

These companies have a December and November year-end respectively and are:

- unlisted
- incorporated and carry on their principal operations in the Republic of South Africa

FREEHOLD LAND & BUILDINGS

AT 31 DECEMBER 2002

SUB 21 & 22 OF LOT 1512, PORTION I OF ERF 1519 & PORTION 10 OF ERF 1512 PIETERMARITZBURG

	<u>DATE OF ACQUISITION</u>	<u>31/12/02</u> <u>R 000</u>	<u>31/12/01</u> <u>R 000</u>
Land			
	1 July 1987	44	44
	20 November 2002	200	-
Buildings			
	1 July 1987	542	542
	20 November 2002	857	-
Additions			
	1988/1994	2,737	2,737
	1999	602	602
	2000	5,223	5,223
	2001	3,319	3,319
	2002	900	-
		<u>14,424</u>	<u>12,467</u>

SHAREHOLDING ANALYSIS

AT 31 DECEMBER 2002

SHAREHOLDER SPREAD

	No. of shareholders	%	No. of shares	%
1 - 1,000 shares	515	34.59	231,724	0.26
1,001 - 10,000 shares	698	46.88	2,854,246	3.23
10,001 - 50,000 shares	179	12.02	4,348,653	4.91
50,001 - 100,000 shares	37	2.48	2,882,821	3.26
Over 100,000 shares	60	4.03	78,168,858	88.34
	1,489	100.00	88,486,302	100.00

DISTRIBUTION OF SHAREHOLDERS

	No. of shareholders	%	No. of shares	%
Individuals	1,287	86.43	16,857,964	19.05
Limited companies	6	0.40	789,678	0.89
Nominee companies or trusts	95	6.38	41,198,004	46.56
Pension/provident funds	7	0.48	6,655,800	7.52
Pty companies	38	2.55	5,979,493	6.76
Close corporations	34	2.28	10,404,884	11.76
Trustee of a trust	5	0.34	173,988	0.20
Investment companies	17	1.14	6,426,491	7.26
	1,489	100.00	88,486,302	100.00

RESIDENT/NON-RESIDENT SHAREHOLDERS

	No. of shareholders	%	No. of shares	%
Resident	1,441	96.78	79,940,725	90.34
Non-resident	48	3.22	8,545,577	9.66
	1,489	100.00	88,486,302	100.00

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of members of Control Instruments Group Limited will be held in the boardroom, The Vineyard, Ground Floor, East Wing, corner of Adam Tas and Devon Valley Roads, Stellenbosch on Wednesday, 7 May 2003 at 10h30 for the following business:

1. To receive and consider the audited financial statements for the year ended 31 December 2002.
2. To appoint the auditors of the Company.
3. To consider, and if deemed fit, to pass, with or without modification, the following special and ordinary resolutions:

SPECIAL RESOLUTION NUMBER 1

'Resolved as a special resolution that the Company be authorised and is hereby authorised by a general authorisation of the members to repurchase issued share capital as and when the opportunity arises, subject to the provisions of the Companies Act and the Listings Requirements of the JSE Securities Exchange South Africa ('Listings Requirements') ('JSE'), including the following:

- the authorisation is valid until the next annual general meeting of the Company;
- the general repurchase of shares is limited to a maximum of 20% of the ordinary shares in the issued share capital of the Company at the time this authority is granted;
- repurchases may not be made at a price more than 10% above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date of repurchase.'

The reason for and effect of the passing of the special resolution is to give to the directors a renewable general authorisation to repurchase the ordinary issued shares of the Company as and when the opportunity arises.

The directors believe that it would be in the interest of the Company to acquire its own shares if trading in the Company's shares on the JSE continues at current market price levels and it is accordingly likely, under those circumstances, that the Company will acquire its own shares subject to the restrictions set out above. After considering the effect of a maximum permitted repurchase of the Company's shares, being 20% of the issued shares at the date of this resolution, the directors consider:

- the Company and the Group will be able in the ordinary course of business to pay its debts for a period of twelve months after the date of the notice of the annual general meeting at which this resolution will be proposed and voted on;
- the assets of the Company and the Group (recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Company and the Group) will be in excess of the liabilities of the Company and the Group for a period of twelve months after the date of the notice of the annual general meeting at which this resolution will be proposed and voted on;

- the ordinary capital and reserves of the Company and the Group is adequate for the purposes of the businesses of the Company and the Group for a period of twelve months after the date of the notice of the annual general meeting at which this resolution will be proposed and voted on; and
- the working capital of the Company and the Group is adequate for the purposes of the businesses of the Company and the Group for a period of twelve months after the date of the notice of the annual general meeting at which this resolution will be proposed and voted on.

SPECIAL RESOLUTION NUMBER 2

'Resolved as a special resolution that the Company's Articles of Association are amended by adding the following as a new Article 1.1.12:

'JSE' JSE Securities Exchange South Africa.'

The reason for the special resolution is to amend the Company's Articles of Association to define the JSE. The effect of the special resolution will be to amend the Company's Articles of Association accordingly.

SPECIAL RESOLUTION NUMBER 3

'Resolved as a special resolution that the Company's Articles of Association are amended by substituting all references to 'Johannesburg Stock Exchange' with 'JSE.'

The reason for this special resolution is to amend the Company's Articles of Association to take cognisance of the change of name of the JSE from the Johannesburg Stock Exchange to the JSE Securities Exchange South Africa. The effect of the special resolution will be to amend the Company's Articles of Association accordingly.

SPECIAL RESOLUTION NUMBER 4

'Resolved as a special resolution to amend the Articles of Association of the Company by inserting new Articles 1.1.13 to 1.1.22 and new Articles 32A and 32B and 65A, 65B and 65C in the Company's Articles of Association, as follows:

- 1.1.13 'in writing' includes printing, typing or any mechanical process or partially the one and partially the other, including electronic communications, and 'written' has a corresponding meaning.
- 1.1.14 'communication' includes a communication comprising sounds or images or both.
- 1.1.15 'electronic communication' means a communication transmitted (whether from one person to another, from one device to another or from a person to a device or vice versa) (a) by means of a telecommunications system (within the meaning of the Telecommunications Act 1996, Act no. 103 of 1996); (b) by any other electronic means including electronic mail.
- 1.1.16 'address' includes in relation to an electronic communication, any number or address used for the purposes of such communication.
- 1.1.17 'delivery' includes delivery by means of electronic communication and 'delivered' has a corresponding meaning.

- 1.1.18 'website' means any computer on an information system running a worldwide web or similar protocol process.
- 1.1.19 'online' means via an information system.
- 1.1.20 'information system' means a system for generating, sending, receiving, storing or otherwise processing electronic communications and includes the Internet and the worldwide web.
- 1.1.21 'online proxy system' means an online system that allows members to appoint a proxy and/or perform online proxy voting.
- 1.1.22 'online proxy voting' means proxy voting by members via the online proxy system.
- 32A The board shall be entitled to approve online proxy voting. Online proxy voting by members shall only be permitted by an online proxy system approved by the board and the board shall be entitled to withdraw such approval without furnishing reasons. The board may from time to time specify criteria or conditions with which members must comply in order to be eligible to conduct online proxy voting.
- 32B A proxy issued and/or completed and/or submitted by an online proxy system shall for all intents and purposes be treated similar to a paper-based proxy issued and/or completed and/or submitted otherwise than in electronic form.
- 65A Insofar these Articles require that a document is to be signed in order to be valid or effectual, this requirement shall be met in relation to electronic communications if a verification method is used to identify that person and such method is considered as reliable and appropriate by the board at that time.
- 65B A notice given by means of an electronic communication to a member or director to an address supplied by them for this purpose shall constitute a notice in writing for purposes of Article 61 and shall be deemed to have been delivered on the day on which it is sent. For this purpose, it shall be sufficient for the Company to show that the electronic communication had been sent to the address concerned as evidenced by the relevant message logs of the Company.
- 65C A member or director who has supplied the Company with an address for electronic communications shall be entitled to withdraw such address by notice in writing to the Company, whereafter any electronic communication to such address will not satisfy the requirements of Article 61.'

The reason for the special resolution is to facilitate the giving of notices by the Company to its members and directors electronically and to allow its members to appoint proxies and to vote electronically. The effect of the special resolution is to amend the Articles of Association of the Company accordingly.

SPECIAL RESOLUTION NUMBER 5

'Resolved as a special resolution that the Company's Articles of Association are amended by replacing Article 63.2 with the following:

63.2 If it is sent by post, 7 (seven) days after the date of posting.'

The reason for the special resolution is to amend the Company's Articles of Association by clarifying the calculation of the number of days after which a notice sent by post will be deemed to have been received by the addressee thereof. The effect of the special resolution will be to amend the Company's Articles of Association accordingly.

SPECIAL RESOLUTION NUMBER 6

'Resolved as a special resolution to amend the Company's Articles of Association by inserting a new Article 70 as follows:

70 SHARE TRANSACTIONS TOTALLY ELECTRONIC (STRATE)

Notwithstanding anything contained to the contrary in the aforementioned provisions of these Articles of Association, but subject to the Companies Act and the Listings Requirements of the JSE and any other exchange on which the shares of the Company are quoted or listed from time to time, all transactions in respect of shares issued from time to time by the Company may be concluded fully electronically.'

The reason for the special resolution is to amend the Company's Articles of Association by providing that transactions in respect of shares issued by the Company may be concluded electronically. The effect of the special resolution will be to amend the Company's Articles of Association accordingly.

Note: The Articles of Association will be open for inspection at the Company's registered office from the date of this notice until 7 May 2003.

ORDINARY RESOLUTION NUMBER 1

'Resolved as an ordinary resolution that EPH Bieber who will retire as a director of the Company by rotation, but who is available for re-election, be re-elected as a director of the Company.'

His abridged *curriculum vitae* appears on page 15 of this annual report.

ORDINARY RESOLUTION NUMBER 2

'Resolved as an ordinary resolution that RB Forrester who will retire as a director of the Company by rotation, but who is available for re-election, be re-elected as a director of the Company.'

His abridged *curriculum vitae* appears on page 15 of this annual report.

ORDINARY RESOLUTION NUMBER 3

'Resolved as an ordinary resolution that JPS O'Leary who will retire as a director of the Company, but who is available for re-election, be re-elected as a director of the Company.'

His abridged *curriculum vitae* appears on page 15 of this annual report.

ORDINARY RESOLUTION NUMBER 4

‘Resolved as an ordinary resolution to extend, until the conclusion of the next annual general meeting of the Company, the unconditional general authority granted to the directors to place under their control and to allot and issue at their discretion, subject to the provisions of section 221 of the Companies Act no. 61 of 1973 as amended and the Listings Requirements of the JSE and any other exchange on which the shares of the Company may be quoted or listed from time to time, the unissued shares of the Company on such terms and conditions and to such persons, whether they be shareholders or not, as the directors may in their sole discretion deem fit.’

ORDINARY RESOLUTION NUMBER 5

‘Resolved as an ordinary resolution that, subject to a minimum of 75% of the shareholders of the Company present personally or by proxy at the general meeting and entitled to vote, voting in favour thereof, the directors be authorised and are hereby authorised to issue unissued shares in the capital of the Company for cash as and when the opportunity arises, subject to the Listings Requirements of the JSE, including the following:

- the authorisation is valid only until the next annual general meeting of the Company provided it shall not extend beyond 15 (fifteen) months from the date on which the authorisation is granted;
- a paid press announcement which provides full details, including the effect on net asset value and earnings per share, shall be published at the time of any issue which, on a cumulative basis, represents, within one financial year, 5% or more of the number of issued shares before the issue;
- the issues of shares in any one financial year may in total not exceed 15% of the number of ordinary shares in the issued share capital of the Company;
- upon determination of the price at which an issue of shares in terms of the authorisation may be effected, the greatest discount which will be allowed is 10% of the weighted average of the market value of the shares as determined during the thirty business days prior to the date on which the price of the issue was determined or the directors of the Company reached agreement thereon; and
- any such issue shall be made only to public shareholders as defined by the JSE.’

ORDINARY RESOLUTION NUMBER 6

‘Resolved as an ordinary resolution that each of the directors of the Company be authorised and is hereby authorised to do all things, perform all acts and sign all documentation necessary to effect the implementation of the ordinary and special resolutions adopted at this annual general meeting.’

VOTING

Each shareholder who, being a natural person, is present in person or by proxy or, being a company, is present by representative or proxy at the annual general meeting, is entitled to one vote on a show of hands. On a poll, each shareholder, whether present in person or by proxy, or by representation, is entitled to one vote for each ordinary share held.

PROXIES

All registered shareholders of the Company will be entitled to attend and vote in person or by proxy at the annual general meeting. A form of proxy is attached for completion by any certificated shareholder who is unable to attend in person.

Forms of proxy must be completed and received by the transfer secretaries by not later than 10h30 on Tuesday, 6 May 2003. A certificated shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should he/she subsequently decide to do so.

Dematerialised shareholders must inform their CSDP or broker of their intention to attend the annual general meeting and obtain the necessary authorisation from their CSDP or broker to attend the annual general meeting or provide their CSDP or broker with their voting instruction should they not be able to attend the annual general meeting in person.

By order of the board

A handwritten signature in black ink, appearing to read 'B Brink', written in a cursive style.

B BRINK *Company Secretary*

28 February 2003

NOTES TO PROXY

1. Shareholders who have dematerialised their shares with a CSDP or broker, other than own name registrations, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the annual general meeting or the shareholders concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

2. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration must be signed, not initialled.

3. A shareholder may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting 'the chairman of the meeting'. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

4. 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. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her 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 his/her proxy.

5. Where there are joint holders of shares and if more than one of such joint holders is present or represented, then the person whose name appears first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form, unless previously recorded by the transfer secretaries of the Company or waived by the chairman of the annual general meeting.

7. The completion and lodging of this form of proxy will not preclude the signatory from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such signatory wish to do so.

8. The chairman of the annual general meeting may reject or, provided that he is satisfied as to the manner in which a member wishes to vote, accept any form of proxy which is completed other than in accordance with these instructions.

9. Proxies will only be valid for the purpose of the annual general meeting if delivered to the Company's transfer secretaries, Computershare Investor Services Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) to reach them by no later than 10h30 on Tuesday, 6 May 2003.



**CONTROL
INSTRUMENTS**

GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1964/003987/06)

Share code: CNL

ISIN code: ZAE000001665

('Control' or 'the Company')

FORM OF PROXY

To be completed by certificated shareholders and dematerialised shareholders with own name registration only.

For use at the annual general meeting to be held on Wednesday, 7 May 2003 at 10h30.

Shareholders who have dematerialised their shares through a CSDP or broker, other than own name registrations, must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the annual general meeting or the shareholders concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

Forms of proxy must be completed and delivered to the Company's transfer secretaries, Computershare Investor Services Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) to reach them by no later than 10h30 on Tuesday, 6 May 2003.

I/We (please print) _____

of _____

being a member/s of the Company and holding _____ ordinary shares, hereby appoint

1. _____ or failing him/her

2. _____ or failing him/her

the chairman of the meeting as my/our proxy to attend and speak and, on a poll, vote for me/us on my/our behalf at the annual general meeting of the Company held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against such resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions (see note 3 overleaf).

PLEASE READ THE NOTES ON THE REVERSE SIDE OF THIS FORM OF PROXY.

	FOR	AGAINST	ABSTAIN
Adopt 2002 audited financial statements			
Appoint auditors			
SPECIAL RESOLUTIONS			
Number 1 - repurchase issued shares			
Number 2 - amend Articles to define the JSE			
Number 3 - amend Articles to take cognisance of the change of name of the JSE			
Number 4 - new Articles, electronic communication			
Number 5 - amend Articles to clarify receipt by post			
Number 6 - new Article, electronic transactions			
ORDINARY RESOLUTIONS			
Number 1 - re-election of director, EPH Bieber			
Number 2 - re-election of director, RB Forrester			
Number 3 - re-election of director, JPS O'Leary			
Number 4 - authorise directors to allot and issue unissued shares			
Number 5 - authorise directors to allot and issue unissued shares for cash			
Number 6 - authorise directors to implement resolutions			

(Please indicate instructions to proxy in the space provided above by inserting 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, speak and, on a poll, vote in his/her stead. A proxy so appointed need not be a member of the Company.

SIGNED THIS _____ DAY OF _____ 2003

SIGNATURE _____

ASSISTED BY (IF APPLICABLE) _____