



**CONTROL  
INSTRUMENTS**

GROUP LIMITED



ANNUAL REPORT  
**2005**



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### **CORPORATE PROFILE**

Control Instruments Group Limited is a holding company. The Group has been listed on the JSE Limited (JSE) since 1987, trading under the share code "CNL", in the Electronic and Electrical Equipment sector.

Control Instruments is managed with a view to long-term growth and profitability.

### **MISSION STATEMENT**

Control Instruments' aim is to be the supplier of choice of electronic, electromechanical and other specialised products and related software systems into selected niche segments of the worldwide automotive and transportation markets.

### **NATURE OF BUSINESS**

The Group's subsidiaries develop, engineer, manufacture and distribute products for niche sectors of the worldwide automotive and transportation industries.

The Group focuses on increasing the number of products in which it owns the Intellectual Property (IP) or in which there are barriers to entry arising out of its relationships with its suppliers and customers. Wherever possible the benefits of vertical integration and annuity revenue income streams are also pursued.

## CHAIRMAN'S REPORT

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This is my first report since taking over as chairman from Herc Hefer in April 2005. It is a pleasure to be able to report that the Group has repositioned itself to meet the major changes taking place in its domestic and international markets and has established a sound platform for strong and sustainable growth in the future.

The Group's operations remain focused on supplying niche sectors of the worldwide automotive and transportation industries. Fundamental to the Group's strategy is the ongoing investment in the development of new products in which it owns the Intellectual Property (IP); competitive manufacturing and distribution facilities; long-term relationships with world-class suppliers and staff; and achievement of critical mass.

Major focus areas in 2005 were to increase the critical mass in all the components of the Group's business and in so doing improve the growth prospects and reduce the risk profile of the Group. This involved a number of acquisitions and the ongoing investment in new product development, systems and people.

Transport Lighting and Fleet Products (Pty) Limited, the business of Autocom and Dana South Africa (Pty) Limited, were acquired during 2005 and subsequent to the year-end the Group finalised the acquisitions of 51% of the shares in Tripmaster Corporation and the Sagercy businesses.

Transport Lighting, Autocom and Dana all supply specialised technical components and accessories to the automotive Original Equipment Manufacture (OEM) and aftermarket in South and sub-Saharan Africa. Sagercy is a leading manufacturer and supplier of specialised plastic products to the South African automotive original equipment industry and Tripmaster is the leading supplier of "high-end" onboard computers (OBCs) to the North American market.

These acquisitions will increase the Group's presence in its various markets.

International Financial Reporting Standards (IFRS) were implemented throughout the Group with effect from 1 January 2005 and the financial statements for the year ended 31 December 2005 are IFRS compliant. In addition, the Group complies with the significant requirements of King II and has done so for some time.

Since 1988 the Group has had an independent non-executive chairman and independent non-executive directors, all of whom are highly experienced businessmen.

2005 has been an interesting and exciting year with numerous challenges being met by the management and staff. I would like to thank them for their efforts and commitment. A large number of people have joined and will be joining the Group as a result of the acquisitions and other appointments. I would like to welcome them.

A specific word of thanks is due to my predecessor, Herc Hefer, for his guidance and counsel as chairman for the past 16 years. Herc remains on the board as a non-executive director and as chairman of the Audit Committee where his many years of experience as the senior partner of KPMG and chairman of other audit committees will continue to serve the Group well. My thanks also go to my other non-executive director, Peter Bieber, for his active and valuable participation in board affairs and the Group's Pension Fund. Equally, I would like to thank the Group's customers and partners for their support throughout the year.

It is with sadness that I record the passing on of Charles Friedman in October 2005 at the age of 92. Charles was the first chairman of the Group and was an inspiration and mentor to many of the current board members as well as a number of the Group's managers.

Control Instruments Group goes into the future as a substantially larger and more internationalised Group than it was at the start of 2005.



**JPS O'LEARY**

Chairman

16 March 2006

## RESULTS

At the beginning of the year I stated that 2005 would be a year of consolidation and, more importantly, one in which a strong platform for future growth would be established and as a result growth for the year would be at a lower rate than that of the past few years. The results for the year to 31 December 2005 are in line with this statement. However, as will be seen in this review, a very solid and exciting platform for future growth has been created.

The results comply with IFRS. Consequently figures have been restated to adhere to these standards.

Revenue grew 3.3% from R382.4 million to R395.1 million. Net profit increased 13.5% to R22.3 million and earnings per share increased 6.3% to 32.0 cents per share. Profit before tax decreased 14.4% to R27.1 million, major factors being share option expenses of R3.8 million (in terms of IFRS 2: *Share-based Payment*), the implementation of a common Information Technology (IT) platform and an increase in interest, depreciation and amortisation as a result of assets acquired through organic growth and acquisitions.

Net asset value per share increased 56.0% from R1.34 to R2.09.

The Group's operations generated R49.5 million in cash before working capital changes. R31.7 million was invested in property, plant and equipment, R13.8 million in intangible assets and R8.4 million in acquisitions.

## ACQUISITIONS AND INVESTMENTS FOR THE FUTURE

In line with the Group's objective of creating a strong and sustainable platform for future growth, investment in product development, engineering facilities and IT continued.

In addition, Transport Lighting and Fleet Products (Pty) Limited and the business of Autocom were acquired in January 2005; and Dana South Africa (Pty) Limited in October 2005.

The acquisitions of a 51% share in Tripmaster Corporation, a fleet management business based in the United States of America, and

the Sagercy businesses, which specialise in the design and manufacture of plastic components that are supplied to the Original Equipment Manufacture (OEM) automotive industry, were concluded at the beginning of 2006.

The Group also spent a substantial amount of time and money in investigating one other large acquisition, which we ultimately decided not to conclude.

The Group's Black Economic Empowerment (BEE) programme, started during 2005, has been focused on staff development, the promotion and support of SMMEs and the improvement of its BEE scorecard. Measurable success has been made in respect of all of these and it is pleasing to see the value being added to the Group and those involved.

## GROUP OVERVIEW

The Group develops, manufactures and supplies products into niche sectors of the broad automotive and transportation industries, both internationally and locally. In particular it focuses on the OEM automotive industry; vehicle, fleet and asset management systems and products; and a range of products that are supplied to the automotive aftermarket.

The Group sells products for the OEM automotive industry throughout the world, directly to the relevant OEMs. Fleet, vehicle and asset management products are sold by the Group in sub-Saharan Africa and by Siemens VDO in Europe. The acquisition of Tripmaster will provide the Group with its own North American distribution network for these products. Products for the automotive aftermarket are sold and distributed through a distribution network and agents in sub-Saharan Africa.

Products for the automotive aftermarket are sourced from the Group's own manufacturing facilities and from outside suppliers. All products supplied by the Group are of high quality and are recognised brand names in their respective markets.

The Group's objective is, where possible, to own the Intellectual Property (IP) incorporated in the products and to this end the Group has design facilities in Stellenbosch, Pietermaritzburg and

## MANAGING DIRECTOR'S REVIEW OF OPERATIONS

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Johannesburg. In addition, some development is done in conjunction with various international partners with whom technology relationships exist.

Manufacturing is undertaken in the Group's factories in Pietermaritzburg and Johannesburg. In future this will also include the production facilities acquired from Sagercy that are situated in the Port Elizabeth and Uitenhage areas.

It is also Group policy to maximise the benefits of vertical integration with a view to reducing the cost chain within the Group.

The South African OEM industry is still undergoing a period of intense change. Most purchasing decisions have been moved offshore and the variety of models being manufactured locally has been reduced with the majority of manufacturers focusing on the production of one "world platform" product and importing the remainder of their product ranges. This has resulted in longer production runs, but increased price pressures on suppliers.

These and other changes in the industry, in particular the phasing out of various models during the year, negatively affected the Group. In order to position itself for the long-term Rod Forrester, previously managing director of CI Shurlok, was transferred to the United Kingdom. This was the first step towards having a sales and engineering presence close to the global decision-making centres of the Group's current and targeted customer base in Europe. This initiative should show positive results in 2007.

The Group's fleet, vehicle and asset management products showed significant growth as Control Instruments' onboard computers (OBCs) and Bureau Service continued to gain market share locally and internationally. The first OEM fitment of OBCs also commenced during the year. The Bureau's monthly subscriber base has passed the breakeven point and should show good profitability in 2006. The transition of Tripmaster's "mid-range" products onto the Control Instruments OBC platform is planned for the second half of 2006 and USA-based subscribers should be added to the Bureau towards the end of the year.

Sales into the automotive aftermarket also showed strong growth in 2005. The full effects of the Transport Lighting, Autocom and Dana acquisitions will only be felt in 2006. These acquisitions have broadened the basket of products offered by the Group to a common customer base and will add extensive critical mass to this area of our business.

### PROSPECTS

The prospects for 2006 onwards remain very good. In the absence of any unforeseen circumstances or a significant slowdown in economic activity, the Group expects to have strong growth during the year. The longer term prospects are also very good. A great deal of the Group's business is in areas where there are long-term contracts, recurring revenue streams and the supply of products that are essential to the safe operation of vehicles.



**R FRIEDMAN**

CEO and Group Managing Director

16 March 2006

# CORPORATE GOVERNANCE

The directors of Control Instruments apply and comply with the significant principles of best practice contained in the Code of Corporate Practice and Conduct as set out in the King II Report on Corporate Governance. The directors also recognise the need to conduct the enterprise with integrity and in accordance with generally accepted corporate governance practices.

## BOARD OF DIRECTORS

The board of directors of the Group currently comprises four executive and three independent non-executive directors. Details of the directorate at 31 December 2005 and at the date of this report, are on page 66 and the name of the company secretary and the registered address of the Company are on the inside back cover.

The board meets formally at least four times a year. It is responsible for:

- setting and reviewing corporate governance standards;
- the strategic direction and control of the Group;
- reviewing business plans and budgets proposed by management;
- monitoring performance;
- approving major policy decisions;
- the appointment of the chairman and group managing director; and
- the agreement of management succession plans.

While the board is responsible to shareholders it also places great value on the Group's staff, its suppliers, partners and customers. Attendance by directors at Control Instruments' board meetings and board committee meetings is detailed below and opposite. Various members of the board also meet informally on a number of occasions. In terms of the Company's Articles of Association, one third of the directors, excluding the managing director, retire by rotation and are eligible for re-election at each annual general meeting.

The remuneration of the executive directors is determined and approved by the Remuneration Committee. 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. The remuneration of the non-executive directors is subject to the approval of shareholders in general meeting. The Remuneration and Audit Committees are sub-committees of the board. The board and its sub-committees have adopted a charter that sets out their roles and responsibilities.

## REMUNERATION COMMITTEE

The Remuneration Committee is chaired by a non-executive director and comprises non-executive directors. It meets at least twice a year and its responsibility is to determine and approve the remuneration of the Group's executive directors and senior executives.

## AUDIT COMMITTEE

The Audit Committee is chaired by a non-executive director and comprises 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 procedures for monitoring compliance with laws and regulations and its own code of business conduct. The Audit Committee sets the principles for recommending the use of external auditors for non-audit purposes.

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 2005 and the results of their operations, changes in equity and cash flows for the year then ended in terms of International Financial Reporting Standards (IFRS) and the South African Companies Act 1973.

## ATTENDANCE AT MEETINGS

### Board meetings 2005

	9 Mar	21 Apr	25 & 26 May	20 Jul	28 & 29 Nov
JPS O'Leary	✓	✓	✓	✓	✓
R Friedman	✓	✓	✓	✓	✓
EPH Bieber	✓	✓	✓	✓	✓
TE Buzer	✓	✓	✓	✓	✓
RJ Fraenkel	✓	✓	✓	✓	✓
RB Forrester	✓	✓	Apologies	✓	✓
HV Hefer	✓	✓	✓	✓	✓

## Remuneration Committee meetings 2005

	9 Mar	20 Jul
JPS O'Leary	✓	✓
EPH Bieber	✓	✓
HV Hefer	✓	✓

## Audit Committee meetings 2005

	9 Mar	21 Apr	20 Jul	28 Nov
JPS O'Leary	✓	✓	✓	✓
EPH Bieber	✓	✓	✓	✓
HV Hefer	✓	✓	✓	✓

## 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 programmes are assessed and approved by the Audit Committee and the findings are 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.

## 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 management or board meetings. 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 approved by the Audit Committee and the results of each review are submitted to the Audit Committee.

## GOING CONCERN

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 initiatives of its people.

## EMPLOYMENT EQUITY

The Group's employment policies are specifically designed to attract, empower and retain appropriate quality staff at all levels whilst ensuring a continuing commitment to previously disadvantaged individuals. It is also committed to continue to strengthen and refine its philosophy and policy on training and development in order to create a learning and productive environment for its staff.

The Group introduced a broad-based BEE programme during 2005.

## CODE OF BUSINESS PRACTICES

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

- Integrity;
- Frank, open and honest dealings with everyone;
- Loyalty and long-term relationships
  - within the Group,
  - with customers and partners;
- Innovative ideas and entrepreneurship;
- Products and services that meet world-class standards; and
- Social and environmental responsibility.

## STATEMENT OF DIRECTORS' RESPONSIBILITY

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The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and 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 International Financial Reporting Standards (IFRS) and in the manner required by the South African Companies Act 1973.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and IFRS that they consider to be applicable have been followed.

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 for 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.

The Group's external auditors, PricewaterhouseCoopers Incorporated, have audited the financial statements and their report is presented on page 9.

## DIRECTORS' APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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The annual financial statements for the year ended 31 December 2005, set out on pages 10 – 65, were approved by the board of directors on 16 March 2006 and are signed on its behalf by:



**R FRIEDMAN**

CEO and Group Managing Director



**RJ FRAENKEL**

Group Financial Director

## CERTIFICATE BY COMPANY SECRETARY

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As company secretary, I hereby confirm that for the year ended 31 December 2005, the Company lodged with the Registrar of Companies all such returns as are required of a public company in terms of Section 268 G(d) of the South African Companies Act 1973 and that all such returns are true, correct and up to date.



**S BARNARD**

Company Secretary

16 March 2006

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONTROL INSTRUMENTS GROUP LIMITED

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We have audited the annual financial statements and Group annual financial statements of Control Instruments Group Limited set out on pages 10 to 65 for the year ended 31 December 2005. 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.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and of the Group at 31 December 2005 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

*PricewaterhouseCoopers Inc.*

**PRICEWATERHOUSECOOPERS INC.**

Registered Accountants and Auditors

Chartered Accountants (SA)

Cape Town

16 March 2006

# DIRECTORS' REPORT

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The directors have pleasure in submitting their report for the year ended 31 December 2005.

## NATURE OF BUSINESS

The Group's subsidiaries develop, engineer, manufacture and distribute products for niche sectors of worldwide automotive and transportation industries. The Group focuses on increasing the number of products in which it owns the Intellectual Property (IP) or in which there are barriers to entry arising out of its relationships with its suppliers and customers. Wherever possible the benefits of vertical integration and annuity revenue income streams are also pursued.

Principal subsidiary companies are detailed on page 61.

## FINANCIAL RESULTS

The earnings attributable to ordinary shareholders for the year ended 31 December 2005 were R22 322 000 (2004: R19 663 000). The financial position, results of operations, changes in equity and cash flows of the Company and the Group are set out on pages 12 to 65.

## DISTRIBUTIONS TO SHAREHOLDERS

The board has declared a final dividend of 4.0 cents per share for the year ended 31 December 2005 (2004: 3.0 cents per share).

In terms of the requirements of STRATE:

Last day to trade <i>cum</i> dividend	Friday, 31 March 2006
Shares trade <i>ex</i> dividend	Monday, 3 April 2006
Record date	Friday, 7 April 2006
Payment date	Monday, 10 April 2006

Share certificates may not be dematerialised or rematerialised between Monday, 3 April 2006 and Friday, 7 April 2006, both days inclusive.

An interim dividend of 3.0 cents per share in respect of the six months ended 30 June 2005 was paid on 22 August 2005 to shareholders registered on 19 August 2005. Thus, a total dividend of 7.0 cents per share was declared in respect of the 2005 financial year (2004: 5.5 cents per share).

## SHARE CAPITAL

The issued capital at 31 December 2005 was R4 825 921 (2004: R4 213 421) divided into 96 518 426 (2004: 84 268 426) ordinary shares of five cents each.

12 250 000 ordinary shares, with a par value of five cents each, were issued at a price of R4.50 per share in a private placement to public shareholders in September 2005. This was in terms of the general authority to issue shares for cash granted to directors at the Company's annual general meeting held on 21 April 2005. The shares were issued at a 0.2% discount to the Control Instruments 30-day volume weighted average traded price, calculated on 14 September 2005.

The 103 481 574 unissued ordinary shares of five cents each as at 31 December 2005 (2004: 115 731 574) are under the control of the directors until the forthcoming annual general meeting.

Subsequent to the year-end 16 667 000 ordinary shares, with a par value of five cents each, were placed with selected institutions at a price of R6.00 per share. Refer to note 32.

## INVESTMENTS

Full details of the investments in subsidiary companies and joint ventures are given on pages 61 – 63.

# DIRECTORS' REPORT

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## DIRECTORS' REMUNERATION

Details of directors' remuneration, directors' interest in shares and share options granted to directors are given in note 28.

## DIRECTORATE

The directors of the Company at the date of this report are shown on page 66.

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

### **Peter Bieber BSc; FFA; FASSA; former 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 55 years' experience in the financial industry. He was appointed to the board of Control Instruments Group Limited in January 1997.

### **Sam O'Leary BCom; 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. He was appointed to the board in 2002 and took over as chairman at the beginning of 2005.

## POST BALANCE SHEET EVENTS

Refer to note 32.

# BALANCE SHEETS

AT 31 DECEMBER 2005

	Notes	GROUP		COMPANY	
		31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	2	124 831	88 297	–	–
Intangible assets	3	57 727	22 462	–	–
Investments in subsidiaries	4			125 229	5 700
Investments in joint ventures	5	2 765	292	–	–
Financial assets	6	3 208	3 208	3 208	3 208
Deferred tax assets	7	4 648	6 120	22	38
<b>Current assets</b>					
Inventories	8	84 846	32 783	–	–
Trade and other receivables	9	90 702	45 839	11 669	13 533
Loans to subsidiaries	4			36 217	68 450
South African Revenue Service		–	1 183	–	–
Cash and bank balances		244	4 751	42 020	–
<b>Total assets</b>		368 971	204 935	218 365	90 929
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	10	4 826	4 213	4 826	4 213
Share premium	10	97 886	43 591	97 886	43 591
Treasury shares	10	(20 692)	(22 658)	–	–
Fair value and other reserves	11	7 564	3 953	3 318	1 810
Retained earnings		75 443	57 724	97 969	31 007
<b>Non-current liabilities</b>					
Borrowings	12	96 065	32 395	–	–
Retirement benefit obligations	13	600	1 100	–	–
Deferred tax liabilities	7	14 356	8 109	–	–
Provisions	14	832	1 093	–	–
<b>Current liabilities</b>					
Trade and other payables	15	65 707	51 714	3 056	2 367
South African Revenue Service		213	5 348	89	58
Borrowings	12	24 095	14 311	–	7 883
Loans from subsidiaries	4			11 221	–
Provisions	14	2 076	4 042	–	–
<b>Total equity and liabilities</b>		368 971	204 935	218 365	90 929

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	GROUP		COMPANY	
		31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>Revenue</b>	16	395 060	382 446	79 553	29 837
Cost of sales		(233 168)	(221 301)	–	–
<b>Gross profit</b>		161 892	161 145	79 553	29 837
Other operating income		14 791	12 147	5 197	3 629
Interest income		845	184	–	–
Other operating expenses		(43 955)	(42 110)	–	–
Administrative expenses		(83 036)	(82 115)	(10 951)	(9 940)
Marketing and selling expenses		(18 886)	(12 246)	–	–
<b>Operating profit</b>	17	31 651	37 005	73 799	23 526
Loss from discontinued operations		–	(57)	–	–
Finance costs	19	(7 357)	(4 890)	(1 044)	(1 200)
Net profit/(loss) from joint ventures	20	2 765	(456)	–	–
<b>Profit before tax</b>		27 059	31 602	72 755	22 326
Tax	21	(4 737)	(11 939)	(737)	(494)
<b>Profit for the year</b>		22 322	19 663	72 018	21 832
<b>Attributable to equity holders of the Company</b>		22 322	19 663	72 018	21 832
Earnings per share (cents)					
– basic	22	32.0	30.1		
– diluted	22	29.8	27.9		
Dividends per share (cents)	23	6.0	4.5		

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Share capital R 000	Share premium R 000	Treasury shares R 000	Fair value and other reserves R 000	Retained earnings R 000	Total R 000
<b>GROUP</b>							
<b>Balance at 1 January 2004</b>	33	4 213	43 591	(18 602)	5 655	41 848	76 705
Net losses not recognised in the income statement					(2 264)		(2 264)
Release of currency translation reserve					103		103
Utilisation of general reserve					(48)		(48)
Cash flow hedges, net of tax					(2 319)		(2 319)
Profit for the year						19 663	19 663
Employee share option scheme							
– Value of services provided					562		562
Movement of treasury shares				(4 056)		(872)	(4 928)
Dividends paid	23					(2 915)	(2 915)
<b>Balance at 31 December 2004</b>	33	4 213	43 591	(22 658)	3 953	57 724	86 823
Net losses not recognised in the income statement							
– Cash flow hedges, net of tax					(140)		(140)
Profit for the year						22 322	22 322
Employee share option scheme							
– Value of services provided					3 751		3 751
Movement of treasury shares				1 966		(635)	1 331
Shares issued		613	54 295				54 908
Dividends paid	23					(3 968)	(3 968)
<b>Balance at 31 December 2005</b>		4 826	97 886	(20 692)	7 564	75 443	165 027
<b>COMPANY</b>							
<b>Balance at 1 January 2004</b>	33	4 213	43 591	–	1 810	12 967	62 581
Profit for the year						21 832	21 832
Dividends paid	23					(3 792)	(3 792)
<b>Balance at 31 December 2004</b>	33	4 213	43 591	–	1 810	31 007	80 621
Profit for the year						72 018	72 018
Employee share option scheme							
– Value of services provided					1 508		1 508
Shares issued		613	54 295				54 908
Dividends paid	23					(5 056)	(5 056)
<b>Balance at 31 December 2005</b>		4 826	97 886	–	3 318	97 969	203 999

# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	GROUP		COMPANY	
		31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>Cash flows from operating activities</b>					
Cash generated from/(utilised in) operations	24.1	7 203	51 773	51 805	(17 030)
Interest received		845	184	–	–
Finance costs		(7 357)	(4 890)	(1 044)	(1 200)
Finance costs on discontinued operations		–	(2)	–	–
Dividends received		–	–	69 509	17 500
Dividends paid	23	(3 968)	(2 915)	(5 056)	(3 792)
Tax paid		(7 778)	(2 238)	(690)	(474)
		(11 055)	41 912	114 524	(4 996)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(31 701)	(41 112)	–	–
Proceeds from disposal of property, plant and equipment		2 622	5 850	–	–
Increase in intangible assets		(13 808)	(9 997)	–	–
Decrease in investments in joint ventures		–	124	–	–
Disposal of joint venture	24.2	512	–	–	–
Acquisition of subsidiaries and operations, net of cash	24.3	(8 359)	–	(119 529)	–
Decrease in investments and non-current receivables		–	142	–	–
		(50 734)	(44 993)	(119 529)	–
<b>Cash flows from financing activities</b>					
(Settlement of)/proceeds from non-current borrowings		(407)	16 060	–	–
Proceeds on disposal/(purchase) of treasury shares		1 297	(4 928)	–	–
Shares issued		54 908	–	54 908	–
		55 798	11 132	54 908	–
<b>Net cash (outflow)/inflow for the year</b>		(5 991)	8 051	49 903	(4 996)
<b>Cash and cash equivalents at the beginning of the year</b>		4 751	(3 300)	(7 883)	(2 887)
<b>Cash and cash equivalents at the end of the year</b>	24.4	(1 240)	4 751	42 020	(7 883)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## I. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Control Instruments Group Limited's financial statements for the year ended 31 December 2005 are the first set of annual financial statements that comply with International Financial Reporting Standards (IFRS). The Group has applied IFRS 1: *First-time adoption of IFRS* in preparing these financial statements.

### I.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in terms of IFRS.

The financial statements have been prepared on the historical cost basis as modified by the revaluation of financial assets as at fair value through profit or loss.

The financial statements were prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) until 31 December 2004. SA GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting, valuation and consolidation methods applied in the SA GAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of the transition from SA GAAP to IFRS on the Group's equity and its net profit are provided in note 33.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.21.

#### *Standards, interpretations and amendments to published standards that are not yet effective*

The Group has considered all new standards, interpretations and amendments to existing standards that are not yet effective.

The following new standards, interpretations and amendments have been published that are relevant for the Group's accounting periods beginning on or after 1 January 2006 or later periods, but which the Group has not adopted early:

- *IAS (International Accounting Standards) 39 (Amendment), The Fair Value Option (effective from 1 January 2006)*  
This amendment changes the definition of financial instruments classified as at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category.
- *IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intra-group Transactions (effective from 1 January 2006)*  
The amendment may allow the foreign currency risk of a highly probable forecast intra-group transaction to qualify as a hedged item in the consolidated financial statements.
- *IFRIC (International Financial Reporting Interpretations Committee) 4, Determining whether an arrangement contains a lease (effective from 1 January 2006)*  
IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement.
- *IFRIC 9, Reassessment of Embedded Derivatives (effective from 1 January 2007)*  
IFRIC 9 applies to all embedded derivatives under IAS 39 and clarifies certain aspects of their treatment.
- *IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007)*  
IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments.

The Group is currently assessing the impact of these changes.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## 1.2 CONSOLIDATION

### 1.2.1 Subsidiaries

The Group financial statements incorporate those of the Company and its subsidiaries. Subsidiaries are those entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries are disclosed at cost. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 1.2.2 Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### 1.2.3 Joint ventures

The equity method is used to account for investments in jointly controlled entities. These are long-term investments where the Company has a contractual agreement that enables it to exercise joint control over 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## 1.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the items. They 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:

Buildings	2% per annum
Plant and machinery	5% – 25% per annum
Furniture and fittings	10% – 20% per annum
Vehicles	25% per annum
Office equipment	16% – 33% per annum

Land is shown at cost and is not depreciated. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

The residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. The residual value is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## 1.4 LEASED ASSETS

Leases of property, plant, and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges 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.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

## 1.5 INTANGIBLE ASSETS

### 1.5.1 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, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units (CGUs) for the purposes of impairment testing. The allocation is made to these CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose.

### 1.5.2 Engineering and development

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 and recognised as an intangible asset when it is probable that the project will be a success, commercially and technically, and only if the cost can be measured reliably. Other development expenditures are recognised as expenses when incurred. Development costs previously expensed are not recognised as an asset in a subsequent period. Capitalised engineering and development costs are amortised on a straight-line basis over the period of its expected benefit (five to eight years). Useful lives are reviewed and adjusted if appropriate at each balance sheet date.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## 1.5.3 Other intangible assets

Trademarks, patents and distribution rights are recognised at cost. They have a finite useful life and are carried at cost less accumulated amortisation. Trademarks, patents and distribution rights acquired in a business combination are reflected at the open market value at the date of acquisition less accumulated amortisation. Amortisation is calculated on a straight-line basis over their estimated useful lives.

## 1.5.4 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives (three to six years).

Costs associated with developing or maintaining computer software programmes are recognised as expenses as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding the costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development, employee costs and an appropriate portion of relevant overheads.

Computer software development costs are recognised as assets and amortised over their estimated useful lives (three to six years).

## 1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of an asset's net selling price and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 1.7 FOREIGN CURRENCY TRANSLATION

### 1.7.1 Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### 1.7.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying investment hedges.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## 1.8 FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: held to maturity; at fair value through profit or loss; available-for-sale; and loans and receivables. The classification is dependent on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at the time of the purchase and re-evaluates such designation at every reporting date.

### 1.8.1 At fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading, unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Investments are subsequently carried at fair value with changes in fair value being charged/credited through profit or loss. The fair value of quoted investments is based on quoted bid prices. Fair values of unlisted investments are estimated using the discounted cash flow method.

### 1.8.2 Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after balance sheet date.

Loans and receivables are carried at amortised cost using the effective interest rate method. Interest on loans and receivables are calculated using the effective interest rate method and recognised in the income statement.

## 1.9 DEFERRED TAX

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Currently enacted or substantially enacted tax rates are used in the determination of deferred tax.

The principal temporary differences arise from depreciation on property, plant and equipment, amortisation of intangible assets, prepayments, provisions and tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## 1.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes materials, direct labour and an appropriate portion of overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business less the cost of completion and selling expenses. Cost of inventories includes the transfer from equity of gains/losses on qualifying cash flow hedges relating to inventory purchases.

## 1.11 TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. This provision is recognised in the income statement.

## 1.12 CASH AND CASH EQUIVALENTS

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

## 1.13 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Where subsidiaries of the Company hold treasury shares in the Company's share capital, the consideration paid, including any attributable incremental costs is deducted from the equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and income tax effects, is included in equity attributable to the Company's equity holders.

## 1.14 BORROWINGS

Borrowings are classified as financial liabilities and are recognised initially as the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

## 1.15 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 will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future anticipated operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the obligation.

## 1.16 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue from the sale of goods is recognised when a Group entity has delivered products to the customer; the customer has accepted the products and the collectability of the related receivables is reasonably assured.

Interest income 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 recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

## 1.17 SEGMENTAL REPORTING

The services provided by the Group are not subject to materially different risks and returns and are regarded as a single business segment.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## 1.18 DIVIDENDS

Dividends distributed to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's board.

## 1.19 FINANCIAL RISK MANAGEMENT

### 1.19.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments, such as foreign exchange contracts, to hedge certain exposures and the board provides written principles for overall risk management as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments. Refer to note 27.

### 1.19.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a discounted cash flow method and makes assumptions that are based on market conditions existing at balance sheet date. The fair value of forward foreign exchange contracts is determined using quoted forward foreign exchange rates at the balance sheet date.

### 1.19.3 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

#### (i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

#### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the period when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-derivative asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of cost of the asset or liability.

When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 27. Movements on the hedging reserve in equity are shown in note 11.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## 1.20 EMPLOYEE BENEFITS

### 1.20.1 Pension obligations

The Group operates a defined contribution pension plan, the assets of which are held in separate trustee administered funds. The pension plan is 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 plan is charged to the income statement in the year to which it relates. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The plan is governed by the Pension Funds Act 24 of 1956. The majority of employees are covered by the plan.

### 1.20.2 Other post-retirement obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. 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.

### 1.20.3 Share-based remuneration

The Group operates an equity-settled, share-based remuneration plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in the income statement, with a corresponding adjustment to equity.

### 1.20.4 Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing where contractually obliged or where there is a past practice that has created a constructive obligation.

## 1.21 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *Critical accounting estimates and assumptions*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(i) Estimated impairment of goodwill

The Group assesses possible goodwill impairment annually. The details are disclosed in note 3.

(ii) Share-based payment expense calculations

The Group uses the binomial valuation model to determine the fair value of the options granted. The significant inputs into the model are disclosed in note 10.

## 1.22 TRANSITIONAL ARRANGEMENTS FOR IFRS

### *Application of IFRS 1*

The Group's transition date is 1 January 2004 and the Group has prepared its opening IFRS balance sheet at that date.

In preparing these financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions, as detailed below, from full retrospective application of IFRS.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## *Exemptions from full retrospective application elected by the Group*

Control Instruments has elected to apply the following optional exemptions from full retrospective application.

- (i) Designation of financial assets and financial liabilities exemption  
The Group reclassified its financial asset from available-for-sale to at fair value through profit or loss. As a result, the movement in the fair value will be taken to the income statement and not to reserves. This had no effect on profit for the current or prior periods. An amount was transferred from the fair value reserves to retained earnings.
- (ii) Fair value as deemed cost exemption  
The Group has elected to use fair value as deemed cost to measure certain items of property, plant and equipment as at 1 January 2004.
- (iii) Business combinations exemption  
The Group has applied the business combinations exemption in IFRS 1. It has therefore not restated business combinations that took place prior to the 1 January 2004 transition date. In terms of IFRS 3: *Business Combinations*, goodwill is no longer amortised but is subject to a mandatory annual impairment test, regardless of whether there are any indications of impairment.
- (iv) Share-based payment transaction exemption  
The Group has elected to apply the share-based payment transaction exemption. IFRS 2: *Share-based Payment* requires that a share-based payment expense is recognised for share options issued to staff after 7 November 2002 and not vested by 1 January 2005. This expense was not recognised under SA GAAP. As it results in a corresponding increase in a share-based payment reserve, there is no impact on the Group's equity.

The Group decided not to apply the cumulative translation differences exemption. Therefore, previously accumulated currency translation reserves were not set to zero at 1 January 2004.

## *The following exemptions did not apply to the Group*

- Compound financial instruments exemption
- Employee benefits exemption
- Assets and liabilities of subsidiaries, associates and joint ventures exemption
- Exemption from restatement of comparatives for IAS 32, *Financial Instruments: Disclosure and Presentation* and IAS 39, *Financial Instruments: Recognition and Measurement*
- Insurance contracts exemption
- Decommissioning liabilities included in the cost of property, plant and equipment exemption
- Fair value measurement of financial assets or liabilities at initial recognition exemption
- Mining exemption
- Leasing arrangements exemption

## *Exceptions from full retrospective application followed by the Group*

The Group has applied the following mandatory exceptions from retrospective application.

- (i) Derecognition of financial assets and liabilities exception
- (ii) Hedge accounting exception
- (iii) Estimates exception
- (iv) Assets held for sale and discontinued operations exception

## *Reconciliations between IFRS and SA GAAP*

The reconciliations quantifying the effect of the transition from SA GAAP to IFRS are presented in note 33.

## *Reallocation of computer software*

Computer software is no longer disclosed under property, plant and equipment but has been reallocated to intangible assets.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP			
	Land and buildings R 000	Plant, machinery and equipment R 000	Vehicles R 000	Total R 000
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Year ended 31 December 2005</b>				
Opening carrying value	39 660	47 796	841	88 297
Additions	16 193	15 235	273	31 701
Disposals	(99)	(2 457)	(3)	(2 559)
Acquisition of subsidiaries	11 505	6 332	1 499	19 336
Depreciation charge	(1 109)	(10 562)	(273)	(11 944)
Closing carrying value	66 150	56 344	2 337	124 831
<b>At 31 December 2005</b>				
Cost	70 928	116 799	4 665	192 392
Accumulated depreciation	(4 778)	(60 455)	(2 328)	(67 561)
Closing carrying value	66 150	56 344	2 337	124 831
<b>Year ended 31 December 2004</b>				
Opening carrying value	28 027	32 718	337	61 082
Additions	12 244	28 175	693	41 112
Disposals	–	(5 806)	(57)	(5 863)
Depreciation charge	(611)	(7 291)	(132)	(8 034)
Closing carrying value	39 660	47 796	841	88 297
<b>At 31 December 2004</b>				
Cost	41 904	88 515	1 123	131 542
Accumulated depreciation	(2 244)	(40 719)	(282)	(43 245)
Closing carrying value	39 660	47 796	841	88 297
<b>Leased assets included above comprise:</b>				
<b>At 31 December 2005</b>				
Cost	–	6 936	451	7 387
Accumulated depreciation	–	(4 742)	(40)	(4 782)
Closing carrying value	–	2 194	411	2 605
<b>At 31 December 2004</b>				
Cost	–	10 920	677	11 597
Accumulated depreciation	–	(5 251)	(99)	(5 350)
Closing carrying value	–	5 669	578	6 247

Depreciation of R7 820 000 (2004: R5 969 000) is included in cost of sales in the income statement; R1 813 200 (2004: R485 000) in other operating expenses and R2 310 800 (2004: R1 580 000) in administrative expenses.

Borrowings are secured by property, plant and equipment (refer to note 12).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>3. INTANGIBLE ASSETS</b>				
<b>Goodwill</b>				
Opening carrying value	2 338	2 338	–	–
Acquisition of subsidiaries	2 257	–	–	–
Closing carrying value	4 595	2 338	–	–
<b>At 31 December</b>				
Cost and closing carrying value	4 595	2 338	–	–
<b>Trademarks, patents and distribution rights</b>				
Opening carrying value	523	564	–	–
Acquisition of subsidiaries	26 089	–	–	–
Additions	1 396	–	–	–
Amortisation charge	(237)	(41)	–	–
Closing carrying value	27 771	523	–	–
<b>At 31 December</b>				
Cost	29 654	2 169	–	–
Accumulated amortisation	(1 883)	(1 646)	–	–
Closing carrying value	27 771	523	–	–
<b>Capitalised product development costs</b>				
Opening carrying value	18 151	13 186	–	–
Capitalised during the year	10 577	9 404	–	–
Amortisation charge	(5 251)	(3 285)	–	–
Impairment	(799)	(1 154)	–	–
Closing carrying value	22 678	18 151	–	–
<b>At 31 December</b>				
Cost	40 336	31 007	–	–
Accumulated amortisation	(17 658)	(12 856)	–	–
Closing carrying value	22 678	18 151	–	–
<b>Computer software</b>				
Opening carrying value	1 450	1 219	–	–
Additions	1 835	593	–	–
Acquisition of subsidiaries	16	–	–	–
Amortisation charge	(618)	(362)	–	–
Closing carrying value	2 683	1 450	–	–
<b>At 31 December</b>				
Cost	5 339	2 796	–	–
Accumulated amortisation	(2 656)	(1 346)	–	–
Closing carrying value	2 683	1 450	–	–
<b>Total intangible assets</b>	<b>57 727</b>	<b>22 462</b>	<b>–</b>	<b>–</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

Amortisation of R5 251 000 (2004: R3 285 000) is included in cost of sales in the income statement; R265 000 (2004: R254 000) in other operating expenses; R182 000 (2004: Rnil) in marketing and selling expenses and R408 000 (2004: R149 000) in administrative expenses.

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.

Impairment charges arise when a project is cancelled and there will be no future sales relating to the capitalised product development costs. An impairment loss of R799 000 (2004: R1 154 000) has been included in cost of sales. The carrying amount of the capitalised product development costs has been reduced to its recoverable amount.

## Impairment tests for goodwill

The goodwill of R2 338 000 relates to the Southern Africa Fleet Management distribution business repurchased from Matrix Vehicle Tracking (Pty) Limited in October 2001.

The goodwill of R2 257 000 is attributable to the acquisition of Transport Lighting and Fleet Products (Pty) Limited (TFL). Refer to note 24.3.

Goodwill has therefore been allocated to TFL and the Group's Fleet Management Services division (FMS) as they have been identified as the cash-generating units (CGUs) for purposes of impairment testing.

A summary of goodwill allocation is presented below:

	GROUP	
	31/12/05	31/12/04
	R 000	R 000
FMS	2 338	2 338
TFL	2 257	–
Total	4 595	2 338

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial strategic projections approved by management and the board of directors covering a four year period. Cash flows beyond the four year period are extrapolated using the estimated growth rates stated below.

Key assumptions used for value-in-use calculations:

	Growth rate <sup>(i)</sup>	Discount rate <sup>(ii)</sup>
FMS	5.0%	17.7%
TFL	6.0%	22.7%

(i) Weighted average growth rate used to extrapolate cash flows beyond the strategic projection period

(ii) Pre-tax discount rate applied to the cash flow projections

These assumptions have been used for analysis of each CGU. Management has determined gross margins for strategic projections based on past performance and its expectations for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>4. INTEREST IN SUBSIDIARIES</b>				
<b>Non-current</b>				
Investments in subsidiaries				
Unlisted shares at cost			125 229	11 712
Provision for diminution in value of subsidiaries			–	(6 012)
			<u>125 229</u>	<u>5 700</u>
Directors' valuation			125 229	5 700
<b>Current</b>				
Loans to/(from) subsidiaries				
Loans to subsidiaries			23 618	59 046
Loan to The Control Instruments Share Incentive Scheme			11 133	13 135
Loans to indirectly held subsidiaries			8 557	8 557
			<u>43 308</u>	<u>80 738</u>
Provision for diminution in value of loans			(7 091)	(12 288)
			<u>36 217</u>	<u>68 450</u>
Loans from subsidiaries			(11 221)	–

The loans to/(from) the Company are unsecured, interest free and are repayable on demand. The loan to The Control Instruments Share Incentive Scheme is secured by a pledge of 9 413 746 (2004: 11 119 996) Control Instruments Group Limited shares with a market value of R51 775 603 (2004: R34 471 988).

## 5. INVESTMENTS IN JOINT VENTURES

The Group has a 50% interest in Aquapay (Pty) Limited and a 49% interest in Lear Shurlok Electronics (Pty) Limited, but jointly controls the company.

The Group disposed of its interest in Authority On Line (Pty) Limited on 1 January 2005 for R300 000.

### 5.1 Authority On Line (Pty) Limited

Unlisted shares at cost	–	–
Loans to joint venture	–	212
Share of accumulated profit since acquisition	–	80
Net carrying value	<u>–</u>	<u>292</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP	
	31/12/05 R 000	31/12/04 R 000
The following amounts represent the Group's share of the assets, liabilities and profits of Authority On Line:		
Plant and equipment	–	3
Current assets	–	217
Non-current borrowings	–	(106)
Current liabilities	–	(34)
Interest in equity	–	80
Comprising:		
Share capital	–	–
Share of accumulated profit	–	80
Turnover	–	563
Profit before and after tax	–	44
Operating cash flows	–	37
Financing cash flows	–	(55)
	–	(18)

## 5.2 Lear Shurlok Electronics (Pty) Limited

Share of accumulated profit since acquisition	2 765	–
Net carrying value	2 765	–
The following amounts represent the Group's share of the assets, liabilities and profits of Lear Shurlok Electronics:		
Current assets	6 587	–
Current liabilities	(3 822)	–
Interest in equity	2 765	–
Comprising:		
Share capital*	–	–
Share of accumulated profit	2 765	–
Profit before tax	3 938	–
Tax	(1 173)	–
Profit after tax	2 765	–
Operating cash flows	5 398	–

\* Issued: 100 ordinary shares of R1 each

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>5.3 Aquapay (Pty) Limited</b>				
Unlisted shares at cost	1 582	1 582		
Net asset value	–	–		
Goodwill	1 582	1 582		
Accumulated impairment	(1 582)	(1 582)		
Net carrying value	–	–		
Goodwill				
Opening carrying value	–	500		
Impairment	–	(500)		
Closing carrying value	–	–		
At 31 December				
Cost	1 582	1 582		
Accumulated impairment	(1 582)	(1 582)		
	–	–		

The shares in Aquapay were transferred to the Company, from a subsidiary that was deregistered during the year, for no consideration.

## Total investment in joint ventures

2 765	292
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There were no contingencies or capital commitments relating to the Group's interest in joint ventures.

## 6. FINANCIAL ASSETS

### Designated as "at fair value through profit or loss"

Multenet Technologies (Pty) Limited

Unlisted preference shares at fair value	3 208	3 208	3 208	3 208
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Directors' valuation

3 208	3 208	3 208	3 208
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The preference shares are fully paid par value convertible redeemable shares that are not redeemable before May 2007.

The fair value of the preference shares is based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the investment (2005: 22.8%; 2004: 24.7%).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>7. DEFERRED TAX</b>				
The following deferred tax balances are reflected on the balance sheet				
Deferred tax assets	4 648	6 120	22	38
Deferred tax liabilities	(14 356)	(8 109)	–	–
	<b>(9 708)</b>	<b>(1 989)</b>	<b>22</b>	<b>38</b>
Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.				
Movements				
Balance at the beginning of the year	(1 989)	2 553	38	–
Temporary differences	(1 767)	(5 536)	(15)	38
Change in the rate of taxation	67	–	(1)	–
Acquisition of subsidiaries	(6 070)	–	–	–
Tax credited to equity	51	994	–	–
Balance at the end of the year	<b>(9 708)</b>	<b>(1 989)</b>	<b>22</b>	<b>38</b>
The balance comprises				
Capital allowances	(16 307)	(11 343)	–	–
Provisions	5 058	3 404	22	38
Prepayments	(114)	(145)	–	–
Assessable losses	8 937	5 973	–	–
Intangible assets (trademarks)	(7 513)	–	–	–
Other temporary differences	57	–	–	–
Hedging reserve	174	122	–	–
	<b>(9 708)</b>	<b>(1 989)</b>	<b>22</b>	<b>38</b>
The deferred tax included in equity at the end of the year is as follows:				
Fair value reserves in equity – hedging reserve	174	122	–	–
<b>8. INVENTORIES</b>				
Raw materials	19 836	13 259	–	–
Work in progress	7 314	7 003	–	–
Finished goods	65 186	19 440	–	–
Merchandise purchased for resale	105	–	–	–
	<b>92 441</b>	<b>39 702</b>	<b>–</b>	<b>–</b>
Provision for inventory write-down	(7 595)	(6 919)	–	–
	<b>84 846</b>	<b>32 783</b>	<b>–</b>	<b>–</b>
Borrowings are secured by inventory, refer to note 12.				

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>9. TRADE AND OTHER RECEIVABLES</b>				
External trade receivables	77 423	38 738	–	–
Internal trade receivables	–	–	11 594	13 522
	77 423	38 738	11 594	13 522
Provision for impairment of receivables	(11 021)	(3 158)	–	–
	66 402	35 580	11 594	13 522
Prepayments	1 305	386	–	7
Other receivables	10 492	7 908	75	4
Value Added Tax	3 598	1 715	–	–
Receivables from Lear Shurlok Electronics (Pty) Limited	7 376	–	–	–
Short-term loan to Multenet Technologies (Pty) Limited	1 529	250	–	–
	90 702	45 839	11 669	13 533

Refer to note 12 for details of cessions of receivables.

## 10. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND SHARE OPTIONS

### Share capital

#### Authorised

The total authorised number of ordinary shares is 200 million (2004: 200 million) shares with a par value of 5 cents per share (2004: 5 cents per share).

#### Issued

84 268 426 (2004: 84 268 426) at the beginning of the year

12 250 000 (2004: nil) issued during the year

96 518 426 (2004: 84 268 426) at the end of the year

84 268 426 (2004: 84 268 426) at the beginning of the year	4 213	4 213	4 213	4 213
12 250 000 (2004: nil) issued during the year	613	–	613	–
96 518 426 (2004: 84 268 426) at the end of the year	4 826	4 213	4 826	4 213

All the issued shares are ordinary shares with a par value of 5 cents per share and are fully paid.

All the unissued shares are under the control of the Company's directors until the next annual general meeting.

### Share premium

Balance at the beginning of the year

Share premium on shares issued during the year

Share issue costs

Balance at the end of the year

Balance at the beginning of the year	43 591	43 591	43 591	43 591
Share premium on shares issued during the year	54 513	–	54 513	–
Share issue costs	(218)	–	(218)	–
Balance at the end of the year	97 886	43 591	97 886	43 591

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>Treasury shares</b>				
8 148 672 (2004: 8 148 672) shares held by Control Instruments Management Services (Pty) Limited	(9 927)	(9 927)	–	–
9 413 746 (2004: 11 119 996 ) shares held by The Control Instruments Share Incentive Scheme	(10 765)	(12 731)	–	–
	(20 692)	(22 658)	–	–
<b>Total issued share capital, share premium and treasury shares</b>	82 020	25 146	102 712	47 804

## Buy-back of shares

During the year no (2004: 858 422) shares were purchased by a subsidiary of the Group and held as treasury shares. During the year The Control Instruments Share Incentive Scheme sold 1 706 250 shares (2004: 596 251 shares purchased).

## Share options

### The Control Instruments Share Incentive Scheme

The movements in the number of shares in the Share Incentive Scheme for the year were as follows:

	Number of options 000	Number of options 000
Available for allocation at the beginning of the year	11 131	10 535
Purchased during the year	–	2 499
Paid for and taken up by participants	(1 706)	(1 903)
Total available for allocation	9 425	11 131
Employee entitlement	(10 476)	(7 938)
Allocated but not yet granted at the end of the year	–	(3 518)
Paid for but not yet transferred at the end of the year	–	(11)
Shortfall at the end of the year	(1 051)	(336)

Share options are granted to directors and to employees. All option holders have exercised their options, with shares being available for delivery in tranches of 12.5% every six months from October 1999. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding are as follows:

	Average exercise price	GROUP	
		31/12/05	31/12/04
Share options at the beginning of the year	0.78	7 938 125	9 828 125
Shares granted	2.62	4 281 640	600 000
Shares paid for and taken up by participants	0.78	(1 706 250)	(1 902 500)
Shares lapsed	0.86	(37 550)	(587 500)
Share options at the end of the year	1.17	10 475 965	7 938 125

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

Share options outstanding at the end of the year have the following terms:

Exercise price cents	GROUP	
	Number of options 31/12/05	Number of options 31/12/04
	65	3 937 500
75	78 125	400 000
86	1 503 700	2 362 500
100	75 000	100 000
160	600 000	600 000
200	2 000 000	–
300	400 000	–
320	1 881 640	–
	<u>10 475 965</u>	<u>7 938 125</u>

  

Vesting dates		
2003	196 875	731 875
2004	441 250	815 625
2005	988 905	765 625
2006	5 570 410	5 034 375
2007	1 432 910	440 625
2008	1 220 410	150 000
2009	625 205	–
	<u>10 475 965</u>	<u>7 938 125</u>

The fair value of options granted during the period, using the binomial valuation model, was R10 783 121 (2004: R557 601). The option expense for the period was R3 751 000 (2004: R562 000).

The significant inputs into the model were share prices between R3.30 and R5.00 on various grant dates (2004: between R1.83 and R3.10); exercise prices shown above; standard deviations of expected share price returns of between 50.06% and 67.95% (2004: between 64.04% and 70.20%); dividend yields of 2.69% (2004: 2.69%); and option life disclosed above.

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past seven years.

During the year 4 281 640 (2004: 600 000) share options were granted to directors and employees.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>II. FAIR VALUE AND OTHER RESERVES</b>				
Reserves comprise:				
Hedging reserve	(425)	(285)	–	–
Share-based payment reserve (IFRS 2)	7 989	4 238	3 318	1 810
	<b>7 564</b>	<b>3 953</b>	<b>3 318</b>	<b>1 810</b>
<b>Foreign currency translation reserve</b>				
Balance at the beginning of the year	–	(103)	–	–
Currency translation differences utilised during the year	–	103	–	–
Balance at the end of the year	–	–	–	–
<b>General reserve</b>				
Balance at the beginning of the year	–	48	–	–
General reserve utilised during the year	–	(48)	–	–
Balance at the end of the year	–	–	–	–
<b>Hedging reserve</b>				
Balance at the beginning of the year	(285)	2 034	–	–
Fair value adjustment	(314)	(2 441)	–	–
Deferred tax on fair value adjustments	174	122	–	–
Balance at the end of the year	(425)	(285)	–	–
<b>Share-based payment reserve (IFRS 2)</b>				
Balance at the beginning of the year	4 238	3 676	1 810	1 810
Share option expense for the year	3 751	562	1 508	–
Balance at the end of the year	<b>7 989</b>	<b>4 238</b>	<b>3 318</b>	<b>1 810</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>12. BORROWINGS</b>				
<b>Current</b>				
Bank overdraft	1 484	–	–	7 883
Current portion of mortgage loans, finance leases and long-term loans	21 609	10 564	–	–
Current loans	1 002	3 747	–	–
<b>Total current borrowings</b>	<b>24 095</b>	<b>14 311</b>	<b>–</b>	<b>7 883</b>
<b>Non-current</b>				
<b>Secured</b>				
Mortgage loans	17 663	9 159	–	–
Finance leases	3 712	6 141	–	–
Long-term loans	95 633	27 659	–	–
	117 008	42 959	–	–
<b>Unsecured</b>				
Long-term loan	666	–	–	–
	117 674	42 959	–	–
Less: Short-term portion included in current borrowings	(21 609)	(10 564)	–	–
<b>Total non-current borrowings</b>	<b>96 065</b>	<b>32 395</b>	<b>–</b>	<b>–</b>
<b>Total borrowings</b>	<b>120 160</b>	<b>46 706</b>	<b>–</b>	<b>7 883</b>

Mortgage loans are secured by land and buildings with a book value of R20 466 000 (2004: R22 186 000).

Included in long-term loans is R75 000 000 borrowed by the Group to finance its acquisition of Dana (refer to note 24.3). The loan bears interest at a variable rate and is repayable in quarterly instalments over a five year period ending October 2010.

The loan is secured by land and buildings with a book value of R39 117 000; a General Notarial Bond for R60 000 000 over plant and equipment, inventory and other movable assets; and an unrestricted pledge of CI Automotive (Pty) Limited, formerly Dana South Africa (Pty) Limited, shares.

There are financial covenants in terms of the above loan, in respect of income and assets based on earnings, debt and equity, that are normal for this type of transaction.

Other long-term loans and finance lease liabilities are secured by plant, vehicles and equipment with a book value of R19 950 000 (2004: R24 376 000).

The bank overdraft is secured by an unrestricted cession of book debts and an unlimited cross suretyship.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
The exposure of the Group's borrowings to interest rate changes and contractual repricing dates at the balance sheet date are as follows				
At fixed interest rates:				
1 – 6 months	47	–	–	–
7 – 12 months	45	–	–	–
1 – 5 years	105	–	–	–
At floating interest rates	119 297	46 706	–	7 883
Interest free	666	–	–	–
	120 160	46 706	–	7 883

The weighted average effective interest rates at the balance sheet date were as follows

Bank overdraft	10.5%	–	10.5%	11.0%
Current loans – denominated in foreign currency	5.6%	3.4%	–	–
Mortgage loans	9.1%	11.0%	–	–
Finance lease liabilities	8.5%	9.0%	–	–
Long-term loans	9.4%	9.0%	–	–

Maturity of non-current borrowings  
(excluding finance lease liabilities)

Between 1 and 2 years	21 269	9 674	–	–
Between 2 and 5 years	70 399	13 689	–	–
5 years and later	2 562	5 005	–	–
	94 230	28 368	–	–

Finance lease liabilities – minimum lease payments

	Up to 1 year	1 – 5 years	Total
	R 000	R 000	R 000
Total lease payments due	2 118	2 017	4 135
Finance costs included in total lease payments	(241)	(182)	(423)
Present value of finance lease liabilities	1 877	1 835	3 712

Borrowing powers

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## 13. RETIREMENT BENEFIT OBLIGATIONS

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 in the pension scheme. 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 2005 was for ten (2004: nine) past employees.

GROUP		COMPANY	
31/12/05	31/12/04	31/12/05	31/12/04
R 000	R 000	R 000	R 000
600	1 100	–	–

## 14. PROVISIONS

Balance at the beginning of the year

Charged to the income statement

Additional provision

Unused amounts reversed

Acquisition of subsidiaries

Utilised during the year

Balance at the end of the year

	GROUP			
	Total	Warranty	Maintenance	Other
	R 000	R 000	R 000	R 000
Balance at the beginning of the year	5 135	4 061	244	830
Charged to the income statement	1 143	(547)	1 690	–
Additional provision	3 476	105	3 371	–
Unused amounts reversed	(2 333)	(652)	(1 681)	–
Acquisition of subsidiaries	155	155	–	–
Utilised during the year	(3 525)	(847)	(1 848)	(830)
Balance at the end of the year	2 908	2 822	86	–

Non-current

Current

	GROUP		COMPANY	
	31/12/05	31/12/04	31/12/05	31/12/04
	R 000	R 000	R 000	R 000
Non-current	832	1 093	–	–
Current	2 076	4 042	–	–
	2 908	5 135	–	–

### Warranty provision

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. Management estimates the related provision for future warranty claims based on historical warranty claim information, the product life span, as well as recent trends that might suggest that past cost information may differ from future claims.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>15. TRADE AND OTHER PAYABLES</b>				
Trade payables	42 741	29 962	1 653	126
Accrued expenses	22 367	21 345	1 403	2 241
Foreign exchange contract liabilities	599	407	–	–
	<b>65 707</b>	<b>51 714</b>	<b>3 056</b>	<b>2 367</b>
<b>16. REVENUE</b>				
Sale of goods	381 319	375 347	–	–
Rendering of services	13 741	7 099	10 044	12 337
Dividends received	–	–	69 509	17 500
	<b>395 060</b>	<b>382 446</b>	<b>79 553</b>	<b>29 837</b>
<b>17. OPERATING PROFIT</b>				
Operating profit is arrived at after taking into account the following				
(Profit)/loss on disposal of property, plant and equipment	(63)	13	–	–
Auditor's remuneration				
Audit fee	1 333	947	43	22
Overprovision in prior year	(7)	(14)	–	–
Other services	20	207	–	–
	<b>1 346</b>	<b>1 140</b>	<b>43</b>	<b>22</b>
Depreciation on property, plant and equipment				
Owned	8 505	4 392	–	–
Under finance leases	3 439	3 642	–	–
	<b>11 944</b>	<b>8 034</b>	<b>–</b>	<b>–</b>
Repairs and maintenance expenditure on property, plant and equipment				
	<b>3 006</b>	<b>1 929</b>	<b>–</b>	<b>–</b>
Amortisation of intangible assets				
Trademarks, patents and distribution rights	237	41	–	–
Capitalised product development costs	5 251	3 285	–	–
Computer software	618	362	–	–
	<b>6 106</b>	<b>3 688</b>	<b>–</b>	<b>–</b>
Impairment of development costs				
	<b>799</b>	<b>1 154</b>	<b>–</b>	<b>–</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
Operating lease expenses				
Land and buildings	1 086	801	–	–
Equipment	2 020	149	–	–
Vehicles	40	53	–	–
	3 146	1 003	–	–
Inventory				
Write-down of inventory	1 508	2 874	–	–
Reversal of prior year inventory write-down	(3 367)	–	–	–
Trade receivables				
Impairment charge for bad and doubtful debts	2 176	1 908	–	–
Reversal of prior year impairment charges for bad and doubtful debts	(343)	–	–	–
Net fair value losses/(gains) on foreign exchange contracts				
Fair value hedges	599	(600)	–	–
Net foreign exchange gains	(402)	(20)	–	–
Restructuring cost	–	250	–	–
Negative goodwill on acquisitions	(3 098)	–	–	–
Reversal of provision against investments and loans			(5 197)	(3 629)
Income from subsidiary companies			79 553	29 837
Management fees			10 044	12 337
Dividends received			69 509	17 500
Directors' emoluments (see note 28)			10 830	8 866

## 18. STAFF COSTS

Remuneration	79 717	68 465	6 496	6 874
Social security costs	3 546	3 595	155	199
Share options granted to directors and employees	3 751	562	1 508	–
Retirement benefit costs	8 438	8 078	739	990
Termination benefits	1 013	–	–	–
Other post retirement benefits	(390)	48	–	–
	96 075	80 748	8 898	8 063
Number of employees at the end of the year				
Full time	837	530	3	5
Part time	75	40	–	–
	912	570	3	5

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>19. NET FINANCE COSTS</b>				
<b>Interest received</b>				
Current account	6 810	–	29	–
<b>Interest paid</b>	(14 167)	(4 890)	(1 073)	(1 200)
Bank borrowings	(8 758)	(1 762)	(1 073)	(1 200)
Mortgage loans	(1 381)	(813)	–	–
Finance lease	(518)	(1 961)	–	–
Long-term loans	(2 891)	(340)	–	–
Other	(619)	(14)	–	–
	(7 357)	(4 890)	(1 044)	(1 200)

## 20. NET PROFIT/(LOSS) FROM JOINT VENTURES

The following items are included in this amount

Share of profits in Lear Shurlok Electronics	2 765	–		
Share of profits in Authority On Line	–	44		
Impairment of goodwill in Aquapay	–	(500)		
	2 765	(456)		

## 21. TAX

### Normal tax

Current tax – current year	1 887	5 960	89	58
– prior year under/(over) provision	518	(31)	–	–
Secondary tax on companies	632	474	632	474
Deferred tax – current year	1 767	5 536	15	(38)
– rate change	(67)	–	1	–
	4 737	11 939	737	494

### Tax rate reconciliation

	%	%	%	%
Standard rate	29	30	29	30
Adjusted for:				
Income from joint ventures	(3)	–	–	–
Permanent differences	4	2	(29)	(28)
Prior year underprovision	2	–	–	–
Utilisation of assessed loss not previously recognised	(7)	–	–	–
Deferred tax not recognised on calculated tax losses	–	4	–	–
Secondary tax on companies	2	2	1	2
Deferred tax previously not recognised	(9)	–	–	(2)
Effective rate	18	38	1	2

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
Estimated assessable losses available for set-off against future taxable income:				
Total assessable losses	32 588	30 587	–	–
Applied to reduce deferred tax	(30 821)	(19 911)	–	–
	1 767	10 676	–	–

The Group did not recognise deferred tax assets on this R1 767 000 (2004: R10 676 000) assessable loss as future profitability is uncertain.

## 22. EARNINGS PER SHARE

### Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year, excluding the average number of ordinary shares purchased by the subsidiary company and trust and held as treasury shares.

#### Continuing operations

Profit for the year	22 322	20 153
Weighted average number of shares in issue (000)	69 687	65 357
Basic earnings per share (cents)	32.0	30.8

#### Discontinued operations

Loss for the year	–	(490)
Weighted average number of shares in issue (000)	69 687	65 357
Basic loss per share (cents)	–	(0.7)

#### Total

Profit for the year	22 322	19 663
Weighted average number of shares in issue (000)	69 687	65 357
Basic earnings per share (cents)	32.0	30.1

### Diluted earnings per share

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, namely share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined at the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The monetary value of the subscription rights is adjusted for the value of future service costs in accordance with IFRS 2. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the share options had been paid for. The difference is added to the number of ordinary shares outstanding as an issue of ordinary shares for no consideration. No adjustment is made to earnings.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP	
	31/12/05 R 000	31/12/04 R 000
Weighted average number of shares in issue (000)	69 687	65 357
Adjustments for share options (000)	5 173	5 229
	74 860	70 586
<i>Continuing operations</i>		
Profit for the year	22 322	20 153
Diluted earnings per share (cents)	29.8	28.6
<i>Discontinued operations</i>		
Loss for the year	–	(490)
Diluted loss per share (cents)	–	(0.7)
<i>Total</i>		
Profit for the year	22 322	19 663
Diluted earnings per share (cents)	29.8	27.9
<b>Headline earnings per share</b>		
<i>Continuing operations</i>		
Profit for the year	22 322	20 153
(Profit)/loss on disposal of property, plant and equipment	(63)	13
Profit on disposal of joint venture	(220)	–
Creation of provision against loans and investments	–	92
Negative goodwill on acquisitions	(3 098)	–
Impairment of development costs	799	1 154
Headline earnings	19 740	21 412
Weighted average number of shares in issue (000)	69 687	65 357
Headline earnings per share (cents)	28.3	32.8
<i>Discontinued operations</i>		
Loss for the year	–	(490)
Creation of provision against loans	–	55
Impairment of goodwill	–	500
Headline earnings	–	65
Weighted average number of shares in issue (000)	69 687	65 357
Headline earnings per share (cents)	–	0.1

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<i>Total</i>				
Headline earnings	19 740	21 477		
Weighted average number of shares in issue (000)	69 687	65 357		
Headline earnings per share (cents)	28.3	32.9		
<b>Diluted headline earnings per share</b>				
Weighted average number of shares in issue (000)	69 687	65 357		
Adjustments for share options (000)	5 173	5 229		
	74 860	70 586		
<i>Continuing operations</i>				
Headline earnings	19 740	21 412		
Diluted headline earnings per share (cents)	26.4	30.3		
<i>Discontinued operations</i>				
Headline earnings	–	65		
Diluted headline earnings per share (cents)	–	0.1		
<i>Total</i>				
Headline earnings	19 740	21 477		
Diluted headline earnings per share (cents)	26.4	30.4		

## 23. DIVIDENDS

### Cash dividends

Final dividend of 3.0 cents in respect of 2004 financial year;  
(2003: 2.0 cents) paid on 11 April 2005

2 528      1 685      2 528      1 685

Interim dividend of 3.0 cents in respect of 2005 financial year;  
(2004: 2.5 cents) paid on 22 August 2005

2 528      2 107      2 528      2 107

5 056      3 792      5 056      3 792

Dividends attributable to treasury shares

(1 088)      (877)      –      –

3 968      2 915      5 056      3 792

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>24. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>24.1 Cash generated from/(utilised in) operations</b>				
Profit before tax	27 059	31 602	72 755	22 326
Adjusted for:				
Depreciation, amortisation of intangible assets and impairment of development costs	18 849	12 876	–	–
(Profit)/loss on disposal of property, plant and equipment	(63)	13	–	–
Profit on disposal of joint venture	(220)	–	–	–
Negative goodwill on acquisitions	(3 098)	–	–	–
Impairment of goodwill	–	500	–	–
Reversal of retirement benefit obligations	(500)	–	–	–
Creation/(reversal) of provision against investments and loans	–	147	(5 197)	(3 629)
Interest income	(845)	(184)	–	–
Finance costs	7 357	4 890	1 044	1 200
Finance costs on discontinued operations	–	2	–	–
Dividend income	–	–	(69 509)	(17 500)
Write down of inventory	1 508	2 874	–	–
Reversal of prior year inventory write-down	(3 367)	–	–	–
Reversal of prior year impairment charges for bad and doubtful debts	(343)	–	–	–
Impairment charge for bad and doubtful debts	2 176	1 908	–	–
Share option expenses	3 751	562	1 508	–
Income from joint ventures	(2 765)	(44)	–	–
Operating profit before working capital changes	49 499	55 146	601	2 397
Increase in inventory	(11 990)	(7 695)	–	–
(Increase)/decrease in trade and other receivables	(20 950)	1 768	39 294	(19 145)
(Decrease)/increase in trade and other payables and provisions	(9 356)	2 554	11 910	(282)
	7 203	51 773	51 805	(17 030)

## 24.2 Disposal of investments in joint ventures

On 1 January 2005 the Group sold its 50% share in Authority On Line (Pty) Limited.

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

Plant and equipment	3	–	–	–
Current assets	217	–	–	–
Non-current borrowings	(106)	–	–	–
Current borrowings	(34)	–	–	–
Net fair value of assets	80	–	–	–
Loan to joint venture	212	–	–	–
Profit on disposal	220	–	–	–
Net cash inflow	512	–	–	–

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

**GROUP**  
**31/12/05**  
**R 000**

## 24.3 Acquisition of subsidiaries and operations (Business combinations)

(i) Transport Lighting and Fleet Products (Pty) Limited (TFL)

On 15 January 2005, the Group acquired a 100% interest in TFL. TFL is incorporated in South Africa and manufactures automotive products.

Details of the net assets acquired and goodwill are as follows:

Total purchase consideration	4 150
Less: Fair value of net assets acquired	1 893
Goodwill	2 257

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise following the Group's acquisition of TFL.

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

	Fair value R 000	Acquiree's carrying amount R 000
Property, plant and equipment	50	50
Inventories	621	621
Trade and other receivables	77	77
Trade and other payables	(143)	(143)
Deferred tax asset	1 288	—
Net assets acquired	1 893	605

**GROUP**  
**31/12/05**  
**R 000**

Purchase consideration	4 150
Less: Purchase consideration paid after year-end	(517)
Cash outflow on acquisition	3 633

(ii) Autocom

On 15 January 2005, the Group acquired 100% of the business of Autocom, which assembles and distributes automotive products.

Details of the net assets acquired and negative goodwill are as follows:

Total purchase consideration	5 350
Less: Fair value of net assets acquired	6 780
Negative goodwill on acquisition	(1 430)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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

	Fair value R 000	Acquiree's carrying amount R 000
Property, plant and equipment	599	599
Trademarks (included in intangible assets)	3 437	–
Inventories	2 324	2 324
Trade and other receivables	2 012	2 012
Trade and other payables	(318)	(318)
Borrowings	(122)	(122)
Provisions	(155)	(155)
Deferred tax liabilities	(997)	–
Net assets acquired	6 780	4 340

**GROUP  
31/12/05  
R 000**

Purchase consideration settled in cash	5 350
Less: Purchase consideration outstanding at year-end	(669)
Cash outflow on acquisition	4 681

(iii) Dana South Africa (Pty) Limited (Dana)

On 1 October 2005 the Group acquired a 100% interest in Dana. Dana has subsequently been renamed CI Automotive (Pty) Limited. It is incorporated in South Africa and is a leading distributor of aftermarket components for the automotive and heavy-duty truck markets in South Africa.

Details of the net assets acquired and negative goodwill are as follows:

Purchase consideration:	
– Paid	1 14 683
– Direct costs relating to the acquisition	4 846
Total purchase consideration	1 19 529
Less: Fair value of net assets acquired	121 197
Negative goodwill on acquisition	(1 668)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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

	Fair value R 000	Acquiree's carrying amount R 000
Cash and cash equivalents	44 484	44 484
Property, plant and equipment	18 687	12 087
Intangible assets	22 668	16
Inventories	37 127	37 127
Trade and other receivables	22 074	22 074
Trade and other payables	(16 716)	(16 716)
Deferred tax (liabilities)/assets	(6 361)	2 122
Tax	(766)	(766)
Net assets acquired	121 197	100 428
Purchase consideration	119 529	
Purchase consideration settled in long-term borrowings	(75 000)	
Cash and cash equivalents in subsidiary acquired	(44 484)	
Cash outflow on acquisition	45	

There were no acquisitions in the year ended 31 December 2004.

See note 32 for disclosures regarding the business combinations that took place after the balance sheet date but before the approval of these financial statements.

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>24.4 Cash and cash equivalents</b>				
Cash and bank balances	244	4 751	42 020	–
Bank overdrafts	(1 484)	–	–	(7 883)
	(1 240)	4 751	42 020	(7 883)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05	31/12/04	31/12/05	31/12/04
	R 000	R 000	R 000	R 000
<b>25. COMMITMENTS</b>				
<b>Capital expenditure commitments</b>				
Authorised by directors and contracted for:				
Property, plant and equipment	1 111	1 707	–	–
The capital expenditure is to be financed as follows:				
Existing credit facilities	1 111	1 707	–	–
<b>Operating lease commitments</b>				
The future lease payments under non-cancellable operating leases are as follows:				
Up to one year	2 188	614	–	–
Over one year but not more than five years	3 424	338	–	–
	5 612	952	–	–
The Group leases various office equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.				
The effect of the straight-line method is that a cash payment of R618 114 was made in 2005, and an expense of R1 030 190 was included in administration expenses. The difference has been included in trade and other payables.				
<b>26. CONTINGENT LIABILITIES</b>				
Guarantees issued by the Group	1 119	1 119	–	–
Suretyship on behalf of the Company	–	8 100	–	8 100
	1 119	9 219	–	8 100
<b>27. FINANCIAL INSTRUMENTS</b>				
The Group's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, financial assets, trade and other payables, borrowings and derivative instruments.				
<b>Risk management</b>				
The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk, liquidity risk and fair value fluctuations.				
<b>Foreign currency risk</b>				
The Group enters into foreign 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.				

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

The Group does not use derivative financial instruments for speculative purposes.

At 31 December 2005 and 31 December 2004 the settlement dates of open foreign exchange contracts ranged between one and six months.

All forward exchange contracts have been marked to market at year-end.

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

	Closing rate of exchange	Foreign amount 000	Rand amount R 000	Fair value R 000	Profit/ (loss) R 000
Year ended 31 December 2005					
Foreign Exchange Purchases					
US Dollar	6.35	1 483	9 834	9 420	(414)
Euro	7.57	520	4 122	3 938	(184)
Japanese Yen	0.06	539	31	30	(1)
			13 987	13 388	(599)
Year ended 31 December 2004					
Foreign Exchange Purchases					
US Dollar	5.71	674	4 044	3 849	(195)
Euro	7.82	895	7 191	7 000	(191)
Japanese Yen	0.06	8 000	463	442	(21)
			11 698	11 291	(407)

Receivables at 31 December 2005 include aggregate net unhedged receivables of R11 234 000 (2004: R9 088 000) in respect of sales proceeds due in foreign currency.

## Credit risk

Financial assets which potentially subject the Group to concentrations of credit risk consist of cash and receivables. The Group's cash is placed with recognised financial institutions. Trade receivables are disclosed net of provision for impairment. Credit risk with respect to receivables is limited due to the large number of customers comprising the Group's customer base. Accordingly the Group has no significant concentration of credit risk.

## Interest rate risk

The Group's interest rate risk at balance sheet date relating to financial liabilities is set out in note 12.

The only financial assets exposed to interest rate risk are cash and cash equivalents to the value of R244 000 (2004: R4 751 000).

## Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	2005		2004	
	Carrying value	Fair value	Carrying value	Fair value
	R 000	R 000	R 000	R 000
<b>Net fair values</b>				
The estimated values of the Group's financial instruments are:				
Financial instruments held or issued to finance the Group's operations				
<b>Assets</b>				
Cash and bank balances	244	244	4 751	4 751
Trade and other receivables	89 397	89 397	45 453	45 453
Financial assets	3 208	3 208	3 208	3 208
<b>Liabilities</b>				
Trade and other payables	65 108	65 108	51 307	51 307
Current portion of non-current borrowings	21 609	21 609	10 564	10 564
Current loans	1 002	1 002	3 747	3 747
Bank overdrafts	1 484	1 484	–	–
Non-current borrowings	96 065	96 065	32 395	32 395
<b>Financial instruments held or issued to hedge the currency exposure on expected future transactions</b>				
Foreign exchange contracts	(599)	(599)	(407)	(407)

## 28. DIRECTORS

### 28.1 Directors' remuneration

	COMPANY	
	31/12/05 R 000	31/12/04 R 000
<b>Executive directors</b>		
Remuneration for services paid for by:		
Company	8 020	8 441
Subsidiary*	2 460	–
	<u>10 480</u>	<u>8 441</u>
<b>Non-executive directors</b>		
Fees for services as directors paid for by:		
Company	350	425
	<u>10 830</u>	<u>8 866</u>

\* Control Instruments (Pty) Limited and CI Shurlok (Pty) Limited

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	Directors' fees	Basic salary	Share-based payment expense*	Expense allowance	Bonuses and performance-related payments	Pension scheme contributions	Total
	R	R	R	R	R	R	R
Year ended							
31 December 2005							
Executive directors							
R Friedman	–	870 390	377 108	432 907	800 000	224 507	2 704 912
RJ Fraenkel	–	770 504	377 108	401 754	800 000	206 678	2 556 044
TE Buzer	–	893 940	377 108	180 117	800 000	199 483	2 450 648
RB Forrester	–	1 455 603	377 108	79 460	538 672	317 948	2 768 791
Non-executive directors							
JPS O'Leary	133 333	–	–	–	–	–	133 333
EPH Bieber	100 000	–	–	–	–	–	100 000
HV Hefer	116 667	–	–	–	–	–	116 667
<b>Total</b>	<b>350 000</b>	<b>3 990 437</b>	<b>1 508 432</b>	<b>1 094 238</b>	<b>2 938 672</b>	<b>948 616</b>	<b>10 830 395</b>
Year ended							
31 December 2004							
Executive directors							
R Friedman	–	811 800	–	423 695	950 000	260 810	2 446 305
RJ Fraenkel	–	599 304	–	452 602	800 000	219 106	2 071 012
TE Buzer	–	684 300	–	183 470	800 000	199 934	1 867 704
RB Forrester	–	862 304	–	160 372	811 197	221 964	2 055 837
Non-executive directors							
HV Hefer	150 000	–	–	–	–	–	150 000
EPH Bieber	100 000	–	–	–	–	–	100 000
SV Bromfield	75 000	–	–	–	–	–	75 000
JPS O'Leary	100 000	–	–	–	–	–	100 000
<b>Total</b>	<b>425 000</b>	<b>2 957 708</b>	<b>–</b>	<b>1 220 139</b>	<b>3 361 197</b>	<b>901 814</b>	<b>8 865 858</b>

\* All share-based payment expenses relating to share options granted to directors in prior years had been recognised in full by December 2003 and recorded in equity. No share options were granted to the directors during 2004. Additional options were granted to directors during 2005.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## 28.2 Directors' interest in securities

The direct and indirect interests of the directors and their immediate families in the issued share capital of the Company at 31 December 2005 were 18 129 632 (2004: 17 909 743) shares.

R. Friedman and RJ Fraenkel are the only directors who hold, directly or indirectly, in excess of 1% of the shares of the Company.

	DIRECT		INDIRECT		TOTAL Shares	%
	Beneficial shares	Non- beneficial shares	Beneficial shares	Non- beneficial shares		
<b>31 December 2005</b>						
R. Friedman	6 459 242	–	1 028 100	8 107 647	15 594 989	16.16
RJ Fraenkel	908 600	–	72 538	–	981 138	1.02
TE Buzer	613 285	–	–	–	613 285	0.64
RB Forrester	–	–	532 220	–	532 220	0.55
HV Hefer	276 000	–	–	–	276 000	0.29
JPS O'Leary	100 000	–	–	–	100 000	0.10
EPH Bieber	32 000	–	–	–	32 000	0.03
					<u>18 129 632</u>	<u>18.79</u>
<b>31 December 2004</b>						
R. Friedman	6 419 242	–	1 008 211	8 147 647	15 575 100	18.48
RJ Fraenkel	908 600	–	72 538	–	981 138	1.16
RB Forrester	–	–	532 220	–	532 220	0.63
TE Buzer	413 285	–	–	–	413 285	0.49
HV Hefer	276 000	–	–	–	276 000	0.33
JPS O'Leary	100 000	–	–	–	100 000	0.12
EPH Bieber	32 000	–	–	–	32 000	0.04
					<u>17 909 743</u>	<u>21.25</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## 28.3 Directors' share options

During the year 1 600 000 (2004: nil) share options were granted to the directors of the Company as detailed below.

Number of options:

	At 31/12/04	Taken up during the year	Granted during the year	At 31/12/05	Option price	Date received	Expiry date
R Friedman	612 500			612 500	0.65	09/10/1999	31/12/2006
	300 000			300 000	0.65	07/07/2000	31/12/2006
	–		400 000	400 000	2.00	02/09/2005	02/09/2009
RJ Fraenkel	612 500			612 500	0.65	10/10/1999	31/12/2006
	300 000			300 000	0.65	07/07/2000	31/12/2006
	–		400 000	400 000	2.00	02/09/2005	02/09/2009
TE Buzer	512 500	(200 000)		312 500	0.65	10/10/1999	31/12/2006
	300 000			300 000	0.65	07/07/2000	31/12/2006
	–		400 000	400 000	2.00	02/09/2005	02/09/2009
RB Forrester	612 500			612 500	0.65	10/10/1999	31/12/2006
	300 000			300 000	0.65	07/07/2000	31/12/2006
	–		400 000	400 000	2.00	02/09/2005	02/09/2009

## 29. RELATED PARTY DISCLOSURE

### GROUP

	31/12/05	31/12/04
	R 000	R 000

### 29.1 Transactions with director

Rental of office premises	106	106
Other services	250	60
	<u>356</u>	<u>166</u>

The Audit Committee is satisfied that these transactions are at or below market related prices.

### 29.2 Key management personnel remuneration (excluding the Company directors)

Remuneration	3 063	2 192
Post-employment benefits	308	78
Share-based payment	605	183
	<u>3 976</u>	<u>2 453</u>

Members of the executive committee are considered to be key management personnel.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05 R 000	31/12/04 R 000	31/12/05 R 000	31/12/04 R 000
<b>29.3 Receivables</b>				
Joint ventures				
Receivables from Lear Shurlok Electronics (Pty) Limited	7 368	–		
Loan to Authority On Line (Pty) Limited	–	212		

The loan to Authority On Line (Pty) Limited was repaid during the current year.

## 29.4 Loans to subsidiaries

At the beginning of the year			80 739	56 070
Net movement for the year			(48 652)	24 669
Provision against loans			(7 091)	(12 289)
At the end of the year			24 996	68 450

The loans are unsecured, interest free and repayable on demand.

## 29.5 Year-end balances arising from sales/purchase of goods/services

Receivables from related parties			11 594	13 522
Payables to related parties			1 559	–
Management fees earned from subsidiaries			10 044	12 337
Dividends received from subsidiaries			69 509	17 500

The transactions are concluded on an arm's length basis.

## 30. PENSION AND OTHER POST-RETIREMENT OBLIGATIONS

### Pension scheme

The Group administers a defined contribution pension scheme governed by the Pension Funds Act 24 of 1956 and covering substantially all eligible employees. Other employees are members of funds within the various industries in which they are employed. The assets of the pension scheme are held in administered trust funds separate from the Group's assets. The pension scheme is valued actuarially.

The last actuarial valuation was at 31 December 2004 and the next valuation will be based on audited results as at 31 December 2007.

The cost of retirement benefits charged to the income statement during the financial year under review amounts to R8 438 000 (2004: R8 078 000).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	31/12/05	31/12/04	31/12/05	31/12/04
	R 000	R 000	R 000	R 000
<b>31. DISCONTINUED OPERATIONS</b>				
The results relating to discontinued operations are as follows:				
Net loss*	–	(490)	–	–
Operating cash flows	–	2	–	–
Investing cash flows	–	59	–	–
Financing cash flows	–	(59)	–	–
Total cash flows	–	2	–	–

\* Net loss for the year ended 31 December 2004 includes the R456 000 loss from joint ventures, loss from discontinued operations of R57 000 and a R23 000 tax credit.

## 32. POST BALANCE SHEET EVENTS

### Sagercy

On 23 February 2006, Shurlok Engineering (Pty) Limited, a wholly owned subsidiary of the Company reached agreement to acquire the automotive Original Equipment Manufacture (OEM) plastics businesses of respectively the Port Elizabeth division of Sagercy (Pty) Limited, Specialised Plastics Engineering (Pty) Limited and Ariston Specialized Plastics (Pty) Limited (Sagercy) for a total purchase consideration of R100 million.

The purchase consideration of R100 million was settled by a vendor placement with selected institutions of 16.67 million Control Instruments ordinary shares, with a par value of five cents each, at a price of R6.00 per share.

The acquisition was categorised as a category two transaction in terms of section 9.5(b) of the JSE Limited Listings Requirements and a circular containing the details of the acquisition and prepared based on 2005 audited annual results for Control Instruments and Sagercy will be posted to shareholders by Friday, 31 March 2006.

### Tripmaster

It was announced on 13 March 2006 that Control Instruments has acquired a majority shareholding in Tripmaster Corporation (Tripmaster), a Dallas, Fort Worth based business that specialises in fleet management in North America.

51% of the shares in Tripmaster was acquired for US\$3.5 million and the purchase agreement includes an option to acquire the remaining shares over the next three years. The amount payable for the balance of 49% will be between US\$1.5 million and US\$10 million, depending on the performance of the business.

The acquisition of 51% of the shares in Tripmaster was subject to approval from the South African Reserve Bank and this was received on 9 March 2006 making the transaction unconditional.

The acquisition was categorised as a category three transaction in terms of section 9.5(b) of the JSE Limited Listings Requirements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## 33. RECONCILIATIONS BETWEEN IFRS AND SA GAAP

The following reconciliations quantify the effect of the transitions to IFRS. These were the only adjustments to the figures as previously presented in terms of SA GAAP.

### BALANCE SHEET

	GROUP		COMPANY	
	Restated 31/12/04 R 000	Transition date 01/01/04 R 000	Restated 31/12/04 R 000	Transition date 01/01/04 R 000
<b>Retained earnings</b>				
<i>As reported under SA GAAP</i>	60 046	45 715	34 421	16 381
Reclassification of financial assets from "available-for-sale" to "at fair value through profit or loss"	(1 604)	(1 604)	(1 604)	(1 604)
Restatement of accumulated depreciation to reflect useful lives of property, plant and equipment and fair value as deemed cost	2 497	1 413	–	–
Reversal of goodwill amortisation	850	–	–	–
Restatement of accumulated amortisation of intangible assets to reflect useful lives	173	–	–	–
Recognition of share options issued after 7 November 2002 and not vested at 1 January 2005	(4 238)	(3 676)	(1 810)	(1 810)
<i>As reported under IFRS</i>	57 724	41 848	31 007	12 967
<b>Fair value and other reserves</b>				
<i>As reported under SA GAAP</i>	(1 889)	375	(1 604)	(1 604)
Reclassification of financial assets from "available-for-sale" to "at fair value through profit or loss"	1 604	1 604	1 604	1 604
Recognition of share options issued after 7 November 2002 and not vested at 1 January 2005	4 238	3 676	1 810	1 810
<i>As reported under IFRS</i>	3 953	5 655	1 810	1 810
<b>Property, plant and equipment</b>				
<i>As reported under SA GAAP</i>	86 180	60 283	–	–
Restatement of property, plant and equipment to fair value as deemed cost	2 018	2 018	–	–
Restatement of accumulated depreciation to reflect useful lives of property, plant and equipment	1 549	–	–	–
Reallocation of computer software from property, plant and equipment to intangible assets	(1 450)	(1 219)	–	–
<i>As reported under IFRS</i>	88 297	61 082	–	–

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

Management has applied the fair value as deemed cost exemption in respect of the following items of property, plant and equipment at 1 January 2004.

The effect of this is as follows:

	Fair value	GROUP Carrying value	Restatement
Buildings	21 867 040	14 477 894	7 389 146
Plant, machinery and equipment	20 203 525	25 574 205	(5 370 680)
	42 070 565	40 052 099	2 018 466

	GROUP		COMPANY	
	Restated 31/12/04 R 000	Transition date 01/01/04 R 000	Restated 31/12/04 R 000	Transition date 01/01/04 R 000
<b>Intangible assets</b>				
<i>As reported under SA GAAP</i>	19 989	16 088	–	–
Reversal of goodwill amortisation	850	–	–	–
Restatement of accumulated amortisation of intangible assets to reflect useful lives	173	–	–	–
Reallocation of computer software from property, plant and equipment to intangible assets	1 450	1 219	–	–
<i>As reported under IFRS</i>	22 462	17 307	–	–
<b>Deferred tax liability</b>				
<i>As reported under SA GAAP</i>	7 039	4 280	–	–
Restatement of property, plant and equipment to fair value as deemed cost and to reflect useful lives for accumulated depreciation	1 070	605	–	–
<i>As reported under IFRS</i>	8 109	4 885	–	–

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

## INCOME STATEMENT

	<b>GROUP</b>
	<b>Restated</b>
	<b>31/12/04</b>
	<b>R 000</b>
<i>Profit as reported under SA GAAP</i>	18 118
Restatement of accumulated depreciation to reflect useful lives of property, plant and equipment (other income: profit on sale of property, plant and equipment)	(1 777)
Restatement of accumulated depreciation to reflect useful lives of property, plant and equipment (depreciation)	3 326
Share-based payments	(562)
Restatement of accumulated amortisation to reflect useful lives of intangible assets	173
Reversal of goodwill amortisation	850
Deferred tax impact of the restatement of accumulated depreciation	(465)
	<hr/>
<i>Profit as reported under IFRS</i>	19 663

### Company

There were no adjustments to the Company's profit as previously presented in terms of SA GAAP.

## CASH FLOW STATEMENT

### Purchase of property, plant and equipment

<i>As reported under SA GAAP</i>	(41 705)
Reallocation of computer software from property, plant and equipment to intangible assets	593
	<hr/>
<i>As reported under IFRS</i>	(41 112)

### Increase in intangible assets

<i>As reported under SA GAAP</i>	(9 404)
Reallocation of computer software from property, plant and equipment to intangible assets	(593)
	<hr/>
<i>As reported under IFRS</i>	(9 997)

### Depreciation and amortisation of intangible assets and impairment of development costs

<i>As reported under SA GAAP</i>	16 375
Restatement of accumulated amortisation of intangible assets	(173)
Restatement of accumulated depreciation to reflect useful lives of property, plant and equipment	(3 326)
	<hr/>
<i>As reported under IFRS</i>	12 876

### Profit on disposal of property, plant and equipment

<i>As reported under SA GAAP</i>	(1 764)
Restatement of accumulated depreciation to reflect useful lives of property, plant and equipment	1 777
	<hr/>
<i>As reported under IFRS</i>	13

### Company

There were no adjustments to the Company's figures as previously presented in terms of SA GAAP.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

As previously stated 31/12/04 R 000	Reclassified 31/12/04 R 000	Adjustment R 000
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## RECLASSIFICATION OF COMPARATIVES

Goodwill is no longer amortised. It is tested annually for impairment, therefore "Amortisation of goodwill" is no longer disclosed on the face of the income statement.

"Depreciation, amortisation of other intangible assets and impairment of development costs", previously disclosed on the face of the income statement, is now included as follows:

– Depreciation, amortisation of other intangible assets and impairment of development costs	(16 375)	–	(16 375)
– Administrative expenses	–	(1 729)	1 729
– Other operating expenses	–	(739)	739
– Cost of sales	–	(10 408)	10 408
	(16 375)	(12 876)	(3 499)*

\*This amount was restated to reflect the useful lives of property, plant and equipment and intangible assets.

Interest income and finance costs previously included in "Net Finance (costs)/income" have been disclosed separately on the face of the income statement.

The effect is as follows:

– Net finance costs	(4 708)	–	(4 708)
– Interest income	–	184	(184)
– Finance costs	–	(4 890)	4 890
– Loss from discontinued operations	–	(2)	2
	(4 708)	(4 708)	–

"Creation of provision against investments and loans" was disclosed separately on the face of the income statement.

The effect is as follows:

– Creation of provision against investment and loans	(147)	–	(147)
– Other gains and losses	–	(92)	92
– Loss from discontinued operations	–	(55)	55
	(147)	(147)	–

Rendering of services was misallocated in the previous year.

The effect is as follows:

– Sales of goods	355 717	375 347	(19 630)
– Rendering of services	26 729	7 099	19 630
	382 446	382 446	–

Loans to/(from) subsidiaries and loans to related parties were reclassified as current for the 2004 financial year.

## PRINCIPAL SUBSIDIARY COMPANIES

AT 31 DECEMBER 2005

	Number of shares held and % holding		Cost of shares		Indebtedness	
	31/12/05	31/12/04	R 000	R 000	R 000	R 000
			31/12/05	31/12/04	31/12/05	31/12/04
<b>Directly held</b>						
Control Instruments (Pty) Limited <i>Design, development, manufacturing, sales and distribution</i>	740 000 100%	740 000 100%	2 600	2 600	(7 781)	3 247*
Control Instruments Shurlok (Pty) Limited <i>Design, development, sales and distribution</i>	480 000 100%	480 000 100%	2 684	2 684	(3 440)	5 213
Control Instruments Management Services (Pty) Limited <i>Management and financial services</i>	4 000 100%	4 000 100%	16	16	18 288	44 772
Control Instruments Holdings Limited** <i>Holding company</i>		6 800 000 100%		3 012		–
Control Instruments Development (Pty) Limited <i>Design, development, sales and distribution</i>	100 000 000 100%	100 000 000 100%	–	–	5 330	5 324
Control Instruments Software Development (Pty) Limited ** <i>Design and development</i>		100 100%		3 000		–
Shurlok Engineering Holdings (Pty) Limited** <i>Holding company</i>		1 100%	–	–	–	6
Control Instruments OmniBridge (Pty) Limited <i>Design, development, sales and bureau management</i>	100 100%	100 100%	400	400	–	484*
Control Instruments Automotive (Pty) Limited, formerly Dana South Africa (Pty) Limited <i>Design, manufacture, sales and distribution</i>	17 000 100%		1 19 529		–	
			125 229	11 712	12 397	59 046

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.

\*\* Deregistered during 2005.

## PRINCIPAL SUBSIDIARY COMPANIES

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AT 31 DECEMBER 2005

	% holding	
	31/12/05	31/12/04
<b>Indirectly held</b>		
<i>December year-end</i>		
Dupec Electronics (Pty) Limited	100	100
Shurlok Engineering (Pty) Limited	100	100
Control Instruments Aviation (Pty) Limited	100	
Miclaric Investments (Pty) Limited	100	
Insom Investments (Pty) Limited	100	
Electron Seventeen (Pty) Limited	100	
<i>February year-end</i>		
Transport Lighting and Fleet Products (Pty) Limited	100	

These companies are:

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

# JOINT VENTURES

AT 31 DECEMBER 2005

	Nature of business	Shares		Cost of shares	
		% held 31/12/05	% held 31/12/04	R 000 31/12/05	R 000 31/12/04
<b>Indirectly held</b>					
Authority On Line (Pty) Limited t/a Ontrack		–	50	–	–
Aquapay (Pty) Limited*		50	50		1 582
Lear Shurlok Electronics (Pty) Limited**	Manufacture and supply automotive products	49	–	–	–
				–	1 582

Authority On Line was sold with effect from 1 January 2005.

\* During 2005 Aquapay was transferred to the Company from a subsidiary for no consideration. It was therefore directly held at 31 December 2005. Refer to note 5.3.

\*\* Jointly controlled

Aquapay and Lear Shurlok Electronics have a November and December year-end respectively and are:

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

# FREEHOLD LAND AND BUILDINGS

AT 31 DECEMBER 2005

## Pietermaritzburg

- 15 Wiganthorpe Road
- 20 Wiganthorpe Road
- 26 Wiganthorpe Road
- 28-30 Wiganthorpe Road

## Sandton

- 9 Electron Street, Linbro Business Park

## Stellenbosch

- 2 Blaauwklip Office Park

## Johannesburg

- Corner of Southern Klipriviersberg and Steele Streets, Steeledale
- Corner of Houer and Bonsmara Roads, City Deep
- Corner of Energy and Proton Roads, Electron

		31/12/05	31/12/04
	Date of acquisition	R 000	R 000
<b>Land</b>	July 1987	44	44
	November 2002	300	300
	January 2004	526	526
	October 2005	178	–
<b>Buildings</b>	July 1987	542	542
	November 2002	857	857
	November 2003	6 000	6 000
	January 2004	11 065	11 065
	August 2005	13 791	–
	October 2005	12 569	–
<b>Additions</b>	1988/1994	2 737	2 737
	1999	602	602
	2000	5 223	5 223
	2001	3 219	3 219
	2002	900	900
	2003	1 847	1 847
	2004	653	653
	2005	2 486	–
Adoption of IFRS I – Revaluation of the land and buildings			
1 January 2004		7 389	7 389
		70 928	41 904

Directors' valuation at 31 December 2005: R71 000 000 (2004: R43 889 446).

Refer to note 2.

# SHAREHOLDING ANALYSIS

AT 31 DECEMBER 2005

	Number of shareholders	%	Number of shares	%
<b>SHAREHOLDER SPREAD</b>				
1 – 1 000 shares	486	32.49	200 408	0.21
1 001 – 10 000 shares	663	44.32	2 789 566	2.89
10 001 – 100 000 shares	278	18.58	8 622 437	8.93
100 001 – 1 000 000 shares	50	3.34	18 445 478	19.11
1 000 001 shares and over	19	1.27	66 460 537	68.86
	1 496	100.00	96 518 426	100.00
<b>DISTRIBUTION OF SHAREHOLDERS</b>				
Banks	9	0.60	17 771 195	18.40
Close corporations	32	2.14	1 187 564	1.23
Endowment funds	2	0.13	5 664	0.01
Individuals	1 227	82.02	27 638 888	28.64
Insurance company	1	0.07	952 660	0.99
Mutual funds	13	0.87	16 438 024	17.03
Nominees and trusts	113	7.55	4 082 198	4.23
Other corporations	30	2.01	711 380	0.74
Pension funds	10	0.67	5 377 554	5.57
Private companies	55	3.68	6 810 431	7.06
Public companies	3	0.20	6 129 122	6.35
Share trusts	1	0.06	9 413 746	9.75
	1 496	100.00	96 518 426	100.00
<b>PUBLIC/NON-PUBLIC SHAREHOLDERS</b>				
Public shareholders	1 480	98.94	50 487 276	52.31
Non-public shareholders	16	1.06	46 031 150	47.69
Directors and directors' associates	13	0.87	18 129 632	18.79
Strategic holdings (more than 10%)	1	0.07	10 339 100	10.71
Control Instruments Management Services (Pty) Limited*	1	0.06	8 148 672	8.44
The Control Instruments Share Incentive Scheme*	1	0.06	9 413 746	9.75
	1 496	100.00	96 518 426	100.00

\* Treasury shares

Shareholders, other than directors, registered as holding beneficially directly or indirectly 5% or more of the Group's shares at 31 December 2005 are as follows:

Sanlam Investment Management	10 504 242	10.88
SIS Segaintersettle AG – Deanery Investments Limited	10 339 100	10.71
The Control Instruments Share Incentive Scheme	9 413 746	9.75
Control Instruments Management Services (Pty) Limited	8 148 672	8.44
Pictet et cie Banquiers, Geneva	7 409 200	7.68

## RESIDENT/NON-RESIDENT SHAREHOLDERS

Resident	1 470	98.26	78 364 588	81.19
Non-resident	26	1.74	18 153 838	18.81
	1 496	100.00	96 518 426	100.00

## DIRECTORATE AND MANAGEMENT

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### NON-EXECUTIVE DIRECTORS

Sam O'Leary (Irish)	Chairman with effect from April 2005. Appointed to the board in 2002.
Peter Bieber	Appointed to the board in 1997.
Herc Hefer	Appointed to the board in 1987. (Resigned as chairman with effect from April 2005).

The non-executive directors are members of the Audit and Remuneration Committees and they are all independent directors.

### EXECUTIVE DIRECTORS

Richard Friedman	CEO and Group Managing Director. Joined the company in 1985 and appointed to the board in 1987.
Terry Buzer	Managing Director of CI Automotive. Joined the company in 1981. Appointed to the board in 1987.
Rod Forrester	Managing Director of CI Europe. 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.

### DIVISIONAL DIRECTORS

Hugh McCluskey	Managing Director of CI Shurlok.
Charles Tasker	Managing Director of CI OmniBridge.

# NOTICE OF ANNUAL GENERAL MEETING

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## CONTROL INSTRUMENTS GROUP LIMITED

(Incorporated in the Republic of South Africa)

Company registration number: 1964/003987/06

Share code: CNL

ISIN: ZAE000001665

("the Company")

Notice is hereby given that the annual general meeting of shareholders of the Company will be held in the boardroom, 2 Blaauwklip Office Park, corner of Strand and Webersvallei Roads, Stellenbosch on Tuesday, 2 May 2006 at 10h00 to conduct the following business:

1. To receive and adopt the audited annual financial statements of the Company and the Group for the year ended 31 December 2005.
2. To reappoint the auditors of the Company for the ensuing year and to authorise the directors to fix the auditor's remuneration for the past year.
3. To approve the remuneration of the non-executive directors.

4. To consider and, if deemed fit, to pass with or without modification the following ordinary resolution:

"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 11 of this annual report.

5. To consider and, if deemed fit, to pass with or without modification the following ordinary resolution:

"Resolved as an ordinary resolution that JPS O'Leary 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 11 of this annual report.

6. To consider and, if deemed fit, to pass with or without modification the following ordinary resolution:

"Resolved that subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended ("Companies Act"), the directors shall have the power, until the Company's next annual general meeting, to allot and issue, at their discretion, shares in the unissued share capital of the Company."

7. To consider and, if deemed fit, to pass with or without modification the following ordinary resolution:

"Resolved that in terms of the Listings Requirements of the JSE Limited ("JSE"), the mandate given to the directors of the Company in terms of a general authority to issue securities for cash, as and when suitable opportunities arise, be renewed subject to the JSE Listings Requirements, including the following conditions:

- that this general authority be valid until the Company's next annual general meeting provided that it shall not extend beyond fifteen months from the date of the passing of this ordinary resolution (whichever period is shorter);
- that the securities be of a class already in issue;
- that securities be issued to public shareholders and not to related parties;
- that a paid press announcement giving full details, including the impact on net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the issue/s;
- that issues in the aggregate in any one financial year shall not exceed 15% of the Company's issued share capital of that class; and
- that, in determining the price at which an issue of securities will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors."

# NOTICE OF ANNUAL GENERAL MEETING

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## VOTING

In terms of the Listings Requirements of the JSE, the approval of a 75% majority of the votes of all shareholders, present or represented by proxy, is required to approve this ordinary resolution.

8. To consider and, if deemed fit, to pass with or without modification the following special resolution:

“Resolved, as a special resolution, that the Company (or one of its wholly owned subsidiaries) has a general approval to acquire securities issued by the Company upon such terms and conditions as the directors may from time to time decide, but subject to the provisions of the Companies Act and the Listings Requirements of the JSE including the following terms and conditions:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- at any point in time, the Company may only appoint one agent to effect any repurchase;
- this general authority be valid until the Company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing of this special resolution (whichever period is shorter);
- an announcement be published as soon as the Company has cumulatively repurchased 3% of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- repurchases by the Company in aggregate in any one financial year may not exceed 20% of the Company's issued share capital as at the date of passing of this special resolution or 10% of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;
- repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transaction was effected;
- repurchases may not be undertaken by the Company or one of its wholly owned subsidiaries during a prohibited period and may also not be undertaken if such repurchases result in the Company failing to meet the shareholder spread as required by the JSE; and
- the directors are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of twelve months after the date of this annual general meeting:
  - the Company and the Group will be able, in the ordinary course of business, to pay their debts;
  - the consolidated assets of the Company and the Group fairly valued will be in excess of the liabilities of the Company and the Group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements;
  - the working capital of the Company and the Group will be adequate for ordinary business purposes; and
  - the share capital and reserves are adequate for the ordinary business purposes of the Company and the Group.”

The reason for the special resolution is to approve, as a general approval, the acquisition by the Company (or one of its wholly owned subsidiaries) of securities issued by the Company. The effect of the special resolution will be to approve, as a general approval, the acquisition by the Company (or one of its wholly owned subsidiaries) of securities issued by the Company.

9. To consider and, if deemed fit, to pass with or without modification the following special resolution:

“Resolved as a special resolution that the Company's Articles of Association are amended by deleting Article 63 in its entirety and replacing it with the following:

63. Every such notice shall be deemed to have been received:

63.1 if it is delivered, on the date on which it is so delivered, which in the case of delivery by means of electronic communication shall be the date on which the electronic communication is transmitted;

## NOTICE OF ANNUAL GENERAL MEETING

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63.2 if it is sent by post, at the time when the letter containing the notice was posted, and in proving the giving of the notice by post, it shall be sufficient to prove that the letter containing the notice was properly addressed and posted.”

The reason for the special resolution is to amend the Company's Articles of Association relating to the receipt of notices to provide for certain deeming provisions concerning the receipt of notices. The effect of the special resolution will be that the Company's Articles of Association will be amended accordingly.

10. To consider and, if deemed fit, to pass with or without modification the following special resolution:

“Resolved as a special resolution that the Company's Articles of Association are amended by inserting a new Article 65D in the Articles of Association of the Company, as follows:

65D The board shall be entitled to give notices by means of electronic communication to a member or director who has supplied the Company with an electronic address for this purpose.”

The reason for the special resolution is to amend the Company's Articles of Association relating to the giving of notices by means of electronic communications. The effect of the special resolution will be that the Company's Articles of Association will be amended accordingly.

11. To consider and, if deemed fit, to pass with or without modification the following special resolution:

“Resolved as a special resolution that the Company's Articles of Association are amended by inserting a new Article 65E in the Articles of Association of the Company, as follows:

65E The board shall be entitled to make available copies of the financial statements of the Company and any other communication required by a regulatory authority in electronic format to those persons who have agreed thereto in writing.”

The reason for the special resolution is to amend the Company's Articles of Association to provide for the furnishing of financial statements in electronic format. The effect of the special resolution will be that the Company's Articles of Association will be amended accordingly.

12. To consider and, if deemed fit, to pass with or without modification the following special resolution:

“Resolved as a special resolution that the Company's Articles of Association are amended by inserting a new Article 65F in the Articles of Association of the Company, as follows:

65F A notice for purposes of these Articles shall include any notice of whatsoever nature, including, without limitation, a notice of a general meeting, a circular and a report, whether given in writing, by electronic communication, or by any other means.”

The reason for the special resolution is to amend the Company's Articles of Association in relation to the meaning of “a notice”. The effect of the special resolution will be that the Company's Articles of Association will be amended accordingly.

13. To consider and, if deemed fit, to pass with or without modification the following special resolution:

“Resolved as a special resolution that the Company's Articles of Association are amended by deleting Article 1.1.13 and replacing it with the following:

1.1.13 “in writing” includes printing, typing or any mechanical process or partially the one and partially the other, including electronic communications and text and images contained on computer disk or captured by any other mechanical means, and “written” has a corresponding meaning.”

The reason for the special resolution is to amend the Company's Articles of Association in relation to the meaning of “writing”. The effect of the special resolution will be that the Company's Articles of Association will be amended accordingly.

14. To consider and, if deemed fit, to pass with or without modification the following ordinary resolution:

“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.”

# NOTICE OF ANNUAL GENERAL MEETING

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## DISCLOSURES REQUIRED WITH REGARD TO THE LISTINGS REQUIREMENTS OF THE JSE

In terms of the Listings Requirements of the JSE, the following disclosures are required with reference to the general authority set out in the special resolution above, some of which are set out elsewhere in this annual report of which this notice forms part:

Directors and management	Refer to page 66.
Major shareholders of the Company	Refer to page 65.
Directors' interests in the Company's securities	Refer to page 53.
Share capital	Refer to page 32.

### Litigation statement

The directors of the Company, whose names are given on page 66 of this annual report, are not aware of any legal or arbitration proceedings, pending or threatened against the Group, which may have or have had, in the twelve months preceding the date of this notice, a material effect on the Group's financial position.

### Directors' responsibility statement

The directors of the Company, whose names are given on page 66 of this annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this annual report contains all the information required by the Listings Requirements of the JSE.

### Material changes

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs, financial or trading position of the Group since the signature or posting date of this annual report.

## VOTING

Each ordinary shareholder of the Company who, being an individual shareholder holding certificated shares or dematerialised shares and elected own name registration is present in person or by proxy; or being a body corporate holding certificated shares or dematerialised shares and elected own name registration is present by proxy or duly represented at the annual general meeting; or being a shareholder holding dematerialised shares and not elected own name registration is present (in person in the case of an individual or represented in the case of a company) or by proxy with the necessary authority from his/her Central Securities Depository Participant ("CSDP") or stockbroker; is entitled to vote at the meeting.

On a poll, each ordinary shareholder entitled to vote at the meeting shall be entitled to that proportion of the total votes in the Company that the aggregate amount of the nominal value of the ordinary shares held by him/her bears to the aggregate amount of the nominal value of all the ordinary shares issued by the Company.

## PROXIES

The form of proxy is only for the use of registered shareholders of certificated ordinary shares in Control Instruments and the holders of dematerialised ordinary shares registered in their own name. Forms of proxy must be completed and delivered to the Company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg; PO Box 61051, Marshalltown 2107 or facsimile 011 370 5390 to reach them by no later than 10h00 on Friday, 28 April 2006.

Shareholders who have dematerialised their shares with their CSDP or stockbroker and have not elected own name registration, must arrange with their CSDP or stockbroker to provide them with the necessary authorisation to attend the annual general meeting or the shareholders must instruct their CSDP or stockbroker 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 stockbroker concerned in the manner and by the cut-off time stipulated by their CSDP or stockbroker.

By order of the board



**S BARNARD**

Company Secretary

16 March 2006

# FORM OF PROXY

## CONTROL INSTRUMENTS GROUP LIMITED

(Incorporated in the Republic of South Africa)  
Company registration number: 1964/003987/06  
Share code: CNL  
ISIN: ZAE000001665  
("Control Instruments" or "the Company")

**Only for use by Control Instruments shareholders holding certificated shares and shareholders who have dematerialised their shares and elected own name registration** through a Central Securities Depository Participant ("CSDP") or stockbroker; at the annual general meeting of the Company to be held on 2 May 2006 ("the annual general meeting") at 10h00 in the boardroom, 2 Blaauwklip Office Park, corner of Strand and Webersvallei Roads, Stellenbosch.

Control Instruments' shareholders who have dematerialised their shares through a CSDP or stockbroker and not elected own name registration in the sub-register maintained by a CSDP must not complete this form of proxy but must instruct their CSDP or stockbroker to issue them with the necessary authority to attend and vote at the annual general meeting, or if they do not wish to attend the annual general meeting, they may provide their CSDP or stockbroker with their voting instructions in terms of the custody agreement entered into between them and their CSDP or stockbroker.

I/We (please print in block letters)

of

being a registered shareholder/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 vote for me/us on my/our behalf at the annual general meeting of the Company to be held in the boardroom, 2 Blaauwklip Office Park, corner of Strand and Webersvallei Roads, Stellenbosch on Tuesday, 2 May 2006 at 10h00 for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed at the meeting and at each adjournment or postponement thereof and to vote for or against the resolutions or to 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:

Please read the notes on the back of this form of proxy.

Resolution	For	Against	Abstain
1. Adoption of Company and Group annual financial statements			
2. Appointment of auditors and authority to directors to fix auditors' remuneration			
3. Approval of remuneration of non-executive directors			
4. Re-election of director; EPH Bieber			
5. Re-election of director; JPS O'Leary			
6. Placement of unissued shares under the control of the directors			
7. Grant of general authority to directors to issue unissued shares for cash			
8. Special resolution: Grant of general authority to directors to repurchase the Company's shares			
9. Special resolution: Amend Articles of Association of the Company			
10. Special resolution: Amend Articles of Association of the Company			
11. Special resolution: Amend Articles of Association of the Company			
12. Special resolution: Amend Articles of Association of the Company			
13. Special resolution: Amend Articles of Association of the Company			
14. Authority to directors to implement resolutions			

Please indicate instructions to proxy in the space provided 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 vote in his/her stead. A proxy so appointed need not also be a member of the Company.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2006

Signature \_\_\_\_\_

Assisted by (if applicable) \_\_\_\_\_



## NOTES TO PROXY

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1. Shareholders who have dematerialised their shares with their CSDP or stockbroker and have not elected own name registration, must arrange with their CSDP or stockbroker to provide them with the necessary authorisation to attend the general meeting or the shareholders must instruct their CSDP or stockbroker 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 stockbroker concerned in the manner and by the cut-off time stipulated by their CSDP or stockbroker.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. If a shareholder does not indicate on the instrument appointing a proxy that his/her proxy is to vote in favour of or against any resolution or resolutions or to abstain from voting, the proxy shall be entitled to vote as he/she sees fit.
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 box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the entire shareholder's votes exercisable at the meeting. A shareholder or the proxy is not obliged to exercise all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
5. Forms of proxy must be lodged with or posted to the Company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown 2107) or facsimile 011 370 5390 to reach them by no later than 10h00 on Friday, 28 April 2006.
6. The completion and lodging of this form of proxy by shareholders holding certificated shares and shareholders who have dematerialised their shares and elected own name registration through a CSDP or stockbroker, will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof. Shareholders who have dematerialised their shares and not elected own name registration through a CSDP or stockbroker, who wish to attend and vote at the annual general meeting of shareholders, must instruct their CSDP or broker to issue them with the necessary authority to attend and vote.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries of the Company.
8. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be signed, not initialled, by the signatory/ies.
9. The chairman of the annual general meeting may reject or, provided that he/she is satisfied as to the manner in which a member wishes to vote, accept any form of proxy that is completed other than in accordance with these instructions.



# CORPORATE INFORMATION

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## COMPANY SECRETARY AND REGISTERED OFFICE

Surica Barnard  
9 Electron Street, Linbro Business Park, Sandton 2196  
PO Box 12377, Die Boord 7613

## AUDITORS

PricewaterhouseCoopers Incorporated  
1 Waterhouse Place, Century City 7441  
PO Box 2799, Cape Town 8000

## BANKERS

The Standard Bank of South Africa Limited  
5th Floor, Standard Bank Centre,  
Heerengracht, Cape Town 8001  
PO Box 40, Cape Town 8000

## TRANSFER SECRETARIES

Computershare Investor Services 2004 (Pty) Limited  
Ground Floor, 70 Marshall Street, Johannesburg 2001  
PO Box 61051, Marshalltown 2107  
Telephone: +27 11 370 5000  
Facsimile: +27 11 370 5390

## SPONSOR

Investec Bank Limited  
100 Grayston Drive,  
Sandton 2196  
PO Box 785700, Sandton 2146

## SHAREHOLDERS' QUERIES

shareholders@ci.co.za  
Registration number: 1964/003987/06  
ISIN: ZAE000001665  
Share code: CNL

[www.ci.co.za](http://www.ci.co.za)

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