

CONTROL INSTRUMENTS GROUP LIMITED

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

COMMENTARY

This is Control Instruments' first set of results since the completion of the extensive restructuring and repositioning of the business that it initiated at the end of 2004 ("Strategy 2004"). The sale of the Group's fleet and vehicle management businesses to TeliMatrix Limited ("TeliMatrix") in October 2007 marked the end of this restructuring and the last remaining steps were completed with the sale of businesses outlined in "Discontinued Operations" below.

Control Instruments' continuing operations are now focused on two areas in the global automotive market, namely; the international original equipment automotive market through subsidiary Pi Shurlok and the sub-Saharan automotive aftermarket through subsidiary CI Automotive.

RESULTS

CONTINUING OPERATIONS

Revenue for the six months ended 30 June 2008 increased 22% to R501.1 million, compared with R411.0 million in the same period in 2007. This exceeds the Group's revenue of R395.1 million for the full year ended 31 December 2005, the first year following the implementation of "Strategy 2004".

EBITDA (earnings before interest, tax, depreciation, amortisation, negative goodwill and profit/loss on sale of assets) for the period under review increased 81% to R23.7 million, compared with R13.1 million in the first six months in 2007.

While operating profit decreased compared with the first six months last year, the comparison is not strictly meaningful as the operating profit for the six months to 30 June 2007 included R13.6 million profit on sale of buildings.

Headline earnings per share were 2.2 cents compared with a headline loss per share of 14.9 cents in the six months ended 30 June 2007.

Borrowings have reduced significantly compared with a year ago. This is reflected in the finance costs, which have decreased in the period under review.

DISCONTINUED OPERATIONS

Discontinued operations comprise Tripmaster Corporation ("Tripmaster"), based in the USA, and two of the plastics businesses.

Tripmaster was originally part of the fleet and vehicle management businesses that were sold to TeliMatrix in October last year. However, for a number of reasons it was excluded from the transaction and has now been sold to TeliMatrix with effect from 1 April 2008 at a loss of R16.9 million on its book value. This loss should be seen in the context of the overall profit of R577.1 million made on the sale of the fleet and vehicle management businesses to TeliMatrix.

The plastics businesses were sold with effect from 17 March 2008.

BUSINESS OVERVIEW

Original Equipment Manufacture ("OEM")

Despite very tough conditions in all its markets throughout the world, our OEM business improved its results for the six months ended 30 June 2008 compared with the same period in 2007. This was primarily achieved as a result of improved performance by Pi Shurlok's international engineering services and cost reduction programmes.

Our strategy is to leverage off our engineering services businesses in the USA and the UK to win manufacturing orders for our production facility in Pietermaritzburg. The most notable contract we have received to date has been the design and manufacture of a new range of integrated radio and communications systems for a major European motorcycle manufacturer. This will go into production in early 2009.

The move in November 2007 by Group CEO Richard Friedman to Cambridge in the UK, where he assumed the additional role as CEO of Pi Shurlok has been well received by customers and staff. His focus on this area of the business is adding impetus to its performance.

The global OEM market is expected to remain extremely difficult for the foreseeable future. The Group will continue to look for niche opportunities and other areas of business in which its technologies can be used to gain business. There are some encouraging signs in this regard.

Aftermarket

CI Automotive is focused on the automotive aftermarket in sub-Saharan Africa and particularly in southern Africa. This market has also been extremely difficult during the six months to 30 June 2008.

Poor trading conditions were exacerbated by a number of other factors, most notably; the problems with electricity, which impacted fitment centres around the country; the rapid increase in the price of fuel, which resulted in a significant reduction in the use of vehicles; the extraordinarily rapid increase in the cost of raw materials; and an increase in the business' operating expenses beyond the level originally planned.

Although new vehicle sales have dropped dramatically in the past twelve months, over time it will result in an increase in replacement parts needed for an increasing pool of aging vehicles.

With effect from 1 August 2008, Rob Fraenkel has been appointed as CEO of CI Automotive, in addition to his role as Group FD.

PURCHASE OF SHARES

In the period under review 20.1 million ordinary shares were purchased by the company; either in terms of the permission granted by shareholders at the annual general meeting or for the Group's Share Incentive Scheme. It is the Group's intention to continue to repurchase shares as and when attractive opportunities arise.

PROSPECTS

There are currently well publicised and difficult conditions in all of the markets in which the Group operates and there is a good probability that these conditions could worsen during the second half of 2008. This could have a negative effect on the results for the remainder of the year.

Although conditions in the Group's markets are not expected to improve in the foreseeable future, there are encouraging signs emanating from the Group's strategy to focus its technologies into niches in its international markets.

Once the economic shocks that have recently affected the aftermarket business stabilise, the demand for replacement parts should increase.

The Group's major focus during these difficult times will be on cash generation, customer service and the international introduction of new products and technologies.

DIVIDEND

The board has declared an interim dividend of 3.5 cents (2007: 3.5 cents) per share in respect of the six months ended 30 June 2008.

In terms of the requirements of Strate:

Last day to trade <i>cum</i> dividend	Friday	12 September 2008
Shares trade <i>ex</i> dividend	Monday	15 September 2008
Record date	Friday	19 September 2008
Payment date	Monday	22 September 2008

Share certificates may not be dematerialised or rematerialised between Monday, 15 September 2008 and Friday, 19 September 2008, both days inclusive.

ACCOUNTING POLICIES

The financial statements have been prepared in terms of International Financial Reporting Standards (“IFRS”) and comply with IAS 34 - Interim Financial Reporting.

The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 December 2007.

On behalf of the board

Sam O’Leary
Chairman

28 August 2008

CONTROL INSTRUMENTS GROUP LIMITED
CONSOLIDATED INCOME STATEMENTS
for the six months ended 30 June 2008

	6 months ended 30/06/2008	6 months ended 30/06/2007 Restated	Year ended 31/12/2007
	Unaudited R 000	Unaudited R 000	Audited R 000
Continuing operations			
Revenue	501 123	411 017	840 070
Cost of sales	(343 201)	(298 018)	(629 414)
Gross profit	157 922	112 999	210 656
Other operating income	2 878	17 079	19 825
Marketing and selling expenses	(15 809)	(16 823)	(35 722)
Administrative expenses	(80 956)	(73 355)	(126 576)
Other operating expenses	(60 681)	(33 765)	(101 722)
Operating profit/(loss)	3 354	6 135	(33 539)
Finance income	28	-	24 012
Finance costs	(9 329)	(16 505)	(53 563)
Share of profit from joint ventures	361	1 552	1 325
Loss before tax	(5 586)	(8 818)	(61 765)
Tax	8 258	5 964	13 165
Profit/(loss) for the period from continuing operations	2 672	(2 854)	(48 600)
Discontinued operations			
(Loss)/profit for the period from discontinued operations	(31 165)	26 784	509 352
(Loss)/profit for the period	(28 493)	23 930	460 752
Attributable to equity holders of the Company	(28 493)	23 930	460 752
Total shares in issue (excluding treasury shares) (000)	117 792	130 434	137 854
Weighted average number of shares in issue (000)	122 786	106 177	121 211
Adjustment for share options (000)	162	4 156	4 266
Weighted average number of shares for diluted earnings per share (000)	122 948	110 333	125 477
(Loss)/earnings per share (cents)			
Continuing operations	2.18	(2.69)	(40.10)
Discontinued operations	(25.38)	25.23	420.22
(Loss)/earnings per share	(23.20)	22.54	380.12

	6 months ended 30/06/2008 Unaudited R 000	6 months ended 30/06/2007 Restated Unaudited R 000	Year ended 31/12/2007 Audited R 000
Headline earnings/(loss) (R 000)			
Continuing operations			
Net profit/(loss) after tax for the period	2 672	(2 854)	(48 600)
Loss/(profit) on disposal of property, plant and equipment	26	(12 036)	(11 574)
Impairment of goodwill	-	-	2 257
Impairment of other intangible assets	-	-	9 846
Tax on the above	-	(954)	(1 901)
	<u>2 698</u>	<u>(15 844)</u>	<u>(49 972)</u>
Discontinued operations			
(Loss)/profit after tax for the period	(31 165)	26 784	509 352
Loss/(profit) on disposal of subsidiaries and operations	16 935	-	(577 136)
Profit on disposal of property, plant and equipment	(45)	(2 840)	(2 738)
Excess of acquirer's interest in the net fair value of the acquiree over cost	-	(15 540)	(15 540)
Impairment of property, plant and equipment	-	-	6 456
Impairment of goodwill	-	-	34 083
Impairment of other intangible assets	-	-	27 402
Tax on the above	-	1	(6 009)
	<u>(14 275)</u>	<u>8 405</u>	<u>(24 130)</u>
Headline loss	<u>(11 577)</u>	<u>(7 439)</u>	<u>(74 102)</u>
Headline loss per share (cents)			
Continuing operations	2.20	(14.92)	(41.23)
Discontinued operations	(11.63)	7.91	(19.91)
Headline loss per share	<u>(9.43)</u>	<u>(7.01)</u>	<u>(61.14)</u>
Diluted (loss)/earnings per share (cents)			
Continuing operations	2.17	(2.59)	(38.73)
Discontinued operations	(25.35)	24.28	405.93
Diluted (loss)/earnings per share	<u>(23.18)</u>	<u>21.69</u>	<u>367.20</u>
Diluted headline loss per share (cents)			
Continuing operations	2.19	(14.36)	(39.83)
Discontinued operations	(11.61)	7.62	(19.23)
Diluted headline loss per share (cents)	<u>(9.42)</u>	<u>(6.74)</u>	<u>(59.06)</u>
Dividends per share (cents)			
Cash	4.5	-	3.5
In specie	-	-	410.0

CONTROL INSTRUMENTS GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
at 30 June 2008

	30/06/2008	30/06/2007	31/12/2007
	Unaudited	Restated Unaudited	Audited
	R 000	R 000	R 000
ASSETS			
Non-current assets	314 913	405 904	316 724
Property, plant and equipment	148 281	183 814	152 206
Intangible assets	147 820	218 148	146 255
Investments in joint ventures	2 364	2 230	2 003
Available-for-sale financial assets	780	-	900
Non-current receivables	-	368	-
Deferred income tax assets	15 668	1 344	15 360
Current assets	371 154	415 960	323 751
Inventories	175 719	163 877	159 508
Trade and other receivables	174 968	201 999	140 808
Derivative financial instruments	6 136	-	38
Financial assets at fair value through profit or loss	3 498	-	4 050
Current income tax assets	3 485	8 517	3 485
Cash and cash equivalents	7 348	41 567	15 862
Non-current assets held for sale	-	305 547	69 415
Total assets	686 067	1 127 411	709 890
EQUITY AND LIABILITIES			
Capital and reserves	369 020	556 587	416 803
Reserves directly associated with non-current assets held for sale	-	-	5 210
Non-current liabilities	110 957	236 754	113 685
Borrowings	71 594	178 806	76 765
Deferred income tax liabilities	31 032	55 935	34 088
Provisions	8 331	2 013	2 832
Current liabilities	206 090	204 576	163 386
Trade and other payables, provisions and current borrowings	196 038	200 005	154 097
Derivative financial liabilities	-	-	12
Current income tax liabilities	10 052	4 571	9 277
Liabilities directly associated with non-current assets held for sale	-	129 494	10 806
Total equity and liabilities	686 067	1 127 411	709 890
Net asset value per share	313	427	306

CONTROL INSTRUMENTS GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2008

	Share capital Share premium Treasury shares	Foreign currency translation reserve	Other reserves	Retained earnings/ (Accumu- lated loss)	TOTAL	Reserves directly associated with non-current assets held for sale	TOTAL
Balance at 1 January 2007	216 256	5 370	12 563	116 042	350 231	-	350 231
Gains on cash flow hedges, net of tax			(373)		(373)		(373)
Creation of FCTR		2 066			2 066		2 066
Profit for the period				23 930	23 930		23 930
Employee share option scheme							
- Value of services provided			1 340		1 340		1 340
Movement of treasury shares	2 689			(726)	1 963		1 963
Shares issued	177 430				177 430		177 430
Balance at 30 June 2007	396 375	7 436	13 530	139 246	556 587	-	556 587
Gains on cash flow hedges, net of tax			718		718		718
Fair value adjustments			(2 309)		(2 309)		(2 309)
Profit for the period				436 822	436 822		436 822
Realised on disposal of subsidiaries		1 857	1 980		3 837		3 837
Utilisation of foreign currency translation reserve		(4 998)			(4 998)		(4 998)
Employee share option scheme							
- Value of services provided			2 719		2 719		2 719
- Transferred to retained earnings			(16 393)	16 393	-		-
Movement of treasury shares	(41)			(1 670)	(1 711)		(1 711)
Dividends paid				(569 652)	(569 652)		(569 652)
Classified as held for sale		(5 210)			(5 210)	5 210	-
Balance at 31 December 2007	396 334	(915)	245	21 139	416 803	5 210	422 013
Gains on cash flow hedges, net of tax			4 403		4 403		4 403
Fair value adjustments			(121)	2 550	2 429	-	2 429
Loss for the period				(28 493)	(28 493)		(28 493)
Creation of foreign currency translation reserve		9 023			9 023	1 930	10 953
Realised on disposal of subsidiaries		-	-		-	(7 140)	(7 140)
Employee share option scheme							
- Value of services provided			72		72		72
Movement of treasury shares	(29 900)				(29 900)		(29 900)
Dividends paid				(5 317)	(5 317)		(5 317)
Balance at 30 June 2008	366 434	8 108	4 599	(10 121)	369 020	-	369 020

CONTROL INSTRUMENTS GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENTS
for the six months ended 30 June 2008

	6 months ended 30/06/2008	6 months ended 30/06/2007 Restated	Year ended 31/12/2007
	Unaudited R 000	Unaudited R 000	Audited R 000
Cash flows from operating activities			
Operating profit before working capital changes	13 404	42 180	38 511
Working capital changes	(2 846)	(13 419)	(2 494)
Cash generated from operations	10 558	28 761	36 017
Finance income received	36	86	25 382
Finance costs paid	(9 981)	(18 888)	(59 535)
Dividends received	-	1 500	1 500
Dividends paid	(5 316)	-	(4 832)
Tax paid	(362)	(44)	(6 205)
	(5 065)	11 415	(7 673)
Cash flows from investing activities			
Purchase of property, plant and equipment	(7 775)	(9 973)	(22 666)
Proceeds from disposal of property, plant and equipment	174	10 943	35 865
Increase in intangible assets	(5 010)	(7 422)	(21 195)
Proceeds from disposal of financial assets	-	-	65 600
Proceeds from disposal of subsidiaries, net of cash	25 138	-	74 419
Acquisition of subsidiaries and operations, net of cash	-	(7 767)	(8 240)
(Increase)/decrease in non-current receivables	-	(54)	43
Additional investments in subsidiaries	-	-	(21 895)
	12 527	(14 273)	101 931
Cash flows from financing activities			
Net proceeds from/(settlement of) non-current borrowings	410	(12 469)	(141 107)
Net (investment in)/proceeds from disposal of treasury shares	(11 650)	4 885	252
Shares issued	-	89 892	87 430
	(11 240)	82 308	(53 425)
Net cash (outflow)/inflow for the period	(3 778)	79 450	40 833
Forex translation adjustments on cash and cash equivalents	1 742	107	(453)
Cash and cash equivalents at the beginning of the period	2 390	(37 990)	(37 990)
Cash and cash equivalents at the end of the period	354	41 567	2 390

CONTROL INSTRUMENTS GROUP LIMITED
SEGMENT INFORMATION

for the six months ended 30 June 2008

Primary reporting format - 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

	Revenue		EBITDA*		Operating profit	
	6 months ended 30/06/2008 Unaudited	6 months ended 30/06/2007 Unaudited	6 months ended 30/06/2008 Unaudited	6 months ended 30/06/2007 Unaudited	6 months ended 30/06/2008 Unaudited	6 months ended 30/06/2007 Unaudited
Aftermarket	218 868	229 517	12 399	21 755	5 439	28 533
OEM	284 150	202 393	23 333	7 044	10 297	(6 673)
Head Office	-	-	(12 061)	(15 714)	(12 382)	(15 725)
Eliminations	(1 895)	(20 893)	-	-	-	-
Total Continuing Operations	501 123	411 017	23 671	13 085	3 354	6 135
Discontinued OEM	14 973	31 519	(5 495)	(1 083)	(5 495)	(2 454)
Discontinued fleet management	6 633	139 681	(4 324)	41 291	(4 467)	40 669
Eliminations	-	(17 101)	-	-	-	-
Total Group	522 729	565 115	13 852	53 293	(6 608)	44 350

* EBITDA = Earnings before interest, tax, depreciation, amortisation, negative goodwill and profit/loss on sale of property, plant and equipment

CONTROL INSTRUMENTS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the six months ended 30 June 2008

1. Accounting policies

The financial statements have been prepared in terms of International Financial Reporting Standards ("IFRS") and comply with IAS 34 - Interim Financial Reporting.

The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 December 2007.

2. Non-current assets held for sale and discontinued operations

Discontinued operations comprise:

- a) OmniBridge and Datatrak, sold to TeliMatrix Limited on 1 October 2007;
- b) Tripmaster, sold to TeliMatrix Limited on 1 April 2008;
- c) OEM plastics businesses sold to Smiths Plastics (Pty) Limited on 17 March 2008.

	6 months ended 30/06/2008	6 months ended 30/06/2007 Restated	Year ended 31/12/2007
	Unaudited R 000	Unaudited R 000	Audited R 000
i) Non-current assets classified as held for sale			
OmniBridge and Datatrak			
Non-current assets		137 510	-
Current assets		109 458	-
Tripmaster			
Non-current assets		41 747	22 746
Current assets		16 832	11 174
OEM plastics			
Non-current assets		-	19 500
Current assets		-	15 995
Total		305 547	69 415
ii) Non-current liabilities classified as held for sale			
OmniBridge and Datatrak			
Non-current liabilities		29 551	-
Current liabilities		81 495	-
Tripmaster			
Non-current liabilities		13 932	4 842
Current liabilities		4 516	5 112
OEM plastics			
Current liabilities		-	852
Total		129 494	10 806
iii) Analysis of the results			
Revenue	21 606	154 099	284 414
Cost of sales	(14 234)	(64 425)	(128 864)
Gross profit	7 372	89 674	155 550
Other operating income	-	23 751	23 861
Marketing and selling expenses	(1 803)	(8 962)	(20 829)
Administrative expenses	(6 286)	(43 615)	(95 178)
Other operating expenses	(9 245)	(22 632)	(126 861)
Operating (loss)/profit	(9 962)	38 216	(63 457)
Net finance costs	(644)	(2 210)	(4 602)
(Loss)/profit before tax	(10 606)	36 006	(68 059)
Tax	(3 624)	(9 221)	275
(Loss)/profit for the period from discontinued operations	(14 230)	26 784	(67 784)
(Loss)/profit on disposal of discontinued operations	(16 935)	-	577 136
(Loss)/profit for the period from discontinued operations	(31 165)	26 784	509 352

3. Restatements

3.1 The results for the six months ended 30 June 2007 have been restated due to the finalisation of the purchase accounting for the Datatrak acquisition. The impact on the results is as follows:

	Previously stated	Restated Restatement	Restated balance
Income statement			
Other income	5 145	10 395	15 540
Balance sheet			
Non-current assets classified as held for sale (Intangible assets)	294 077	11 470	305 547
Capital and reserves	(552 192)	(4 395)	(556 587)
Non-current liabilities classified as held for sale (Deferred tax liabilities)	(128 419)	(1 075)	(129 494)

3.2 The profit on sale of building included in the six months to 30 June 2007 has been restated.

4. Notes to cash flow statement

Disposal of subsidiaries and operations

i) OEM plastics businesses

With effect from 17 March 2008 the Group sold its OEM plastics automotive operations, viz Ariston and SPE, to Smiths Plastics (Pty) Limited, a subsidiary of Metair Investments Limited.

Details of the net assets disposed and related cash flows are as follows:

Property, plant and equipment	19 378
Intangible assets	122
Inventories	8 486
Trade and other receivables	14 917
Trade and other payables	(600)
	<u>42 303</u>
Purchase consideration received	<u>(42 303)</u>
	<u>-</u>
Purchase consideration received	42 303
Settlement of long-term loans	(9 354)
Settlement of creditors	(7 614)
Costs directly attributable to the disposal	-
Net cash inflow from disposal	<u>25 335</u>

ii) Tripmaster

With effect from 1 April 2008 the Group sold its remaining fleet management business, Tripmaster, to TeliMatrix.

Details of the net assets disposed and related cash flows are as follows:

Property, plant and equipment	844
Intangible assets	21 654
Non-current receivables	361
Deferred tax assets	4 851
Inventories	4 023
Trade and other receivables	8 817
Current tax assets	1 704
Cash and cash equivalents	197
Borrowings	(98)
Deferred tax liabilities	(7 152)
Trade and other payables	(11 125)
	<u>24 074</u>
Purchase consideration received	-
Reserve realised on the disposal of subsidiaries	(7 140)
Loss on disposal of business	<u>(16 935)</u>
	<u>-</u>
Purchase consideration received	-
Cash and cash equivalents in business disposed	<u>(197)</u>
Net cash outflow from disposal	<u>(197)</u>