



**CONTROL
INSTRUMENTS**
GROUP LIMITED

ANNUAL REPORT 2007



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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.

GROUP STRATEGY

Fundamental to the Group strategy is a focus on niches in the global automotive market; the ongoing investment in the development of new products in which it owns the Intellectual Property; competitive manufacturing and distribution facilities; and long-term relationships with Group customers, suppliers and staff. Wherever possible the benefits of vertical integration and annuity revenue income streams are pursued.

MISSION STATEMENT

Control Instruments' mission is to be the supplier of choice of specialised products and services into selected niche segments of the worldwide automotive market.

NATURE OF BUSINESS

Control Instruments is an international group. Following the sale of its fleet and vehicle management businesses to TeliMatrix Limited during 2007, Control Instruments provides products, services and components to the global automotive industry through its two businesses, Pi Shurlok and CI Automotive.

Original Equipment Manufacture

Pi Shurlok supplies electronic products and services to the international automotive Original Equipment Manufacture ("OEM") market, focusing on North America, the United Kingdom and Europe.

The company's headquarters are in Cambridge in the United Kingdom. Pi Shurlok employs over 100 engineers who operate out of Cambridge, Detroit (USA), Rodgau (Germany) and Pietermaritzburg (SA). Manufacturing is carried out at Pi Shurlok's world-class facilities in South Africa.

Aftermarket

CI Automotive supplies branded products to the sub-Saharan Africa automotive aftermarket.

CI Automotive has a significant basket of products. Brand names owned by CI Automotive include Gabriel, Echlin, Acsa-Mag, Autocom, AutoExcel, AutoSave, Eurocable, Mag Brakes, Shurlok and Truck-Lite. CI Automotive represents Warn, ContiTech, VDO Dayton, VDO, Ring and QH.

The past three years have seen enormous change in the Control Instruments Group.

In 2004 the board recognised that changes in the global and local automotive industries meant that in order to remain competitive the Group needed to have a greater international presence; maximise the number of products in which it owned the Intellectual Property; and each of its businesses needed to attain critical mass. To achieve this strategy a number of opportunities for internal growth and acquisitions were identified. The Group took advantage of strong equity markets, through share placements; and low interest rates, by raising debt, to fund the growth.

The major opportunity for internal growth was in the fleet and vehicle management business, CI OmniBridge. The Group built this business from scratch over the past twelve years culminating in the acquisition of SiemensVDO's worldwide fleet management business. Turnover in the fleet and vehicle management businesses grew from R89.3 million in 2005 to R224.1 million in 2007. CI OmniBridge plus the SiemensVDO acquisition were valued at R655.6 million by an independent expert during 2007. This is substantial growth in shareholder value over the period.

A number of acquisitions were made in the past three years, most notably:

- Dana – aftermarket components for the automotive and heavy-duty truck markets in South Africa, including the Echlin and Acsa-Mag brand names;
- Gabriel – South Africa's dominant brand of shock absorbers;
- Pi Technology – a leading automotive electronic engineering consultancy, based in the United Kingdom with operations in the USA and in Europe; and
- SiemensVDO's fleet and vehicle management operations and the worldwide distribution rights for CI OmniBridge's fleet management products, which SiemensVDO had held for a number of years.

The rate of expansion and the challenges of integrating acquisitions on three continents, certainly stretched the Group's management and resources. Great credit is due to the Group's employees at all levels for the tremendous effort involved.

During the period the Group also had to adjust to some significant changes in its local operating environment:

- Domestic OEMs were incorporated into their parents' global supply chains - this happened far more rapidly than originally envisaged; and
- The negative effect on the domestic market of increases in interest rates, the National Credit Act and a strike in the automotive industry.

To meet these changes the Group rationalised its OEM business, resulting in significant losses and retrenchments in that subsidiary.

With CI OmniBridge reaching critical mass in 2007, the Group took advantage of an opportunity to merge it with Matrix Vehicle Tracking and form TeliMatrix. TeliMatrix was listed separately on the JSE in November 2007. We believe that TeliMatrix has a great future and in fact have transferred some of our senior executives to the new entity.

As part of our stated objective to realise shareholder value, most of the shares received by the Group in TeliMatrix were unbundled to Control Instruments shareholders and, in the face of rising interest rates, R215.7 million of long-term debt was repaid.

The profit on the sale of the profitable fleet management businesses coupled with the profits in the aftermarket business and the losses sustained in the OEM business make understanding the 2007 financial results very difficult.

The board of directors changed during the year. On 12 November 2007 Richard Bruyns and Terry Buzer resigned to take up positions as chairman and executive director respectively on the board of TeliMatrix.

Rod Forrester was transferred to the United Kingdom in 2005 to establish an international sales and engineering organisation for the Group. This resulted in the acquisition of Pi Technology (now Pi Shurlok) at the end of 2006. Rod had originally intended to retire at the end of 2006 but was asked to remain as managing director of Pi Shurlok, based in the United Kingdom, until this acquisition was fully bedded down. This has been done. Rod resigned from the board in November 2007 and retired from the Group a month later.

Rod and Terry have been involved with the Group for 37 and 32 years respectively. They both played a major role in establishing and building up the Group. I would like to thank them both for their considerable contributions to the Group.

Stuart Bromfield was reappointed to the board in November 2007 as an independent, non-executive director. He resigned in September 2004 to prevent a potential conflict of interest with our fleet management business. The deal with TeliMatrix has resolved this issue and we are delighted to have him back on the board – his extensive experience in the motor industry and his knowledge of Control Instruments is invaluable.

Following Rod Forrester's retirement, the board has decided that, in addition to his responsibilities as Group managing director, Richard Friedman will be responsible for the worldwide integration and growth of Pi Shurlok. These plans are fundamental to the Group's international expansion. Richard has 26 years of experience in the Group and an in depth understanding of our businesses, customers and markets. Richard has been based in Cambridge, UK since the beginning of 2008.

I would like to thank the CI OmniBridge staff for their contribution to the Group over the years and, in particular, Charles Tasker who has run the business for many years. I wish them all well in their new home with TeliMatrix and look forward to a continuing relationship with them through Pi Shurlok, which manufactures all their products.

I especially want to thank the Control Instruments' management, staff and their families for their commitment and the many hours that they have dedicated to the Group in the past year. It has not been an easy time.

Finally, I would like to thank our shareholders for their support over the past few years during the planning and implementation of these major changes.

The completion of the strategic plan has put the Group in a strong position to cope with the current unstable global and local economic environments. Additional work still needs to be done to rationalise the cost base and although debt has been significantly reduced, we aim to continue to strengthen the balance sheet.

Control Instruments has strong brands, a diversified base of blue chip local and global customers, an international engineering presence and a world-class manufacturing capability. However, we operate in niche sectors of global markets and, as the past twelve months have reminded us, are therefore subject to local and international disruptions that are not under our control.



JPS O'Leary

Chairman

17 March 2008

INTRODUCTION

During 2007 the Group completed the implementation of the strategic plan that was initiated at the end of 2004. The last two legs to complete the plan dominated management's time in 2007.

These two legs were:

- i) The acquisition of SiemensVDO's fleet and vehicle management business, which included reacquiring the worldwide distribution rights for CI OmniBridge's fleet and vehicle management products ("Datatrak business").

The Group's relationship with SiemensVDO goes back more than forty years, with SiemensVDO distributing CI OmniBridge's fleet and vehicle management products throughout the world for the past twelve years. Changes within the structure at Siemens created an opportunity for the Group to buy the Datatrak business.

- ii) The TeliMatrix transaction, which involved the sale of the Group's fleet and vehicle management businesses (CI OmniBridge and the Datatrak business) to TeliMatrix Limited ("TeliMatrix"); the listing of TeliMatrix on the JSE; and the distribution of TeliMatrix shares to Control Instruments shareholders.

Selling the Group's fleet and vehicle management businesses to TeliMatrix and unbundling the majority of the shares received in TeliMatrix to Control Instruments shareholders, gave shareholders a direct interest in a company comprising Matrix Vehicle Tracking with its strong local annuity revenue stream and Control Instruments' highly profitable worldwide fleet and vehicle management businesses. The transaction also enabled the Group to significantly reduce its debt.

Overall, I am satisfied that the strategic plan was well executed. Over the three years, we were able to take advantage of low interest rates and favourable stock market conditions to fund the internal growth and significant acquisitions. We were also able to complete the implementation of the strategic plan before the current adverse conditions arose in global financial markets.

The acquisitions did give rise to some complexities and we did encounter problems. These are discussed in more detail below.

RESULTS AND BUSINESS OVERVIEW

The significant changes to the Group and the number of acquisitions and disposals made over the past three years, coupled with the increasing number of IFRS requirements have resulted in financial statements that are neither simple to read nor easy to understand. In these circumstances, management and the board use EBITDA (earnings before interest, tax, depreciation and amortisation); cash generation; and the payment of dividends, as their primary measures of business performance as these are not distorted by items such as impairment and negative goodwill.

A detailed segmental analysis of the Group's results is given in note 37 on page 82 of the financial statements.

Discontinued operations

Discontinued operations include the fleet and vehicle management businesses sold to TeliMatrix with effect from 1 October 2007; as well as Tripmaster and two of the OEM plastics businesses.

These operations made an after tax profit for the year of R509.4 million. This includes impairment of intangible assets of R61.5 million and the profit of R577.1 million on the sale of the fleet and vehicle management businesses.

As part of the TeliMatrix transaction, Control Instruments acquired the remaining 49% of the shares in Tripmaster Corporation ("Tripmaster") with effect from 30 June 2007.

Tripmaster did not perform in line with expectations in the year under review. This was mainly due to the delayed introduction of new products, which were being developed by CI OmniBridge, specifically for the North American market. As a result of this Tripmaster was not sold to TeliMatrix along with the other fleet and vehicle management businesses as originally intended. Tripmaster has subsequently been restructured and the new products have been introduced. The Group is currently negotiating with TeliMatrix regarding the sale of Tripmaster.

Two of the OEM plastics businesses, which were acquired in 2006 as part of the Port Elizabeth based Sagercy business, encountered a number of problems during 2007 that were not anticipated and required considerable resources to resolve.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

As it is unlikely that these businesses will meet the Group's minimum operating performance criteria in the medium-term they are in the process of being sold to Smiths Plastics, a subsidiary of Metair Investments Limited. This has resulted in impairment charges of R48.6 million and the Group is investigating steps to recover the value lost. Competition Commission approval for the sale was received at the beginning of March 2008 and the effective date of the transaction is expected to be on or about 17 March 2008.

Continuing operations

Continuing operations represent Control Instruments going forward. They comprise CI Automotive, which supplies branded products to the sub-Saharan Africa automotive aftermarket; and Pi Shurlok, a supplier of automotive electronics and engineering services to the international OEM market.

The continuing operations increased revenue by 57% in 2007 to R840.1 million, compared with R536.0 million in the previous year. EBITDA of R20.0 million for the year represents a decrease of 8% compared with the previous year.

Aftermarket – CI Automotive

CI Automotive owns and represents a number of well known high quality automotive brands, including Gabriel (shock absorbers); Echlin (automotive electronics); VDO (instrumentation and vehicle electronic components); Mag Brakes (airbrakes and components); Truck-lite (automotive lighting); Ring (lighting and power accessories); and Warn (winches and off-road products). With its extensive basket of products CI Automotive is able to compete effectively for shelf space in the southern African automotive parts aftermarket.

2007 was a year of integration and consolidation for CI Automotive. Gabriel (the aftermarket shock absorber business acquired in September 2006) was integrated into CI Automotive and all CI Automotive's Johannesburg operations were consolidated in a new office and warehouse facility that has an eventual capacity of 20 000 m². The consolidation will improve efficiencies and reduce operating, distribution and handling costs. It has also created an infrastructure that can incorporate additional products relatively easily.

CI Automotive's revenue increased 55% to R467.4 million during the year compared with R301.1 million in the previous year. EBITDA increased 106% from R21.4 million in 2006 to R44.1 million in the year under review. A profit of R13.6 million was made on the sale of buildings during the year.

OEM – Pi Shurlok

Pi Shurlok was acutely affected by the turmoil in the international automotive OEM market. The worldwide impact of cancelled orders, delayed new model launches locally and significant downward price pressure from the OEMs continued throughout the year. The consulting arm of the business acquired from Pi Technology experienced a considerable drop off in its business in the middle of the year, mainly due to problems experienced by some of its major customers. This lost business has subsequently been replaced and the customer base significantly expanded, particularly in the USA.

Surplus engineering resources in the United Kingdom and South Africa, which arose when Pi Technology was merged with CI Shurlok, were rationalised during the year albeit at a cost.

The acquisition of Pi Technology has provided Pi Shurlok with an engineering presence in the United States, the United Kingdom and Germany. This was previously a major shortcoming in the Group's offering to its OEM customers, all of whom now carry out the bulk of their product development work at their international engineering centres and no longer in South Africa. Pi Technology also provided Pi Shurlok with its own Intellectual Property in the high growth areas of engine management systems, emission controls and adaptive suspension technology.

During 2007 the newly combined Pi Shurlok won its first contract, against international competition, to design and manufacture an engine management system for the South African based operation of a major international OEM. The product went into production in the fourth quarter of 2007 at Pi Shurlok's manufacturing facilities in Pietermaritzburg, South Africa.

In addition to my role as Group CEO, I have been appointed as CEO of Pi Shurlok and am now based in Cambridge in the United Kingdom. Pi Shurlok presents a major opportunity to achieve the Group's objectives to create an international Group and to increase the number of products in which it owns the Intellectual Property.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

My primary aim therefore is to ensure that our technology is turned into products we can manufacture in our factory. If successful this will result in a relatively predictable flow of foreign income for the Group. My exposure over many years to the international OEM markets and in particular during the past two months has convinced me that a huge opportunity exists for us in this area. Pi Shurlok is extremely well placed to achieve its goals, albeit later than originally planned.

OEM revenue increased 43% to R395.9 million in the current year compared with R277.6 million in the prior year. The OEM business made an EBITDA loss of R15.8 million in 2007, compared with a positive contribution at EBITDA level of R26.0 million in 2006.

General

Net borrowings were reduced from R307.2 million to R83.7 million. In December 2007 the Group entered into a five year trade receivables securitisation funding programme in respect of R64.0 million of this debt. The debtors' securitisation gives the Group access to cash at attractive fixed interest rates in a flexible environment.

PROSPECTS

We do not operate in industries that have a short-term horizon. The lead times are long, but on the other hand so are the contracts. Within reason these contracts provide stability and predictability; although this was not the case in 2007.

The acquisitions and growth undertaken by the Group during the past three years have resulted in a significant change in the nature and scope of our business. The changes over the past few years have I believe been essential in repositioning us to be competitive in an industry that is undergoing dramatic change.

At the time of writing this report economic conditions worldwide are still in a state of flux and this could affect our businesses.

My goal is to ensure that the Group weathers these market conditions and as it moves forward it continues to improve its performance; provide our customers with solutions; our staff with opportunities to grow; and our shareholders with stable results and dividends.

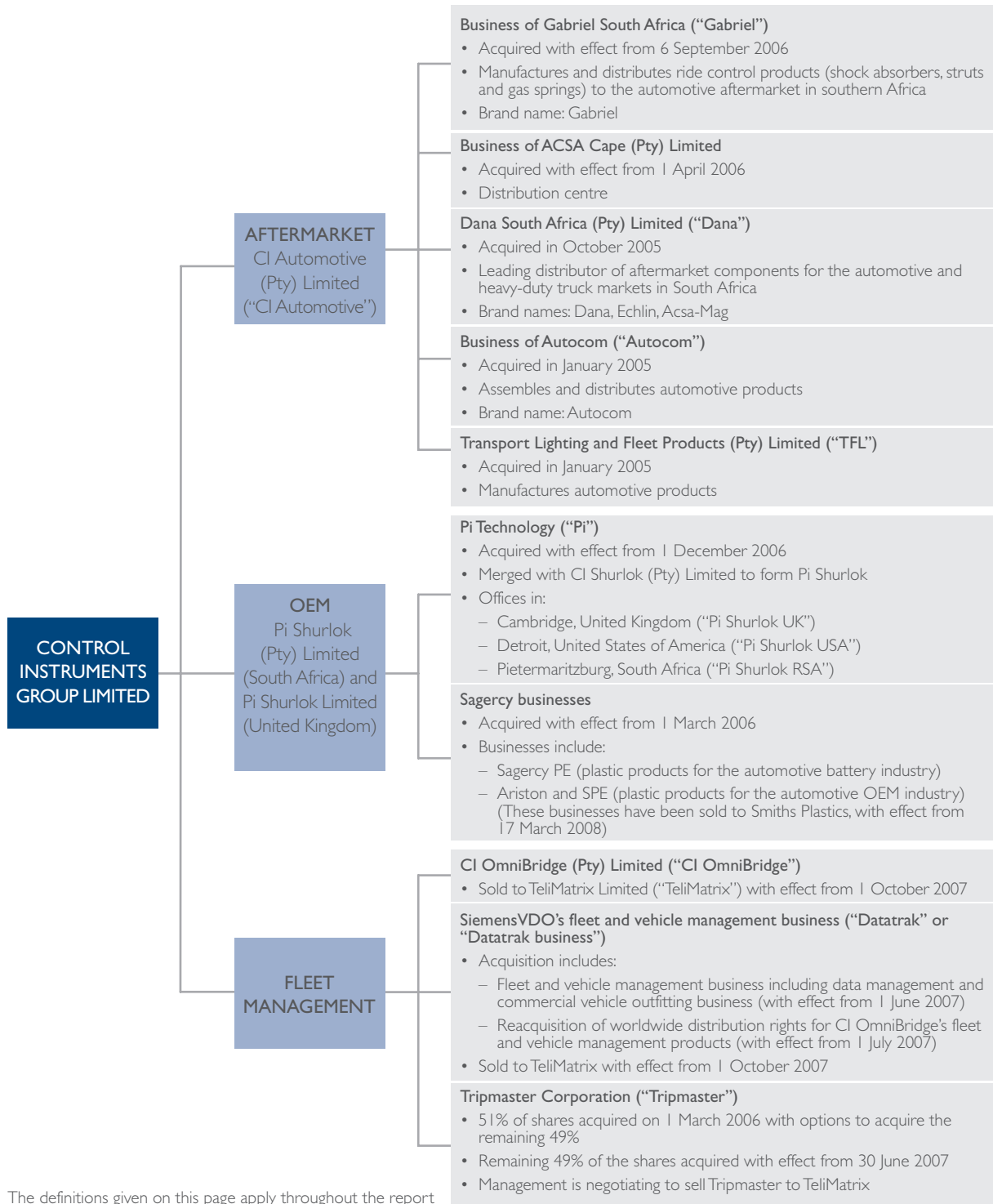


R Friedman

Group Managing Director

17 March 2008

GROUP STRUCTURE



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 two executive and three independent non-executive directors. Details of the directorate at 31 December 2007 and at the date of this report are on page 90 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 considerable 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 overleaf.

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 twice a year and where appropriate are attended by the external auditors and members of executive management.

The 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 Group and Company annual financial statements of Control Instruments Group Limited to be a fair presentation of their financial positions at 31 December 2007 and the results of their operations, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the South African Companies Act 1973.

ATTENDANCE AT MEETINGS

Board meetings 2007

	14 Feb	24 Apr	14 May	21 May	14 Aug	29/30 Nov
JPS O'Leary	✓	✓	✓	✓	✓	✓
R. Friedman	✓	✓	✓	✓	✓	✓
EPH Bieber	✓	✓	✓	✓	Apologies	✓
SR Bruyns ²	✓	✓	✓	✓	✓	
SV Bromfield ⁵						✓
HV Hefer ¹	✓	✓	Apologies	✓		
TE Buzer ³	✓	✓	✓	✓	Apologies	
RJ Fraenkel	✓	✓	✓	✓	✓	✓
RB Forrester ⁴	Apologies	✓	Apologies	Apologies	Apologies	

Audit Committee meetings 2007

	10 Mar	17 Sept
JPS O'Leary	✓	✓
EPH Bieber	✓	✓
SV Bromfield ⁵		
SR Bruyns ²	✓	✓
HV Hefer ¹	✓	

Remuneration Committee meetings 2007

	10 Mar	17 Sept
JPS O'Leary	✓	✓
EPH Bieber	✓	✓
SV Bromfield ⁵		
SR Bruyns ²	✓	✓
HV Hefer ¹	✓	

¹ HV Hefer retired as a non-executive director with effect from 19 June 2007.

² SR Bruyns resigned as a non-executive director with effect from 12 November 2007 to join TeliMatrix Limited.

³ TE Buzer resigned as an executive director with effect from 12 November 2007 to join TeliMatrix Limited.

⁴ RB Forrester was based in the United Kingdom throughout the year. He resigned as an executive director with effect from 12 November 2007 and retired from the Group with effect from 31 December 2007.

⁵ SV Bromfield was appointed as a non-executive director with effect from 12 November 2007.

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 review function, which examines and evaluates the Group's activities and resultant business risks. Head office performs internal reviews once or twice a year in each business unit. Findings and recommendations of all internal reviews are reported to management and the Audit Committee.

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 a 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. Specific risks have been identified by each operation and these are reviewed at management or board meetings. The internal review function performs reviews 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 and ensures a high level of accountability for results.

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 and with customers and partners;
- innovative ideas and entrepreneurship;
- products and services that meet world-class standards; and
- social and environmental responsibility.

The company secretary monitors directors' dealings in securities and ensures adherence to closed periods for share trading.

A closed period for trading in the Group's shares is maintained for prescribed periods to prevent any insider trading of Group shares. No director or member of executive management may trade in Group shares during the closed period. These periods apply at least every six months from 30 June and 31 December respectively until the publication of the interim or annual financial results.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and 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.

The directors are also responsible for the Group's 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 13.

Directors' approval of annual financial statements

The annual financial statements for the year ended 31 December 2007, set out on pages 14 to 88, were approved by the board of directors on 17 March 2008 and are signed on its behalf by:



R FRIEDMAN

CEO and Group Managing Director



RJ FRAENKEL

Group Financial Director

CERTIFICATE BY COMPANY SECRETARY

As company secretary, I hereby confirm that for the year ended 31 December 2007, 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

17 March 2008

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CONTROL INSTRUMENTS GROUP LIMITED

We have audited the annual financial statements and Group annual financial statements of Control Instruments Group Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 December 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 88.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and of the Group as at 31 December 2007, and of their financial performance and their 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.

Director: C van den Heever

Registered Auditor

Cape Town

17 March 2008

The directors have pleasure in submitting their report for the year ended 31 December 2007.

NATURE OF BUSINESS

Control Instruments is an international group. Following the sale of its fleet and vehicle management businesses to TeliMatrix Limited during the year, Control Instruments provides products, services and components to the global automotive industry through its two businesses; Pi Shurlok and CI Automotive.

Pi Shurlok supplies electronic products and services to the international automotive Original Equipment Manufacture ("OEM") market, focusing on North America, the United Kingdom and Europe. CI Automotive supplies branded products to the sub-Saharan Africa automotive aftermarket.

The segmental results in respect of continuing and discontinued operations are in shown note 37 on page 82.

Fundamental to the Group strategy is a focus on niches in the global automotive market, the ongoing investment in the development of new products in which it owns the Intellectual Property; competitive manufacturing and distribution facilities; and long-term relationships with Group customers, suppliers and staff. Wherever possible the benefits of vertical integration and annuity revenue income streams are also pursued.

Principal subsidiary companies are detailed on pages 86 and 87.

OPERATING RESULTS

The year was characterised by a number of acquisitions and disposals. Refer to notes 28.2 and 28.3.

FINANCIAL RESULTS

The earnings attributable to ordinary shareholders for the year ended 31 December 2007 was R460 752 000 (2006: R56 719 000). The financial position, results of operations, changes in equity and cash flows of the Company and the Group are set out on pages 16 to 88.

DISTRIBUTIONS TO SHAREHOLDERS

A final dividend of 4.5 cents per share has been declared for the year ended 31 December 2007 (2006: nil).

In terms of the requirements of Strate, the last day to trade *cum* dividend is Friday, 4 April 2008; the shares trade *ex* dividend on Monday, 7 April 2008; the record date is Friday, 11 April 2008 and the payment date will be Monday, 14 April 2008. Share certificates may not be dematerialised or rematerialised between Monday, 7 April 2008 and Friday, 11 April 2008, both days inclusive.

An interim dividend of 3.5 cents (2006: 3.5 cents) per share in respect of the six months ended 30 June 2007 was paid on 22 October 2007 to shareholders registered on 19 October 2007.

A dividend *in specie* of two shares in TeliMatrix Limited for every one share held in Control Instruments Group Limited, was paid on 19 November 2007 to shareholders registered on 16 November 2007. The valuation of the TeliMatrix shares was performed by an independent expert who valued each TeliMatrix share at 205.0 cents. Thus the value of the dividend *in specie* was 410.0 cents per share.

A total dividend of 418.0 cents per share was therefore declared in respect of the 2007 financial year (2006: 3.5 cents).

SHARE CAPITAL

The issued capital at 31 December 2007 was R6 971 838 (2006: R5 471 838) divided into 139 436 754 (2006: 109 436 754) ordinary shares of five cents each.

On 30 May 2007, in terms of the agreement with SiemensVDO, the Group settled the final consideration in respect of the Datatrak business using a vendor placement in terms of which Control Instruments placed 15.0 million Control Instruments ordinary shares, with a par value of five cents each at a price of R6.00 per share, with third parties.

On 30 May 2007 the directors also authorised the issue of 15.0 million ordinary shares, with a par value of five cents each, at a price of R6.00 per share under the general authority granted to directors to issue shares for cash.

Subsequent to the year-end, 16.7 million ordinary shares have been repurchased. Refer to note 36.

The 60 563 246 unissued ordinary shares of five cents each as at 31 December 2007 (2006: 90 563 246) are under the control of the directors until the forthcoming annual general meeting.

SUBSIDIARIES AND JOINT VENTURES

Full details of the investments in subsidiary companies and joint ventures are provided on pages 86 and 87.

DIRECTORS' REMUNERATION

Details of directors' remuneration, directors' interest in shares and share options granted to directors are disclosed in note 32 on page 77.

DIRECTORATE

The directors of the Company at the date of this report are detailed on page 90.

Stuart Bromfield was appointed as a director of the Company with effect from 12 November 2007. The directors retiring at the forthcoming annual general meeting in terms of the Company's Articles of Association are Sam O'Leary and Stuart Bromfield. The retiring directors are eligible and offer themselves for re-election. Brief summaries of their *curricula vitae* are given below.

Sam O'Leary B Com; FCA; CA(SA)

Sam O'Leary is a Chartered Accountant who has many years experience in investment banking and the financial markets. He has assisted a number of public companies at board level with strategic and financial planning issues. Sam is a former partner of Price Waterhouse as well as a former director of Fleming Martin and Barnard Jacobs Mellet. He was appointed to the board in 2002 and took over as chairman in April 2005.

Stuart Bromfield

Stuart Bromfield has 40 years experience in the motor industry. He has built and maintained relationships with a number of motor manufacturers and has been involved in a wide range of business ventures. He brings an extensive knowledge of the motor industry to the Control Instruments board.

SPECIAL RESOLUTIONS

The following special resolutions were passed during the year:

Control Instruments Group Limited

The special resolution granting Control Instruments Group Limited (or one of its wholly-owned subsidiaries) a general authority to repurchase its shares was passed at the annual general meeting held on 19 June 2007.

Control Instruments Development (Pty) Limited

The special resolution authorising Control Instruments Development (Pty) Limited to acquire its own shares was passed at the general meeting held on 2 July 2007.

Control Instruments Gabriel (Pty) Limited

The special resolution increasing the authorised share capital of Control Instruments Gabriel (Pty) Limited was passed at the general meeting held on 5 December 2007.

POST BALANCE SHEET EVENTS

Sale of Original Equipment Manufacture ("OEM") automotive plastics operations to an independent third party

Control Instruments reached agreement on 9 November 2007 to sell its OEM automotive plastics operations to Smiths Plastics (Pty) Limited, a subsidiary of Metair Investments Limited.

Competition Commission approval for the sale was received at the beginning of March 2008 and the effective date of the sale is expected to be on or about 17 March 2008. The purchase consideration of R19.5 million plus the carrying value of inventories, debtors and certain creditors, will be paid on the effective date.

Repurchase of shares

On 19 December 2007 it was announced that the directors had authorised a share buy-back programme in terms of the general authority to repurchase shares obtained at the annual general meeting held on 19 June 2007 and that Control Instruments intended to repurchase shares to a total value of approximately R25.0 million.

Subsequent to the year-end, the Group has repurchased 16.7 million shares at an average price of R1.33 and a total value of R22.2 million. This is equivalent to 12.0% of the issued share capital at the time of the granting of the general authority. These shares are being held as treasury shares (in a subsidiary and The Control Instruments Share Incentive Scheme).

BALANCE SHEETS

AT 31 DECEMBER 2007

	Notes	GROUP		COMPANY	
		31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
ASSETS					
Non-current assets					
		316 724	511 673	194 837	201 410
Property, plant and equipment	2	152 206	229 248	–	–
Intangible assets	3	146 255	274 887	–	–
Investments in subsidiaries	4			194 837	201 344
Investments in joint ventures and associates	5	2 003	2 178	–	–
Available-for-sale financial assets	6.1	900	–	–	–
Non-current receivables	9	–	366	–	–
Deferred income tax assets	7	15 360	4 994	–	66
Current assets					
		323 751	403 601	236 481	112 420
Inventories	8	159 508	176 656	–	–
Trade and other receivables	9	140 808	212 888	9 866	11 917
Loans to subsidiaries	4			226 351	58 250
Derivative financial instruments	16	38	–	–	–
Financial assets at fair value through profit or loss	6.2	4 050	–	–	–
Current income tax assets		3 485	5 675	89	–
Cash and cash equivalents		15 862	8 382	175	42 253
Non-current assets held for sale	17	69 415	–	25 000	–
Total assets		709 890	915 274	456 318	313 830
EQUITY AND LIABILITIES					
Capital and reserves					
		416 803	350 231	434 485	279 442
Share capital	10	6 972	5 472	6 972	5 472
Share premium	10	396 996	221 066	396 996	221 066
Treasury shares	10	(7 634)	(10 282)	–	–
Foreign currency translation reserve	11	(915)	5 370	–	–
Other reserves	12	245	12 563	466	5 088
Retained earnings		21 139	116 042	30 051	47 816
Reserves directly associated with non-current assets held for sale	11	5 210	–	–	–
Total equity		422 013	350 231	434 485	279 442
Non-current liabilities					
		113 685	295 652	–	12 162
Borrowings	13	76 765	221 764	–	12 162
Deferred income tax liabilities	7	34 088	73 322	–	–
Provisions	14	2 832	566	–	–
Current liabilities					
		163 386	269 391	21 833	22 226
Trade and other payables	15	126 356	156 463	12 813	2 326
Current income tax liabilities		9 277	6 857	–	159
Derivative financial instruments	16	12	466	–	–
Borrowings	13	22 768	93 842	4 977	8 359
Loans from subsidiaries	4			4 043	11 382
Provisions	14	4 973	11 763	–	–
Liabilities directly associated with non-current assets classified as held for sale	17	10 806	–	–	–
Total equity and liabilities		709 890	915 274	456 318	313 830

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	GROUP		COMPANY	
		31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
Continuing operations					
Revenue	18	840 070	535 968	84 122	6 012
Cost of sales		(629 414)	(385 073)	–	–
Gross profit		210 656	150 895	84 122	6 012
Other operating income	19	19 825	76 318	543 487	6 691
Marketing and selling expenses		(35 722)	(30 262)	–	–
Administrative expenses		(126 576)	(77 278)	(28 384)	(10 186)
Other operating expenses		(101 722)	(64 040)	(59 096)	(6 920)
Operating (loss)/profit	20	(33 539)	55 633	540 129	(4 403)
Finance income	23	24 012	9 812	24 680	4 911
Finance costs	23	(53 563)	(24 482)	(11 198)	(2 584)
Share of profit from joint ventures	24	1 325	1 939	–	–
(Loss)/profit before tax		(61 765)	42 902	553 611	(2 076)
Tax	25	13 165	785	(593)	(1 167)
(Loss)/profit for the year from continuing operations		(48 600)	43 687	553 018	(3 243)
Discontinued operations					
Profit for the year from discontinued operations	17	509 352	13 032	–	–
Profit/(loss) for the year		460 752	56 719	553 018	(3 243)
Attributable to equity holders of the Company					
(Loss)/earnings per share (cents)					
– continuing					
– basic	26	(40.1)	46.8		
– diluted	26	(38.7)	43.8		
Earnings per share (cents)					
– discontinued					
– basic	26	420.2	14.0		
– diluted	26	405.9	13.1		
Dividends per share (cents)					
– cash	27	3.5	7.5		
– <i>in specie</i>	27	410.0	–		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

Notes	Share capital R 000	Share premium R 000	Treasury shares R 000	Foreign currency translation reserve R 000	Other reserves R 000	Retained earnings R 000	Total R 000
GROUP							
	4 826	97 886	(20 692)	–	7 564	75 443	165 027
Balance at 1 January 2006							
Gains on cash flow hedges, net of tax					95		95
Profit for the year						56 719	56 719
Employee share option scheme:							
– Value of services provided					4 904		4 904
Creation of foreign currency translation reserve				5 370			5 370
Movement of treasury shares			483			579	1 062
Shares issued	1 053	123 277					124 330
Cancellation of treasury shares	(407)	(97)	9 927			(9 520)	(97)
Dividends paid						(7 179)	(7 179)
27							
Balance at 31 December 2006	5 472	221 066	(10 282)	5 370	12 563	116 042	350 231
Gains on cash flow hedges, net of tax					345		345
Fair value adjustments					(2 309)		(2 309)
Profit for the year						460 752	460 752
Employee share option scheme:							
– Value of services provided					4 059		4 059
– Transferred to retained earnings					(16 393)	16 393	–
Realised on disposal of subsidiaries				1 857	1 980		3 837
Utilisation of foreign currency translation reserve				(2 932)			(2 932)
Movement of treasury shares			2 648			(2 396)	252
Shares issued	1 500	175 930					177 430
Dividends paid						(569 652)	(569 652)
27							
Balance at 31 December 2007	6 972	396 996	(7 634)	4 295	245	21 139	422 013
Classified as held for sale	–	–	–	(5 210)	–	–	(5 210)
	6 972	396 996	(7 634)	(915)	245	21 139	416 803
COMPANY							
	4 826	97 886			3 318	97 969	203 999
Balance at 1 January 2006							
Loss for the year						(3 243)	(3 243)
Employee share option scheme:							
– Value of services provided					1 770		1 770
Shares issued	1 053	123 277					124 330
Cancellation of treasury shares	(407)	(97)				(38 706)	(39 210)
Dividends paid						(8 204)	(8 204)
27							
Balance at 31 December 2006	5 472	221 066			5 088	47 816	279 442
Profit for the year						553 018	553 018
Employee share option scheme:							
– Value of services provided					779		779
– Transferred to retained earnings					(5 401)	5 401	–
Shares issued	1 500	175 930					177 430
Dividends paid						(576 184)	(576 184)
27							
Balance at 31 December 2007	6 972	396 996			466	30 051	434 485

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	GROUP		COMPANY	
		31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	28.1	36 017	40 777	(212 992)	(18 163)
Finance income received		25 382	10 475	24 680	4 911
Finance costs paid		(59 535)	(29 973)	(11 198)	(2 584)
Dividends received		1 500	2 526	15 125	–
Dividends paid	27	(4 832)	(7 179)	(4 880)	(8 204)
Tax paid		(6 205)	(8 509)	(775)	(1 141)
		(7 673)	8 117	(190 040)	(25 181)
Cash flows from investing activities					
Purchase of property, plant and equipment		(22 666)	(32 240)	–	–
Proceeds from disposal of property, plant and equipment		35 865	9 998	–	–
Increase in intangible assets		(21 195)	(20 173)	–	–
Proceeds from disposal of financial assets		65 600	–	–	–
Proceeds from disposal of subsidiaries, net of cash	28.2	74 419	–	90 992	–
Acquisition of subsidiaries and operations, net of cash	28.3	(8 240)	(54 371)	(102 428)	(59 706)
Decrease/(increase) in non-current receivables		43	(366)	–	–
Additional investments in subsidiaries		(21 895)	–	(23 009)	–
		101 931	(97 152)	(34 445)	(59 706)
Cash flows from financing activities					
Net (settlement of)/proceeds from non-current borrowings		(141 107)	25 786	–	–
Net proceeds from disposal of treasury shares		252	1 062	–	–
Buy-back of treasury shares		–	–	–	(39 113)
Shares issued		87 430	24 233	177 430	124 233
		(53 425)	51 081	177 430	85 120
Net cash inflow/(outflow) for the year		40 833	(37 954)	(47 055)	233
Forex translation adjustments on cash and cash equivalents		(453)	1 204	–	–
Cash and cash equivalents at the beginning of the year		(37 990)	(1 240)	42 253	42 020
Cash and cash equivalents at the end of the year	28.4	2 390	(37 990)	(4 802)	42 253

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

I ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

I.1 Basis of preparation

The consolidated and company financial statements have been prepared in terms of International Financial Reporting Standards ("IFRS").

The consolidated and company financial statements have been prepared on the historical cost basis as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, as well as available-for-sale financial assets.

The preparation of consolidated and company 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 Group'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 1.23.

Standards, interpretations and amendments effective in 2007

- IFRS 7, Financial Instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, introduced new disclosures relating to financial instruments.
- IFRIC 8, Scope of IFRS 2, requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard did not have any impact on the Group's consolidated financial statements.
- IFRIC 10, Interim Financial Reporting and Impairment, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard did not have any impact on the Group's consolidated financial statements.

Standards, interpretations and amendments effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Group's operations:

- IFRS 4, Insurance Contracts;
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;
- IFRIC 9, Reassessment of Embedded Derivatives; and
- AC 503, Accounting for Black Economic Empowerment (BEE) transactions.

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

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but which the Group has not adopted early:

- IAS 1, Presentation of Financial Statements (effective from 1 January 2009). The objective of this standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. Management does not anticipate that this will have a significant impact on the Group's consolidated financial statements.
- IAS 23 (Amendment), Borrowing Costs (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amendment) from 1 January 2009 but it is currently not applicable to the Group as there are no qualifying assets.
- IAS 27 (Revised), Consolidated and Separate Financial Statements (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. This will no longer result in goodwill or gains and losses. It also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value with a gain or loss recognised in the income statement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

- IFRS 3 (Amendment), Business Combinations (effective from 1 July 2009). Transaction costs no longer form part of the acquisition price but are expensed as incurred. The consideration now includes the fair value of all interests that the acquirer may have held previously in the acquired business. In addition, the requirements for the recognition of contingent consideration have been amended. Management does not anticipate that this will have a significant impact on the Group's consolidated financial statements.
- IFRS 8, Operating Segments (effective from 1 January 2009). IFRS 8 replaces the previous IAS 14. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. Management does not expect IFRS 8 to have a significant impact.
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective from 1 March 2007). IFRIC 11 addresses how to apply IFRS 2 to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (i.e. equity instruments of its parent). Management does not anticipate that this will result in any material impact on the Group's consolidated financial statements.
- IFRIC 12, Service Concession Arrangements (effective from 1 January 2008). IFRIC 12 addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession agreements. Management does not anticipate that this will have an impact on the Group's consolidated financial statements.
- IFRIC 13, Customer Loyalty Programmes (effective from 1 July 2008). IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits. Management does not anticipate that this will have an impact on the Group's consolidated financial statements.
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 January 2008). IFRIC 14 provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. Management does not anticipate that this will have an impact on the Group's consolidated financial statements.

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 vehicles) over which the Group, directly or indirectly, has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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 by the Group. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued or liabilities incurred or assumed 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, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets 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, but considered an impairment indicator of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The company's investments in subsidiaries are recorded at cost less provision for impairment.

1.2.2 Joint ventures

Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss. 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 2007

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

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.2.3 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 identified on acquisition, net of any accumulated impairment loss.

1.2.4 Special purpose vehicles ("SPVs")

An SPV is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPV's risks and rewards, the Group concludes that it controls the SPV. If a SPV is established under terms that impose strict limitations on the decision-making powers of the SPV's management and that result in the Group receiving the majority of the risks and rewards relating to the SPV's operations and net assets, then the SPV is consolidated.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

1.5.3 Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are recognised at cost. They have a finite useful life and are carried at cost less accumulated amortisation. Customer relationships, trademarks and patents and distribution rights acquired in business combinations are reflected at the fair value at the date of acquisition less accumulated amortisation. Amortisation is calculated on a straight-line basis over their estimated useful lives (four to twenty five years).

Useful lives are reviewed and adjusted if appropriate at each balance sheet date.

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 fair value less costs to sell 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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.

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amounts are recognised in equity.

1.8 Non-current assets held for sale and discontinued operations

Non-current assets held for sale (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary or associate acquired exclusively with a view to resale.

Non-current assets (or disposal groups) are stated at the lower of carrying amount and fair value less costs to sell. An impairment loss on a disposal group is first allocated to goodwill and then to the remaining assets and liabilities on a *pro rata* basis.

1.9 Financial assets

The Group classifies its financial assets in the following categories: 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.

1.9.1 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value with changes in fair value recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. The fair values of quoted investments are based on current bid prices. If the market for available-for-sale assets is not active, the Group uses discounted cash flow analyses to calculate the fair value.

1.9.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

The fair values of quoted investments are based on current bid prices. Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Group's right to receive payment is established.

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1.9.3 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.

1.9.4 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is disclosed in note 1.12.

If there is objective evidence that an impairment loss on loans or receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the loan or receivable's original effective interest rate. This impairment loss is recognised in the income statement.

1.10 Taxation

1.10.1 Taxation rates

The normal South African company tax rate used for the year ended 31 December 2007 is 29% (2006: 29%). Deferred tax assets and liabilities for South African entities at 31 December 2007 have been calculated using this rate, being the rate that the Group expects to apply to the periods when the assets are realised or the liabilities are settled. Secondary tax on companies is calculated at 10% (2006: 12.5%), and capital gains tax is included at 50% of the company tax rate. International tax rates vary from jurisdiction to jurisdiction.

1.10.2 Deferred taxation

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 property, plant and equipment, 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.

1.10.3 Secondary tax on companies ("STC")

South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax (called STC), on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare future dividends to utilise such STC credits.

1.11 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.

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1.12 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. Significant financial difficulties of the debtor; probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The 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 original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

1.13 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.

1.14 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.

1.15 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.

1.16 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 pre-tax 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.

1.17 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.18 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.

1.19 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

1.20 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 of directors.

1.21 Financial risk management

1.21.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity 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 risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. 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, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Refer to note 31.

a) Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, the British Pound and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge significant medium- and long-term inventory purchase orders with the use of forward foreign exchange contracts transacted with reputable financial institutions. Sales transactions in currencies that are not the companies' functional currency are not hedged against foreign currency fluctuations as these transactions constitute less than 20% of the total sales of the Group.

ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's investments in equity of other entities are publicly traded on the JSE Limited.

iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2006 and 2007 the Group's long-term borrowings at variable rates were denominated in Rand.

The Group has not made use of interest rate swaps in 2006 or 2007.

b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of Baa1 are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits are regularly monitored.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's cash and cash equivalents on the basis of expected cash flow.

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1.21.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' shown in the consolidated balance sheet plus net debt.

1.21.3 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.

The fair values of quoted investments are based on current bid prices.

1.21.4 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 31. Movements on the hedging reserve in equity are shown in note 12.

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I.22 Employee benefits

I.22.1 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.

I.22.2 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. On exercise of options the related share-based payment reserve is transferred to retained earnings.

I.22.3 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.

I.23 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) Intangible assets

Brands and other intangibles that are acquired through acquisition are capitalised on the balance sheet. These brands and other intangibles are valued on acquisition using a discounted cash flow methodology and assumptions and estimates regarding future revenue growth, prices, marketing costs and economic factors are made in valuing a brand and other intangibles. These assumptions reflect management's best estimates but these estimates involve inherent uncertainties, which may not be controlled by management.

The cost of brands and other intangibles with a finite life is amortised using a methodology that matches management's estimate of how the benefit of the assets will be extinguished. Each year the remaining useful life of the brands and other intangibles is re-evaluated. If the estimate of the remaining useful life changes, the remaining carrying value is amortised prospectively over that revised remaining useful life.

(iii) Impairment of capitalised research and development costs

When there is an impairment indicator, the carrying value of capitalised research and development projects is compared to the discounted value of the expected future cash flows that will arise from these projects. The expected future cash flows are based on approved budgets and the discount rate is calculated based on the risks specific to the company. When the carrying value is higher than the value in use, an impairment loss is recognised in the income statement to write the asset down to its recoverable amount. During the year an impairment loss of R12 926 000 (2006: R282 000) was recognised.

(iv) 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.

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2 PROPERTY, PLANT AND EQUIPMENT

	GROUP			
	Land and buildings R 000	Plant, machinery and equipment R 000	Vehicles R 000	Total R 000
Year ended 31 December 2007				
Opening carrying value	67 224	158 470	3 554	229 248
Exchange rate adjustments	–	(79)	–	(79)
Additions	796	21 870	–	22 666
Disposals	(18 021)	(3 512)	(20)	(21 553)
Acquisition of subsidiaries	–	13 156	–	13 156
Disposal of subsidiaries	(13 482)	(24 248)	(309)	(38 039)
Impairment charge	(18)	(6 421)	(17)	(6 456)
Depreciation charge	(1 224)	(24 359)	(940)	(26 523)
	35 275	134 877	2 268	172 420
Classified as held for sale	(2 053)	(18 053)	(108)	(20 214)
Closing carrying value	33 222	116 824	2 160	152 206
At 31 December 2007				
Cost	40 016	223 734	5 206	268 956
Accumulated depreciation and impairment	(4 741)	(88 857)	(2 938)	(96 536)
Closing carrying value	35 275	134 877	2 268	172 420
Year ended 31 December 2006				
Opening carrying value	66 150	56 344	2 337	124 831
Exchange rate adjustments	–	142	(15)	127
Additions	1 271	29 794	1 175	32 240
Disposals	–	(8 534)	(237)	(8 771)
Acquisition of subsidiaries	1 315	98 872	683	100 870
Depreciation charge	(1 512)	(18 148)	(389)	(20 049)
Closing carrying value	67 224	158 470	3 554	229 248
At 31 December 2006				
Cost	73 514	227 208	5 955	306 677
Accumulated depreciation	(6 290)	(68 738)	(2 401)	(77 429)
Closing carrying value	67 224	158 470	3 554	229 248
Leased assets included above comprise:				
At 31 December 2007				
Cost	–	7 252	540	7 792
Accumulated depreciation and impairment	–	(1 739)	(170)	(1 909)
Closing carrying value	–	5 513	370	5 883
At 31 December 2006				
Cost	–	13 845	1 261	15 106
Accumulated depreciation	–	(4 806)	(421)	(5 227)
Closing carrying value	–	9 039	840	9 879

Impairments

The impairment charge of R6 456 000 (2006: Rnil) arose in the OEM segment cash generating units ("CGUs") of Ariston and SPE, following a decision to dispose of these two operations (refer to note 17). This impairment charge is included in other operating expenses in the income statement.

Finance leases are secured by property, plant and equipment (refer to note 13).

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	GROUP		COMPANY	
	31/12/07	31/12/06	31/12/07	31/12/06
	R 000	R 000	R 000	R 000
3 INTANGIBLE ASSETS				
Goodwill	36 332	73 872	–	–
Trademarks, patents and distribution rights	68 671	104 220	–	–
Capitalised product development costs	4 843	38 229	–	–
Customer relationships	28 850	47 093	–	–
Other intangible assets	7 559	11 473	–	–
	146 255	274 887	–	–
3.1 Goodwill				
Opening carrying value	73 872	4 595	–	–
Acquisition of subsidiaries	1 374	69 396	–	–
Disposal of subsidiaries	(2 338)	–	–	–
Impairment charge	(36 340)	–	–	–
Exchange rate adjustments	(236)	(119)	–	–
Closing carrying value	36 332	73 872	–	–
At 31 December				
Cost	72 672	73 872	–	–
Accumulated impairment	(36 340)	–	–	–
Closing carrying value	36 332	73 872	–	–
Goodwill has been allocated to the following CGUs:				
Fleet Management Services ("FMS")	–	2 338	–	–
Transport Lighting and Fleet Products ("TFL")	–	2 257	–	–
Sagercy PE	15 833	15 833	–	–
Ariston	–	25 175	–	–
SPE	–	7 129	–	–
Tripmaster	–	405	–	–
Pi Shurlok UK	20 499	20 735	–	–
	36 332	73 872	–	–

Impairments and disposals

The goodwill in the FMS CGU of R2 338 000 relates to the distribution rights in respect of Control Instruments' fleet management products in South Africa, which were repurchased from Matrix Vehicle Tracking (Pty) Limited in October 2001. The goodwill was included in the sale of the fleet and vehicle management business to TeliMatrix Limited (refer to notes 17 and 28).

Goodwill of R2 257 000 attributable to the acquisition of TFL, in the aftermarket segment, in 2005 was impaired in 2007 as the recoverable amount of the CGU, based on value-in-use calculations, is lower than the cost of the investment. This amount is included in other operating expenses.

Goodwill of R15 833 000 is attributable to the acquisition of the Sagercy business in March 2006 (refer to note 28.3).

The goodwill of R25 175 000 and R7 129 000 of the Ariston and SPE CGUs, respectively, in the OEM segment, arose from the acquisition of the Sagercy business in March 2006. On 9 November 2007 the Group entered into an agreement to dispose of these two operations (refer to note 36). As a result, the goodwill has been impaired in full. The impairment charge of R32 304 000 (2006: Rnil) is included in other operating expenses in the income statement.

An additional R1 374 000 goodwill was raised when the Group acquired the remaining 49% of the shares in Tripmaster on 30 June 2007. This amount plus the R405 000 raised in 2006 has been impaired in full as the Group has decided to dispose of its investment in Tripmaster and the net assets of Tripmaster have been written down to fair value less costs to sell. The total impairment of R1 779 000 is included in other operating expenses in the income statement and in the fleet management segment.

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3 INTANGIBLE ASSETS (continued)

3.1 Goodwill (continued)

Goodwill of R20 499 000 (2006: R20 735 000) is attributable to the acquisition of the business of Pi Shurlok UK in December 2006 (refer to note 28.3). The decrease of R236 000 in the current year relates to an exchange rate adjustment.

Impairment tests for goodwill

The recoverable amount of the CGUs that will not be realised via disposal 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:	GROUP 31/12/07		GROUP 31/12/06	
	Growth rate ⁽ⁱ⁾	Discount rate ⁽ⁱⁱ⁾	Growth rate ⁽ⁱ⁾	Discount rate ⁽ⁱⁱ⁾
Sagercy PE	5.0%	17.3%	5.0%	18.1%
Pi Shurlok UK	5.0%	9.3%	5.0%	9.3%
TFL	1.0%	15.4%	7.0%	20.7%

(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.

3.2 Trademarks, patents and distribution rights

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
Opening carrying value	104 220	27 771	–	–
Exchange rate adjustments	(142)	4 452	–	–
Acquisition of subsidiaries	75 673	78 065	–	–
Disposal of subsidiaries	(75 625)	–	–	–
Impairment charge	(11 879)	–	–	–
Additions	2 593	150	–	–
Amortisation charge	(6 046)	(6 218)	–	–
	88 794	104 220	–	–
Classified as held for sale	(20 123)	–	–	–
Closing carrying value	68 671	104 220	–	–
At 31 December				
Cost	112 626	112 321	–	–
Accumulated amortisation and impairment	(23 832)	(8 101)	–	–
Closing carrying value	88 794	104 220	–	–
Trademarks, patents and distribution rights consist of the following:				
Gabriel trademark	35 973	37 493	–	–
Autocom trademark	2 921	3 093	–	–
Echlin/Dana trademark	13 113	13 846	–	–
Acsa-Mag trademark	7 160	7 560	–	–
Pi trademark	6 900	7 768	–	–
Tripmaster trademark and patents	20 122	32 692	–	–
Other	2 605	1 768	–	–
	88 794	104 220	–	–

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3 INTANGIBLE ASSETS (continued)

3.2 Trademarks, patents and distribution rights (continued)

An impairment charge of R10 882 000 (2006: Rnil) arose in the Group's remaining fleet management operation, Tripmaster, following a decision by management to dispose of this company and is included in other operating expenses in the income statement.

An impairment charge of R550 000 (2006: Rnil) arose in the head office segment as a result of the write-off of a trademark. This amount is included in other operating expenses in the income statement.

An impairment charge of R447 000 (2006: Rnil) arose in the discontinued fleet management segment following the acquisition by the Group of the worldwide distribution rights of SiemensVDO products with the Datatrak acquisition (refer to note 28.3). This amount is included in other operating expenses in the income statement.

	GROUP		COMPANY	
	31/12/07	31/12/06	31/12/07	31/12/06
	R 000	R 000	R 000	R 000
3.3 Capitalised product development costs				
Opening carrying value	38 229	22 678	–	–
Exchange rate adjustments	(9)	732	–	–
Capitalised during the year	14 185	17 658	–	–
Acquisition of subsidiaries	–	4 970	–	–
Disposal of subsidiaries	(26 663)	–	–	–
Amortisation charge	(7 466)	(7 527)	–	–
Impairment charge	(12 926)	(282)	–	–
	5 350	38 229	–	–
Classified as held for sale	(507)	–	–	–
Closing carrying value	4 843	38 229	–	–
At 31 December				
Cost	13 709	63 361	–	–
Accumulated amortisation and impairment	(8 359)	(25 132)	–	–
Closing carrying value	5 350	38 229	–	–

Capitalised product development costs principally comprise internally generated expenditure on product development 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 or there will be reduced future sales relating to the development costs. Impairment losses of R7 141 000 (2006: Rnil) in the OEM segment and R5 785 000 in the fleet management segment (2006: R282 000) are included in other operating expenses. The carrying amount of the capitalised product has been reduced to its recoverable amount.

	GROUP		COMPANY	
	31/12/07	31/12/06	31/12/07	31/12/06
	R 000	R 000	R 000	R 000
3.4 Customer relationships				
Opening carrying value	47 093	–	–	–
Exchange rate adjustments	(58)	(40)	–	–
Acquisition of subsidiaries	–	53 429	–	–
Impairment charge	(9 785)	–	–	–
Amortisation charge	(8 400)	(6 296)	–	–
Closing carrying value	28 850	47 093	–	–
At 31 December				
Cost	53 311	53 389	–	–
Accumulated amortisation and impairment	(24 461)	(6 296)	–	–
Closing carrying value	28 850	47 093	–	–
Customer relationships consist of the following:				
Pi UK customers	5 298	5 965	–	–
Pi Shurlok RSA customers	15 059	31 655	–	–
Gabriel customers	8 493	9 473	–	–
	28 850	47 093	–	–

The impairment charge of R9 785 000 (2006: Rnil) arose in the OEM segment from the Group's decision to dispose of the Ariston and SPE CGUs (refer to note 17) and is included in other operating expenses in the income statement.

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	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
3 INTANGIBLE ASSETS (continued)				
3.5 Other intangible assets				
Opening carrying value	11 473	2 683	–	–
Exchange rate adjustments	(46)	172	–	–
Additions	4 417	2 365	–	–
Acquisition of subsidiaries	–	7 969	–	–
Disposal of subsidiaries	(1 337)	–	–	–
Impairment charge	(2 658)	–	–	–
Amortisation charge	(3 203)	(1 716)	–	–
	8 646	11 473	–	–
Classified as held for sale	(1 087)	–	–	–
Closing carrying value	7 559	11 473	–	–
At 31 December				
Cost	15 611	15 854	–	–
Accumulated amortisation and impairment	(6 965)	(4 381)	–	–
Closing carrying value	8 646	11 473	–	–
Other intangible assets consist of the following:				
Software	6 148	8 188	–	–
Licence agreements	880	1 377	–	–
Favourable lease agreements	1 214	1 363	–	–
Other	404	545	–	–
	8 646	11 473	–	–

Accounting software used by the Group's aftermarket segment with a value of R2 155 000 (2006: Rnil) was impaired in full in 2007 following a decision to discontinue the use of the software package.

An impairment charge of R17 000 (2006: Rnil) arose in Ariston and SPE, in the OEM segment, following a decision to dispose of these two operations (refer to note 17).

An impairment charge of R486 000 (2006: Rnil) arose in the Group's remaining fleet management company, Tripmaster, following a decision to dispose of this operation (refer to note 17).

All of the above amounts are included in other operating expenses in the income statement.

	COMPANY	
	31/12/07 R 000	31/12/06 R 000
4 INTEREST IN SUBSIDIARIES		
Non-current		
Investments in subsidiaries		
Unlisted shares at cost	236 146	201 344
Provision for impairment	(16 309)	–
	219 837	201 344
Classified as held for sale	(25 000)	–
	194 837	201 344
Directors' valuation	219 837	201 344
Current		
Loans to subsidiaries	75 915	47 724
Loans to indirectly held subsidiaries	159 043	531
Loan to The Control Instruments Share Incentive Scheme	15 730	9 995
	250 688	58 250
Provision for impairment	(24 337)	–
	226 351	58 250
Loans from subsidiaries	–	(10 914)
Loans from indirectly held subsidiaries	(4 043)	(468)
	(4 043)	(11 382)

Refer to note 33 for details of loans to/(from) subsidiaries.

The loans to/(from) the Company are unsecured, interest-free and repayable on demand. The loan to The Control Instruments Share Incentive Scheme is secured by a pledge of 1 582 520 (2006: 9 002 546) Control Instruments Group Limited shares with a market value of R2 373 780 (2006: R54 010 276).

The carrying value of the loans to subsidiaries approximates their fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

5 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group has a 50% interest in Aquapay (Pty) Limited and a 49% interest in Lear Shurlok Electronics (Pty) Limited, but with joint control of the companies.

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
5.1 Associates				
TeliMatrix Limited				
320 000 000 (50%) shares received as consideration for disposal of fleet and vehicle management businesses	655 556	–	655 556	–
275 708 468 shares unbundled to outside shareholders	(564 820)	–	(564 820)	–
3 165 040 shares unbundled to Group companies			(6 484)	–
600 000 shares classified as available-for-sale financial assets	(1 229)	–	–	–
43 691 532 shares (Company: 41 126 492) classified as at fair value through profit or loss	(89 507)	–	(84 252)	–
	–	–	–	–
5.2 Joint ventures				
Lear Shurlok Electronics (Pty) Limited				
Share of accumulated profit before dividends since acquisition	6 029	4 704	–	–
Accumulated dividends received since acquisition	(4 026)	(2 526)	–	–
Net carrying value	2 003	2 178	–	–
The following amounts represent the Group's share of the assets, liabilities and profits in Lear Shurlok Electronics (Pty) Limited:				
Current assets	4 504	5 956	–	–
Current liabilities	(2 501)	(3 778)	–	–
Interest in equity	2 003	2 178	–	–
Comprising:				
Share capital*	–	–	–	–
Share of accumulated profit	2 003	2 178	–	–
Profit before tax	2 159	3 144	–	–
Tax	(834)	(1 205)	–	–
Profit after tax	1 325	1 939	–	–
Operating cash flows	(1 237)	(1 656)	–	–

* Issued: 100 ordinary shares of R1 each

Aquapay (Pty) Limited

The investment in Aquapay of R1 582 000 is fully impaired (2006: fully impaired).

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

6 FINANCIAL ASSETS

6.1 Available-for-sale financial assets

Listed

Ordinary shares in TeliMatrix Limited

600 000 shares reclassified from investment in associates

Fair value movements recognised in equity

600 000 shares held at the end of the year

These shares are held by The Control Instruments Share Incentive Scheme and have been linked to outstanding share options.

Ordinary shares in Datatrak Malta Limited

1 288 920 shares received on acquisition of the Datatrak business (refer to note 28.3)

Fair value movement recognised in equity

1 288 920 shares disposed with subsidiaries (refer to note 28.2)

Nil shares held at end of year

Unlisted

Preference shares in

Multenet Technologies (Pty) Limited

Beginning of the year

Impairment of investment

End of the year

Directors' valuation

At 31 December

Cost

Accumulated impairment

Closing carrying value

The preference shares are fully paid par value convertible redeemable shares that are not convertible or redeemable before May 2009.

6.2 At fair value through profit or loss

Listed

Ordinary shares in TeliMatrix Limited

43 691 532 (Company: 41 126 492) shares

reclassified from investment in associates

41 000 000 (Company: 41 126 492)

shares sold during the year

Loss on disposal of shares recognised in

income statement

Fair value movements recognised in income statement

2 691 532 shares held at the end of the year

The loss of R18 450 000 (2006: Rnil) on the sale of shares and the fair value movement of R1 407 000 (2006: Rnil) are included in other operating expenses in the income statement.

6.3 Fair values

The fair values of financial assets at year-end are:

Available-for-sale

At fair value through profit or loss

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
6.1 Available-for-sale financial assets				
Listed				
Ordinary shares in TeliMatrix Limited				
600 000 shares reclassified from investment in associates	1 229	–	–	–
Fair value movements recognised in equity	(329)	–	–	–
600 000 shares held at the end of the year	900	–	–	–
Ordinary shares in Datatrak Malta Limited				
1 288 920 shares received on acquisition of the Datatrak business (refer to note 28.3)	6 912	–	–	–
Fair value movement recognised in equity	(1 980)	–	–	–
1 288 920 shares disposed with subsidiaries (refer to note 28.2)	(4 932)	–	–	–
Nil shares held at end of year	–	–	–	–
Unlisted				
Preference shares in Multenet Technologies (Pty) Limited				
Beginning of the year	–	3 208	–	3 208
Impairment of investment	–	(3 208)	–	(3 208)
End of the year	–	–	–	–
Directors' valuation	–	–	–	–
At 31 December				
Cost	4 812	4 812	4 812	4 812
Accumulated impairment	(4 812)	(4 812)	(4 812)	(4 812)
Closing carrying value	–	–	–	–
6.2 At fair value through profit or loss				
Listed				
Ordinary shares in TeliMatrix Limited				
43 691 532 (Company: 41 126 492) shares reclassified from investment in associates	89 507	–	84 252	–
41 000 000 (Company: 41 126 492) shares sold during the year	(65 600)	–	(65 802)	–
Loss on disposal of shares recognised in income statement	(18 450)	–	(18 450)	–
Fair value movements recognised in income statement	(1 407)	–	–	–
2 691 532 shares held at the end of the year	4 050	–	–	–
6.3 Fair values				
Available-for-sale	900	–	–	–
At fair value through profit or loss	4 050	–	–	–
	4 950	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
7 DEFERRED INCOME TAX				
The following deferred income tax balances are reflected on the balance sheet:				
Deferred income tax assets	15 360	4 994	–	66
Deferred income tax liabilities	(34 088)	(73 322)	–	–
	(18 728)	(68 328)	–	66
Deferred income tax assets are recognised to the extent that realisation of the related tax benefit is probable.				
Reconciliation				
Balance at the beginning of the year	(68 328)	(9 708)	66	22
Temporary differences credited/(charged)	37 443	2 392	(66)	44
Exchange rate adjustments	(321)	(1 706)	–	–
Acquisition of subsidiaries	4 059	(59 267)	–	–
Disposal of subsidiaries	3 960	–	–	–
Tax charged to equity	(143)	(39)	–	–
	(23 330)	(68 328)	–	66
Classified as held for sale	4 602	–	–	–
Balance at the end of the year	(18 728)	(68 328)	–	66
Analysis				
Capital allowances	(34 907)	(42 147)	–	–
Provisions	9 161	4 689	–	67
Prepayments	(380)	(505)	–	(1)
Assessable losses	33 774	13 442	–	–
Intangible assets	(31 530)	(43 695)	–	–
Hedging reserve	(8)	135	–	–
Other temporary differences	560	(247)	–	–
	(23 330)	(68 328)	–	66
The deferred income tax included in equity at the end of the year is as follows:				
Fair value reserves in equity – hedging reserve	(8)	135	–	–
8 INVENTORIES				
Raw materials	46 009	49 823	–	–
Work in progress	15 567	16 823	–	–
Finished goods	117 791	119 095	–	–
	179 367	185 741	–	–
Provision for inventory write-down	(8 381)	(9 085)	–	–
	170 986	176 656	–	–
Classified as held for sale	(11 478)	–	–	–
	159 508	176 656	–	–
Borrowings are secured by inventory (refer to note 13).				

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

9 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
External trade receivables	127 703	171 201	–	–
Internal trade receivables			5 785	9 239
	127 703	171 201	5 785	9 239
Provision for impairment of trade receivables	(5 387)	(3 815)	–	–
	122 316	167 386	5 785	9 239
Prepayments	5 452	7 505	264	4
Other receivables	9 761	19 287	621	825
Rental deposit	4 230	4 287	–	–
Value Added Tax	3 309	5 430	192	–
Receivables from Lear Shulok Electronics (Pty) Limited	4 930	7 144	–	–
Short-term loan to Multenet Technologies (Pty) Limited	3 004	1 849	3 004	1 849
	153 002	212 888	9 866	11 917
Classified as held for sale	(12 194)	–	–	–
	140 808	212 888	9 866	11 917

The short-term loan to Multenet Technologies (Pty) Limited is secured by trade receivables and inventory and is interest-free and repayable on demand. An impairment provision of R370 000 has been recognised against this loan (2006: R370 000). R740 000 (2006: Rnil) of this loan has been subordinated in favour of other payables of Multenet Technologies (Pty) Limited.

The fair values of trade and other receivables are as follows:

Trade receivables	122 316	167 386	5 785	9 239
Other receivables	9 761	19 287	621	825
Receivables from Lear Shulok Electronics (Pty) Limited	4 930	7 144	–	–
Short-term loan to Multenet Technologies (Pty) Limited	3 004	1 849	3 004	1 849
	140 011	195 666	9 410	11 913
Classified as held for sale	(11 851)	–	–	–
	128 160	195 666	9 410	11 913

Trade and other receivables that are less than three months past due are not considered impaired. As of 31 December 2007, the Group had trade and other receivables of R52 170 000 (2006: R78 823 000) which were past due but not impaired. These relate to a number of customers for whom there is no history of default or that management believes will in all probability pay.

The Company's trade and other receivables of R1 832 000 (2006: R2 480 000) which were past due but not impaired relates to intercompany balances which will be repaid within the next twelve months.

The age analysis of these trade and other receivables is as follows:

Neither impaired, nor past due	87 841	116 843	7 578	9 433
Up to three months past due	47 613	72 961	48	2 336
Three to six months past due	4 557	5 862	1 784	144
	140 011	195 666	9 410	11 913

An impairment provision of R5 387 000 (2006: R3 815 000) was recognised against receivables. The ageing of the impaired portion of receivables is as follows:

More than three months past due	5 387	3 815	–	–
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

9 TRADE AND OTHER RECEIVABLES (continued)

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
The carrying values of the trade and other receivables are denominated in the following currencies:				
Rand	105 280	124 555	9 410	11 913
US dollar	12 218	25 867	–	–
British pound	11 829	27 579	–	–
Euro	9 607	16 975	–	–
Other currencies	1 077	690	–	–
	140 011	195 666	9 410	11 913

Movements in the provision for impairment of trade receivables are as follows:

At 1 January	(3 815)	(8 974)	–	–
Provision for receivables impairment	(3 252)	(2 198)	–	–
Acquisition of subsidiaries	(1 493)	(25)	–	–
Disposal of subsidiaries	2 864	–	–	–
Exchange rate adjustments	25	–	–	–
Receivables written off during the year as uncollectable	–	(46)	–	–
Unused amounts reversed	284	7 428	–	–
As at 31 December	(5 387)	(3 815)	–	–
Classified as held for sale	1 493	–	–	–
	(3 894)	(3 815)	–	–

The creation and release of the provision for impaired receivables is included in administrative expenses in the income statement. When there is no expectation of recovering additional cash, amounts charged to the allowance the accounts are generally written off.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Other than the security for the loan to Multenet Technologies (Pty) Limited the Group does not have any other security.

Non-current receivables

Fair value	315	366	–	–
Classified as held for sale	(315)	–	–	–
	–	366	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

9 TRADE AND OTHER RECEIVABLES (continued)

Trade receivables securitisation

On 3 December 2007 the Group entered into a five year trade receivables securitisation funding programme. It has the following funding and earnings enhancement objectives:

- to create a flexible environment in which the Group can raise external funding using its trade receivables as security;
- to raise funding at an efficient cost;
- to facilitate the recurring funding of the Group's growing operations; and
- to enhance profitability and earnings per share by reducing the Group's funding rate.

An independently owned special purpose vehicle ("SPV"), Control Instruments Debtors Finance (Pty) Limited ("CIDF"), was incorporated and the Group entered into the sale of existing and future trade receivables and other agreements with CIDF.

The Group maintains the right to manage and administer the collections process.

In terms of the programme, the Group raised R64.0 million from Hong Kong and Shanghai Banking Corporation Limited ("HSBC Bank") at a fixed rate for a period of five years. CIDF funded the purchase price paid to the Group by issuing 64 Class A, secured debentures and a R28 786 000 subordinated, unsecured and unrated loan.

The Group's subsidiaries and the external funders invested in the subordinated loan and debentures issued by the SPV, respectively. As security to the Class A debenture holders, a cession in *securitatem debiti* was entered into between CIDF and a newly established security trust, whereby all rights were ceded to the security trust. The trustees of the security trust subsequently issued a guarantee to the Class A debenture holders.

Furthermore, the Group paid a premium of R10 000 to enter into an option agreement to acquire all the option equity in CIDF for R100 within 90 days of the termination date of the programme.

The SPV and security trust are consolidated in terms of SIC 12 Consolidation – Special Purpose Entities.

The aggregate value at year-end of the South African trade receivables (gross of rebates) of the following wholly-owned subsidiaries of Control Instruments Group Limited, which were transferred to the SPV, are:

	GROUP	
	31/12/07	31/12/06
	R 000	R 000
Control Instruments Automotive (Pty) Limited	40 363	–
Control Instruments Gabriel (Pty) Limited	43 946	–
Pi Shurlok (Pty) Limited	34 176	–
Pi Shurlok Engineering (Pty) Limited	6 616	–
	<hr/>	
	125 101	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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

Share capital

Authorised

The total authorised number of ordinary shares is 200 million shares (2006: 200 million) with a par value of 5 cents per share (2006: 5 cents per share).

	GROUP		COMPANY	
	31/12/07	31/12/06	31/12/07	31/12/06
	R 000	R 000	R 000	R 000
Issued				
109 436 754 (2006: 96 518 426) at the beginning of the year	5 472	4 826	5 472	4 826
30 000 000 (2006: 21 067 000) issued during the year	1 500	1 053	1 500	1 053
Nil (2006: 8 148 672) repurchased and cancelled during the year	–	(407)	–	(407)
139 436 754 (2006: 109 436 754) at the end of the year	6 972	5 472	6 972	5 472
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	221 066	97 886	221 066	97 886
Share premium on shares issued during the year	178 500	123 369	178 500	123 369
Share issue/cancellation costs	(2 570)	(189)	(2 570)	(189)
Balance at the end of the year	396 996	221 066	396 996	221 066
Treasury shares				
1 582 520 (2006: 9 002 546) shares held by The Control Instruments Share Incentive Scheme	(7 634)	(10 282)	–	–
Total issued share capital, share premium and treasury shares	396 334	216 256	403 968	226 538

Buy-back of shares

During the year no shares were repurchased (2006: 8 148 672 were repurchased from a subsidiary of the Group and cancelled).

The net effect of shares sold by The Control Instruments Share Incentive Scheme was 7 431 176 shares (2006: 411 200 shares).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

10 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND SHARE OPTIONS (continued)

	GROUP	
	31/12/07	31/12/06
	000	000
Share options		
<i>The Control Instruments Share Incentive Scheme ("the Share Scheme")</i>		
The movements in the number of shares in the Share Scheme for the year were as follows:		
Available for allocation at the beginning of the year	9 014	9 425
Shares purchased by the Share Scheme	2 864	–
Paid for and taken up by participants	(10 295)	(411)
Total available for allocation	1 583	9 014
Employee entitlement	(300)	(10 865)
Allocated but not yet granted at the end of the year	(1 283)	–
Paid for but not yet transferred at the end of the year	–	(10)
Shortfall at the end of the year	–	(1 861)

Share options are granted to directors and to employees. All options vest in tranches of 12.5% every six months. 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 31/12/07 cents	Number of options 31/12/07	Average exercise price 31/12/06 cents	Number of options 31/12/06
Share options at the beginning of the year	175	10 864 715	117	10 475 965
Share options granted	545	428 000	465	911 600
Share options paid for and taken up by participants	169	(10 285 415)	253	(411 200)
Share options lapsed	423	(707 300)	320	(111 650)
Share options at the end of the year	290	300 000	175	10 864 715

75 000 share options are exercisable at year-end (2006: 6 904 165).

During the year the Share Scheme offered all option holders the opportunity to take up all vested and unvested share options by 12 October 2007. This was done in anticipation of the unbundling of the Group's shares in TeliMatrix Limited. This opportunity was taken up by most of the option holders.

Terms of the options not taken up are listed below:

Exercise price cents	Number of options 31/12/07	Number of options 31/12/06
65	–	3 937 500
75	–	78 125
86	–	1 391 200
100	–	75 000
160	–	600 000
200	200 000	2 000 000
300	–	300 000
320	–	1 571 290
460	–	500 000
470	100 000	411 600
	300 000	10 864 715

The outstanding share options at 31 December 2007 also include two TeliMatrix Limited shares for every Control Instruments share option.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

10 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND SHARE OPTIONS (continued)

Share options outstanding at the end of the year expire as follows:

	Number of options 31/12/07	Number of options 31/12/06
Expiry dates		
2007	–	5 275 000
2008	–	206 825
2009	200 000	4 171 290
2010	–	711 600
2011	100 000	500 000
	300 000	10 864 715

The fair value of options granted during the year, using the binomial valuation model, was R1 173 112 (2006: R1 450 255). The option expense for the year was R4 059 000 (2006: R4 904 453). The cost of the accelerated vesting was R1 456 791 (2006: Rnil).

The significant inputs into the model were share prices between R6.00 and R6.20 on various grant dates (2006: between R4.26 and R6.00); exercise prices shown on the previous page; standard deviations of expected share price returns of between 29.2% and 39.03% (2006: between 23.46% and 30.60%); dividend yields of between 1.03% and 1.10% (2006: between 1.55% and 1.66%); and the option life shown 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.

11 FOREIGN CURRENCY TRANSLATION RESERVE

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
Balance at the beginning of the year	5 370	–	–	–
Currency translation differences (utilised)/created during the year	(2 932)	5 370	–	–
Reserve realised on disposal of subsidiaries	1 857	–	–	–
Balance at the end of the year	4 295	5 370	–	–
Classified as held for sale	(5 210)	–	–	–
	(915)	5 370	–	–

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12 OTHER RESERVES

Analysis

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
Hedging reserve	15	(330)	–	–
Available-for-sale reserve	(329)	–	–	–
Share-based payment reserve (IFRS 2)	559	12 893	466	5 088
	245	12 563	466	5 088

Reconciliations

Hedging reserve

Balance at the beginning of the year	(330)	(425)	–	–
Fair value adjustment	488	134	–	–
Deferred tax on fair value adjustments	(143)	(39)	–	–
Balance at the end of the year	15	(330)	–	–

Available-for-sale reserve

Fair value adjustment	(2 309)	–	–	–
Reserve realised on disposal of subsidiaries	1 980	–	–	–
Balance at the end of the year	(329)	–	–	–

Share-based payment reserve (IFRS 2)

Balance at the beginning of the year	12 893	7 989	5 088	3 318
Transferred to retained earnings	(16 393)	–	(5 401)	–
Share option expense for the year	4 059	4 904	779	1 770
Balance at the end of the year	559	12 893	466	5 088

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

13 BORROWINGS

Current

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
Bank overdraft	15 535	46 372	4 977	–
Current portion of mortgage loans, finance leases, debentures and long-term loans	7 370	39 075	–	–
Current portion of purchase price liability	–	8 359	–	8 359
Current loans	–	36	–	–
Total current borrowings	22 905	93 842	4 977	8 359
Classified as held for sale	(137)	–	–	–
	22 768	93 842	4 977	8 359

Non-current

Secured

Mortgage loans	–	16 087	–	–
Finance leases	13 415	10 699	–	–
Debentures	64 583	–	–	–
Long-term loans	6 240	221 891	–	–
	84 238	248 677	–	–

Unsecured

Purchase price liability	–	20 521	–	20 521
	84 238	269 198	–	20 521
Less: Short-term portion included in current borrowings	(7 370)	(47 434)	–	(8 359)
Total non-current borrowings	76 868	221 764	–	12 162
Classified as held for sale	(103)	–	–	–
	76 765	221 764	–	12 162

Total borrowings

	99 773	315 606	4 977	20 521
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The carrying values and fair values of the non-current borrowings are as follows:

	GROUP Carrying value		GROUP Fair value	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
Mortgage loans	–	14 418	–	14 418
Finance leases	10 719	7 019	10 719	7 019
Debentures	64 000	–	64 000	–
Long-term loans	2 149	188 165	2 149	188 165
Purchase price liability	–	12 162	–	12 162
	76 868	221 764	76 868	221 764

The variable rates in these contracts would be the same as those negotiated at balance sheet date.

The debentures were issued on 3 December 2007 and approximate their fair value.

The fair value of current borrowings equals their carrying value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

13 BORROWINGS (continued)

The carrying value of the borrowings are denominated in the following currencies:

	GROUP		COMPANY	
	31/12/07	31/12/06	31/12/07	31/12/06
	R 000	R 000	R 000	R 000
Rand	97 342	295 085	4 977	–
US dollar	2 431	20 521	–	20 521
	99 773	315 606	4 977	20 521

The Group has the following undrawn borrowing facilities:

Floating rate: Expiring within one year	51 597	43 628	36 656	43 628
Fixed rate: Expiring within five years	3 000	–	–	–
	54 597	43 628	36 656	43 628

The facilities expiring within one year are annual facilities that are subject to review at various dates during 2008. The other facilities have been arranged to fund the Group's working capital requirements.

In 2006 mortgage loans were secured by land and buildings with a book value of R20 183 000. These loans were either settled during the year or transferred to TeliMatrix Limited ("TeliMatrix").

The debentures were issued by Control Instruments Debtors Finance (Pty) Limited to fund the purchase price paid to the various subsidiaries in terms of the trade receivables securitisation programme (refer to note 9).

The Class A debentures have been issued to HSBC Bank and bear interest at a fixed rate of 11.40% nominal annual compounded quarterly. Interest on the debentures is repayable quarterly and the capital is repayable on 3 December 2012. There are financial covenants in terms of the debentures in respect of subordinated funding, collections, assets and interest cover to EBITDA that are normal for transactions of this type.

The following loans were included in long-term loans in 2006:

- (i) R75 000 000 borrowed by the Group to finance its acquisition of Dana in October 2005. The loan was:
 - repayable in semi-annual instalments over a five year period ending October 2010;
 - secured by land and buildings with a book value of R38 389 000; a General Notarial Bond for R60 000 000 over plant and equipment; inventory; other movable assets; and an unrestricted pledge of shares in CI Automotive;
 - repaid in 2007 from the proceeds of the sale of CI Automotive's buildings and from the sale of the Group's fleet and vehicle management businesses to TeliMatrix.
- (ii) R50 000 000 borrowed by the Group in March 2006 for working capital requirements. The loan was:
 - repayable in quarterly instalments over a five year period ending April 2011;
 - secured by a General Notarial Bond for R20 000 000 over plant and equipment; inventory; and other movable assets;
 - repaid in 2007 from the proceeds of the sale of the Group's fleet and vehicle management businesses to TeliMatrix.
- (iii) R35 000 000 borrowed by the Group to finance its acquisition of Gabriel (refer to note 28.3). The loan was:
 - repayable in quarterly instalments over a five year period ending September 2011;
 - secured by trademarks with a book value of R37 493 000; a General Notarial Bond for R60 000 000 over plant and equipment, inventory and other movable assets;
 - repaid in 2007 from the proceeds of the sale of the Group's fleet and vehicle management businesses to TeliMatrix.
- (iv) R69 986 000 borrowed by the Group to finance its acquisition of Pi Shurlok Limited (refer to note 28.3). The loan was:
 - repayable at the end of November 2012 with interest payable quarterly over the six year period ending November 2012;
 - secured by an unrestricted charge over the shares of Pi Shurlok Limited;
 - repaid in 2007 from the proceeds of the sale of the financial assets at fair value through profit or loss (refer to note 6.2).

There were financial covenants in terms of the above loans, in respect of income and assets based on earnings, debt and tangible assets that were normal for transactions of this type.

Other long-term loans and finance lease liabilities are secured by plant, vehicles and equipment with a book value of R15 446 000 (2006: R18 788 000).

The bank overdraft is secured by unlimited cross suretyships.

The unsecured loan in 2006 related to the deferred purchase liability for the acquisition of Tripmaster (refer to note 28.3). The liability was based on the forecast earnings before interest, tax, depreciation and amortisation ("EBITDA") over the next three years compared to a pre-determined target EBITDA per the acquisition agreements. In June 2007 the Group exercised its option to purchase the remaining shares in Tripmaster for US\$3 200 000 (R21 889 000) and settled the full amount on 30 June 2007.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

13 BORROWINGS (continued)

Maturity of unsecured purchase price liability:

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
Within one year	–	8 359	–	8 359
Between one and two years	–	4 141	–	4 141
Between two and five years	–	8 021	–	8 021
	–	20 521	–	20 521

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

Within one year	4 674	43 754	–	8 359
Between one and two years	2 149	49 564	–	4 141
Between two and five years	64 000	89 804	–	8 021
Five years and later	–	75 377	–	–
	70 823	258 499	–	20 521

Finance lease liabilities – minimum lease payments:
2007

	Up to one year	One to five years	Total
Total lease payments due	4 140	13 068	17 208
Finance costs included in total lease payments	(1 444)	(2 349)	(3 793)
Present value of finance lease liabilities	2 696	10 719	13 415

2006

Total lease payments due	4 530	8 326	12 856
Finance costs included in total lease payments	(850)	(1 307)	(2 157)
Present value of finance lease liabilities	3 680	7 019	10 699

The exposure of the Group's borrowings to
interest rate changes and contractual repricing
dates at the balance sheet date are as follows:

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
At fixed interest rates: one to five years	64 583	–	–	–
At floating interest rates	35 190	295 085	4 977	–
Interest free	–	20 521	–	20 521
	99 773	315 606	4 977	20 521

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

Bank overdraft	13.4%	12.5%	14.5%	12.5%
Current loans	–	12.5%	–	–
Mortgage loans	–	10.9%	–	–
Finance lease liabilities	12.3%	10.2%	–	–
Debentures	11.4%	–	–	–
Long-term loans	12.2%	11.3%	–	–

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 2007

	GROUP			
	Total R 000	Warranty R 000	Maintenance R 000	Other R 000
I4 PROVISIONS				
Balance at the beginning of the year	12 329	7 545	2 535	2 249
Charged/(released) to the income statement	2 809	3 301	(247)	(245)
Additional provision	4 775	4 032	702	41
Unused amounts reversed	(1 966)	(731)	(949)	(286)
Acquisition of subsidiaries	23 389	5 705	–	17 684
Disposal of subsidiaries	(24 983)	(6 566)	(1 577)	(16 840)
Exchange rate adjustments	(50)	(23)	–	(27)
Utilised during the year	(4 428)	(1 574)	(711)	(2 143)
	9 066	8 388	–	678
Classified as held for sale	(1 261)	(583)	–	(678)
Balance at the end of the year	7 805	7 805	–	–
	GROUP		COMPANY	
	31/12/07	31/12/06	31/12/07	31/12/06
	R 000	R 000	R 000	R 000
Non-current	2 832	566	–	–
Current	4 973	11 763	–	–
	7 805	12 329	–	–

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 time; and recent trends that might suggest that past cost information may differ from future claims.

Maintenance provision

The Group's fleet and vehicle management businesses provided maintenance contracts on bureau services. Management estimated the related provision of future maintenance costs per vehicle.

Other provisions

Other provisions included the dilapidation provision relating to the Datatrak business that was acquired and disposed by the Group during 2007.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
15 TRADE AND OTHER PAYABLES				
External trade payables	66 087	93 130	2 718	760
Internal trade payables			1 201	190
Accrued expenses	51 017	44 576	8 769	499
Deferred revenue	2 193	3 964	–	–
Value Added Tax	3 970	6 085	–	743
Other payables	7 792	8 708	125	134
	131 059	156 463	12 813	2 326
Classified as held for sale	(4 703)	–	–	–
	126 356	156 463	12 813	2 326

The fair values of the Group's trade and other payables are as follows:

Trade payables	66 087	93 130	3 919	950
Accrued expenses	51 017	44 576	8 769	499
Other payables	7 792	8 708	125	134
	124 896	146 414	12 813	1 583

The carrying values of the Group's trade and other payables are denominated in the following currencies:

Rand	101 776	102 789	12 813	1 583
British pound	9 298	14 318	–	–
US dollar	10 084	26 698	–	–
Other currencies	3 738	2 609	–	–
	124 896	146 414	12 813	1 583

16 DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts – cash flow hedges

Assets	38	–	–	–
Liabilities	(12)	(466)	–	–
	26	(466)	–	–

The full fair value of a hedging derivative is classified as a current asset or liability if the remaining maturity of the hedged item is less than twelve months.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2007 were R49 665 000 (2006: R16 496 000).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next twelve months. Gains and losses recognised in the hedging reserve in equity (note 12) on forward foreign exchange contracts as at 31 December are recognised in the income statement in the period or periods during which the hedged forecast transactions affect the income statement. This is generally within twelve months from the balance sheet date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

17 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

17.1 Fleet and vehicle management businesses sold to TeliMatrix Limited

With effect from 1 October 2007 the Group sold its fleet and vehicle management businesses to TeliMatrix Limited ("TeliMatrix") in return for 50% of the shares in TeliMatrix, i.e. 320 000 000 shares. The Group unbundled 278 873 508 of these shares to Control Instruments shareholders on 16 November 2007. Shareholders received two TeliMatrix shares for every one share they held in Control Instruments. TeliMatrix was valued by an independent expert at R2.05 per TeliMatrix share.

	GROUP	
	9 months 30/09/07	12 months 31/12/06
	R 000	R 000
<i>The following financial results relate to the fleet and vehicle management businesses:</i>		
Revenue	189 634	135 694
Cost of sales	(58 338)	(71 522)
Gross profit	131 296	64 172
Other operating income	23 861	8 860
Marketing and selling expenses	(13 611)	(4 634)
Administrative expenses	(52 210)	(39 515)
Other operating expenses	(21 025)	–
Operating profit	68 311	28 883
Net finance costs	(1 066)	(3 023)
Profit before tax	67 245	25 860
Tax	(24 360)	(8 994)
Profit for the year	42 885	16 866
<i>Cash flows from discontinued operations:</i>		
Cash flows from operating activities	(18 014)	34 420
Cash flows from investing activities	(4 209)	(26 491)
Cash flows from financing activities	12 135	18 053
	(10 088)	25 982

The results and cash flows above include CI OmniBridge's results for nine months and twelve months in 2007 and 2006 respectively, and Datatrak's results for four months in 2007. The results include inter-segmental and intra-segmental sales and cost of sales.

In accordance with IFRS 5, no depreciation or amortisation has been recognised in CI Omnibridge from 2 May 2007 and in Datatrak from 1 June 2007.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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17 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

17.2 Tripmaster

Tripmaster did not perform in line with expectations in the year under review. This was mainly due to the delayed introduction of new products, which were being developed by CI OmniBridge, specifically for the North American market. As a result of this Tripmaster was not sold to TeliMatrix along with the other fleet and vehicle management businesses as originally intended. Tripmaster has subsequently been restructured and the new products have been introduced. The Group is currently negotiating with TeliMatrix regarding the sale of Tripmaster and it is expected that this disposal will be finalised during the 2008 financial year.

	GROUP	
	31/12/07	31/12/06
	R 000	R 000
<i>The following financial results relate to Tripmaster:</i>		
Revenue	38 245	57 183
Cost of sales	(31 437)	(36 186)
Gross profit	6 808	20 997
Marketing and selling expenses	(7 218)	(6 869)
Administrative expenses	(7 352)	(8 496)
Other operating expenses	(22 684)	(6 986)
Operating loss	(30 446)	(1 354)
Net finance income	99	158
Loss before tax	(30 347)	(1 196)
Tax	9 648	586
Loss for the year	(20 699)	(610)
<i>Non-current assets classified as held for sale:</i>		
Disposal group held for sale:		
Property, plant and equipment	837	–
Intangible assets	21 594	–
Non-current receivables	315	–
Inventories	4 277	–
Trade and other receivables	3 400	–
Current income tax assets	1 434	–
Cash and cash equivalents	2 063	–
	33 920	–
<i>Liabilities directly associated with non-current assets classified as held for sale:</i>		
Borrowings	240	–
Deferred income tax liabilities	4 602	–
Trade and other payables	3 851	–
Provisions	1 261	–
	9 954	–
<i>Cash flows from discontinued operation:</i>		
Cash flows from operating activities	(1 874)	(1 716)
Cash flows from investing activities	(345)	(2 949)
Cash flows from financing activities	247	–
	(1 972)	(4 665)

In accordance with IFRS 5, no depreciation or amortisation has been recognised in this business from 2 May 2007. The Company has written down its investment in Tripmaster to R25.0 million.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

17 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

17.3 OEM plastics operations

Control Instruments reached agreement on 9 November 2007 to sell its OEM automotive plastics operations to Smiths Plastics (Pty) Limited, a subsidiary of Metair Investments Limited. Competition Commission approval for the sale was received at the beginning of March 2008 and the effective date of the sale is expected to be on or about 17 March 2008. The purchase consideration of R19.5 million plus the carrying value of inventories, debtors and certain creditors, will be paid on the effective date.

	GROUP	
	31/12/07	31/12/06
	R 000	R 000
<i>The following financial results relate to the OEM plastics operations:</i>		
Revenue	65 430	59 033
Cost of sales	(47 984)	(34 412)
Gross profit	17 446	24 621
Other operating income	–	934
Marketing and selling expenses	–	(14)
Administrative expenses	(1 656)	(2 039)
Other operating expenses	(83 152)	(25 301)
Operating loss	(67 362)	(1 799)
Net finance costs	(3 635)	(1 963)
Loss before tax	(70 997)	(3 762)
Tax	11 649	538
Loss for the year	(59 348)	(3 224)
<i>Non-current assets classified as held for sale:</i>		
Disposal group held for sale:		
Property, plant and equipment	19 377	–
Intangible assets	123	–
Inventories	7 201	–
Trade and other receivables	8 794	–
	35 495	–
<i>Liabilities directly associated with non-current assets classified as held for sale:</i>		
Trade and other payables	852	–
<i>Cash flows from discontinued operation:</i>		
Cash flows from operating activities	(16 878)	1 521
Cash flows from investing activities	(2 000)	(12 094)
Cash flows from financing activities	20 519	11 702
	1 641	1 129

In accordance with IFRS 5, no depreciation or amortisation has been recognised in these businesses from 9 November 2007.

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FOR THE YEAR ENDED 31 DECEMBER 2007

17 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

(continued)

17.4 Total

	GROUP	
	31/12/07 R 000	31/12/06 R 000
<i>Total profit from discontinued operations consists of the following:</i>		
Profit from fleet and vehicle management businesses	42 885	16 866
Loss from Tripmaster	(20 699)	(610)
Loss from OEM plastics operations	(59 348)	(3 224)
Loss from head office activities related to discontinued operations	(30 622)	–
	(67 784)	13 032
Profit on disposal of fleet and vehicle management businesses	577 136	–
	509 352	13 032
The profit on disposal of fleet and vehicle management businesses includes R11 363 000 (2006: Rnil) of directly attributable costs that were deducted from the proceeds.		
<i>Total non-current assets held for sale consist of the following:</i>		
Tripmaster	33 920	–
OEM plastics operations	35 495	–
	69 415	–
<i>Total liabilities directly associated with non-current assets classified as held for sale consist of the following:</i>		
Tripmaster	9 954	–
OEM plastics operations	852	–
	10 806	–

18 REVENUE

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
Sale of goods	935 840	730 269	–	–
Rendering of services	188 319	41 323	5 997	6 012
Royalty income	325	563	–	–
Dividend income	–	–	78 125	–
	1 124 484	772 155	84 122	6 012
Split as follows:				
Continuing operations	840 070	535 968	84 122	6 012
Discontinued operations	284 414	236 187	–	–
	1 124 484	772 155	84 122	6 012

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
19 OTHER OPERATING INCOME				
Excess of acquirer's interest in the fair value of the acquiree over cost	15 540	59 539	–	–
Profit on disposal of subsidiaries	–	–	539 171	–
Profit on disposal of property, plant and equipment	16 484	1 556	–	–
Motor Industry Development Plan ("MIDP") claims	5 341	5 460	–	–
Foreign exchange gains	2 883	–	2 444	–
Reversal of provision against investment and loans	–	7 377	872	6 691
Other	3 438	12 180	1 000	–
	43 686	86 112	543 487	6 691
Split as follows:				
Continuing operations	19 825	76 318	543 487	6 691
Discontinued operations	23 861	9 794	–	–
	43 686	86 112	543 487	6 691
20 OPERATING (LOSS)/PROFIT				
Operating (loss)/profit is arrived at after taking into account the following:				
Profit/(loss) on disposal of property, plant and equipment				
Profit on disposal of property, plant and equipment				
Continuing operations	(13 635)	(1 540)	–	–
Discontinued operations	(2 849)	(16)	–	–
	(16 484)	(1 556)	–	–
Loss on disposal of property, plant and equipment				
Continuing operations	2 061	260	–	–
Discontinued operations	111	69	–	–
	2 172	329	–	–
	(14 312)	(1 227)	–	–
Auditors' remuneration				
Audit fee	3 933	2 482	650	222
Under/(over) provision in prior year	1 104	374	473	(20)
Other services	564	523	237	62
	5 601	3 379	1 360	264
Split as follows:				
Continuing operations	4 202	2 326	1 360	264
Discontinued operations	1 399	1 053	–	–
	5 601	3 379	1 360	264
Auditors' remuneration in respect of the TeliMatrix transaction				
Audit fee	2 000	–	2 000	–
Other services	550	–	550	–
	2 550	–	2 550	–

These costs have been included in the directly attributable costs referred to in note 17.4.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
20 OPERATING (LOSS)/PROFIT (continued)				
Depreciation of property, plant and equipment				
Land and buildings	1 224	1 512	–	–
Plant, machinery and equipment	24 359	18 148	–	–
Vehicles	940	389	–	–
	26 523	20 049	–	–
Owned	23 666	15 747	–	–
Under finance lease	2 857	4 302	–	–
	26 523	20 049	–	–
Classified as follows in the income statement:				
Cost of sales	23 130	15 828	–	–
Marketing and selling expenses	558	261	–	–
Administrative expenses	2 708	3 960	–	–
Other operating expenses	127	–	–	–
	26 523	20 049	–	–
Split as follows:				
Continuing operations	22 052	14 480	–	–
Discontinued operations	4 471	5 569	–	–
	26 523	20 049	–	–
Impairment of property, plant and equipment				
Land and buildings	18	–	–	–
Plant, machinery and equipment	6 421	–	–	–
Vehicles	17	–	–	–
	6 456	–	–	–
Repairs and maintenance expenditure on property, plant and equipment				
Continuing operations	8 185	8 023	–	–
Discontinued operations	5 100	1 830	–	–
	13 285	9 853	–	–
Amortisation of intangible assets				
Trademarks, patents and distribution rights	6 046	6 218	–	–
Capitalised product development costs	7 466	7 527	–	–
Customer relationships	8 400	6 296	–	–
Other intangible assets	3 203	1 716	–	–
	25 115	21 757	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
20 OPERATING (LOSS)/PROFIT (continued)				
Classified as follows in the income statement:				
Cost of sales	19 383	18 793	–	–
Marketing and selling expenses	1 004	–	–	–
Administrative expenses	3 375	862	–	–
Other operating expenses	1 353	2 102	–	–
	25 115	21 757	–	–
Split as follows:				
Continuing operations	19 406	11 108	–	–
Discontinued operations	5 709	10 649	–	–
	25 115	21 757	–	–
Impairment of intangible assets				
Goodwill	36 340	–	–	–
Trademarks, patents and distribution rights	11 879	–	–	–
Capitalised product development costs	12 926	282	–	–
Customer relationships	9 785	–	–	–
Other intangible assets	2 658	–	–	–
	73 588	282	–	–
Split as follows:				
Continuing operations	12 103	–	–	–
Discontinued operations	61 485	282	–	–
	73 588	282	–	–
Operating lease expenses				
Land and buildings	15 166	2 848	–	–
Equipment	1 773	3 757	–	–
Vehicles	831	101	–	–
	17 770	6 706	–	–
Split as follows:				
Continuing operations	12 029	5 640	–	–
Discontinued operations	5 741	1 066	–	–
	17 770	6 706	–	–
Inventory				
Write-down of inventory	10 337	2 296	–	–
Reversal of prior year inventory write-down	(2 763)	(673)	–	–
	7 574	1 623	–	–
Trade receivables				
Impairment charge for bad and doubtful debts	4 128	2 675	–	370
Reversal of prior year bad and doubtful debts	(284)	(7 428)	–	–
	3 844	(4 753)	–	370

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
20 OPERATING (LOSS)/PROFIT (continued)				
Loss on disposal of financial assets at fair value through profit or loss	18 450	–	18 450	–
Unrealised loss on financial assets at fair value through profit or loss	1 407	–	–	–
Net foreign exchange (gains)/losses				
Gains	(2 883)	–	(2 444)	–
Losses	1 742	4 663	–	–
	(1 141)	4 663	(2 444)	–
Research and development costs	10 939	4 494	–	–
Impairment of available-for-sale financial asset	–	3 208	–	3 208
Excess of acquirer's interest in the fair value of the acquiree over cost	(15 540)	(59 539)	–	–
Profit on disposal of subsidiaries	577 136	–	539 171	–
Investment in subsidiaries and intercompany loans				
Provision for impairment of investments and loans			40 646	–
Reversal of provision for impairment of investments and loans			(872)	(6 691)
Income from subsidiary companies				
Management fees			5 997	6 012
Dividend income			78 125	–
			84 122	6 012
Directors' emoluments (refer to note 32)			19 702	12 063

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
21 EXPENSES BY NATURE				
Continuing operations				
Changes in inventories of finished goods and work in progress	129 520	41 455	–	–
Raw materials and consumables used	316 675	255 708	–	–
Staff costs	270 515	141 317	21 246	6 822
Depreciation, amortisation and impairment charges	53 561	25 588	–	–
Advertising	8 297	6 075	123	10
Travel	10 419	9 063	1 807	62
Warranties	10 884	3 141	–	–
Operating lease expenses	12 029	5 640	–	–
Building utilities	11 974	7 066	–	–
Freight	17 504	10 379	–	–
Professional fees	15 673	7 441	2 295	635
Repairs and maintenance	8 185	8 023	–	–
Loss on disposal of financial assets at fair value through profit or loss	–	–	18 450	–
Increase in provision for impairment of intercompany loans and investments in subsidiaries			40 646	–
Other expenses	28 198	35 757	2 913	9 577
Total cost of sales, marketing and selling, administrative and other operating expenses	893 434	556 653	87 480	17 106
Discontinued operations				
Changes in inventories of finished goods and work in progress	61 614	60 627	–	–
Raw materials and consumables used	54 669	35 483	–	–
Staff costs	86 902	64 856	–	–
Depreciation, amortisation and impairment charges	78 121	16 500	–	–
Advertising	3 171	2 623	–	–
Travel	7 270	5 885	–	–
Operating lease expenses	5 741	1 066	–	–
Building utilities	4 696	1 494	–	–
Repairs and maintenance	5 100	1 830	–	–
Loss on disposal of financial assets at fair value through profit or loss	18 450	–	–	–
Other expenses	46 001	30 197	–	–
Total cost of sales, marketing and selling, administrative and other operating expenses	371 735	220 561	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
22 STAFF COSTS				
Wages and salaries	315 143	179 283	19 778	4 342
Social security costs	17 865	8 311	240	166
Share options expense	4 059	4 904	779	1 770
Retirement benefit costs	18 855	12 862	449	544
Termination benefits	1 455	728	–	–
Other post-retirement benefits	40	85	–	–
	357 417	206 173	21 246	6 822
Split as follows:				
Continuing operations	270 515	141 317	21 246	6 822
Discontinued operations	86 902	64 856	–	–
	357 417	206 173	21 246	6 822
Number of employees at the end of the year:				
Full time	1 341	1 639	2	2
Part time	177	304	–	–
	1 518	1 943	2	2
Split as follows:				
Continuing operations	1 301	1 474	2	2
Discontinued operations	217	469	–	–
	1 518	1 943	2	2

The 2006 staff costs have been restated in the current year from R177 323 000 to R206 173 000 in respect of R28 85 000 payroll costs that were correctly expensed in cost of sales but excluded from this disclosure.

The 2006 staff costs from continuing operations only included Gabriel staff for four months and Pi Shurlok UK staff for one month. In 2007 these operations have been consolidated for the full year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
23 NET FINANCE (COSTS)/INCOME				
Finance income				
Current account	24 431	10 475	23 512	4 911
Other	951	–	1 168	–
	25 382	10 475	24 680	4 911
Split as follows:				
Continuing operations	24 012	9 812	24 680	4 911
Discontinued operations	1 370	663	–	–
	25 382	10 475	24 680	4 911
Finance costs				
Bank borrowings	(32 704)	(13 867)	(10 379)	(2 584)
Mortgage loans	(988)	(1 641)	–	–
Finance lease	(1 557)	(464)	–	–
Debentures	(583)	–	–	–
Long-term loans	(23 649)	(13 602)	–	–
Other	(54)	(399)	(819)	–
	(59 535)	(29 973)	(11 198)	(2 584)
Split as follows:				
Continuing operations	(53 563)	(24 482)	(11 198)	(2 584)
Discontinued operations	(5 972)	(5 491)	–	–
	(59 535)	(29 973)	(11 198)	(2 584)
24 SHARE OF PROFIT FROM JOINT VENTURES				
Share of profits in Lear Shurlok Electronics (Pty) Limited	1 325	1 939	–	–
25 TAX				
Normal taxation				
Current tax – current year	24 792	8 060	–	186
– prior year	73	–	39	–
Secondary tax on companies	488	1 025	488	1 025
Deferred taxation – current year	(37 443)	(2 392)	66	(44)
Foreign taxation	(1 350)	392	–	–
	(13 440)	7 085	593	1 167
Split as follows:				
Continuing operations	(13 165)	(785)	593	1 167
Discontinued operations	(275)	7 870	–	–
	(13 440)	7 085	593	1 167

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	31/12/07	31/12/06	31/12/07	31/12/06
25 TAX (continued)				
Tax rate reconciliation	%	%	%	%
Standard rate	29	29	29	29
Adjusted for:				
Income from joint ventures	–	(1)	–	–
Permanent differences	(33)	(18)	(29)	(36)
Secondary tax on companies	–	2	–	(49)
Deferred tax not recognised on calculated losses	1	–	–	–
Deferred tax previously not recognised	–	(1)	–	–
Effective rate	(3)	11	–	(56)
	R 000	R 000	R 000	R 000
Estimated assessable losses available for setoff against future taxable income:				
Total assessable losses	125 201	46 351	–	–
Applied to reduce deferred taxation	(114 821)	(46 351)	–	–
	10 380	–	–	–

26 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 subsidiary companies and the share trust and held as treasury shares.

	GROUP	
	31/12/07	31/12/06
	R 000	R 000
Weighted average number of shares in issue (000)	121 211	93 247
<i>Continuing operations</i>		
(Loss)/profit for the year	(48 600)	43 687
Basic (loss)/earnings per share (cents)	(40.1)	46.8
<i>Discontinued operations</i>		
Profit for the year	509 352	13 032
Basic earnings per share (cents)	420.2	14.0
<i>Total</i>		
Profit for the year	460 752	56 719
Basic earnings per share (cents)	380.1	60.8

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 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 2007

	GROUP			
	31/12/07 R 000	31/12/06 R 000		
26 EARNINGS PER SHARE (continued)				
Diluted earnings per share (continued)				
Weighted average number of shares in issue (000)	121 211	93 247		
Adjustments for share options (000)	4 266	6 374		
	125 477	99 621		
Continuing operations				
(Loss)/profit for the year	(48 600)	43 687		
Diluted (loss)/earnings per share (cents)	(38.7)	43.8		
Discontinued operations				
Profit for the year	509 352	13 032		
Diluted earnings per share (cents)	405.9	13.1		
Total				
Profit for the year	460 752	56 719		
Diluted earnings per share (cents)	367.2	56.9		
Headline (loss)/earnings per share				
	GROUP		GROUP	
	Gross	Net	Gross	Net
	31/12/07	31/12/07	31/12/06	31/12/06
	R 000	R 000	R 000	R 000
Weighted average number of shares in issue (000)	121 211	121 211	93 247	93 247
Continuing operations				
(Loss)/profit for the year	(61 765)	(48 600)	42 902	43 687
Profit on disposal of property, plant and equipment	(11 574)	(10 620)	(1 280)	(1 280)
Excess of acquirer's interest in the fair value of the acquiree over cost	–	–	(59 539)	(59 539)
Impairment of available-for-sale financial assets	–	–	3 208	3 208
Impairment of goodwill	2 257	2 257	–	–
Impairment of other intangible assets	9 846	6 991	–	–
Headline loss	(61 236)	(49 972)	(14 709)	(13 924)
Headline loss per share (cents)	(50.5)	(41.2)	(15.8)	(14.9)
Discontinued operations				
Profit for the year	509 077	509 352	20 902	13 032
Profit on disposal of subsidiaries	(577 136)	(577 136)	–	–
(Profit)/loss on disposal of property, plant and equipment	(2 738)	(2 316)	53	53
Excess of acquirer's interest in the fair value of the acquiree over cost	(15 540)	(12 152)	–	–
Impairment of property, plant and equipment	6 456	4 584	–	–
Impairment of goodwill	34 083	34 083	–	–
Impairment of other intangible assets	27 402	19 455	282	282
Headline (loss)/earnings	(18 396)	(24 130)	21 237	13 367
Headline (loss)/earnings per share (cents)	(15.2)	(19.9)	22.8	14.3

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		GROUP	
	Gross	Net	Gross	Net
	31/12/07 R 000	31/12/07 R 000	31/12/06 R 000	31/12/06 R 000
26 EARNINGS PER SHARE (continued)				
Headline (loss)/earnings per share (continued)				
Total operations				
Profit for the year	447 312	460 752	63 804	56 719
Profit on disposal of subsidiaries	(577 136)	(577 136)	–	–
Profit on disposal of property, plant and equipment	(14 312)	(12 936)	(1 227)	(1 227)
Excess of acquirer's interest in the fair value of the acquiree over cost	(15 540)	(12 152)	(59 539)	(59 539)
Impairment of property, plant and equipment	6 456	4 584	–	–
Impairment of available-for-sale financial assets	–	–	3 208	3 208
Impairment of goodwill	36 340	36 340	–	–
Impairment of other intangible assets	37 248	26 446	282	282
Headline (loss)/earnings	(79 632)	(74 102)	6 528	(557)
Headline (loss)/earnings per share (cents)	(65.7)	(61.1)	7.0	(0.6)
Diluted headline (loss)/earnings per share				
Weighted average number of shares in issue (000)	121 211	121 211	93 247	93 247
Adjustments for share options (000)	4 266	4 266	6 374	6 374
	125 477	125 477	99 621	99 621
Continuing operations				
Headline loss	(61 236)	(49 972)	(14 709)	(13 924)
Diluted headline loss per share (cents)	(48.8)	(39.8)	(14.8)	(14.0)
Discontinued operations				
Headline (loss)/earnings	(18 396)	(24 130)	21 237	13 367
Diluted headline (loss)/earnings per share (cents)	(14.7)	(19.3)	21.4	13.4
Total				
Headline (loss)/earnings	(79 632)	(74 102)	6 528	(557)
Diluted headline (loss)/earnings per share (cents)	(63.5)	(59.1)	6.6	(0.6)

	GROUP		COMPANY	
	31/12/07	31/12/06	31/12/07	31/12/06
	R 000	R 000	R 000	R 000
27 DIVIDENDS				
Final cash dividend of nil cents in respect of 2006 financial year (2005: 4.0 cents)	–	4 527	–	4 527
Interim cash dividend of 3.5 cents in respect of 2007 financial year (2006: 3.5 cents), paid on 22 October 2007	4 880	3 677	4 880	3 677
Dividend <i>in specie</i> settled on 19 November 2007 valued at 410.0 cents per share (2006: nil cents)	571 304	–	571 304	–
	576 184	8 204	576 184	8 204
Cash dividends attributable to treasury shares	(48)	(1 025)	–	–
Dividend <i>in specie</i> attributable to treasury shares	(6 484)	–	–	–
	569 652	7 179	576 184	8 204

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
28 NOTES TO THE CASH FLOW STATEMENT				
28.1 Cash generated from/(utilised in) operations				
(Loss)/profit before tax – continuing operations	(61 765)	42 902	553 611	(2 076)
Profit before tax – discontinued operations	509 077	20 902	–	–
Adjusted for:				
Profit on disposal of subsidiaries	(577 136)	–	(539 171)	–
Depreciation and impairment of property, plant and equipment	32 979	20 049	–	–
Amortisation and impairment of intangible assets	98 703	22 039	–	–
Profit on disposal of property, plant and equipment	(14 312)	(1 227)	–	–
Excess of acquirer's interest in the fair value of the acquiree over cost	(15 540)	(59 539)	–	–
Creation/(reversal) of provision for impairment of investments and loans	–	–	40 646	(6 691)
Net finance costs/(income)	34 153	19 498	(13 482)	(2 327)
Impairment of available-for-sale financial asset	–	3 208	–	3 208
Loss on disposal of financial assets at fair value through profit or loss	19 857	–	18 450	–
Write-down of inventory	10 337	2 296	–	–
Reversal of prior year inventory write-down	(2 763)	(673)	–	–
Reversal of prior year impairment charges for bad and doubtful debts	–	(7 428)	–	–
Impairment charge for bad and doubtful debts	3 844	2 675	–	–
Foreign exchange (gain)/loss on loan	(1 657)	4 101	(1 865)	3 712
Share option expenses	4 059	4 904	779	1 770
Share of profit from joint ventures	(1 325)	(1 939)	–	–
Dividend income	–	–	(78 125)	–
	38 511	71 768	(19 157)	(2 404)
Changes in working capital				
Increase in inventory	(9 817)	(45 718)	–	–
Decrease/(increase) in trade and other receivables	7 815	(28 510)	(196 983)	(15 190)
(Decrease)/increase in trade and other payables and provisions	(492)	43 237	3 148	(569)
	36 017	40 777	(212 992)	(18 163)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

28 NOTES TO THE CASH FLOW STATEMENT (continued)

28.2 Disposal of subsidiaries and operations

Fleet and vehicle management businesses

With effect from 1 October 2007 the Group sold its fleet and vehicle management businesses to TeliMatrix Limited ("TeliMatrix") in return for 50% of the shares in TeliMatrix, i.e. 320 000 000 shares. Control Instruments unbundled 278 873 508 of these shares to Control Instruments shareholders registered in the books of Control Instruments on 16 November 2007. Shareholders received two TeliMatrix shares for every one share they held in Control Instruments. TeliMatrix was valued by an independent expert at R2.05 per share.

	Book value R 000
Details of the net assets disposed and related cash flows are as follows:	
Property, plant and equipment	38 039
Goodwill	2 338
Intangible assets	103 625
Available-for-sale financial assets	4 932
Deferred income tax assets	2 331
Inventories	37 172
Trade and other receivables	80 629
Cash and cash equivalents	16 573
Borrowings	(23 207)
Deferred income tax liabilities	(6 291)
Trade and other payables	(49 427)
Current income tax liabilities	(14 622)
Provisions	(24 983)
Related party loans	(102 355)
Related party short-term loans	(1 534)
	<hr/>
	63 220
Value of shares	(655 556)
Profit on disposal of businesses	577 136
Costs directly attributable to the profit on disposal of businesses	11 363
Reserve realised on the disposal of subsidiaries	3 837
	<hr/>
	-
	<hr/>
Repayment of related party loans	102 355
Costs directly attributable to the profit on disposal of businesses	(11 363)
Cash and cash equivalents in businesses disposed	(16 573)
	<hr/>
Net cash inflow from disposal	74 419
	<hr/>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

28 NOTES TO THE CASH FLOW STATEMENT (continued)

28.3 Acquisition of subsidiaries and operations (business combinations)

i) Datatrak business

During 2007, the Group acquired a 100% interest in the fleet and vehicle management business of SiemensVDO. The business consisted of the following divisions:

Datatrak United Kingdom (effective date 1 June 2007)

A vehicle tracking, fleet management and vehicle telematics business based in the United Kingdom and One-Stop-Shop, a specialised vehicle fitment business that focuses on non-standard solutions for commercial vehicles, including the installation of fleet management products.

FM Europe (effective date 1 July 2007)

A division of Datatrak United Kingdom, based in Donaueschingen, Germany. Responsible for the sale and distribution of the products through the ex-SiemensVDO network and other independent distributors in Europe and holds the worldwide (excluding the United States of America and sub-Saharan Africa) distribution rights for the FM products that are developed and manufactured by the Group and for which Control Instruments owns the Intellectual Property.

	GROUP 31/12/07 R 000
Details of the net assets acquired are as follows:	
Purchase consideration:	
Paid	91 130
Direct costs relating to the acquisition	7 110
Total purchase consideration	<u>98 240</u>
Less: Fair value of net assets acquired	<u>(113 780)</u>
Excess of acquirer's interest in the fair value of the acquiree over cost	<u>(15 540)</u>

The excess of acquirer's interest in the fair value of the acquiree over cost is included in other income in the income statement.

	Fair value R 000	Acquiree's carrying amount R 000
The assets and liabilities arising from the acquisition are as follows:		
Property, plant and equipment	13 156	8 728
Intangible assets	75 673	–
Available-for-sale financial assets	6 912	6 912
Deferred income tax assets	4 059	–
Inventories	29 336	31 436
Trade and other receivables	29 094	28 115
Trade and other payables	(21 061)	(22 367)
Provisions	(23 389)	(9 480)
	<u>113 780</u>	<u>43 344</u>

	GROUP 31/12/07 R 000
Purchase consideration	98 240
Purchase consideration settled in shares issued (15 million shares at R6.00 each)	<u>(90 000)</u>
Cash outflow on acquisition	<u>8 240</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

28 NOTES TO THE CASH FLOW STATEMENT (continued)

28.3 Acquisition of subsidiaries and operations (business combinations) (continued)

ii) Sagercy business

With effect from 1 March 2006, the Group acquired a 100% interest in the businesses of Sagercy PE, Ariston and SPE.

Sagercy PE manufactures plastic products for the automotive battery industry. Ariston and SPE manufacture plastic products for the automotive OEM industry.

	GROUP 31/12/06 R 000
Details of the net assets acquired and goodwill are as follows:	
Purchase consideration:	
Paid	109 062
Direct costs relating to the acquisition	1 502
Total purchase consideration	110 564
Less: Fair value of net assets acquired	62 427
Goodwill on acquisition	48 137

The goodwill was attributable to the significant synergies and opportunities, particularly in the OEM portion of the business, that were expected to arise following the Group's acquisition of this business.

	Fair value R 000	Acquiree's carrying amount R 000
The assets and liabilities arising from the acquisition are as follows:		
Property, plant and equipment	20 596	6 360
Intangible assets	39 136	25
Inventories	7 011	7 011
Trade and other receivables	11 743	11 743
Trade and other payables	(873)	(873)
Deferred income tax liabilities	(15 186)	–
	62 427	24 266

	GROUP 31/12/06 R 000
Purchase consideration	110 564
Purchase consideration settled in shares issued	(100 000)
Cash outflow on acquisition	10 564

iii) Tripmaster

With effect from 1 March 2006, the Group acquired a 51% interest in Tripmaster. Tripmaster is incorporated in the United States of America and is a well-established supplier of fleet management products.

In terms of the purchase agreement, the Company had call options to acquire the remaining interest, while the seller had identical put options. As a result, 100% of the interest in Tripmaster has been consolidated since 1 March 2006.

On 30 June 2007 the Company exercised the options and bought the remaining 49% interest for US\$3 200 000 (R21 889 000).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

28 NOTES TO THE CASH FLOW STATEMENT (continued)

28.3 Acquisition of subsidiaries and operations (business combinations) (continued)

iii) Tripmaster (continued)

GROUP
31/12/06
R 000

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

Purchase consideration:

Paid	38 529	
Direct costs relating to the acquisition	1 195	
Total purchase consideration	39 724	
Less: Fair value of net assets acquired	39 319	
Goodwill	405	

	Fair value	Acquiree's carrying amount
	R 000	R 000

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

Property, plant and equipment	806	806
Intangible assets	38 741	4 982
Inventories	2 682	2 682
Trade and other receivables	10 746	10 746
Cash and cash equivalents	7 799	7 799
Trade and other payables	(8 236)	(8 236)
Provisions	(1 132)	(1 132)
Deferred income tax liabilities	(12 087)	(609)
	39 319	17 038

GROUP
31/12/06
R 000

Purchase consideration	39 724
Deferred purchase consideration included in borrowings	(16 809)
Cash and cash equivalents in subsidiary acquired	(7 799)
Cash outflow on acquisition	15 116

iv) Business of ACSA Cape

With effect from 1 April 2006, the Group acquired a 100% interest in the business of ACSA Cape.

Details of the net assets acquired are as follows:

Purchase consideration:	
Paid	–
Direct costs relating to the acquisition	–
Total purchase consideration	–
Less: Fair value of net assets acquired	1 320
Excess of acquirer's interest in the fair value of the acquiree over cost	(1 320)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

28 NOTES TO THE CASH FLOW STATEMENT (continued)

28.3 Acquisition of subsidiaries and operations (business combinations) (continued)

iv) Business of ACSA Cape (continued)

	Fair value R 000	Acquiree's carrying amount R 000
The assets and liabilities arising from the acquisition are as follows:		
Property, plant and equipment	605	605
Inventories	859	859
Trade and other receivables	1 213	1 213
Trade and other payables	(1 766)	(1 766)
Cash and cash equivalents	409	409
	<u>1 320</u>	<u>1 320</u>
		GROUP 31/12/06 R 000
Purchase consideration		–
Cash and cash equivalents in subsidiary acquired		<u>(409)</u>
Cash inflow on acquisition		<u>(409)</u>

v) Business of Gabriel

With effect from 6 September 2006, the Group acquired a 100% interest in the business of Gabriel South Africa. Gabriel manufactures and distributes ride control products (shock absorbers, struts and gas springs) to the automotive aftermarket in Southern Africa.

Details of the net assets acquired are as follows:

Purchase consideration:

Paid		82 733
Direct costs relating to the acquisition		<u>1 824</u>
Total purchase consideration		84 557
Less: Fair value of net assets acquired		<u>142 776</u>
Excess of acquirer's interest in the fair value of the acquiree over cost		<u>(58 219)</u>

	Fair value R 000	Acquiree's carrying amount R 000
The assets and liabilities arising from the acquisition are as follows:		
Property, plant and equipment	76 836	14 103
Intangible assets	47 800	–
Trade and other receivables	26 336	26 336
Inventories	31 158	31 158
Trade and other payables	(23 000)	(23 000)
Provisions	(6 498)	(6 498)
Cash and cash equivalents	22 138	22 138
Deferred income tax liabilities	(31 994)	–
	<u>142 776</u>	<u>64 237</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

28 NOTES TO THE CASH FLOW STATEMENT (continued)

28.3 Acquisition of subsidiaries and operations (business combinations) (continued)

v) Business of Gabriel (continued)

	GROUP 31/12/06 R 000
Purchase consideration	84 557
Purchase consideration settled in long-term borrowings	(35 000)
Cash and cash equivalents in subsidiary acquired	(22 138)
	<hr/>
Cash outflow on acquisition	27 419

vi) Business of Pi Technology, UK ("Pi")

With effect from 1 December 2006, the Group acquired a 100% interest in the business of Pi. Pi is incorporated in the United Kingdom and is an electronic design consultancy that provides services to the international automotive OEM industry.

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

Purchase consideration:	
Paid	69 827
Direct costs relating to the acquisition	2 797
	<hr/>
Total purchase consideration	72 624
Less: Fair value of net assets acquired	51 760
	<hr/>
Goodwill on acquisition	20 864

The goodwill is attributable to the potential of the Group to capitalise on Pi's excellent reputation and working relationship with all the major international OEMs and the opportunities that this is expected to create for the Group to develop business relationships with these OEMs.

	Fair value R 000	Acquiree's carrying amount R 000
The assets and liabilities arising from the acquisition are as follows:		
Property, plant and equipment	2 028	2 028
Intangible assets	18 756	–
Trade and other receivables	37 651	37 651
Inventories	5 712	5 712
Trade and other payables	(12 387)	(12 387)
	<hr/>	<hr/>
	51 760	33 004

	GROUP 31/12/06 R 000
Purchase consideration	72 624
Purchase consideration settled in long-term borrowings	(69 828)
Transaction costs included in accruals	(1 115)
	<hr/>
Cash outflow on acquisition	1 681

In 2006 the accounting for the Pi acquisition was determined provisionally in terms of IFRS 3 - Business Combinations. These figures changed when the property, plant and equipment and intangible asset valuations were completed. The total purchase consideration also changed due to valuation fees and additional transaction costs that were capitalised during the year (refer to note 35 for the effect of the restatement of prior year figures as a result of the above).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

28 NOTES TO THE CASH FLOW STATEMENT (continued)

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
28.4 Cash and cash equivalents				
Cash and bank balances	17 925	8 382	175	42 253
Bank overdrafts	(15 535)	(46 372)	(4 977)	–
	2 390	(37 990)	(4 802)	42 253
Classified as held for sale	(2 063)	–	–	–
	327	(37 990)	(4 802)	42 253
Fair values of cash and equivalents	2 390	(37 990)	(4 802)	42 253

29 COMMITMENTS

Capital expenditure commitments

Authorised by directors and contracted for:

Property, plant and equipment	1 200	20 225	–	–
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Authorised by directors and not yet contracted for:

Property, plant and equipment	4 933	–	–	–
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The capital expenditure is to be financed as follows:

Internally generated funds	6 133	235	–	–
Existing credit facilities	–	19 990	–	–
	6 133	20 225	–	–

Operating lease commitments

The future lease payments under non-cancellable operating leases are as follows:

Up to one year	16 919	11 424	–	–
Over one year but not more than five years	43 375	47 179	–	–
Later than five years	336	–	–	–
	60 630	58 603	–	–

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 R17 181 000 (2006: R6 533 000) was made in 2007, but an expense of R17 770 000 (2006: R6 706 000) was included in administration expenses.

30 CONTINGENT LIABILITIES

Warranty claim	782	3 955	–	–
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Cross-suretyships are in place between the different entities in the Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

31 FINANCIAL INSTRUMENTS

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.

Risk management

The main risks arising from the Group's financial instruments are market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

31.1 Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's investments in equity securities are publicly traded and are listed on the JSE Limited.

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indices. For the purposes of the sensitivity analysis a movement of 15% is considered reasonably possible.

At 31 December 2007, if the bid prices of equity investments that the Group holds a share in had been 15% higher/lower, with all other variables held constant, the net profit for the year would have been R431 000 higher/lower and the fair value reserve would have been R96 000 higher/lower.

31.2 Foreign currency risk

The Group enters into forward foreign exchange contracts to buy 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 purchases.

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

At 31 December 2007 and 31 December 2006 the settlement dates of open forward foreign exchange contracts ranged between one and six months.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

31 FINANCIAL INSTRUMENTS (continued)

31.2 Foreign currency risk

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 2007					
Foreign exchange purchases					
British pound	13.69	9	131	128	(3)
US dollar	6.85	2 891	20 285	19 926	(359)
Euro	10.11	2 809	28 036	28 413	377
Japanese yen	0.06	19 797	1 213	1 224	11
			49 665	49 691	26
Year ended 31 December 2006					
Foreign exchange purchases					
British pound	13.71	51	718	699	(19)
US dollar	7.07	1 089	7 891	7 703	(188)
Euro	9.27	735	7 019	6 813	(206)
Japanese yen	0.06	13 755	868	815	(53)
			16 496	16 030	(466)

Receivables and trade payables at 31 December 2007 include aggregate net unhedged receivables of R14 772 000 (2006: R7 443 000) in respect of sales proceeds and purchases due in foreign currency.

Sensitivity analysis

For the purpose of the sensitivity analysis a 10% movement in the value of the Rand against major foreign currencies is deemed to be reasonably possible.

At 31 December 2007, if the Rand had weakened/strengthened by 10% to the US dollar; with all other variables held constant, post-tax profit for the year would have been R67 000 higher/lower (2006: R1 998 000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables and trade payables. Profit is less sensitive to movement in the Rand/US dollar exchange rates in 2007 than 2006 because of the settlement of the outstanding Tripmaster purchase price during 2007.

At 31 December 2007, if the Rand had weakened/strengthened by 10% to the Euro, with all other variables held constant, post-tax profit for the year would have been R417 000 (2006: R1 022 000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade receivables and trade payables.

At 31 December 2007, if the Rand had weakened/strengthened by 10% to the British pound, with all other variables held constant, post-tax profit for the year would have been R746 000 (2006: R3 179 000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of British pound-denominated trade receivables and trade payables.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

31 FINANCIAL INSTRUMENTS (continued)

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
31.3 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.				
The external risk ratings of financial institutions used by the Group is as follows:				
Cash and cash equivalents				
Cash at bank and short-term bank deposits:				
Moody's rating: Aa1	6 133	2 842	–	–
Moody's rating: Baa1	(5 917)	(45 713)	(4 977)	42 253
Other	2 174	4 881	175	–
	2 390	(37 990)	(4 802)	42 253
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 and their dispersion across different geographical areas. Accordingly, the Group has limited concentration of credit risk.				
Concentration of credit risk				
Africa	105 346	127 079	9 410	11 913
Europe	17 672	39 860	–	–
USA	14 260	28 365	–	–
Other	2 733	362	–	–
	140 011	195 666	9 410	11 913
Classification of receivables				
Key accounts with good track record	85 363	113 877	–	–
Other good customers	51 638	78 802	6 400	9 920
High risk customers	3 010	2 987	3 010	1 993
	140 011	195 666	9 410	11 913

Management assesses the credit risk of the trade receivables outstanding at year-end to be low.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

31 FINANCIAL INSTRUMENTS (continued)

31.4 Interest rate risk

The Group's interest rate risk at balance sheet date relating to financial liabilities is set out in note 13.

During the year the Group reduced its exposure to interest rate risk by settling the majority of its borrowings with a variable rate and replacing them with fixed rate debentures. Refer to note 13 for details of the settlement of borrowings. At 31 December 2007 cash and cash equivalents to the value of R17 925 000 (2006: R8 382 000) are exposed to interest rate risk.

Sensitivity analysis

Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity.

During 2007, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, the Group's net profit for the year would have been R1 557 000 (2006: R1 341 000) lower/higher, mainly as a result of higher/lower interest rate expense on floating rate borrowings.

During 2007, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, the Company's net profit for the year would have been R669 000 (2006: R132 000) higher/lower, mainly as a result of higher/lower interest rate expense on floating rate borrowings.

31.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without unacceptable losses or risking damage to the Group's reputation. The Group monitors its cash flow requirements through weekly cash forecasts, which include the servicing of financial obligations, but exclude the potential impact of extreme circumstances that cannot reasonably be predicted.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

	Carrying value	Total cash flows	GROUP (R 000)			
			Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2007						
Finance leases	13 415	17 208	4 140	4 174	8 894	–
Debentures	64 583	99 826	7 161	7 161	85 504	–
Long-term loans	6 240	6 868	4 091	2 777	–	–
Bank overdraft	15 535	15 535	15 535	–	–	–
Derivative financial instruments	12	12	12	–	–	–
Trade and other payables	124 896	124 896	124 896	–	–	–
	224 681	264 345	155 835	14 112	94 398	–
At 31 December 2006						
Mortgage loans	16 087	23 620	3 366	3 366	10 098	6 790
Finance leases	10 699	12 856	4 530	4 595	3 731	–
Long-term loans	221 891	311 706	53 795	65 486	112 305	80 120
Purchase price liability	20 521	20 521	8 359	4 141	8 021	–
Bank overdraft	46 372	46 372	46 372	–	–	–
Derivative financial instruments	466	466	466	–	–	–
Trade and other payables	146 414	146 414	146 414	–	–	–
	462 450	561 955	263 302	77 588	134 155	86 910

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

31 FINANCIAL INSTRUMENTS (continued)

31.5 Liquidity risk (continued)

	Carrying value	Total cash flows	COMPANY (R 000)			
			Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2007						
Bank overdraft	4 977	4 977	4 977	–	–	–
Trade and other payables	12 813	12 813	12 813	–	–	–
Loans from subsidiaries	4 043	4 043	4 043	–	–	–
	21 833	21 833	21 833	–	–	–
At 31 December 2006						
Purchase price liability	20 521	20 521	8 359	4 141	8 021	–
Trade and other payables	1 583	1 583	1 583	–	–	–
Loans from subsidiaries	11 382	11 382	11 382	–	–	–
	33 486	33 486	21 324	4 141	8 021	–

31.6 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

During 2007 the Group reduced its gearing ratio from 57% to 34%. This was due to the repayment of loans from the proceeds on the sale of the fleet and vehicle management businesses and the issue of shares for cash. The gearing ratio at 31 December 2007 and 31 December 2006 was as follows:

	GROUP		COMPANY	
	31/12/07 R 000	31/12/06 R 000	31/12/07 R 000	31/12/06 R 000
Total borrowings	230 832	472 069	17 790	22 847
Less: cash and cash equivalents (note 28.4)	(17 925)	(8 382)	(175)	(42 253)
Net debt	212 907	463 687	17 615	(19 406)
Total equity	422 013	350 231	434 485	279 442
Total capital	634 920	813 918	452 100	260 036
Gearing ratio	34%	57%	4%	(7%)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

32 DIRECTORS

32.1 Directors' remuneration

Executive directors

Remuneration for services paid for by:

	31/12/07 R 000	31/12/06 R 000
Company	13 000	6 437
Subsidiaries*	6 118	4 912
	19 118	11 349

Non-executive directors

Fees for services as directors paid for by:

Company	584	714
	19 702	12 063

*Control Instruments OmniBridge (Pty) Limited, Control Instruments Gabriel (Pty) Limited and Pi Shurlok (Pty) Limited

	Directors' fees R	Basic salary R	Share-based payment expense R	Expense allowance R	Bonuses and performance related payments R	Pension scheme contributions R	Total R
Year ended 31/12/2007							
<i>Executive directors</i>							
R Friedman	–	1 170 599	202 485	453 382	3 400 000	222 019	5 448 485
RJ Fraenkel	–	1 106 822	288 379	335 591	3 600 000	226 587	5 557 379
TE Buzer ¹	–	923 246	288 379	144 855	3 400 000	165 398	4 921 878
RB Forrester ²	–	2 240 302	288 379	224 011	200 000	237 567	3 190 259
<i>Non-executive directors</i>							
JPS O'Leary	200 000	–	–	–	–	–	200 000
EPH Bieber	150 000	–	–	–	–	–	150 000
HV Hefer ³	72 292	–	–	–	–	–	72 292
SR Bruyns ⁴	137 308	–	–	–	–	–	137 308
SV Bromfield ⁵	24 232	–	–	–	–	–	24 232
	583 832	5 440 969	1 067 622	1 157 839	10 600 000	851 571	19 701 833
Year ended 31/12/2006							
<i>Executive directors</i>							
R Friedman	–	931 896	442 546	446 023	800 000	240 568	2 861 033
RJ Fraenkel	–	895 704	442 546	327 919	800 000	225 308	2 691 477
TE Buzer	–	945 540	442 546	168 746	800 000	216 607	2 573 439
RB Forrester	–	2 154 008	442 546	37 284	200 000	389 002	3 222 840
<i>Non-executive directors</i>							
JPS O'Leary	250 000	–	–	–	–	–	250 000
EPH Bieber	200 000	–	–	–	–	–	200 000
HV Hefer	200 000	–	–	–	–	–	200 000
SR Bruyns	64 231	–	–	–	–	–	64 231
	714 231	4 927 148	1 770 184	979 972	2 600 000	1 071 485	12 063 020

Year ended 31/12/2006

Executive directors

R Friedman	–	931 896	442 546	446 023	800 000	240 568	2 861 033
RJ Fraenkel	–	895 704	442 546	327 919	800 000	225 308	2 691 477
TE Buzer	–	945 540	442 546	168 746	800 000	216 607	2 573 439
RB Forrester	–	2 154 008	442 546	37 284	200 000	389 002	3 222 840

Non-executive directors

JPS O'Leary	250 000	–	–	–	–	–	250 000
EPH Bieber	200 000	–	–	–	–	–	200 000
HV Hefer	200 000	–	–	–	–	–	200 000
SR Bruyns	64 231	–	–	–	–	–	64 231

	714 231	4 927 148	1 770 184	979 972	2 600 000	1 071 485	12 063 020
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No options were issued to directors of the company in 2006 or 2007.

Notes:

- TE Buzer resigned from the Group on 1 October 2007; and as an executive director on 12 November 2007 to join TeliMatrix Limited.
- RB Forrester resigned as an executive director on 12 November 2007; and retired from the Group on 31 December 2007.
- HV Hefer retired as a non-executive director on 19 June 2007.
- SR Bruyns resigned as a non-executive director on 12 November 2007 to join TeliMatrix Limited.
- SV Bromfield was appointed as a non-executive director on 12 November 2007.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

32 DIRECTORS (continued)

32.2 Directors' interest in shares

The direct and indirect interests of the directors and their immediate families in the issued share capital of the Company at 31 December 2007 were 20 883 286 (2006: 17 395 391) shares. R Friedman and RJ Fraenkel are the only directors who beneficially hold, directly or indirectly, in excess of 1% of the shares of the Company.

	DIRECT		INDIRECT		TOTAL	
	Beneficial shares	Non-beneficial shares	Beneficial shares	Non-beneficial shares	Total shares	Total %
31 December 2007						
R Friedman	7 671 742	–	1 028 100	7 399 406	16 099 248	11.55
RJ Fraenkel	3 879 500	–	72 538	–	3 952 038	2.83
SV Bromfield	525 000	–	–	–	525 000	0.38
JPS O'Leary	250 000	–	–	–	250 000	0.18
EPH Bieber	57 000	–	–	–	57 000	0.04
					20 883 286	14.98
31 December 2006						
R Friedman	6 459 242	–	1 028 100	7 399 406	14 886 748	13.60
RJ Fraenkel	908 600	–	72 538	–	981 138	0.90
TE Buzer	613 285	–	–	–	613 285	0.56
RB Forrester	–	–	532 220	–	532 220	0.49
HV Hefer	250 000	–	–	–	250 000	0.23
JPS O'Leary	100 000	–	–	–	100 000	0.09
EPH Bieber	32 000	–	–	–	32 000	0.03
					17 395 391	15.90

32.3 Directors' share options

Details of directors' share options are shown below.

Number of options:

	At	Taken up	Granted	At	Option price	Date received	Expiry date
	31/12/06	during the year	during the year	31/12/07			
R Friedman	612 500	(612 500)	–	–	0.65	9/10/99	31/12/07
	300 000	(300 000)	–	–	0.65	7/7/00	31/12/07
	400 000	(200 000)	–	200 000	2.00	2/9/05	2/9/09
RJ Fraenkel	612 500	(612 500)	–	–	0.65	10/10/99	31/12/07
	300 000	(300 000)	–	–	0.65	7/7/00	31/12/07
	400 000	(400 000)	–	–	2.00	2/9/05	2/9/09
TE Buzer	312 500	(312 500)	–	–	0.65	10/10/99	31/12/07
	300 000	(300 000)	–	–	0.65	7/7/00	31/12/07
	400 000	(400 000)	–	–	2.00	2/9/05	2/9/09
RB Forrester	612 500	(612 500)	–	–	0.65	10/10/99	31/12/07
	300 000	(300 000)	–	–	0.65	7/7/00	31/12/07
	400 000	(400 000)	–	–	2.00	2/9/05	2/9/09

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

33 RELATED PARTY DISCLOSURE (continued)

33.4 Loans to/(from) subsidiaries (continued)

	COMPANY	
	31/12/07 R 000	31/12/06 R 000
Loans from subsidiaries		
Control Instruments OmniBridge (Pty) Limited	–	(7 511)
Pi Shurlok (Pty) Limited	–	(3 403)
Loans from indirectly held subsidiaries		
Control Instruments Gabriel (Pty) Limited	(4 043)	–
Pi Shurlok Engineering (Pty) Limited	–	(468)
	(4 043)	(11 382)

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

The loans to Pi Shurlok Engineering (Pty) Limited, Transport Lighting and Fleet Products (Pty) Limited and The Control Instruments Share Incentive Scheme are subordinated.

33.5 Year-end balances arising from sales/purchases of goods/services

Receivables from related parties		
Control Instruments Gabriel (Pty) Limited	2 210	2 291
Pi Shurlok (Pty) Limited	473	1 973
Control Instruments OmniBridge (Pty) Limited	–	1 584
Control Instruments (Pty) Limited	–	829
Control Instruments Automotive (Pty) Limited	–	1 633
Pi Shurlok Engineering (Pty) Limited	2 829	926
Powerswift Limited	247	–
The Control Instruments Share Incentive Scheme	26	3
	5 785	9 239
Payables to related parties		
Control Instruments Automotive (Pty) Limited	1 173	–
Pi Shurlok Limited	28	–
Tripmaster Corporation	–	190
	1 201	190
Management fees earned from subsidiaries		
Control Instruments Automotive (Pty) Limited	1 395	1 365
Control Instruments Gabriel (Pty) Limited	1 925	505
Pi Shurlok (Pty) Limited	812	1 365
Pi Shurlok Engineering (Pty) Limited	915	812
Control Instruments (Pty) Limited	950	1 965
	5 997	6 012
Dividends received from subsidiaries		
Control Instruments (Pty) Limited	57 903	–
Control Instruments Development (Pty) Limited	14 318	–
Control Instruments OmniBridge (Pty) Limited (previously Control Instruments Bureau Services (Pty) Limited)	5 904	–
	78 125	–

33.6 Repurchase and cancellation of treasury shares

During the year no shares were repurchased (2006: 8 148 672 were repurchased from a subsidiary of the Group and cancelled).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

34 PENSION AND OTHER POST-RETIREMENT OBLIGATIONS

Pension scheme

The Group administers a defined contribution pension scheme governed by the Pensions Fund 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 R18 855 000 (2006: R12 862 000).

35 RESTATEMENT OF PRIOR YEAR FIGURES

In 2006 the purchase accounting for the acquisition of the Pi UK business was determined provisionally in terms of IFRS 3 – Business Combinations. As a result of all valuations and the purchase consideration now having been finalised the prior year balance sheet has been restated as follows:

	Previously stated R 000	Restatement R 000	Restated balance R 000
Property, plant and equipment	229 748	(500)	229 248
Goodwill	71 660	2 212	73 872
Intangible assets	209 459	(8 444)	201 015
Deferred income tax liability	(81 169)	7 847	(73 322)
Retirement benefit obligations	(600)	600	–
Trade and other payables	(154 748)	(1 715)	(156 463)

The retirement benefit obligations were reclassified to trade and other payables.

36 POST BALANCE SHEET EVENTS

Sale of plastic injection moulding business to an independent third party

Control Instruments reached agreement on 9 November 2007 to sell its OEM automotive plastics operations to Smiths Plastics (Pty) Limited, a subsidiary of Metair Investments Limited. Competition Commission approval for the sale was received at the beginning of March 2008 and the effective date of the sale is expected to be on or about 17 March 2008. The purchase consideration of R19.5 million plus the carrying value of inventories, debtors and certain creditors, will be paid on the effective date.

Repurchase of shares

On 19 December 2007 it was announced that the directors had authorised a share buy-back programme in terms of the general authority to repurchase shares obtained at the annual general meeting held on 19 June 2007 and that Control Instruments intended to repurchase shares to a total value of approximately R25.0 million.

Subsequent to the year-end, the Group has repurchased 16 705 019 shares at an average price of R1.33 and a total value of R22 171 017. This is equivalent to 11.98% of the issued share capital at the time of the granting of the general authority. These shares are being held as treasury shares (in a subsidiary and the Control Instruments Share Incentive Scheme).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

37 SEGMENTS

Primary reporting format – business segments

At 31 December 2007, the Group is organised on a worldwide basis into the following business segments:

- OEM Engineering services and the development and manufacturing of electronic products for the international automotive OEM market
- Aftermarket The supply of branded products to the sub-Saharan Africa automotive aftermarket
- Fleet management Design, development, sale and distribution of fleet management products and systems

The segment information for the year ended 31 December 2007 is as follows:

Continuing operations

	OEM	After-market	Head office	Unallocated/ eliminations	TOTAL
Total segment revenue	372 716	467 354	–	–	840 070
Inter-segment revenue	23 166	–	84 951	(108 117)	–
Revenue	395 882	467 354	84 951	(108 117)	840 070
EBITDA	(15 824)	44 085	47 637	(55 876)	20 022
Depreciation	(11 649)	(10 338)	(65)	–	(22 052)
Amortisation	(14 810)	(4 488)	(108)	–	(19 406)
Impairment of intangible assets	(7 141)	(4 412)	(550)	–	(12 103)
Operating (loss)/profit	(49 424)	24 847	46 914	(55 876)	(33 539)
Net finance (costs)/income	(20 694)	(11 431)	2 574	–	(29 551)
Share of profit from joint ventures	1 325	–	–	–	1 325
(Loss)/profit before tax	(68 793)	13 416	49 488	(55 876)	(61 765)
Tax	17 575	(5 199)	789	–	13 165
(Loss)/profit for the year	(51 218)	8 217	50 277	(55 876)	(48 600)

Discontinued operations

	Fleet management	OEM	Unallocated/ eliminations	TOTAL
Total segment revenue	224 137	60 277	–	284 414
Inter-segment revenue	–	–	–	–
Revenue	224 137	60 277	–	284 414
EBITDA	12 376	(13 252)	–	(876)
Excess of acquirer's interest in the fair value of the acquiree over cost	15 540	–	–	15 540
Depreciation	(1 453)	(3 018)	–	(4 471)
Amortisation	(3 179)	(2 530)	–	(5 709)
Impairment of property, plant and equipment	–	(6 456)	–	(6 456)
Impairment of intangible assets	(19 379)	(42 106)	–	(61 485)
Operating profit/(loss)	3 905	(67 362)	–	(63 457)
Net finance costs	(967)	(3 635)	–	(4 602)
Profit/(loss) before tax	2 938	(70 997)	–	(68 059)
Tax	(11 374)	11 649	–	275
Loss after tax	(8 436)	(59 348)	–	(67 784)
Profit on disposal of discontinued operations	577 136	–	–	577 136
Profit/(loss) for the year	568 700	(59 348)	–	509 352

In 2006 the segment information disclosed was "Fleet Management" and "Automotive components". Following the sale of the Group's fleet management businesses on 1 October 2007, the "Automotive components" segment has been split into "Aftermarket" and "OEM".

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

37 SEGMENTS (continued)

Primary reporting format – business segments (continued)

The segment information for the year ended 31 December 2006 is as follows:

Continuing operations

	OEM	Aftermarket	Head office	Unallocated/ eliminations	TOTAL
Total segment revenue	234 823	301 145	–	–	535 968
Inter-segment revenue	42 759	–	12 926	(55 685)	–
Revenue	277 582	301 145	12 926	(55 685)	535 968
EBITDA	26 047	21 406	(25 203)	(568)	21 682
Excess of acquirer's interest in the fair value of the acquiree over cost	–	59 539	–	–	59 539
Depreciation	(9 888)	(4 274)	(318)	–	(14 480)
Amortisation	(8 225)	(2 474)	(409)	–	(11 108)
Operating profit/(loss)	7 934	74 197	(25 930)	(568)	55 633
Net finance costs	(8 407)	(5 042)	(1 221)	–	(14 670)
Share of profit from joint ventures	1 939	–	–	–	1 939
Profit/(loss) before tax	1 466	69 155	(27 151)	(568)	42 902
Tax	(13)	(1 755)	2 553	–	785
Profit/(loss) for the year	1 453	67 400	(24 598)	(568)	43 687

Discontinued operations

	Fleet management	OEM	Unallocated/ eliminations	TOTAL
Total segment revenue	179 143	57 044	–	236 187
Inter-segment revenue	4 737	733	(5 470)	–
Revenue	183 880	57 777	(5 470)	236 187
EBITDA	39 679	2 551	–	42 230
Depreciation	(3 500)	(2 069)	–	(5 569)
Amortisation	(8 368)	(2 281)	–	(10 649)
Impairment of intangible assets	(282)	–	–	(282)
Operating profit/(loss)	27 529	(1 799)	–	25 730
Net finance costs	(2 865)	(1 963)	–	(4 828)
Profit/(loss) before tax	24 664	(3 762)	–	20 902
Tax	(8 408)	538	–	(7 870)
Profit/(loss) for the year	16 256	(3 224)	–	13 032

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated parties.

Segment assets consist primarily of property, plant and equipment, intangible assets, investments in joint ventures, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets comprise deferred income tax assets, available-for-sale financial assets, financial assets at fair value through profit or loss and current income tax assets.

Segment liabilities comprise operating liabilities (including derivatives designated as hedges of future commercial transactions). Unallocated liabilities comprise items such as taxation and borrowings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

37 SEGMENTS (continued)

Primary reporting format – business segments (continued)

Capital expenditure comprises additions to property, plant and equipment (refer to note 2) and intangible assets (refer to note 3), including additions resulting from acquisitions through business combinations (refer to notes 2, 3 and 28).

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Fleet management	OEM	Aftermarket	Head office	Unallocated/ eliminations	TOTAL
Assets	33 917	327 399	330 421	375 602	(359 452)	707 887
Investments in joint ventures	–	2 003	–	–	–	2 003
Total assets	33 917	329 402	330 421	375 602	(359 452)	709 890
Liabilities	8 919	320 575	173 255	141 815	(356 687)	287 877
Capital expenditure (notes 2 and 3)	12 168	20 475	11 095	–	123	43 861

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Fleet management	OEM	Aftermarket	Head office	Unallocated/ eliminations	TOTAL
Assets	180 764	402 335	350 440	289 452	(309 895)	913 096
Investments in joint ventures	–	2 178	–	–	–	2 178
Total assets	180 764	404 513	350 440	289 452	(309 895)	915 274
Liabilities	67 122	347 114	242 527	77 243	(168 963)	565 043
Capital expenditure (notes 2 and 3)	14 512	33 475	5 575	–	(1 149)	52 413

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

37 SEGMENTS (continued)

Secondary reporting format – geographical segments

At 31 December 2007, the Group is organised into the following geographical segments:

- Africa Sales to markets in sub-Saharan Africa
- Rest of the world Sales of products mainly in the USA and the United Kingdom

	GROUP	
	31/12/07	31/12/06
	R 000	R 000
Revenue		
Africa – internal	55 685	3 715
– external	911 358	705 860
Rest of the world – internal	3 399	–
– external	213 126	66 295
	<u>1 183 568</u>	<u>775 870</u>
Less: internal	(59 084)	(3 715)
	<u>1 124 484</u>	<u>772 155</u>
Revenue is allocated based on the country in which the sale is made.		
Total assets		
Africa	589 235	751 603
Rest of the world	118 652	161 493
	<u>707 887</u>	<u>913 096</u>
Joint ventures	2 003	2 178
	<u>709 890</u>	<u>915 274</u>
Capital expenditure (notes 2 and 3)		
Africa	39 140	49 782
Rest of the world	4 721	2 631
	<u>43 861</u>	<u>52 413</u>

PRINCIPAL SUBSIDIARY COMPANIES

AT 31 DECEMBER 2007

	Country of incorporation	Number of shares held and % holding		Cost of shares	
		31/12/07	31/12/06	R 000 31/12/07	R 000 31/12/06
Directly held					
Control Instruments Automotive (Pty) Limited Design, development, sales and distribution	South Africa	17 000 100%	17 000 100%	119 529	119 529
Control Instruments Development (Pty) Limited ² Design and development	South Africa	–	100 000 000 100%	–	–
Control Instruments OmniBridge (Pty) Limited ² Design, development, sales and distribution	South Africa	–	100 100%	–	–
Control Instruments (Pty) Limited, renamed Control Instruments OmniBridge (Pty) Limited subsequent to the year-end ¹ Design, development, sales and bureau management	South Africa	–	740 000 100%	–	2 600
Pi Shurlok (Pty) Limited Design, development, manufacturing, sales and distribution	South Africa	480 000 100%	480 000 100%	2 684	2 684
Pi Shurlok Limited ³ Design, development, sales and distribution	United Kingdom	–	100 100%	–	36 595
Tripmaster Corporation ⁴ Design, development, sales and bureau management	USA	3 645 494 100%	1 786 292 51%	41 309	39 936
Powerswift Limited Holding company	Cyprus	100 100%	– –	72 624	–
				236 146	201 344
Provision for impairment				(16 309)	–
				219 837	201 344
Classified as held for sale				(25 000)	–
				194 837	201 344

These companies have a December year-end and are unlisted.

¹ Sold to TeliMatrix Limited.

² Deregistered in 2007.

³ Holding changed to "indirect".

⁴ Classified as held for sale at year-end.

PRINCIPAL SUBSIDIARY COMPANIES

AT 31 DECEMBER 2007

	Country of incorporation	Shareholding	
		% 31/12/07	% 31/12/06
Indirectly held			
Control Instruments Aviation (Pty) Limited	South Africa	100	100
Control Instruments Gabriel (Pty) Limited	South Africa	100	100
Pi Shurlok Engineering (Pty) Limited	South Africa	100	100
Dupec Electronics (Pty) Limited	South Africa	100	100
Electron Seventeen (Pty) Limited	South Africa	100	100
Insom Investments (Pty) Limited	South Africa	100	100
Miclaric Investments (Pty) Limited	South Africa	100	100
Pi Shurlok Limited	UK	100	100
Pi Shurlok LLC	USA	100	100
Pi Shurlok GmbH	Germany	100	100
Transport Lighting and Fleet Products (Pty) Limited	South Africa	100	100

These companies have a December year-end and are unlisted.

JOINT VENTURES

AT 31 DECEMBER 2007

Nature of business	Shares		Cost of shares	
	% holding 31/12/07	% holding 31/12/06	R 000 31/12/07	R 000 31/12/06
Indirectly held				
Lear Shurlok Electronics (Pty) Limited	49	49	–	–

Lear Shurlok Electronics has a December year-end and is:

- unlisted, and
- incorporated, and carries on its principal operations in the Republic of South Africa.

FREEHOLD LAND AND BUILDINGS

AT 31 DECEMBER 2007

- 15 Wiganthorpe Road, Pietermaritzburg
- 20 Wiganthorpe Road, Pietermaritzburg
- 26 Wiganthorpe Road, Pietermaritzburg
- 28 – 30 Wiganthorpe Road, Pietermaritzburg
- 7 Eiffel Street, Uitenhage
- 9 Eiffel Street, Uitenhage
- 11 Eiffel Street, Uitenhage

	Date of acquisition	31/12/07 R 000	31/12/06 R 000
Land	July 1987	44	44
	November 2002	300	300
	January 2004	526	526
	October 2005	–	178
	March 2006	1 315	1 315
Buildings	July 1987	542	542
	November 2002	857	857
	November 2003	–	6 000
	January 2004	11 065	11 065
	August 2005	–	13 791
	October 2005	–	12 569
Additions	1988/1994	2 737	2 737
	1999	602	602
	2000	5 223	5 223
	2001	3 219	3 219
	2002	900	900
	2003	1 253	1 847
	2004	653	653
	2005	1 652	2 486
	2006	956	1 271
	2007	783	–
	Adoption of IFRS 1 – Revaluation of the land and buildings 1 January 2004	7 389	7 389
		<u>40 016</u>	<u>73 514</u>
	Directors' valuation	<u>50 500</u>	<u>85 000</u>

SHAREHOLDING ANALYSIS

AT 31 DECEMBER 2007

	Number of shareholders	Percentage	Number of shareholders	Percentage
Shareholder spread				
1 – 1 000 shares	568	35.90	255 776	0.18
1 001 – 10 000 shares	720	45.51	2 866 422	2.06
10 001 – 100 000 shares	205	12.96	6 820 340	4.89
100 001 – 1 000 000 shares	57	3.60	17 089 216	12.26
1 000 001 shares and over	32	2.03	112 405 000	80.61
	1 582	100.00	139 436 754	100.00

Distribution of shareholders

Banks	10	0.63	19 007 157	13.63
Close corporations	33	2.09	1 047 746	0.75
Endowment funds	2	0.13	1 239 800	0.89
Individuals	1 306	82.55	26 726 389	19.17
Insurance companies	1	0.06	3 738	0.00
Investment companies	3	0.19	2 322 098	1.67
Medical aid schemes	1	0.06	536 412	0.38
Mutual funds	26	1.64	45 562 118	32.68
Nominees and trusts	110	6.95	4 495 529	3.22
Other corporations	28	1.77	19 202 356	13.77
Pension funds	9	0.57	8 458 727	6.07
Private companies	51	3.23	9 222 164	6.62
Public companies	1	0.06	30 000	0.02
Share trusts	1	0.07	1 582 520	1.13
	1 582	100.00	139 436 754	100.00

Public/non-public shareholders

	Number of shareholdings	Percentage	Number of shares	Percentage
Non-public shareholders	12	0.76	66 380 142	47.61
Directors of the company holdings	8	0.51	20 883 286	14.98
Strategic holdings (more than 10%)	2	0.13	41 620 536	29.85
Issuer pension fund	1	0.06	2 293 800	1.65
The Control Instruments Share Incentive Scheme	1	0.07	1 582 520	1.13
Public shareholders	1 570	99.24	73 056 612	52.39
	1 582	100.00	139 436 754	100.00

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

Investec	25 365 726	18.19
Sanlam	16 254 810	11.66
Tantalum Capital	8 611 240	6.18
Pictet Et Cie Banquiers	7 274 328	5.22
Osborne Capital	7 099 897	5.09

Resident/non-resident shareholders

Resident	1 544	97.60	120 809 147	86.64
Non-resident	38	2.40	18 627 607	13.36
	1 582	100.00	139 436 754	100.00

Non-executive directors

Sam O'Leary (Irish) Chairman. Appointed to the board in 2002.
Peter Bieber Appointed to the board in 1997.
Stuart Bromfield Appointed to the board on 12 November 2007.

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

Herc Hefer retired from the board on 19 June 2007. Richard Bruyns resigned from the board on 12 November 2007 to become the non-executive chairman of TeliMatrix Limited.

Executive directors

Richard Friedman CEO and Group managing director. Joined the Company in 1985 and appointed to the board in 1987.
Rob Fraenkel Group financial director. Joined the Company and appointed to the board in 1998.

Terry Buzer and Rod Forrester both resigned from the board on 12 November 2007. Terry resigned from the Company on 31 October 2007 to take up a position as an executive director of TeliMatrix Limited. Rod retired from the Company on 31 December 2007.

CORPORATE INFORMATION

CONTROL INSTRUMENTS GROUP LIMITED

Registration number: 1964/003987/06

ISIN: ZAE000001665

Share code: CNL

COMPANY SECRETARY

Surica Barnard

REGISTERED OFFICE

28 Wiganthorpe Road, Willowton, Pietermaritzburg 3201

PO Box 2661, Paarl 7620

AUDITORS

PricewaterhouseCoopers Incorporated

No. 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 (Pty) Limited

Ground Floor, 70 Marshall Street, Johannesburg 2001

PO Box 61051, Marshalltown 2107

Telephone: +27 11 370 5000

Facsimile: +27 11 688 5238

SPONSOR

Investec Bank Limited

100 Grayston Drive, Sandton 2196

PO Box 785700, Sandton 2146

SHAREHOLDERS' QUERIES

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www.ci.co.za

