

CONTROL INSTRUMENTS GROUP LIMITED

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

COMMENTARY

HIGHLIGHTS

Global automotive industry stabilising

Return to profitability at operating level

Improved performance by Aftermarket business

Continued investment in OEM products

OVERVIEW

Overall the Group's performance in the first half of 2010 is in line with our expectations. The global automotive industry continued to recover and the improved performance of the Aftermarket business more than compensated for the slower recovery in the OEM business.

RESULTS AND BUSINESS OVERVIEW

The Group operates in the OEM and Aftermarket sectors of the global automotive industry. Pi Shurlok, the OEM (original equipment manufacture) business develops and manufactures electronics for the automotive, transportation, industrial and defence markets worldwide. The Aftermarket business, CI Automotive, focuses on the supply of replacement parts and associated services to the automotive aftermarket in sub-Saharan Africa.

Revenue for the six months ended 30 June 2010 of R418.2 million was essentially flat when compared with the same period in the previous year. However, gross profit increased 8.0% to R118.7 million. At operating level the Group returned to profitability with an operating profit of R2.8 million for the period when compared with an operating loss of R6.2 million for the same period in 2009. Net loss after tax decreased 85.6% from a loss of R12.0 million to a loss of R1.7 million for the six months to June 2010.

Inventory levels increased during the period under review, mainly due to significant disruptions in the supply of electronic components and longer than normal lead times. Working capital is expected to remain under pressure, but should start to normalise by the end of the year.

OEM

Revenue in the OEM business increased by 2.0% to R200.4 million in the period under review when compared with the corresponding six months in the previous year. Normalised EBITDA

decreased by R7.4 million to R3.7 million primarily as a result of a reduction in the number of high margin engineering consulting services contracts during the second quarter of 2010.

Over the past 24 months the focus of the Group's Engineering Services operations (based in Cambridge in the UK and Detroit in the USA) has been changing from providing pure engineering consulting services to developing products that will be manufactured at Pi Shurlok's factory in Pietermaritzburg. A large portion of product development work is customer funded, however the full cost of this work is only recovered over the life of the production contract.

The strategic focus of the OEM business is based on owning the Intellectual Property ("IP") for the products it designs and develops. Products include Pi Shurlok's OpenECU™, infotainment modules and instrument clusters. The order pipeline for these products is strong and pre-production of certain programmes is expected to commence towards the end of this year. Volumes should increase from the second half of 2011 when the first series (full) production of a number of the programmes is scheduled to come on stream. By 2013 the orders and commitments that are currently held should be in full production. As timescales in the OEM business are measured in years and not months, the benefit of these orders will start accruing to the Group from late 2011 and gain momentum thereafter.

AFTERMARKET

The Group's Aftermarket business performed well. The executive management team, appointed during the past twelve months, is instilling stability, confidence and energy into the business and this is delivering results.

Although revenue decreased by 1.0% to R218.4 million in the period under review compared with the same period in 2009, normalised EBITDA increased 64.9% to R24.6 million. A major contributory factor to this increase is the decision that was taken in 2009 to exit product lines with low margins and high costs to service. The business is also becoming more efficient as a result of the benefits of the restructuring implemented over the past year.

The Aftermarket business is based on high quality products with strong brand identities for which the Group either owns or has exclusive distribution rights to the brand names. The basket of products sold by the Aftermarket business competes strongly for shelf space in all the major distribution channels for aftermarket automotive parts.

Brand names include Gabriel (shock absorbers); VDO (instrumentation products); Echlin (drivetrain and electrical products); Warn (winches); Autocom (steering and suspension parts); and Acsa-Mag (brake products).

PROSPECTS

The Group's strategic focus has remained unchanged since 2004. Overall the results show that the Group is recovering from the worst conditions experienced in the history of the automotive industry.

The Aftermarket business is starting to become a dependable profit and cash generator and it should continue to grow and perform well for the balance of this year.

The Group's investment is focused on the development of Pi Shurlok's OpenECU range of products, specialised infotainment systems and instrument clusters. The prospects that are emerging as a result of this investment are exciting. These products are enabling the Group to enter significant niche markets in the international OEM market as the owner of the IP and should build up significant value in this area of our business. Our strategy is to use some of the cash generated by the Aftermarket business to continue with this investment.

Management and the Board continue to remain confident about the Group's prospects. The OEM business is dependent on its niche international markets. Economic conditions in these markets remain uncertain and a full economic recovery has yet to take place.

RETIREMENT OF PETER BIEBER

Peter Bieber retired from the Board with effect from 30 August 2010. Peter served on the Board as an independent non-executive Director for eleven years until May 2008 when he first retired. Early in 2009, during a particularly difficult time for the Group and the global automotive industry, he was asked by the Chairman to rejoin the Board as a non-executive Director. The benefit of his wisdom and experience has been particularly important over the past 18 months. Once again, we thank him for his invaluable and insightful involvement and direction.

On behalf of the Board

JPS O'LEARY
Chairman

R FRIEDMAN
CEO and Group Managing Director

3 September 2010

CONTROL INSTRUMENTS GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/06/10 Unaudited R 000	30/06/09 Unaudited R 000	31/12/09 Audited R 000
ASSETS			
Non-current assets	284 414	296 188	286 954
Property, plant and equipment	123 466	138 337	127 770
Intangible assets	128 518	132 539	129 526
Investments in joint ventures	874	867	565
Available-for-sale financial assets	720	528	648
Deferred income tax assets	30 836	23 917	28 445
Current assets	291 052	280 138	252 129
Inventories	153 586	137 366	124 694
Trade and other receivables	132 850	135 128	97 108
Derivative financial instruments	64	-	-
Financial assets at fair value through profit or loss	152	111	137
Current income tax assets	42	120	118
Cash and cash equivalents	4 358	7 413	30 072
Total assets	575 466	576 326	539 083
EQUITY AND LIABILITIES			
Capital and reserves	293 693	308 727	295 445
Share capital	6 972	6 972	6 972
Share premium	396 996	396 996	396 996
Treasury shares	(3 117)	(3 117)	(3 117)
Foreign currency translation reserve	(13 832)	(6 300)	(12 382)
Other reserves	(213)	(4 717)	(1 647)
Accumulated loss	(93 113)	(81 107)	(91 377)
Non-current liabilities	39 088	109 110	35 924
Borrowings	10 699	79 601	10 753
Deferred income tax liabilities	23 542	26 131	21 532
Provisions	4 847	3 378	3 639
Current liabilities	242 685	158 489	207 714
Trade and other payables	150 692	104 813	123 425
Current income tax liabilities	2 683	5 210	2 946
Derivative financial instruments	845	6 501	2 363
Borrowings	85 839	37 355	74 478
Provisions	2 626	4 610	4 502
Total equity and liabilities	575 466	576 326	539 083
Net asset value per share (cents)	214	225	215

CONTROL INSTRUMENTS GROUP LIMITED
CONSOLIDATED INCOME STATEMENT

	Six months ended 30/06/10 Unaudited R 000	Six months ended 30/06/09 Unaudited R 000	Year ended 31/12/09 Audited R 000
Continuing operations			
Revenue	418 189	415 943	840 404
Cost of sales	(299 441)	(306 014)	(618 989)
Gross profit	118 748	109 929	221 415
Other operating income	4 323	3 262	6 735
Marketing and selling expenses	(16 655)	(16 355)	(31 767)
Administrative expenses	(44 163)	(42 017)	(94 210)
Other operating expenses	(59 445)	(61 050)	(120 164)
Operating profit/(loss)	2 808	(6 231)	(17 991)
Finance income	4	4	303
Finance costs	(5 690)	(7 566)	(14 151)
Share of profit from joint ventures	309	451	148
Loss before tax	(2 569)	(13 342)	(31 691)
Taxation	833	1 315	14 803
Loss for the period from continuing operations	(1 736)	(12 027)	(16 888)
Discontinued operations			
Loss for the period from discontinued operations	-	-	(5 409)
Loss for the period	(1 736)	(12 027)	(22 297)
Attributable to equity holders of the Parent	(1 736)	(12 027)	(22 297)
Loss per share (cents)			
Continuing operations	(1.26)	(8.75)	(12.29)
Discontinued operations	-	-	(3.94)
Loss per share	(1.26)	(8.75)	(16.23)
Diluted loss per share (cents)			
Continuing operations	(1.26)	(8.75)	(12.29)
Discontinued operations	-	-	(3.94)
Diluted loss per share	(1.26)	(8.75)	(16.23)

CONTROL INSTRUMENTS GROUP LIMITED

	6 Months ended 30/06/10 Unaudited	6 Months ended 30/06/09 Unaudited	Year ended 31/12/09 Audited
Net number of shares issued (000)			
Total shares in issue (excluding treasury shares) (000)	137 387	137 387	137 387
Weighted average number of shares in issue (000)	137 387	137 387	137 387
Adjustment for share options (000)	-	-	-
Weighted average number of shares for diluted earnings per share(000)	137 387	137 387	137 387
Calculation of headline loss			
Headline loss (R 000)			
<i>Continuing operations</i>			
Net loss after tax for the period	(1 736)	(12 027)	(16 888)
Loss/(profit) on disposal and scrapping of property, plant and equipment	104	(58)	2 523
Impairment of property, plant and equipment	-	36	-
Impairment of other intangible assets	-	-	288
Tax on the above	(15)	8	(791)
	(1 647)	(12 041)	(14 868)
<i>Discontinued operations</i>			
Loss after tax for the period	-	-	(5 409)
Reduction to profit on disposal of fleet and vehicle management business	-	-	5 000
	-	-	(409)
Total headline loss	(1 647)	(12 041)	(15 277)
Headline loss per share (cents)			
Continuing operations	(1.20)	(8.76)	(10.82)
Discontinued operations	-	-	(0.30)
Headline loss per share	(1.20)	(8.76)	(11.12)
Diluted headline loss per share (cents)			
Continuing operations	(1.20)	(8.76)	(10.82)
Discontinued operations	-	-	(0.30)
Diluted headline loss per share	(1.20)	(8.76)	(11.12)

CONTROL INSTRUMENTS GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30/06/10 Unaudited R 000	Six months ended 30/06/09 Unaudited R 000	Year ended 31/12/09 Audited R 000
Loss for the period	(1 736)	(12 027)	(22 297)
Total other comprehensive income, net of tax for the period	(72)	(9 170)	(12 182)
Fair value adjustments on available-for-sale assets	72	144	264
Cash flow hedges, net of tax	1 306	(6 199)	(3 249)
Foreign currency translation reserve, net of tax	(1 450)	(3 115)	(9 197)
Total comprehensive income/(loss) for the period	(1 808)	(21 197)	(34 479)
Attributable to equity holders of the Parent	(1 808)	(21 197)	(34 479)

CONTROL INSTRUMENTS GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

	6 Months ended 30/06/10 Unaudited R 000	6 Months ended 30/06/09 Unaudited R 000	Year ended 31/12/09 Audited R 000
Cash flows from operating activities			
Operating profit before working capital changes	18 622	10 518	39 882
Working capital changes	(37 602)	(2 049)	35 232
Cash generated from/(utilised in) operations	(18 980)	8 469	75 114
Finance income received	4	4	303
Finance costs paid	(5 455)	(7 566)	(13 859)
Dividends received	-	2 005	2 035
Taxation paid	(185)	(3 772)	(3 811)
	(24 616)	(860)	59 782
Cash flows from investing activities			
Purchase of property, plant and equipment	(4 848)	(8 422)	(11 186)
Proceeds from disposal of property, plant and equipment	35	209	441
Investment in intangible assets	(6 321)	(3 765)	(9 005)
	(11 134)	(11 978)	(19 750)
Cash flows from financing activities			
Net proceeds from/(settlement of) non-current borrowings	103	5,034	(237)
Net cash inflow/(outflow) for the period	(35 647)	(7 804)	39 795
Foreign cash adjustments	95	(1 540)	569
Cash and cash equivalents at the beginning of the period	28 254	(12 110)	(12 110)
Cash and cash equivalents at the end of the period	(7 298)	(21 454)	28 254

CONTROL INSTRUMENTS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30/06/10 Unaudited R 000	Six months ended 30/06/09 Unaudited R 000	Year ended 31/12/09 Audited R 000
Balance at beginning of the period	295,445	329,924	329,924
Changes in reserves			
Total comprehensive income/(loss) for the period	(1,808)	(21,197)	(34,479)
Transactions with owners			
Employee share option scheme - value of services provided	56	-	-
Balance at end of the period	293,693	308,727	295,445
Comprising:			
Share capital and premium	403,968	403,968	403,968
Treasury shares	(3,117)	(3,117)	(3,117)
Foreign currency translation reserve	(13,832)	(6,300)	(12,382)
Hedging reserve	(404)	(4,660)	(1,710)
Available-for-sale reserve	(509)	(701)	(581)
Share-based payment reserve (IFRS 2)	700	644	644
Accumulated loss	(93,113)	(81,107)	(91,377)
Total	293,693	308,727	295,445

CONTROL INSTRUMENTS GROUP LIMITED

NOTES

Basis of presentation and accounting policies

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the requirements of the South African Companies Act, No. 61 of 1973 and in compliance with the Listing Requirements of the JSE Limited. The accounting policies used are consistent with those applied in the financial statements for the year ended 31 December 2009 and IFRS, except for IFRS 8 Operating Segments, where the Board of Directors has re-evaluated the basis for measuring normalised earnings before interest, tax, depreciation and amortisation (normalised EBITDA) and has excluded inter-segment service charges from the measure. Normalised EBITDA has been restated.

Segmental review

The Group is organised on a worldwide basis into the following operating segments:

- *OEM:* Development and manufacture of electronic products for the international OEM automotive, transportation, industrial and defence markets.
- *Aftermarket:* The supply of premium branded products to the automotive aftermarket in sub-Saharan Africa.
- *Head office:* Service supplier to the Group including treasury and investment management.

CONTROL INSTRUMENTS GROUP LIMITED
SEGMENTAL REVIEW

	Six months ended 30/06/10 Unaudited R 000	Six months ended 30/06/09 Unaudited R 000	Year ended 31/12/09 Audited R 000
REVENUE			
OEM			
External revenue	199,740	195,263	386,225
Inter-segment revenue	621	1,200	1,582
Aftermarket			
External revenue	218,449	220,680	454,179
Head office			
Inter-segment revenue	10,214	7,527	27,406
Unallocated/eliminations	(10,835)	(8,727)	(28,988)
Total	418,189	415,943	840,404
NORMALISED EBITDA			
OEM	3,697	11,100	15,251
Aftermarket	24,612	14,928	27,893
Head Office	(6,998)	(8,355)	4,331
Unallocated/eliminations	(3,340)	-	(14,954)
Total	17,971	17,673	32,521

CONTROL INSTRUMENTS GROUP LIMITED
RECONCILIATION OF NORMALISED EBITDA TO OPERATING PROFIT/(LOSS)

	Six months ended 30/06/10 Unaudited R 000	Six months ended 30/06/09 Unaudited R 000	Year ended 31/12/09 Audited R 000
Normalised EBITDA from continuing operations	17 971	17 673	32 521
Depreciation and amortisation	(15 003)	(16 771)	(30 886)
Impairment of intangible assets	-	-	(288)
Impairment of property, plant and equipment	-	(36)	-
Write-down of inventories	-	(5 298)	(14 551)
Restructuring costs	-	(1 857)	(2 264)
Share- based payment (IFRS 2)	(56)	-	-
Profit/(loss) on disposal and scrapping of property, plant and equipment	(104)	58	(2 523)
Operating profit/(loss) from continuing operations	2 808	(6 231)	(17 991)

Note: For a reconciliation between operating profit/(loss) from continuing operations to total profit/(loss) before taxation from continuing operations, refer to the "Consolidated Income Statement".