CONTROL INSTRUMENTS

GROUP LIMITED

ANNUAL RESULTS
FOR THE YEAR ENDED
31 DECEMBER 2010

HIGHLIGHTS

- Return to profitability – R2.2 million profit after tax for the year
- Record performance by the Aftermarket business
- Proprietary OpenECU™ technology continues to win new international business
- R25.5 million invested in product development and capex. A total of R45.7 million invested over two years

INTRODUCTION

Two years ago the Group reported a loss after tax of R75.7 million. This year we are pleased to report a return to profitability with a profit after tax of R2.2 million.

2010 was a productive year for the Group. The Aftermarket business had an excellent year with profitability at a record high. The benefits of the time invested over the past few years in improving common efficiencies and service to customers are coming through to the bottom line. The OEM business continued to win development and production contracts based on its proprietary OpenECU™ hardware and software platforms. These contracts are long-term in nature and the effects of their benefits are only expected to come through in the results towards the latter half of 2011 and at an increasing rate during 2012 and 2013. Until then OEM margins will remain under pressure.

BUSINESS OVERVIEW

Aftermarket business – CI Automotive

Five years ago CI Automotive was a relatively small distribution business focused only on VDO products. Today CI Automotive is a powerhouse aftermarket business that distributes a range of premium branded products to the automotive aftermarket in sub-Saharan Africa. These include Gabriel, VDO, Warn, Acsa-Mag, Echlin, Autocom, Shurlok and Mag-Brakes. CI Automotive either owns or has the exclusive distribution rights for these premium brands.

The strength of these premium brands plus CI Automotive's strong relationships with its customers and suppliers allowed it to survive the very difficult market conditions experienced during and after the collapse of the automotive industry.

Readers are referred to the CI Automotive web site, www.ci-automotive.com for more information about the Aftermarket business' brands and products.

OEM business – Pi Shurlok

Pi Shurlok develops and manufactures electronics for global automotive, transportation and defence markets.

Pi Shurlok has undergone a radical transformation. Five years ago Shurlok was a purely South African business with limited design and development capabilities, primarily manufacturing electronic products for the South African automotive industry, while Pi Technology simply offered engineering consulting services to European and American customers. Today Pi Shurlok is an integrated global business offering end-to-end solutions based around its OpenECU™ technology to a growing list of major international customers. OpenECU™ is a unique offering in the automotive electronics industry. It provides flexibility and fast turnaround times that are compelling and competitive. This is well illustrated by one of Pi Shurlok's international customers that will shortly introduce a product that has gone from concept to production in under 15 months, compared with industry norms of more than three years for similar programs.

Readers are referred to the Pi Shurlok web site at www.pi-shurlok.com for more information about Pi Shurlok's products.

RESULTS

Aftermarket business – CI Automotive

The upturn in the aftermarket sector, which began towards the end of 2009 and increased its momentum during 2010, was a major contributory factor to the excellent results delivered by our Aftermarket business. The business also benefited from strong leadership, a stable management team and the investment and hard work that has gone into the rationalisation of the product lines and the warehouse facilities over the past three years.

The 4.1% increase in revenue from R454.2 million in the year ended 31 December 2009 to R472.9 million in the year under review is not an accurate reflection of like for like performance as a number of under performing product lines were discontinued in 2009. The improvement in sales performance is reflected in the 90.6% increase in normalised EBITDA to R53.2 million in the year under review compared with R27.9 million in the previous year.

OEM business – Pi Shurlok

Revenue increased 12.6% to R436.7 million in the year under review, compared with R387.8 million in the previous year. Normalised EBITDA decreased to R7.9 million compared with R15.3 million in the previous year. The decrease in EBITDA is due to decreasing margins arising out of a combination of the strong rand, increasing price pressure from certain customers and an increase in expenses, particularly those over which the business has little or no control, such as the impact on costs caused by the electronic component shortages. The industrial unrest in the second half of 2010 and worldwide shortage of components also disrupted the business. Until such time as the new OpenECU™ products referred to above come into full production Pi Shurlok's margins will remain under pressure.

Group

Group revenue increased 7.8% to R906.1 million for the year ended 31 December 2010 from R840.4 million in the previous year, while gross profit increased 11.5% to R246.9 million compared with R221.4 million.

The intense focus on expense management resulted in a marginal decrease in expenses to R244.3 million in the year under review from R246.1 million in the previous year. This was a notable achievement given the high level of expenses over which neither of the Group's businesses has control, such as wage and salary increases (either as mandated by bargaining council agreements or in order to retain skilled staff) and increasing electricity and transportation costs.

Normalised EBITDA increased by 32.1% to R43.0 million in the year under review. The resultant profit after tax of R2.2 million for the year ended 31 December 2010 is a significant improvement when it is considered that the Group lost R22.3 million and R75.7 million in the 2009 and 2008 financial years respectively.

AUDITOR'S REPORT

PricewaterhouseCoopers Inc. has audited the results for the year ended 31 December 2010 and their unqualified audit reports on the Group annual financial statements and the Group abridged financial statements are available on request at the Company's registered office.

PROSPECTS

We continue to remain optimistic about the future of the Group. The automotive industry is recovering. However, there is still a large degree of uncertainty and the potential for setbacks in our business can and does exist.

Cash will continue to remain tight during 2011, mainly as a result of the funding requirements of growth, investment in product development and the capital expenditure required in our factories.

The ramp up into full production of new OEM programmes is always a stressful and difficult time. The successful implementation of these programmes is critical if Pi Shurlok is to achieve an acceptable level of performance. Senior management changes, particularly the appointment of Sean Rogers as Group COO, have been made with this in mind.

The Aftermarket business is reaching the critical mass that should enable it to continue to generate good profits and cash. In due course we will be looking to acquire additional premium branded products for the Aftermarket business. The continued investment of both time and money in Pi Shurlok's OpenECU™ technology should enable it to continue to win additional business internationally.

On behalf of the Board

JPS O'LEARY
Chairman

R FRIEDMAN
Group CEO and Group Managing Director

15 March 2011

statement of financial position

AT 31 DECEMBER 2010

	GROUP 2010 Audited R 000	2009 Audited R 000
ASSETS		
Non-current assets	280 636	286 954
Property, plant and equipment	123 621	127 770
Intangible assets	123 381	129 526
Investments in joint ventures	980	565
Available-for-sale financial assets	768	648
Deferred income tax assets	31 886	28 445
Current assets	274 131	252 129
Inventories	136 594	124 694
Trade and other receivables	92 322	97 108
Derivative financial instruments	-	-
Financial assets at fair value through profit or loss	162	137
Current income tax assets	3	118
Cash and cash equivalents	45 050	30 072
Total assets	554 767	539 083
EQUITY AND LIABILITIES		
Capital and reserves	291 992	295 445
Share capital	6 972	6 972
Share premium	396 996	396 996
Treasury shares	(3 117)	(3 117)
Foreign currency translation reserve	(19 101)	(12 382)
Other reserves	(595)	(1 647)
Accumulated loss	(89 163)	(91 377)
Non-current liabilities	39 680	35 924
Borrowings	11 064	10 753
Deferred income tax liabilities	26 296	21 532
Provisions	2 320	3 639
Current liabilities	223 095	207 714
Trade and other payables	136 477	123 425
Current income tax liabilities	503	2 946
Derivative financial instruments	1 411	2 363
Borrowings	79 567	74 478
Provisions	5 137	4 502
Total equity and liabilities	554 767	539 083

income statement

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP 2010 Audited R 000	2009 Audited R 000
CONTINUING OPERATIONS		
Revenue	906 123	840 404
Cost of sales	(659 239)	(618 989)
Gross profit	246 884	221 415
Other operating income	10 173	6 735
Marketing and selling expenses	(40 365)	(31 767)
Administrative expenses	(78 996)	(94 210)
Other operating expenses	(124 957)	(120 164)
Operating profit/(loss)	12 739	(17 991)
Finance income	-	303
Finance costs	(11 295)	(14 151)
Share of profit from joint ventures	415	148
Profit/(loss) before taxation	1 859	(31 691)
Taxation	355	14 803
Profit/(loss) for the year from continuing operations	2 214	(16 888)
DISCONTINUED OPERATIONS		
Loss for the year from discontinued operations	-	(5 409)
Profit/(loss) for the year	2 214	(22 297)
Profit/(loss) attributable to:		
Owners of the parent	2 214	(22 297)
Non-controlling interest	-	-
	2 214	(22 297)
Earnings/(loss) per share (cents) - continuing operations		
Basic	1.6	(12.3)
Diluted	1.6	(12.3)
Earnings/(loss) per share (cents) - discontinued operations		
Basic	-	(3.9)
Diluted	-	(3.9)

statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP	
	2010 Audited R 000	2009 Audited R 000
Profit/(loss) for the year	2 214	(22 297)
Other comprehensive income for the year, net of taxation	(5 905)	(12 182)
Cash flow hedges		
Current year net movement	952	(4 501)
Current year net taxation movement	(258)	1 252
Available-for-sale assets		
Current year gross movement	120	264
Foreign currency translation reserve		
Current year gross movement	(7 467)	(9 826)
Current year taxation movement	748	629
Total comprehensive income/(loss) for the year	(3 691)	(34 479)
Attributable to:		
Owners of the parent	(3 691)	(34 479)
Non-controlling interest	-	-
	(3 691)	(34 479)

statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2010

Audited	Share capital R 000	Share premium R 000	Treasury shares R 000	Foreign currency translation reserve R 000	Other reserves R 000	Accumu-lated loss R 000	Total R 000
GROUP							
Balance at 1 January 2009	6 972	396 996	(3 117)	(3 185)	1 338	(69 080)	329 924
Total comprehensive loss for 2009				(9 197)	(2 985)	(22 297)	(34 479)
Balance at 31 December 2009	6 972	396 996	(3 117)	(12 382)	(1 647)	(91 377)	295 445
Total comprehensive income/(loss) for 2010				**(6 719)**	**814**	**2 214**	**(3 691)**
Transactions with owners							
Employee share option scheme							
Value of services provided					**238**		**238**
Balance at 31 December 2010	**6 972**	**396 996**	**(3 117)**	**(19 101)**	**(595)**	**(89 163)**	**291 992**

condensed statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP	
	2010 Audited R 000	2009 Audited R 000
Net cash generated from operating activities	34 484	59 782
Net cash utilised in investing activities	(25 342)	(19 750)
Net cash generated from/(utilised in) financing activities	3 796	(237)
Net cash inflow for the year	12 938	39 795
Forex translation adjustments on cash and cash equivalents	506	569
Cash and cash equivalents at the beginning of the year	28 254	(12 110)
Cash and cash equivalents at the end of the year	41 698	28 254

1. ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The Group financial statements for the year ended 31 December 2010 are prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 - Interim Financial Reporting, the South African Companies Act, 1973 and in compliance with the Listings Requirements of the JSE Limited.

These are the Group's abridged consolidated financial statements for the year for which annual financial statements are prepared in terms of IFRS.

The principal accounting policies used in preparing the audited results for the year ended 31 December 2010 are consistent with those applied in the annual financial statements for the year ended 31 December 2009 in terms of IFRS, except for IFRS 8 Operating Segments, where the Board of Directors has re-evaluated the basis of measuring normalised earnings before interest, tax, depreciation and amortisation (normalised EBITDA) and has excluded inter-segment service charges from the measure. Normalised EBITDA for 2009 has been restated.

2. RECONCILIATION OF EPS TO HEADLINE EPS (CENTS)

		Continuing operations	Discontinued operations	Total
2010				
Weighted average number of shares in issue (000)	**137 387**			
Profit for the year per share		**1.6**	**-**	**1.6**
Loss on disposal and scrapping of property, plant and equipment		**-**	**-**	**-**
Impairment of property, plant and equipment		**0.2**	**-**	**0.2**
Tax effect		**(0.1)**	**-**	**(0.1)**
Headline earnings per share		**1.7**	**-**	**1.7**
2009				
Weighted average number of shares in issue (000)	137 387			
Loss for the year per share		(12.3)	(3.9)	(16.2)
Reduction to profit on disposal of fleet and vehicle management businesses		-	3.6	3.6
Loss on disposal and scrapping of property, plant and equipment		1.8	-	1.8
Impairment of intangible assets		0.2	-	0.2
Tax effect		(0.5)	-	(0.5)
Headline loss per share		(10.8)	(0.3)	(11.1)

3. TRADE RECEIVABLES SECURITISATION

At the end of March 2010 the CIDF securitisation funding arrangement was replaced by a debtors finance facility.

4. SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors and used by it to make strategic decisions.

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

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

The Board of Directors assesses the performance of the operating segments based on a measure of normalised earnings before interest, tax, depreciation and amortisation (normalised EBITDA). This measurement basis excludes the effects of non-recurring expenditure from operating segments, such as restructuring costs; write-down of inventories (exited and discontinued product lines); and impairments, which are a result of isolated, non-recurring events. The measurement basis also excludes the effects of equity-settled share-based payments; profits and losses on disposal and scrapping of property, plant, equipment and intangible assets; inter-segment service charges; and the results of discontinued operations.

Segmental information for the year ended 31 December 2010

	GROUP				
	OEM	Aftermarket	Head office	Unallocated / eliminations	Total
Audited	R 000	R 000	R 000	R 000	R 000
External revenue	433 188	472 935	-	-	906 123
Inter-segment revenue	3 478	-	19 314	(22 792)	-
Total segment revenue	436 666	472 935	19 314	(22 792)	906 123
Normalised EBITDA	7 911	53 153	(16 734)	(1 357)	42 973
Depreciation and amortisation	(16 558)	(13 141)	(78)	6	(29 771)
Finance income	770	1 227	2 770	(4 767)	-
Finance costs	(7 215)	(8 890)	(3 982)	8 792	(11 295)
Share of profit from joint ventures	415	-	-	-	415
Taxation	4 287	(3 176)	(8)	(748)	355
Total assets	292 882	287 981	219 812	(246 888)	553 787
Investments in joint ventures	980	-	-	-	980

4. SEGMENTAL INFORMATION continued

Segmental information for the year ended 31 December 2009

	GROUP				
	OEM	Aftermarket	Head office	Unallocated / eliminations	Total
Audited	R 000	R 000	R 000	R 000	R 000
External revenue	386 225	454 179	-	-	840 404
Inter-segment revenue	1 582	-	27 406	(28 988)	-
Total segment revenue	387 807	454 179	27 406	(28 988)	840 404
Normalised EBITDA	15 251	27 893	4 331	(14 954)	32 521
Depreciation and amortisation	(15 914)	(14 688)	(284)	-	(30 886)
Finance income	4 518	6 569	1 514	(12 298)	303
Finance costs	(9 582)	(11 452)	(23 268)	30 151	(14 151)
Share of profit from joint ventures	148	-	-	-	148
Taxation	4 462	9 362	1 608	(629)	14 803
Total assets	298 904	350 135	354 968	(465 489)	538 518
Investments in joint ventures	565	-	-	-	565

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

Segmental assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables, deferred income tax assets, available-for-sale financial assets, cash and cash equivalents, financial assets at fair value through profit or loss, current income tax assets and derivatives designated as hedges of future commercial transactions.

Reconciliation of normalised EBITDA to the profit/(loss) for the year from continuing operations

	GROUP	
	2010	2009
	Audited	Audited
	R 000	R 000
Normalised EBITDA	42 973	32 521
Depreciation and amortisation	(29 771)	(30 886)
Impairment of intangible assets and property, plant and equipment	(222)	(288)
Write-down of inventories	-	(14 551)
Restructuring costs	-	(2 264)
Loss on disposal and scrapping of property, plant and equipment	(3)	(2 523)
Share based payments expense	(238)	-
Operating profit/(loss)	12 739	(17 991)
Net finance costs	(11 295)	(13 848)
Share of profit from joint ventures	415	148
Profit/(loss) before taxation	1 859	(31 691)
Taxation	355	14 803
Profit/(loss) for the year	2 214	(16 888)