

CONTROL INSTRUMENTS GROUP LIMITED

REVIEWED PROVISIONAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

OVERVIEW

The results for the year ended 31 December 2006 reflect that Control Instruments is well on the way to achieving the strategic goals it set two years ago.

By 2004 it became clear that fundamental changes, driven primarily by globalisation, were taking place in the local and international automotive markets in which the Group operates. The Group responded by implementing a strategy to rapidly increase the critical mass of each of its businesses; become a global player in its chosen niche markets; and increase the level of development expenditure.

To achieve these objectives, Control Instruments made a number of acquisitions (detailed below) during 2005 and 2006. These acquisitions were identified at the start of the process. The board believed they were exceptional opportunities that would not arise again and therefore the risk and possible short-term disruptions that could arise out of this extensive expansion in a short period of time were justified. The high level of change has resulted in a challenging period for the Group's management and staff.

The primary focus in 2006 was to maintain the momentum of each business and to service their customers. This was achieved. During 2007 the focus will be on the integration of the acquisitions and working capital and expense management.

Acquisitions made during 2005

Business of Autocom

- Distributor of aftermarket components for the automotive industry in Southern Africa, based in Johannesburg;
- Acquired in January 2005 for R9.5 million.

Dana South Africa (Pty) Limited

- Distributor of aftermarket components for the automotive industry in Southern Africa, based in Johannesburg;
- Acquired with effect from 1 October 2005 for R120 million.

Acquisitions made during 2006

Tripmaster

- Supplier of fleet management products based in Dallas, USA;
- 51% of the shares acquired with effect from 1 March 2006 for R23 million;
- Purchase agreement includes put and call options in respect of the remaining shares over a three year period.

Business of Sagercy Group

- Manufacturer of plastic products for the automotive industry, based in Port Elizabeth;
- Acquired with effect from 1 March 2006 for R111 million.

Business of Gabriel South Africa

- Manufacturer and distributor of ride control products (shock absorbers, struts and gas springs) to the automotive industry in sub-Saharan Africa;
- Acquired with effect from 5 September 2006 for R85 million.

Business of Pi Technology

- Electronic design consultancy providing services to the international automotive industry;
- Offices in the United Kingdom, Germany and Detroit, USA;
- Acquired with effect from 1 December 2006 for R72 million.

BUSINESS

While the Group's operations remain focused on supplying niche sectors of the worldwide automotive and transportation industries, the R420 million spent on acquisitions over the past two years has dramatically changed the nature and size of the Group.

Besides its South African offices, the Group now has offices in the UK (Cambridge), USA (Dallas and Detroit) and Germany. In addition to its world-class design and manufacturing facilities in Pietermaritzburg, the Group also has manufacturing operations in Port Elizabeth, Cape Town and Johannesburg. The number of employees has grown from 570 at the end of 2004 to 1 950 at the end of 2006.

Following the growth and changes, the Group operates in two distinct areas - (i) fleet and vehicle management products and systems, and (ii) automotive components and products.

Fleet and vehicle management products and systems

The Fleet Management business performed extremely well with its onboard computers (OBCs) being sold on every continent in more than 43 countries around the world. Sales of OBCs increased 38% to 31 500 units sold during 2006, with the largest increase coming from the international markets. Annuity based revenue derived from the bureau service, introduced in the first half of 2004, more than doubled during the year and now makes a meaningful contribution to profitability. Tripmaster in the United States achieved its budgeted results.

The Fleet Management business is expected to continue to show strong growth and it is actively seeking further opportunities to expand internationally.

Automotive components and products

The Automotive Aftermarket business has expanded significantly and will continue to do so as a result of the acquisition of Gabriel South Africa. This business now sells a comprehensive basket of high quality branded replacement parts into a rapidly growing market place.

Control Instruments has repositioned itself during the past eighteen months to face the challenges in the OEM market. Changes taking place in this market relate to global cost pressures and local manufacturers being fully integrated into the worldwide operations of their various parent companies.

The acquisition of the business of Pi Technology will give the Group a significant “front end” into the specialised niche markets in the UK, Germany and the USA. The first orders resulting from the combined business have already been won and provided the strategy continues to be successful, it will result in sustainable and meaningful export opportunities.

RESULTS

Revenue increased 95% from R395 million to R772 million. This increase indicates the growth in the Group, but does not include the full impact of the acquisitions as only ten months of Tripmaster and Sagercy; three full months of Gabriel; and one month of Pi Technology were applicable for the year ended 31 December 2006.

IFRS

Gross profit increased 61%, from R162 million to R261 million. Operating profit increased 171% from R30 million to R81 million. Profit before tax increased 151% to R64 million and profit for the year was up 174% to R57 million.

Earnings per share increased 105% to 60.8 cents and headline earnings per share decreased 102% to a loss of 0.7 cents. The major reason for this disparity is the IFRS requirement with respect to accounting for negative goodwill.

Normalised earnings (unaudited)

The core metrics the Group uses in managing its businesses are turnover, operating profit and profit after interest, but before certain IFRS adjustments, once off items and tax. It is the opinion of the directors that certain of the requirements of IFRS distort the results from a business perspective. A normalised income statement for the twelve months ended 31 December 2006 is therefore presented separately.

Normalised earnings exclude the negative goodwill of R60 million that was raised primarily on the acquisition of Gabriel because it is a non-recurring adjustment made in terms of IFRS. Normalised earnings also exclude amortisation on intangible assets raised on the acquisitions of R13 million and restructuring expenses of approximately R7 million that relate directly to the acquisitions.

On a normalised basis, operating profit increased by 57% from R36 million to R57 million and profit before tax increased 29% from R29 million to R38 million.

Normalised earnings per share decreased 4% to 40.3 cents. This is mainly due to the increase in the number shares in issue and the fact that the acquisitions of Gabriel and Pi Technology made a lower than expected contribution in the short period that they were part of the Group.

Net asset value per share increased 67% from R2.09 to R3.49.

SHARE CAPITAL

In February 2006 the directors authorised the issue of 16 667 000 Control Instruments ordinary shares, with a par value of five cents each, at a price of R6.00 per share in a vendor placement with selected institutions to settle the purchase consideration of R100 million for the business of Sagercy.

On 23 June 2006 Control Instruments cancelled and delisted 8 148 672 ordinary shares with a par value of five cents each. These shares were bought back by a subsidiary company (Control Instruments Management Services (Pty) Limited) during the period January 2003 to September 2004.

4 400 000 ordinary shares, with a par value of five cents each, were issued at a price of R5.55 per share in a private placement to public shareholders in December 2006. This was in terms of the general authority to issue shares for cash granted to directors at the Company's annual general meeting held on 2 May 2006. The shares were issued at a 1.1% premium to the Control Instruments 30-day volume weighted average traded price, calculated on 30 November 2006.

AUDIT OPINION

PricewaterhouseCoopers Incorporated's unmodified review report on the condensed financial statements contained in this provisional report is available for inspection at the Company's registered office.

PROSPECTS

The Group continues to operate in niche sectors of global markets and is therefore subject to local and international disruptions that are not under its control. Nevertheless, the recent acquisitions and increased focus on expense and working capital management should have a positive effect from 2007.

The board of directors continues to look for ways to enhance shareholder value. Although the strategy initiated at the end of 2004 has resulted in a re-rating of the Group's share price, the directors are of the opinion that there is further underlying value in the Group. They are therefore reviewing a number of options in this regard.

CAUTIONARY ANNOUNCEMENT

The Group is currently under cautionary and hopes to be able to make an announcement in this regard in early May 2007.

DIVIDEND

It is the board's intention to declare a final dividend in respect of the year ended 31 December 2006 in early May 2007.

On behalf of the board

JPS O'Leary
Chairman

R Friedman
CEO and Group Managing Director

19 March 2007

CONSOLIDATED BALANCE SHEETS
At 31 December 2006

	GROUP	
	31/12/06	31/12/05
	Reviewed	Audited
	R 000	R 000
ASSETS		
Non-current assets	510,557	193,179
Property, plant and equipment	229,747	124,831
Intangible assets	273,273	57,727
Investments in joint ventures	2,177	2,765
Financial assets	-	3,208
Non-current receivables	366	-
Deferred tax assets	4,994	4,648
Current assets	403,602	175,792
Inventories	176,656	84,846
Trade and other receivables	212,888	90,702
South African Revenue Services	5,676	-
Cash and bank balances	8,382	244
Total assets	914,159	368,971
EQUITY AND LIABILITIES		
Capital and reserves	350,231	165,027
Share capital	5,472	4,826
Share premium	221,066	97,886
Treasury shares	(10,282)	(20,692)
Fair value and other reserves	17,933	7,564
Retained earnings	116,042	75,443
Non-current liabilities	300,072	111,853
Borrowings	221,764	96,065
Retirement benefit obligations	600	600
Deferred tax liabilities	77,142	14,356
Provisions	566	832
Current liabilities	263,856	92,091
Trade and other payables	154,748	65,108
South African Revenue Services	3,037	213
Derivative financial liabilities	466	599
Borrowings	93,842	24,095
Provisions	11,763	2,076
Total equity and liabilities	914,159	368,971
Net asset value per share (cents)	349	209

CONSOLIDATED INCOME STATEMENTS
For the year ended 31 December 2006

	GROUP	
	31/12/06	31/12/05
	Reviewed	Audited
	R 000	R 000
Revenue	772,155	395,060
Cost of sales	(511,470)	(233,168)
Gross profit	<u>260,685</u>	<u>161,892</u>
Other operating income	86,113	14,791
Interest income	0	845
Other operating expenses	(96,327)	(45,559)
Administrative expenses	(127,329)	(83,036)
Marketing and selling expenses	(41,779)	(18,886)
Operating profit	<u>81,363</u>	<u>30,047</u>
Loss from discontinued operations	-	-
Finance costs	(19,498)	(7,357)
Profit from joint ventures	1,939	2,765
Profit before tax	<u>63,804</u>	<u>25,455</u>
Tax	(7,085)	(4,737)
Profit for the year	<u>56,719</u>	<u>20,718</u>
Attributable to equity holders of the Company	<u>56,719</u>	<u>20,718</u>
Total shares in issue (excluding treasury shares) (000)	100,434	78,956
Weighted average number of shares in issue (000)	93,247	69,687
Adjustment for share options (000)	6,374	5,173
Weighted average number of shares for diluted earnings per share (000)	<u>99,621</u>	<u>74,860</u>
Earnings per share (cents)		
- basic	60.8	29.7
- diluted	56.9	27.7
- headline earnings	(0.7)	28.3
Dividends per share (cents)	7.5	6.0
Reconciliation of EPS to Head line EPS (cents)		
EPS	60.8	29.7
Profit on disposal of property, plant and equipment	(1.3)	(0.1)
Profit on disposal of joint venture	-	(0.3)
Negative goodwill on acquisitions	(63.9)	(4.5)
Impairment of "available-for-sale" financial assets	3.4	2.3
Impairment of development costs	0.3	1.2
	<u>(0.7)</u>	<u>28.3</u>

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2006

	Share capital R 000	Share premium R 000	Treasury shares R 000	Fair value and other reserves R 000	Retained earnings R 000	Total R 000
GROUP						
Balance at 1 January 2005	4 213	43 591	(22 658)	2 349	59 328	86 823
As previously reported	4 213	43 591	(22 658)	3 953	57 724	86 823
Change in accounting policy				(1 604)	1 604	-
Net losses not recognised in the income statement						
- Cash flow hedges, net of tax				(140)		(140)
Impairment of "available-for-sale" financial asset				1 604		1 604
Profit for the year					20 718	20 718
Employee share option scheme:						
- Value of services provided				3 751		3 751
Movement of treasury shares			1 966		(635)	1 331
Shares issued	613	54 295				54 908
Dividends paid					(3 968)	(3 968)
Balance at 31 December 2005	4 826	97 886	(20 692)	7 564	75 443	165 027
Net gains not recognised in the income statement:						
- 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
Movement in foreign currency translation reserve				5 370		5 370
Movement of treasury shares			482		580	1 062
Shares issued	1 053	123 277				124 330
Cancellation of treasury shares	(407)	(97)	9 928		(9 521)	(97)
Dividends paid					(7 179)	(7 179)
Balance at 31 December 2006	5 472	221 066	(10 282)	17 933	116 042	350 231

CONSOLIDATED CASH FLOW STATEMENTS
For the year ended 31 December 2006

	GROUP	
	31/12/06	31/12/05
	Reviewed	Audited
	R 000	R 000
	<u> </u>	<u> </u>
Cash flows from operating activities		
Cash generated from operations	40 776	7 203
Interest received	-	845
Finance costs	(19 498)	(7 357)
Dividends received	2 526	-
Dividends paid	(7 179)	(3 968)
Tax paid	(8 509)	(7 778)
	<u>8 116</u>	<u>(11 055)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(32 240)	(31 701)
Proceeds from disposal of property, plant and equipment	9 998	2 622
Increase in intangible assets	(20 173)	(13 808)
Decrease in investments in joint ventures	-	-
Disposal of joint venture	-	512
Acquisition of subsidiaries and operations, net of cash	(54 370)	(8 359)
Increase in investments and non-current receivables	(366)	-
	<u>(97 151)</u>	<u>(50 734)</u>
Cash flows from financing activities		
Proceeds from / (settlement of) non-current borrowings	25 785	(407)
Proceeds on disposal of treasury shares	1 062	1 297
Shares issued	24 233	54 908
	<u>51 080</u>	<u>55 798</u>
Net cash outflow for the year	(37 955)	(5 991)
Forex translation adjustments on cash and cash equivalents	1 205	-
Cash and cash equivalents at the beginning of the year	(1 240)	4 751
Cash and cash equivalents at the end of the year	<u>(37 990)</u>	<u>(1 240)</u>

BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments	Fleet Management	Automotive Components	Eliminations	GROUP
2006				
Total revenue	206 200	612 890	(46 935)	772 155
Total assets	180 764	762 420	(29 025)	914 159
2005				
Total revenue	89 269	334 694	(28 903)	395 060
Total assets	116 466	295 108	(42 603)	368 971
Geographic segments	Africa	Rest of the World	Eliminations	GROUP
2006				
Total revenue	709 575	66 295	(3 715)	772 155
Total assets	798 433	160 378	(44 652)	914 159
2005				
Total revenue	395 060	-	-	395 060
Total assets	368 971	-	-	368 971

NOTES

Accounting policies - basis of presentation

The financial statements have been prepared in terms of International Financial Reporting Standards and comply with the requirements of IAS 34 - Interim Financial Reporting. These are subject to ongoing review and may change.

The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 December 2005 except for the adoption of IAS 39 ((Amendment) - The Fair Value Option, which became effective from 1 January 2006. This resulted in the reclassification of the preference shares of Multenet Technologies (Pty) Limited as an "Available-for-sale" financial asset. As a result, changes in the fair value will now be recognised in the statement of changes in equity and any impairment will be recognised in the income statement.

An impairment of R3.2 million was recognised in the income statement in 2006 (2005: R1.6 million).

Significant acquisitions

i) **Business of Sagercy**

GROUP
31/12/06
R 000

With effect from 1 March 2006, the Group acquired a 100% interest in the business of Sagercy. Sagercy manufactures plastic products for the automotive industry.

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	<u>110 564</u>
Less: Fair value of net assets acquired	<u>62 427</u>
Goodwill on acquisition	<u>48 137</u>

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

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

	Fair value	Acquiree's carrying amount
	R 000	R 000
Property, plant and equipment	20 596	6 360
Intangible assets	39 136	25
Inventories	7 011	7 011
Receivables and prepayments	11 743	11 743
Trade and other payables	(873)	(873)
Deferred tax liabilities	<u>(15 186)</u>	<u>-</u>
Fair value of net assets	<u>62 427</u>	<u>24 266</u>

GROUP
31/12/06
R 000

Purchase consideration	110 564
Purchase consideration settled in shares issued	<u>(100 000)</u>
Cash outflow on acquisition	<u>10 564</u>

NOTES

Significant acquisitions

ii) Tripmaster

With effect from 1 March 2006, the Group acquired a 51% interest in Tripmaster.

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

Tripmaster is incorporated in the United States of America and is a leading supplier of fleet management products.

Details of the net assets acquired and goodwill are as follows

	GROUP 31/12/06 R 000	
Purchase consideration:		
Paid	38 527	
Direct costs relating to the acquisition	1 195	
Total purchase consideration	<u>39 722</u>	
Less: Fair value of net assets acquired	<u>39 317</u>	
Goodwill	<u>405</u>	
		Acquiree's carrying amount R 000
	Fair value R 000	
The assets and liabilities arising from the acquisition are as follows:		
Property, plant and equipment	806	806
Intangible assets	38 739	4 982
Inventory	2 682	2 682
Receivables and prepayments	10 746	10 746
Cash and cash equivalents	7 799	7 799
Trade and other payables	(9 368)	(9 368)
Deferred tax liabilities	<u>(12 087)</u>	<u>(609)</u>
Fair value of net assets	<u>39 317</u>	<u>17 038</u>
	GROUP 31/12/06 R 000	
Purchase consideration	39 722	
Deferred purchase consideration included in borrowings	(16 809)	
Cash and cash equivalents in subsidiary acquired	<u>(7 799)</u>	
Cash outflow on acquisition	<u>15 114</u>	

iii) Business of Gabriel

With effect from 5 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 industry in sub-Saharan Africa.

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

	GROUP 31/12/06 R 000
Purchase consideration:	
Paid	82 733
Direct costs relating to the acquisition	1 824
Total purchase consideration	<u>84 557</u>
Less: Fair value of net assets acquired	<u>142 777</u>
Negative goodwill on acquisition	<u>(58 220)</u>

NOTES

Significant acquisitions

iii) Business of Gabriel (continued)

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

	Fair value R 000	Acquiree's carrying amount R 000
Property plant and equipment	76 836	14 103
Intangible assets	47 800	-
Receivables and prepayments	26 336	26 336
Inventory	31 158	31 158
Trade payables	(21 146)	(21 146)
Provisions	(8 352)	(8 352)
Cash and cash equivalents	22 138	22 138
Deferred tax liabilities	(31 993)	-
Fair value of net assets	<u>142 777</u>	<u>64 237</u>

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)
Cash outflow on acquisition	<u>27 419</u>

iv) Business of Pi Technology

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

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

	GROUP 31/12/06 R 000
Purchase consideration:	
Paid	69 828
Direct costs relating to the acquisition	1 682
Total purchase consideration	<u>71 510</u>
Less: Fair value of net assets acquired	33 532
Goodwill on acquisition	<u>37 978</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	2 556	2 556
Receivables and prepayments	37 651	37 651
Inventory	5 712	5 712
Trade and other payables	(12 387)	(12 387)
Fair value of net assets	<u>33 532</u>	<u>33 532</u>

GROUP 31/12/06 R 000

Purchase consideration	71 510
Purchase consideration settled in long-term borrowings	(69 828)
Cash outflow on acquisition	<u>1 682</u>

The accounting for the Pi UK acquisition has been determined provisionally in terms of IFRS3. As a result these figures may change when the intangible asset valuations have been completed.

CONTROL INSTRUMENTS GROUP LIMITED
NORMALISED CONSOLIDATED INCOME STATEMENTS
For the year ended 31 December 2006

	Year ended 31/12/06 Unaudited R 000	Year ended 31/12/05 Unaudited R 000	Variance %	6 months ended 30/06/06 Unaudited R 000
Revenue	772 155	395 060	95.5	333 595
Cost of sales	(499 449)	(233 168)	114.2	(203 874)
Normalised gross profit	272 706	161 892	68.4	129 721
Other operating income	26 573	11 693	127.3	7 282
Interest income	0	845		80
Administrative expenses	(111 889)	(79 252)	41.2	(56 698)
Marketing and selling expenses	(41 779)	(18 704)	123.4	(17 872)
Other operating expenses	(91 706)	(43 955)	108.6	(30 123)
Profit from joint ventures before tax	3 144	3 938	(20.2)	2 710
Normalised operating profit	57 049	36 457	56.5	35 100
Loss from discontinuing operations	-	-		-
Finance costs	(19 498)	(7 357)	165.0	(7 462)
Normalised profit before tax	37 551	29 100	29.0	27 638
Weighted average number of shares in issue (000)	93 247	69 687	33.8	90 190
Normalised earnings per share before tax (cents)	40.27	41.76	(3.6)	30.64
Normalised earnings per share before interest and tax (cents)	61.18	52.32	16.9	38.92
Reconciliation between profit before tax and normalised profit before tax				
Profit before tax	63 804	25 455		37 864
IFRS 3: <i>Business Combinations</i> - Negative goodwill	(59 540)	(3 098)		(14 213)
IFRS 3: <i>Business Combinations</i> - Amortisation of intangible assets created on acquisition	12 930	215		326
IFRS 2: <i>Share-based Payment</i> - Share option expense	4 904	3 751		2 661
IAS 39 (amendment): <i>Fair Value Option</i> - Impairment of "available-for-sale" financial asset	3 208	1 604		-
Impairment of goodwill	-	-		-
Restructuring and once off costs	7 328	-		-
Unrealised exchange loss on Tripmaster purchase price	3 712	-		-
Tax on profit from joint venture	1 205	1 173		1 000
Normalised profit before tax	37 551	29 100		27 638