



**CONTROL
INSTRUMENTS**

ANNUAL REPORT 2010

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group overview

CORPORATE PROFILE

Control Instruments Group Limited is a holding company, based in South Africa. 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.

GROUP STRATEGY

The Group's strategy has remained in place since 2004. Fundamental to the strategy is:

- A focus on niche markets in the global automotive market;
- The ongoing investment in the development of new products in which the Group owns the Intellectual Property ("IP");
- The distribution of premium branded products where the Group either owns the brand or has exclusive distribution rights to the brand;
- Competitive manufacturing and distribution facilities; and
- Long-term relationships with Group customers, suppliers and staff.

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 that provides products, services and components to the global automotive industry through its two businesses, Pi Shurlok and CI Automotive.

Pi Shurlok - Original Equipment Manufacture

Pi Shurlok develops and manufactures electronics for the automotive, transportation and defence markets. The company delivers rugged, cost effective solutions for single prototypes up to volumes of more than 100 000 using its unique blend of OpenECU™ products, engineering services and manufacturing capabilities.

Pi Shurlok's headquarters are in Cambridge in the United Kingdom. It has sales, design and engineering facilities in Cambridge, Detroit (United States of America) and Pietermaritzburg (South Africa). Manufacturing is carried out at the company's world-class facilities in South Africa.

CI Automotive - Automotive aftermarket

CI Automotive is based in Johannesburg, South Africa and sells premium branded products to the automotive aftermarket in sub-Saharan Africa.

The company has a significant basket of products. Brand names owned and/or exclusively distributed by CI Automotive include Gabriel, VDO, Echlin, Wam, Autocom, Acsa-Mag, Shurlok and Mag Brakes.

chairman's report

OVERVIEW

I am delighted to report that the Group returned to profitability in the year ended 31 December 2010. Given that two years ago the Group reported a loss after tax of R75.7 million, this is an outstanding achievement. While there is still much work to be done, I am proud of what has been accomplished by the Group's management and staff in very difficult circumstances.

Management responded to the global economic crisis by critically reviewing the businesses and the business processes. Costs were cut wherever possible, but without deflecting from the Group's long-term strategies. This was particularly important in the OEM business as it was in the mid stages of developing its new proprietary OpenECU™ technology. We believed then and continue to believe that the OpenECU™ technology will be the future of the OEM business. Despite the difficult economic conditions prevalent in 2009 and 2010 the Group invested a total of R45.7 million in new product development and fixed assets during 2009 and 2010. In retrospect, the global economic crisis demanded hard reflection and new tactics. We learnt valuable lessons from the experience gained during this time.

Our Aftermarket strategy is based on the distribution of premium quality branded products, which we either own or for which we have exclusive distribution rights. Between 2004 and 2006 the Group made a number of acquisitions to increase the critical mass of its Aftermarket business, the most important being the Gabriel shock absorber business. A great deal of time has been invested in integrating the various businesses acquired into one cohesive organisation. By the end of 2009 the bulk of the improvements in common efficiencies and service to customers had been completed. The Aftermarket business had a record performance in 2010, a clear indication that this work and our strategy are paying off.

The Group's OEM strategy is based on supplying electronic products and related services into specialist niches in the global automotive industry. The ongoing objective is to increase our level of ownership of the intellectual property ("IP") in the products and services supplied by the OEM business. In total the business employs more than 100 highly skilled electronics engineers with many years of experience in the automotive industry. Its core engineering resources are located near its primary customers, which are mainly in Western Europe and the United States of America. Pi Shurlok has engineering centres in Cambridge in the United Kingdom and Detroit in the USA, with a small engineering presence in Pietermaritzburg in South Africa. These products are manufactured at Pi Shurlok's production facility in Pietermaritzburg in South Africa.

Over the past two years Pi Shurlok has won a number of contracts to supply products incorporating its OpenECU™ technology. The first of these products came on stream in limited quantities in late 2010 and will continue to come on stream in limited quantities throughout 2011 and thereafter in increasing quantities through 2012 and 2013. As the lead time from winning the contract to start of production is normally in the region of 15 to 24 months, we expect future production programs to come on stream in later years.

GOVERNANCE AND SUSTAINABILITY

The Group is committed to effective corporate governance and to the principles of the King II code of corporate governance. The Group's reporting for the year ending 31 December 2011 will follow the King III code. It is important to the Board that the necessary governance is in place to protect the interests of all stakeholders. To this end, over the past two years the Board has been significantly strengthened by the appointment of additional suitably qualified and experienced independent non-executive directors.

We also recognise the need to conduct our business in a responsible and ethical manner so as to contribute to the long-term sustainability of the business and the communities and environment in which we operate. As a technology business Control Instruments has always invested heavily in product development and capital expenditure. There are a number of activities currently underway to broaden the scope of our sustainability initiatives and to ensure that they are firmly entrenched in the leadership and culture of the Group.

chairman's report

PEOPLE

The Group employs almost one thousand people in six locations across three continents, Johannesburg, Pietermaritzburg, Cape Town and Port Elizabeth in South Africa, Cambridge in the UK and Detroit in the USA.

Management and staff have risen to unprecedented challenges over the past few years. As the global economic crisis recedes, business growth is placing new and different pressures on them. I thank them for their positive approach and dedication to the Group.

Peter Bieber retired from the Board at the end of August 2010. This was his second period as a non-executive director, having returned to the Board during the turmoil of late 2008. The benefit we have had over the past twelve years of his integrity, attention to detail and wise counsel will be sorely missed. I thank him for his commitment to the Group and wish him well in his retirement. Peter Surgey joined the Board as a non-executive director from the beginning of October 2010. He is already contributing positively to the Board. I welcome him.

Sean Rogers was promoted from chief operating officer of the South African operations to Group chief operating officer towards the end of the year. He will balance his time between the UK, the USA and South Africa as he has a crucial role to play in the integration of Pi Shurlok's operations into one coherent multinational business. This integration is critical to the successful implementation into series production of the new OpenECU™ products referred to above.

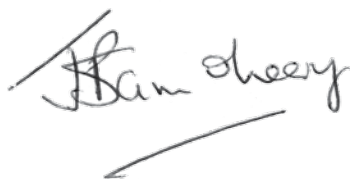
Sean's appointment frees Richard Friedman from the operational role he assumed at the end of 2007 following the unexpected retirement of Rod Forrester, the then CEO of Pi Shurlok. Richard was instrumental in developing the new OEM strategy and in securing the first major orders for our OpenECU™ products in international markets. He will now have the time to focus on his role as Group CEO and concentrate on the future direction and positioning of the Group, particularly internationally. He will also spend more time maintaining and developing relationships with key customers and suppliers. Richard will continue to be based in the UK and the USA as we see the majority of opportunities for the Group in these markets.

I would like to thank the Group's shareholders who have stood by us through a difficult economic period and while we have implemented our strategies.

CONCLUSION

There are still a number of challenges in 2011, both in our business and in the markets we serve. I continue to have a high degree of confidence in the Group and its management and staff.

The payment of dividends has always been part of the Group's ethos of creating and returning wealth to shareholders. As soon as the Group's cash flow makes it possible, the Board will consider the reinstatement of dividends.



JPS O'LEARY
Chairman
15 March 2011

managing director's review of operations

INTRODUCTION

The difficulties encountered in the worldwide automotive industry over the past three years have been well publicised. They affected all participants in the industry – at all levels and in every country. Control Instruments was no different. Under normal circumstances the structure of our Group should have resulted in a well-balanced portfolio with our Aftermarket business being counter cyclical to our OEM business. This did not prove to be true in 2008 and 2009 as both businesses were severely affected by the economic downturn. In 2010 a degree of normality started to reappear.

BUSINESS OVERVIEW

Overall I believe 2010 was a constructive year. The Aftermarket business had an excellent year with profitability at a record high, while our focus in the OEM business was on winning new business based on our proprietary OpenECU™ hardware and software platforms.

It was a year with a number of significant challenges. We anticipated difficulties with our overall funding requirements mainly as a result of the ongoing investment in product development, additions to our manufacturing facilities and the increasing working capital needs of a Group starting to grow again. Added to this, on a global scale we faced rising price pressures due to an acute shortage of skilled engineering staff, a critical shortage of certain electronic components and a general level of supply chain disruptions as a result of suppliers, who in the aftershock of the economic meltdown, were only prepared to produce to order.

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 and the reduction in consumer spending in 2008 and 2009.

The work undertaken during the past three years in rationalising product lines, optimising distribution facilities and improving efficiencies is translating into tangible results. During 2011 our aim is to increase our market share in all our key product categories and to expand our relationships with our customers and suppliers. I will be increasing my involvement in these relationships as well as looking for new suppliers of products and technology that can be distributed through our network in sub-Saharan Africa. In due course we will also consider acquiring businesses that can be integrated into CI Automotive's product line up and service offering.

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. It focuses on specialised niches in these 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 offered advanced electronic engineering consulting services to European and American customers. Today Pi Shurlok is an integrated global business offering end-to-end solutions

managing director's review of operations

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 a product that has been designed by Pi Shurlok for an international customer and which will be introduced into production shortly. This product will have gone from concept to production in under fifteen months, compared with industry norms of more than three years for similar programs.

I have been based offshore since the end of 2007 in order to drive the process of identifying market opportunities, developing products with our own IP for our identified markets and winning contracts. I believe that Pi Shurlok has been successful to date in achieving these objectives. Towards the latter half of 2011 and at an increasing rate during 2012 and 2013, Pi Shurlok will start producing a number of new proprietary products incorporating its OpenECU™ technology for supply to customers in North and South America, the United Kingdom and Western Europe.

OpenECU™

Pi Shurlok's proprietary OpenECU™ technology is gaining traction in selected market niches. OpenECU™ products are particularly well suited for managing emissions control, vehicle suspension systems and vehicle body electronics. These are fast growing segments in the already fast growing automotive electronics arena. Increasingly onerous environmental and safety legislative requirements are fuelling this growth.

Pi Shurlok's OpenECU™ products and engineering expertise puts it in an ideal position to work with traditional Tier 1 suppliers of mechanical products serving these segments of the automotive industry. In general, these suppliers have little or no experience in the design and manufacture of the sophisticated electronic controllers now needed to control their products. Exhaust systems are good examples of this. In the past exhaust systems were relatively simple mechanical products. Today in order to meet the stringent emission control standards being introduced worldwide, sophisticated electronic controllers are needed to manage the complex chemical processes that need to take place within exhaust and emission control systems. An increasing number of traditional Tier 1 suppliers are making use of Pi Shurlok's electronic products and associated services to complement their mechanical expertise. Together with them we create a formidable product offering.

INFOTAINMENT

Pi Shurlok has developed and owns the IP for the integration of complex infotainment solutions for motor cycles and motor vehicles. Its technology does not compete with the major suppliers to the automotive industry of standalone audiovisual technology (such as radio receivers, CD/DVD players and navigation systems), rather it enables these different products to be integrated and seamlessly displayed to the driver. Pi Shurlok's technology also enables offsite services (such as mapping, email, calendar information and play lists) to be sent to the vehicle (through interfaces it customises for OEMs and/or specific vehicles) for use by the driver.

INSTRUMENT CLUSTERS

Pi Shurlok has created a centre of excellence for the manufacture of instrument clusters at its factory in Pietermaritzburg. This is the result of the many years' experience gained by supplying customised instrument clusters in small quantities to a number of international customers. In 2011 and 2012 volumes are expected to increase considerably as the manufacture of instrument clusters commences for supply to a major OEM for a vehicle that will be manufactured in South Africa for local and export markets. Pi Shurlok is currently pursuing a number of additional opportunities in this area.

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

managing director's review of operations

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 pressure from certain customers to decrease prices 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 worldwide shortage of electronic components and the industrial unrest in the second half of 2010. 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.

PEOPLE

I would like to thank our Chairman and the non-executive directors for their support and constructive input during the year. The Board has been strengthened considerably over the past couple of years and I believe the benefits of this are of significant value to the executive directors and to the Group.

In particular I want to thank Peter Bieber who retired in August 2010 after his second stint as a non-executive director. Peter has been a great mentor to me. I will miss his razor sharp mind and incisive attention to detail. We are fortunate in having Peter Surgery accept our invitation to join the Board as a non-executive director.

The Group and its operating businesses have gone through considerable change over the past five years. Added to this, during this time there have been extremely difficult market conditions and a period of worldwide instability. Nevertheless, the senior management team continued to drive changes and high levels of improvements throughout the Group.

managing director's review of operations

During 2009 and 2010 Sean Rogers was responsible for the South African operations and oversaw the successful integration of the Gabriel operation into CI Automotive and the formation of one cohesive business unit. Sean was promoted to Group chief operating officer towards the end of 2010. He will drive the integration of Pi Shurlok's design and development centres (in Cambridge in the United Kingdom and Plymouth in the United States of America) and the factory in Pietermaritzburg, South Africa. This is essential if this business is to successfully co-ordinate and implement the large production programs that come on stream from the second half of 2011 and deliver on its potential.

Sean and Eckert Giliomee, Group financial director, continue to take increasing amounts of the day-to-day responsibilities off my shoulders, which in turn is enabling me to focus on new product ideas and interacting with our customers and suppliers. It is imperative that we stay ahead of the pack in terms of introduction of new products and concepts to our customers and maintain the strong personal relationships we have built up over many years, particularly in the international arena. These relationships stood us in very good stead during the global economic crisis.

My thanks also go to our staff who continue to work at very high levels. I particularly want to thank the people who did more than their fair share during periods of extreme stress, either as a result of international market conditions or by continuing to come to work despite difficult conditions during the industrial unrest in South Africa.

SUSTAINABILITY

Profitability and cash flow are the single most important aspects of sustainability as they create a business' ability to survive and provide value to its shareholders on an ongoing basis. However we also recognise the importance of the economic, social, and environmental aspects of the Group's operations, the related impacts of its everyday activities and the consequences of those impacts on the Group and those around it.

A number of factors contribute positively to the Group's ability to remain profitable and cash positive. Our overall strategy is built around premium brands in the Aftermarket business and the ownership of intellectual property in our OEM business.

The Aftermarket business either owns or has exclusive distribution rights for the premium brands that it distributes. It has built up a comprehensive basket of products and this ensures that it has shelf space at its distributors. The fundamental strategy of the OEM business is investment in the development of products that contain its own IP. As a result of this the OEM business has built up a unique offering around its proprietary OpenECU™ technology. This is winning business in the most competitive markets in the world.

Both businesses have strong and long standing relationships with their customers and suppliers. As mentioned earlier in my report, I believe this was invaluable during the global economic crisis and the collapse of the worldwide automotive industry. The Group's continued investment in product development, capex and in supporting its brands is critical to its ongoing sustainability. R25.5 million was invested in product development and capex in the year under review, with a total of R45.7 million being invested in 2009 and 2010. R40.4 million was spent on marketing and selling expenses in the year under review and a total of R72.1 million was spent in 2009 and 2010.

The strikes in the automotive industry in South Africa in 2010 had a material negative effect on the Group. More importantly, in addition to impacting our results, they impacted our customers' perceptions of South Africa, both as a stable place to do business and as a reliable source of products.

managing director's review of operations

As I have always said, the health and stability of both the world economy and the global automotive industry are vital to the success and continued profitability of the Group.

I have always believed in the value of investing in product development, capital equipment and staff. However sustainability goes further than this and incorporates the ongoing improvement of all our processes. The development of our sustainability strategy is an evolving process and is aimed at ensuring that it is integrated into the overall business strategy.

As a start we have decided to focus on additional programs where tangible results can be achieved quickly and where our staff can witness the benefits and therefore the value of our expanded sustainability strategy. We are therefore first concentrating on the disposal and recycling of waste material and saving energy. In addition, by eliminating inefficiencies in our processes, we hope to create a better operating environment for all our employees and care for the environment around us. I believe these will also contribute towards our number one measurement of sustainability, namely the Group's financial health.

The sustainability report in respect of the year ended 31 December 2010 is on page 14.

PROSPECTS

I continue to remain optimistic about the future of the Group. The automotive industry and the world's economy are recovering. However, they have not stabilised completely and the potential for setbacks in our business continues to exist.

Cash will continue to remain tight in 2011 due to the funding requirements of growth, investment in product development and capital expenditure requirements. The introduction into full production of new OEM product programs is always a stressful and difficult time. The successful implementation of these programs is critical if Pi Shurlok is to achieve expected levels of performance.

The Group is now getting back to having a very good balance of aftermarket and OEM businesses. CI Automotive is becoming a reliable generator of profits and cash. Pi Shurlok is poised for a period of strong growth and is building up an underlying value in its ownership of the OpenECU™ technology.



R FRIEDMAN
CEO and Group Managing Director
15 March 2011

corporate governance report

STATEMENT OF COMMITMENT

The Board of Directors is committed to the principle of effective corporate governance and strives for the highest standards of integrity and ethics.

The Board supports the Code of Governance Principles as set out in the King II Code of Corporate Governance and to the best of its knowledge believes that the Company has applied these principles. The Group is in the process of applying the principles of the King III Code of Corporate Governance and the Company's annual report for the year ended 31 December 2011 will apply King III.

BOARD OF DIRECTORS

The Board currently comprises three executive and five independent non-executive directors. The Board meets formally at least four times a year. It met four times during 2010.

The Board is responsible for:

- Setting and reviewing corporate governance standards;
- Approving the Board charter and the charters of the Audit, Remuneration and Nomination Committees;
- 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 places considerable value on the Group's staff, its suppliers, partners and customers.

Details of the directorate at 31 December 2010 and at the date of this report are given on pages 20 and 21 and the name of the Company Secretary and the registered address of the Company are given on page 104. Details of the directors' interests in the share capital of the Company and their interests in share options at 31 December 2010 and at the date of this report are given in notes 33.2 and 33.3.

JPS O'Leary, R Friedman, SV Bromfield, IH Scott-Gall, A Watson, SD Rogers and FE Giliomee served on the Board throughout the year ended 31 December 2010. EPH Bieber retired from the Board with effect from 30 August 2010 and PM Surgey was appointed to the Board with effect from 1 October 2010. NCGN Preston resigned from the Board with effect from 26 November 2010. S Barnard resigned as Company Secretary and JC Jeffery was appointed Company Secretary with effect from 1 August 2010.

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 Articles of Association also require that any director appointed after the preceding annual general meeting be subject to election at the following annual general meeting. The Nomination Committee has considered the candidates who are standing for re-election or election at this year's annual general meeting and unanimously recommends them to shareholders (refer to the notice of annual general meeting on page 105).

No director had a material interest in any significant contract with the Company or any of its subsidiaries during the year.

corporate governance report

BOARD COMMITTEES

The Audit, Remuneration and Nomination Committees are sub-committees of the Board. The Board and its sub-committees have adopted charters that set out their roles and a clear division of responsibilities that ensures a balance of power and authority so that no one individual has unfettered powers of decision making. Risk and Information Technology Committees were established during 2010 as sub-committees of the Audit Committee.

The Board has considered the independent non-executive directors who are standing for election to the Audit Committee at this year's annual general meeting and unanimously recommends them to shareholders (refer to the notice of annual general meeting on page 105).

Audit Committee

The Audit Committee comprises non-executive directors. The Chairman of the Board is not a member of the Audit Committee. The Committee is chaired by Professor Alexandra Watson.

Audit Committee meetings are held at least three times a year and where appropriate meetings are attended by members of executive management and the external auditors. The external auditors have unfettered access to the Chairman and the Audit Committee.

The Audit Committee sets the principles for recommending the use of external auditors for non-audit purposes and provides assistance to the Board with respect to:

- Reviewing the financial reporting process;
- Systems of internal control and the management of financial and information technology 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 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 2010 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.

Remuneration Committee

The Remuneration Committee comprises non-executive directors and is chaired by Mr Stuart Bromfield. Remuneration Committee meetings are held at least twice a year and where appropriate meetings are attended by the Group Managing Director, the Group Human Resources Executive and members of executive management.

The Remuneration Committee is responsible for the remuneration policy and determining and approving the remuneration of the Group's executive directors and senior executives. The Group aims to motivate, incentivise and retain competent and committed people when remunerating its executive directors and senior executives.

The non-executive directors have been remunerated by way of annual fees and not a fee per meeting. This recognises the ongoing responsibility of directors for the efficient control of the Company. The remuneration of non-executive directors is subject to the approval of shareholders in general meeting. Non-executive directors do not participate in the Group's bonus or performance remuneration, medical aid, pension and share option schemes.

corporate governance report

Non-executive director fees for the year and the remuneration of the executive directors are set out in note 33.1 on pages 89 and 90. The proposed fees for non-executive directors for the year ended 31 December 2011 for approval by shareholders are outlined in the notice of annual general meeting on page 107.

Nomination Committee

The Nomination Committee comprises non-executive directors, all of whom are independent, and is chaired by the Chairman of the Board, Mr Sam O'Leary.

The Nomination Committee meets at least once a year. Responsibilities of the Nomination Committee include:

- Reviewing proposals for executive and non-executive appointments;
- Reviewing proposals for the appointment of the Company Secretary; and
- Performance evaluation of the Board.

The procedure for appointments to the Board is formal and transparent. Appointments are a matter for the Board as a whole and it is assisted where appropriate by the Nomination Committee.

ATTENDANCE AT MEETINGS

Attendance by directors at Control Instruments' Board meetings and Board committee meetings is detailed below. Various members of the Board also met informally on a number of occasions.

Board meetings 2010

	18 March	4/5 June	31 August	30 November
JPS O'Leary	√	√	√	√
R Friedman	√	√	√	√
EPH Bieber ¹	√ ^Δ	√	n/a	n/a
SV Bromfield	√	√	√	a
IH Scott-Gall	√	√	√	√
PM Surgey ²	n/a	n/a	√ ^Δ	√
A Watson	√	√	√	a
FE Giliomee	√	√	√	√
NCGN Preston ³	√	√	√	n/a
SD Rogers	√	√	√	√

Audit Committee meetings 2010

	17 March	4 June	30 August	29 November
EPH Bieber ¹	√	√	n/a	n/a
A Watson	√	√	√	a
JPS O'Leary	√	√	√ ^Δ	√ ^Δ
IH Scott-Gall	√	√	√	√
PM Surgey ²	n/a	n/a	n/a	√

Remuneration Committee meetings 2010

	18 March	4 June	30 August	29 November
SV Bromfield	√	√	√	a
JPS O'Leary	√	√	√	√
IH Scott-Gall	√	√	√	√
PM Surgey ²	n/a	n/a	n/a	√

corporate governance report

Nomination Committee meetings 2010

	31 August
JPS O'Leary	√
SV Bromfield	√
A Watson	√
IH Scott-Gall	√

- ¹ Retired from the Board with effect from 30 August 2010
- ² Appointed to the Board with effect from 1 October 2010
- ³ Resigned from the Board with effect from 26 November 2010
- ^Δ By invitation
- n/a Not applicable - not a member of the Board or Board Committee
- a Apologies received

INTERNAL CONTROL

The Board of Directors is responsible for the Group's internal control systems and for reviewing their effectiveness. The implementation of internal control systems is management's responsibility and to this end 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 system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives and therefore 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 quarterly by senior management. Specific risks have been identified by each operation and these are reviewed at management and Board meetings. The internal review function performs reviews of each operation. The scope of each review is reviewed by the Audit Committee and the results of each review are submitted to the Audit Committee.

Foreign currency trading is regulated by an approved policy to ensure optimal effectiveness in the buying and selling of currency.

GOING CONCERN

The directors have every reason to believe that the Group has adequate resources in place to continue operating for the foreseeable future.

DEALING IN THE COMPANY'S SHARES

The Company Secretary monitors directors' dealings in shares 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 closed periods. These periods apply at least every six months from 30 June and 31 December until the publication of the interim or annual financial results respectively.

sustainability report

INTRODUCTION

Control Instruments recognises that stakeholders want to know that the Group is not only financially sound but that it has properly taken into account and has systems to manage other material aspects of its business. Transparency is a fundamental component of good corporate governance and the Group is committed to including social and environmental aspects of its operations in its reporting. It appreciates that investors need this information to make informed investment decisions.

There is a clear link between good environmental, social, and corporate governance performance and the ability to be profitable and survive turbulent times. This was evident during the crisis in the automotive industry when loyal and dedicated staff, strong product brands and strong relationships with customers and suppliers played a vital role in sustaining the Group during the very difficult market conditions experienced.

The Board and executive management accepts overall responsibility for the advancement of sustainable development throughout the Group. The Group is in the process of initiating a program to identify, monitor, manage and communicate areas of sustainable development to the Group's internal and external stakeholders.

These processes are ongoing and will be refined further during 2011. A sustainability report following the guidelines in the Global Reporting Initiative (GRI) as well as the requirements of the King III Code of Corporate Governance will be available for the year ending 31 December 2011.

VALUES

Control Instruments' core values define the value framework upon which the Group operates and are the guiding principles upon which decision-making is based. The essence of these values has remained unchanged since 1998. The Group upholds the following values that are vital to sustain its ability to provide world-class products and services:

Entrepreneurship

We will seek new commercial opportunities and be prepared to change to take advantage of them, without deviating from our core business.

Profitability

We are in business to make money. Healthy and growing profitability means good returns for investors and gives the Group room to manoeuvre and to take calculated risks. For employees it means opportunities to develop and that they work for a respected company.

Customer and quality focus

We derive our revenue by offering benefits our customers believe are real and better than those offered by our competitors. Excellent customer service plus products and services that meet world-class standards are critical elements in achieving these goals.

Integrity and respect

We have frank, open and honest dealings with everyone and conduct all business in an ethical manner. We insist on honesty, dependability and reliability. We respect and value people's capacity for commitment and producing results, innovative ideas and different ways of doing things. We avoid negative or dismissive behaviour. We encourage and respect loyal and long-term relationships within the Group and with customers and with our stakeholders.

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Work smart and accountability

We expect our staff to apply their minds to their work, manage our costs and use our capital efficiently. We also expect them to be accountable for what they have to do and to be committed to looking after the Company's goals and best interests at all times.

Innovative ideas

We encourage and listen to new and innovative ideas and different ways of doing things.

Social and environmental responsibility

We will respect the social framework and environment in which we operate. We will take active steps to ensure we play our part in protecting the environment.

SUSTAINABILITY OF THE BUSINESS

There are a number of factors that contribute to the Group's ability to remain profitable and to go forward.

Both the Aftermarket and the OEM businesses have identified markets in which they operate. These markets are in the automotive industry and therefore are affected by the health of the automotive industry. Nevertheless, the size of the automotive industry is considerable and there are opportunities in the niches selected by the Aftermarket and OEM businesses.

The Aftermarket business either owns or has exclusive distribution rights for the premium brands it distributes. It has built up a comprehensive basket of products and this ensures that it has shelf space at its distributors. The fundamental strategy of the OEM business is investment in the development of products that contain its own intellectual property. As a result of this the OEM business has built up a unique offering around its proprietary OpenECU™ technology. This technology is winning business in the most competitive markets in the world.

Both businesses have strong relationships with their customers and suppliers. As mentioned elsewhere in this report, these relationships were invaluable during the global crisis in the automotive industry. The Group continued to invest in product development and capex that it regards as essential to its ongoing sustainability. R25.5 million was invested in product development and capex in the year under review, with a total of R45.7 million being invested in 2009 and 2010. The Group also invests in supporting its brands and products. R40.4 million was spent on marketing and selling expenses in the year under review and a total of R72.1 million was spent in 2009 and 2010.

The strikes in the automotive industry in South Africa in 2010 had a material negative effect on the Group. In addition to impacting our results, they impacted our customers' perceptions of South Africa, both as a stable place to do business and as a reliable source of products.

ENVIRONMENTAL RESPONSIBILITY

Control Instruments understands that the preservation and rehabilitation of our environment is a high priority. As a responsible corporate citizen the Company has proactively sought out standards of good practice and has driven these into its operations. Its manufacturing operations are ISO 14001 compliant. In addition the manufacturing operation of the Aftermarket business is ISO TS 16949 accredited.

A brief description of the key environmental risks to which the Group is exposed and the mitigating controls in place to manage these risks is given overleaf.

sustainability report

Key area	What is being done to address it
Pi Shurlok manufacturing operations	<ul style="list-style-type: none">• An environmental survey is conducted every two years. The next survey will be undertaken during 2011.• Lead levels are below stipulated limits.
CI Automotive manufacturing operations	<ul style="list-style-type: none">• Due to the higher levels of risk associated with the plant, a permanent safety, health and environmental officer is employed.• A clean bill of health was received following the audit on 26 January 2010 by the Department of Environmental Affairs and Development Planning.• External assurance is obtained in respect of<ul style="list-style-type: none">» On-site noise monitoring and emission monitoring based on volatile organic compounds;» Annual monitoring of the soil and ground water remediation;» Bi-annual monitoring of all on-site ergonomic issues.
Carbon footprint	<ul style="list-style-type: none">• A comprehensive set of actions have been implemented to reduce the usage of electricity in the Group.
Waste management	<ul style="list-style-type: none">• Comprehensive recycling initiatives have been implemented at all operations.

SOCIAL

HEALTH AND SAFETY

Control Instruments recognises that many of its employees come from communities that have been impacted by poverty and the associated social consequences of poverty. The Company also recognises that the physical and mental wellbeing of its employees is a vital contributor to the success of the Company.

Occupational health practitioners monitor the wellbeing of employees. Services provided by the clinics at the various operations vary slightly depending on the nature of the operating environment, but in general they provide the following:

- Primary health care including basic medication and referrals to specialist institutions where necessary;
- Occupational health care including bi-annual health risk assessments;
- Pre- and post-employment medicals and annual or bi-annual medicals;
- Management of chronic conditions;
- Assistance with the management of injuries on duty;
- Confidential individual counselling with regard to personal problems and domestic and substance abuse;
- Continuous training on critical health risks including HIV/AIDS;
- The management of HIV/AIDS – an occupational health practitioner provides a confidential voluntary counselling and testing service.

The Aftermarket business holds an annual wellness day in conjunction with Discovery Health. This is very effective, particularly where members of staff who were diagnosed with potentially life threatening conditions were able to take remedial action timeously.

Where relevant to their functions, certain employees are monitored and tested. For example:

- Lead levels are tested every three months – to date no employee has exhibited lead levels over prescribed limits;
- Audio and lung function screening;
- All staff handling chemicals are subject to biological monitoring.

In KwaZulu-Natal the emphasis is on combating HIV/AIDS, while drug abuse is the scourge of the southern Cape Town area. The Company has taken a number of steps to try to combat the drug abuse problem, these include:

sustainability report

- An ongoing drug awareness campaign;
- An employee assistance programme for employees who have been identified as having a drug abuse problem;
- Random drug tests on entry to the site. Employees who test positive are offered assistance along with the usual disciplinary action.

General health awareness talks and campaigns are held regularly, these include HIV/AIDS and weight loss programmes.

ABSENTEEISM

In 2006 and 2007 absenteeism was, on average, 10.0%. It is currently between 2.5% and 4.0%. This can be attributed to a sustained campaign to promote good conduct and employee wellness throughout the Group.

COMMUNITY

There is strong sense of community involvement throughout the Group. Both management and employees take part in a number of different activities. These include blood donation, community feeding schemes and upliftment initiatives.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

Control Instruments has embraced the principles and objectives of BBBEE and has proactively sought to improve its BBBEE status in all areas of the business. The Group is committed to ensuring that it has a meaningful empowerment process.

There is a continual drive within the Group to identify talent in the businesses and to focus on the development of this talent. 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.

In terms of enterprise development, the Group has assisted individuals and start up companies, particularly in areas where they are able to provide services, such as catering, to Group companies.

The Group has an ongoing commitment to BBBEE. As a result of this, BBBEE scores in the different companies in the Group have improved year on year. It is the Group's intention to continue to proactively advance the objectives of BBBEE.

CORPORATE GOVERNANCE

Refer to the Corporate Governance report on pages 10 to 13.

report of the audit committee

The Audit Committee has pleasure in submitting this report, as required by sections 269A and 270A of the South African Companies Act, Act 61 of 1973, as amended ("the Companies Act").

FUNCTIONS OF THE AUDIT COMMITTEE

The Audit Committee has adopted formal terms of reference, delegated to it by the Board of Directors, as its Audit Committee charter.

The Audit Committee has discharged the functions in terms of its charter and ascribed to it in terms of the Act as follows:

- Reviewed the abridged results and the year-end financial statements, culminating in a recommendation to the Board to adopt them. In the course of its review the Committee:
 - » Took appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act;
 - » Considered and, where appropriate, made recommendations on internal financial controls; and
 - » Dealt with concerns or complaints relating to accounting policies; the auditing or content of the annual financial statements; and internal financial controls.
- Reviewed the external audit reports on the annual financial statements;
- Reviewed legal matters that could have a significant impact on the financial statements;
- Approved the internal audit review and noted significant findings;
- Evaluated the effectiveness of the risk management process and controls;
- Reviewed the information technology risks and controls reports;
- Verified the independence of the external auditors, nominated PricewaterhouseCoopers Inc. as the auditors for 2010 and noted the appointment of Mr Frans Weilbach as the designated auditor;
- Approved the audit fees and engagement terms of the external auditors; and
- Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditors.

MEMBERS OF THE AUDIT COMMITTEE AND ATTENDANCE AT MEETINGS

All Audit Committee members act independently as described in section 269A of the Companies Act.

Refer to the Corporate Governance section of this annual report on pages 10 to 13 for information on the composition of the Audit Committee and attendance at meetings during 2010.

ATTENDANCE OF EXTERNAL AUDITORS AT MEETINGS

The external auditors, in their capacity as auditors to the Company, attended and reported to all meetings of the Audit Committee. The Group risk management function was also represented. Executive directors and relevant senior managers attended meetings by invitation.

report of the audit committee

CONFIDENTIAL MEETINGS

Audit Committee agendas provide for confidential meetings between Committee members and external auditors.

EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR

As required by JSE Listings Requirement 3.84(i), the Audit Committee has satisfied itself that the Group financial director has the appropriate expertise and experience.

INDEPENDENCE OF EXTERNAL AUDITORS

During the year under review a representation was made by the external auditors regarding their independence and, after conducting its own review, the Audit Committee confirmed the independence of the external auditors.



A WATSON
Audit Committee Chairman
15 March 2011

NON-EXECUTIVE DIRECTORS

Sam O'Leary (Irish) $\alpha\zeta\delta$

B.Com FCA CA(SA)

Chairman of the Board

Chairman of the Nomination Committee

Appointed to the Board in 2002

Sam O'Leary is a Chartered Accountant who has many years of experience in investment banking and the financial markets. He is a former partner of Price Waterhouse as well a former director of Fleming Martin and Barnard Jacobs Mellet. He was appointed to the Board in 2002 and took over as Chairman in April 2005.

Stuart Bromfield $\alpha\zeta\delta$

Chairman of the Remuneration Committee

Lead independent non-executive director

Appointed to the Board in 2007

Stuart Bromfield has over 40 years' experience in the motor industry ranging from motor vehicle dealerships to the aftermarket components industry. During this period he built strong relationships with senior executives at a number of motor manufacturers, which he has maintained. Stuart brings an extensive knowledge of the motor industry to the Board as well as practical hands-on experience.

Prof. Alexandra Watson $\alpha*\delta$

B.Com (Hons) UCT CA(SA)

Chairman of the Audit Committee

Appointed to the Board in 2009

Alex Watson is an independent director of Coronation Fund Managers Limited and is chairman of its Audit Committee. She is a Professor in the Accounting Department at the University of Cape Town. In addition, she is Chairman of the Accounting Practice Committee; a member of the GAAP Monitoring Panel; and a member of the Education Advisory Group to the International Accounting Standards Council Foundation. Alex's technical skills and experience in and knowledge of accounting best practice are of significant benefit to the Group, particularly in the light of the requirements of King III.

Ian Scott-Gall (British) $\alpha*\zeta\delta$

BSc FCA

Appointed to the Board in 2009

Ian Scott-Gall has had over 22 years experience as a CEO and a Finance Director of public companies listed on the London Stock Exchange. He is based in the United Kingdom. Before his retirement in October 2008, Ian was CEO of Vislink plc, a leading supplier of digital microwave radio and satellite transmission products. Prior to that he was CEO of Blick plc, an electronics, security, CATV distribution and access control group. Ian has a long relationship with Control Instruments and understands the international markets in which the Group operates.

Peter Surgey $\alpha*\zeta$

BA LLB (UCT)

Appointed to the Board on 1 October 2010

Peter Surgey joined Barloworld in 1983 and was appointed to that board in 1995. He was the CEO of Barloworld Coatings from 1992 to 2003 and a director of Barloworld Limited from 1995 to 2008. He is currently a director of the National Business Initiative and a trustee of the President's Trust and the Duke of Edinburgh Award. He is a non-executive director of Freeworld Coatings, Highveld Steel, First Uranium and Nampak.

EXECUTIVE DIRECTORS

Richard Friedman

B.Com AMP (Harvard)

Chief Executive Officer and Group Managing Director

Appointed to the Board in 1987

Richard Friedman joined the Group as a director of a subsidiary company in 1981. He became managing director of Control Instruments (Pty) Limited in 1985 and managing director of the Group in 1986, listing Control Instruments Group Limited in 1987.

Richard relocated to the United Kingdom at the end of 2007 and has been responsible for driving the integration of the international and local electronics operations to form a cohesive multinational unit and the conception and development of Pi Shurlok's OpenECU™ range of products.

Eckert Giliomee

B.Com (Hons) CA(SA)

Group Financial Director

Appointed to the Board in 2009

Eckert Giliomee is also the financial director of the Group's South African operations. He joined the Group in November 2004 and has extensive operational experience within the Group.

Prior to his appointment to the Board, Eckert was financial director of Pi Shurlok in Pietermaritzburg; acting financial director and financial manager at CI OmniBridge (now part of MiX Telematics); and financial manager and Group risk manager in the Group's head office.

Sean Rogers

Group Chief Operating Officer

Appointed to the Board in 2009

Sean Rogers is also a director of Pi Shurlok Limited in the United Kingdom. Sean joined the Company in 2005 and was appointed general manager of Pi Shurlok's plastics division in Port Elizabeth in 2006. In November 2007 he was appointed managing director of Pi Shurlok in South Africa. Prior to his appointment as Group chief operating officer in December 2010, Sean was chief operating officer of the Group's South African operations.

□ Independent

* Member of the Audit Committee

§ Member of the Remuneration Committee

◇ Member of the Nomination Committee

statement of directors' responsibility

The directors are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the annual financial statements and the Group annual 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 Companies Act, Act 61 of 1973, as amended ("the Companies Act").

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 applying all IFRS that they consider to be applicable.

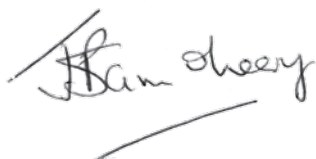
The directors are also responsible for the Group's and the Company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, to adequately safeguard, verify and maintain accountability for assets and to prevent and detect material misstatement, whether due to fraud or error.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the year under review. The financial statements have been prepared on the going concern basis since the directors 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 Inc., have audited the financial statements and their report is presented on page 24.

DIRECTORS' APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 December 2010, set out on pages 25 to 101, were approved by the board of directors on 15 March 2011 and are signed on its behalf by:



JPS O'LEARY
Chairman



R FRIEDMAN
CEO and Group Managing Director

certificate by company secretary

As Company Secretary, I hereby confirm that for the year ended 31 December 2010, the Company lodged with the Registrar of Companies all such returns as are required of a public company in terms of the South African Companies Act, Act 61 of 1973, as amended and that all such returns are true, correct and up to date.

A handwritten signature in black ink, appearing to read 'JC Jeffery', with a long horizontal flourish extending to the right.

JC JEFFERY
Company Secretary
15 March 2011

independent auditor's report

TO THE MEMBERS OF CONTROL INSTRUMENTS GROUP LIMITED

We have audited the Group annual financial statements and annual financial statements of Control Instruments Group Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2010; consolidated and separate income statements; consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended; a summary of significant accounting policies and other explanatory notes; and the directors' report, as set out on pages 25 to 101.

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 South African Companies Act, Act 61 of 1973, as amended ("the Companies Act") and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 management, 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 consolidated and separate financial position of Control Instruments Group Limited as at 31 December 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act.



PricewaterhouseCoopers Inc
Director: FHS Weilbach
Registered Auditor
Stellenbosch
15 March 2011

directors' report

The directors present their annual report, which forms part of the audited annual financial statements of the Company and the Group for the year ended 31 December 2010.

NATURE OF BUSINESS

Control Instruments is an international group, with its holding company incorporated in South Africa. It provides products, services and components to the global automotive industry through its two businesses; Pi Shurlok (OEM) and CI Automotive (Aftermarket).

- Pi Shurlok develops and manufactures electronics for the automotive, transportation and defence markets.
- CI Automotive supplies premium branded products to the automotive aftermarket in sub-Saharan Africa.

The segmental results in respect of the OEM and Aftermarket businesses are shown in note 38 on page 95.

Fundamental to the Group strategy is:

- A focus on niche markets in the global automotive market;
- The ongoing investment in the development of new products in which the Group owns the intellectual property ("IP");
- The distribution of premium branded products where the Group either owns the brand or has exclusive distribution rights to the brand;
- Competitive manufacturing and distribution facilities; and
- Long-term relationships with Group customers, suppliers and staff.

FINANCIAL RESULTS

The financial position, results of operations, changes in equity and cash flows of the Group and the Company are set out on pages 25 to 101.

DISTRIBUTIONS TO SHAREHOLDERS

No dividends were declared in respect of the year ended 31 December 2010 (2009: nil).

SHARE CAPITAL

The issued capital at 31 December 2010 was R6 971 838 (2009: R6 971 838) divided into 139 436 754 (2009: 139 436 754) ordinary shares of five cents each. The unissued capital at 31 December 2010 was 60 563 246 (2009: 60 563 246) ordinary shares of five cents each.

SUBSIDIARIES AND JOINT VENTURES

Full details of the investments in subsidiary companies and joint ventures are provided on pages 100 and 101.

DIRECTORS' REMUNERATION

Details of directors' remuneration, directors' interest in shares and share options granted to directors are disclosed in note 33 on page 89.

DIRECTORS' SHAREHOLDINGS

The direct and indirect interests of the directors and their associates in the issued share capital of the Company at 31 December 2010 and at the date of this report were 16 934 101 (2009: 16 349 326) shares. Details of directors' interests in shares are set out in note 33.2 on page 91.

DIRECTORATE

The directors of the Company at the date of this report are detailed on pages 20 and 21. Information about directors in office during the year and directors standing for election or re-election is included in the Corporate Governance report on page 10.

directors' report

SPECIAL RESOLUTIONS

The special resolution granting Control Instruments Group Limited (or one of its wholly-owned subsidiaries) a general approval to acquire securities issued by the Company upon such terms and conditions as the directors may from time to time decide, but subject to the provisions of the Companies Act and the Listings Requirements of the JSE, was approved at the annual general meeting of shareholders held on 30 April 2010 and was lodged with the Companies and Intellectual Property Registration Office.

LITIGATION

Litigation with Sagercy

Notice has been served against the previous owners of the Sagercy business for the recovery of R34 million arising out of certain warranties and representations made by them. The matter is ongoing. Refer to note 37 on page 95.

EVENTS AFTER YEAR-END

No events that are material to the financial affairs of the Company or the Group have occurred between the financial year-end and the date of this report.

statements of financial position

AT 31 DECEMBER 2010

	Notes	GROUP		COMPANY	
		2010 R 000	2009 R 000	2010 R 000	2009 R 000
ASSETS					
Non-current assets					
		280 636	286 954	404 560	208 560
Property, plant and equipment	2	123 621	127 770	-	-
Intangible assets	3	123 381	129 526	-	-
Investments in subsidiaries	5			404 560	208 560
Investments in joint ventures	6	980	565	-	-
Available-for-sale financial assets	7.1	768	648	-	-
Deferred income tax assets	8	31 886	28 445	-	-
Current assets					
		274 131	252 129	21 296	207 758
Inventories	9	136 594	124 694	-	-
Trade and other receivables	10	92 322	97 108	174	1 458
Loans to subsidiaries	5			21 119	174 107
Derivative financial instruments	17	-	-	-	-
Financial assets at fair value through profit or loss	7.2	162	137	-	-
Current income tax assets		3	118	3	3
Cash and cash equivalents		45 050	30 072	-	32 190
Total assets		554 767	539 083	425 856	416 318
EQUITY AND LIABILITIES					
Capital and reserves					
		291 992	295 445	409 155	408 432
Share capital	11	6 972	6 972	6 972	6 972
Share premium	11	396 996	396 996	396 996	396 996
Treasury shares	11	(3 117)	(3 117)	-	-
Foreign currency translation reserve	12	(19 101)	(12 382)	-	-
Other reserves	13	(595)	(1 647)	551	551
Retained earnings/(accumulated loss)		(89 163)	(91 377)	4 636	3 913
Non-current liabilities					
		39 680	35 924	-	-
Borrowings	14	11 064	10 753	-	-
Deferred income tax liabilities	8	26 296	21 532	-	-
Provisions	15	2 320	3 639	-	-
Current liabilities					
		223 095	207 714	16 701	7 886
Trade and other payables	16	136 477	123 425	7 829	7 291
Current income tax liabilities		503	2 946	-	-
Derivative financial instruments	17	1 411	2 363	-	-
Borrowings	14	79 567	74 478	8 872	595
Provisions	15	5 137	4 502	-	-
Total equity and liabilities		554 767	539 083	425 856	416 318

income statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	GROUP		COMPANY	
		2010 R 000	2009 R 000	2010 R 000	2009 R 000
CONTINUING OPERATIONS					
Revenue	19	906 123	840 404	4 133	2 391
Cost of sales		(659 239)	(618 989)	-	-
Gross profit		246 884	221 415	4 133	2 391
Other operating income	20	10 173	6 735	308	65 791
Marketing and selling expenses		(40 365)	(31 767)	-	-
Administrative expenses		(78 996)	(94 210)	(4 745)	(6 473)
Other operating expenses		(124 957)	(120 164)	-	-
Operating profit/(loss)	21	12 739	(17 991)	(304)	61 709
Finance income	24	-	303	1 431	1 510
Finance costs	24	(11 295)	(14 151)	(404)	(639)
Share of profit from joint ventures	25	415	148		
Profit/(loss) before taxation		1 859	(31 691)	723	62 580
Taxation	26	355	14 803	-	200
Profit/(loss) for the year from continuing operations		2 214	(16 888)	723	62 780
DISCONTINUED OPERATIONS					
Loss for the year from discontinued operations	18	-	(5 409)	-	(5 409)
Profit/(loss) for the year		2 214	(22 297)	723	57 371
Profit/(loss) attributable to:					
Owners of the parent		2 214	(22 297)	723	57 371
Non-controlling interest		-	-	-	-
		2 214	(22 297)	723	57 371
Earnings/(loss) per share (cents) - continuing operations					
Basic	27	1.6	(12.3)		
Diluted	27	1.6	(12.3)		
Earnings/(loss) per share (cents) - discontinued operations					
Basic	27	-	(3.9)		
Diluted	27	-	(3.9)		

statements of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
Profit/(loss) for the year	2 214	(22 297)	723	57 371
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)	723	57 371
Attributable to:				
Owners of the parent	(3 691)	(34 479)	723	57 371
Non-controlling interest	-	-	-	-
	(3 691)	(34 479)	723	57 371

Refer to note 13.

statements of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Other reserves	Retained earnings/ (accumu- lated loss)	Total
	R 000	R 000	R 000	R 000	R 000	R 000	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 the year				(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 the year				(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
COMPANY							
Balance at 1 January 2009	6 972	396 996	-	-	551	(53 458)	351 061
Total comprehensive income for the year						57 371	57 371
Balance at 31 December 2009	6 972	396 996	-	-	551	3 913	408 432
Total comprehensive income for the year						723	723
Balance at 31 December 2010	6 972	396 996	-	-	551	4 636	409 155

statements of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	GROUP		COMPANY	
		2010 R 000	Restated 2009 R 000	2010 R 000	Restated 2009 R 000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	29.1	46 277	75 114	(170)	1 567
Finance income received		-	303	83	-
Finance costs paid		(10 743)	(13 859)	(312)	(900)
Dividends received		36	2 035	1 132	-
Dividends paid	28	-	-	-	-
Taxation refunded		186	2 264	-	89
Taxation paid		(1 272)	(6 075)	-	(3)
Net cash generated from operating activities		34 484	59 782	733	753
Cash flows from investing activities					
Purchase of property, plant and equipment		(14 245)	(11 186)	-	-
Proceeds from disposal of property, plant and equipment		137	441	-	-
Additions to intangible assets		(11 234)	(9 005)	-	-
Loans granted to subsidiaries		-	-	(107 802)	(11 326)
Loan repayments from subsidiaries		-	-	66 007	78 719
Net cash generated from/(utilised in) investing activities		(25 342)	(19 750)	(41 795)	67 393
Cash flows from financing activities					
Proceeds from borrowings		76 317	7 136	-	-
Repayments of borrowings		(72 521)	(7 373)	-	-
Net cash generated from/(utilised in) financing activities		3 796	(237)	-	-
Net cash inflow/(outflow) for the year		12 938	39 795	(41 062)	68 146
Forex translation adjustments on cash and cash equivalents		506	569	-	-
Cash and cash equivalents at the beginning of the year		28 254	(12 110)	32 190	(35 956)
Cash and cash equivalents at the end of the year	29.2	41 698	28 254	(8 872)	32 190

During 2009 the Group cash flows from repayments of borrowings of R7 373 000 was shown net of proceeds from borrowings of R7 136 000 and taxation paid of R6 075 000 was shown net of taxation refunded of R2 264 000. In 2010 this has been disclosed gross in order to provide more information. The 2009 results have been restated accordingly. However this had no effect on the statement of financial position or the income statement.

During 2009 the Company cash flows from loan repayments from subsidiaries of R78 719 000 and taxation refunded of R89 000 were shown net of loans granted to subsidiaries of R11 326 000 and taxation paid of R3 000 respectively. In 2010 this has been disclosed gross in order to provide more information. The 2009 results have been restated accordingly. However, this had no effect on the statement of financial position or the income statement.

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I. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Group and Company 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 Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa. The Group and Company financial statements have been prepared under the historical cost basis as modified by the revaluation of financial assets; financial liabilities (including derivative instruments) at fair value through profit or loss; and available-for-sale financial assets. The preparation of the Group 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 1.26.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and are relevant to its operations. The relevance of these standards, interpretations and amendments to published standards has been assessed by management with respect to the Group's subsidiaries and it was concluded that other than the additional presentational disclosures required, they did not have a material impact on the Group's financial results, financial position or its cash flows.

IFRS 3 (revised) 'Business combinations' (effective 1 July 2009)

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through the income statement. Goodwill may be calculated based on the parent company's share of net assets or it may include the non-controlling interest. All transaction costs will be expensed.

IAS 1 (amendment) 'Presentation of financial statements' (effective 1 January 2010)

The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (providing that the entity has an unconditional right to defer settlement by transfer of cash or assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 36 (amendment) 'Impairment of assets' (effective 1 January 2010)

The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

IFRS 2 (amendments) 'Group cash-settled and share-based payment transactions' (effective 1 January 2010)

In addition to incorporating IFRIC 8, Scope of IFRS 2, and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

IFRS 8 'Disclosure of information about segment assets' (effective 1 January 2010)

The amendment allows the Group not to disclose total assets for each reportable segment if not reviewed by the chief operating decision-maker. This has no impact on the Group.

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STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE IN 2010, BUT NOT RELEVANT

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010, but are not relevant to Group's operations.

- IAS 27 (revised) 'Consolidated and separate financial statements' (effective 1 July 2009)
- IAS 39 'Financial instruments: Recognition and measurement - Amendments for eligible hedged items' (effective 1 July 2009)
- IFRS 5 'Non-current assets held for sale and discontinued operations' (effective 1 July 2009)
- IFRIC 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009)
- IFRIC 18 'Transfers of assets from customers' (effective 1 July 2009)
- IFRIC 9 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement' (effective 1 July 2009)
- IFRIC 16 'Hedges of net investment in foreign operation' (effective 1 July 2009)
- IFRS 5 (amendment) 'Measurement of non-current assets (or disposal groups) classified as held-for-sale' (effective 1 January 2010)
- IAS 38 (amendment) 'Intangible Assets' (effective 1 July 2010)
- IFRS 1 (amendment) 'First-time adoption of International Financial Reporting Standards' (effective 1 January 2010)
- AC 504 - IAS 19 (AC 116) 'The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment' (1 April 2009)
- Improvements to IFRSs 2008 (effective 1 July 2009)
- Improvements to IFRSs 2009 (effective 1 July 2009 and 1 January 2010)

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

The Group has chosen not to early adopt the following standards and interpretations that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011. The adoption of the following standards, interpretations and amendments to IFRS is not expected to have a material impact on the Group's financial results, financial position or its cash flow in future financial periods.

- IFRS 1 (amendment) 'First-time adoption of International Financial Reporting Standards' (effective 1 July 2010)
- IAS 32 (amendment) 'Classification of rights issues' (effective 1 February 2010)
- IFRIC 19 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010)
- IFRIC 14 (amendment) 'Prepayments of a minimum funding requirement' (effective 1 January 2011)
- IAS 24 (amendment) 'Related party disclosures' (effective 1 January 2011)
- IFRS 9 (amendment) 'Financial instruments' (effective 1 January 2013)
- IFRS 1 and IFRS 7 (amendment) (effective 1 July 2010)
- AC 504 - IAS 19 (AC 116) 'The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment' (effective 1 January 2011)
- IFRS 7 (amendment) 'Improved disclosures for transfer transactions of financial assets' (issued 1 July 2011)
- Improvements to IFRSs 2010 (effective 1 July 2010 and 1 January 2011)
- IFRS 1 (amendments) 'Severe hyperinflation and removal of fixed dates for first-time adopters' (effective 1 July 2011) (not yet approved by the APB)
- IAS 12 (amendments) 'Deferred tax: Recovery of underlying assets' (effective 1 January 2012)

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

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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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recorded 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 recognised at cost less provision for impairment.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

1.2.2 Joint ventures and associates

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

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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. 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 equity of the joint venture or associate since acquisition.

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

Unrealised gains on transactions between the Group and its joint venture or associate are eliminated to the extent of the Group's interest in the joint venture or associate. 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 Special purpose vehicles ("SPVs")

An SPV is consolidated if, based on an evaluation of the substance of its relationship with the Group and the Group's exposure to the SPV's risks and rewards, the Group concludes that it controls the SPV. The Group controls an SPV if:

- The SPV is established under terms that impose strict limitations on the decision-making powers of the SPV's management;
- It results in the Group receiving the majority of the risks and rewards relating to the SPV's operations and net assets;
- Activities of the SPV are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPV's operations; and
- The Group retains the majority of the residual or ownership risks related to the SPV or its assets in order to obtain benefits from its activities.

1.3 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment. Historical costs include expenditure that is directly attributable to the acquisition of the property, plant and equipment. 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	2.5% per annum
Plant and machinery	5% - 33% per annum
Furniture and fittings	10% - 20% per annum
Vehicles	20% - 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 disposal are determined by comparing proceeds with carrying amounts and are included in operating profit.

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The residual values and useful lives are reviewed and adjusted if appropriate at each reporting 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 asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The effective interest rate method is used to determine the lease finance cost, which is charged to the income statement over the lease period, 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 (net of any incentives received by the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1.5 Intangible assets

1.5.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on separately recognised 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 costs

In Group companies that have costs associated with maintaining engineering and development programmes, these costs are recognised as an expense as incurred. Engineering and development costs that are directly attributable to the design and testing of identifiable and unique engineering and development products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the engineering and development product so that it will be available for use;
- Management intends to complete the engineering and development product and use or sell it;
- There is an ability to use or sell the engineering and development product;
- It can be demonstrated how the engineering and development product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the engineering and development product are available; and
- The expenditure attributable to the engineering and development product during development can be reliably measured.

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Directly attributable costs that are capitalised as part of the engineering and product development include the engineering and development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria 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 their expected benefit (three to eight years).

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

1.5.3 Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group are recognised at cost. Intangible assets with a finite useful life are carried at cost less accumulated amortisation. Intangible assets with an indefinite useful life are carried at cost less accumulated impairment losses. These assets are tested for impairment annually and when an indication of possible impairment exists. Customer relationships, trademarks and patents and distribution rights acquired in business combinations that have a finite useful life are carried at cost less accumulated amortisation. They 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 years). Useful lives are reviewed and adjusted if appropriate at each reporting 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 maintaining computer software programmes are recognised as an expense as incurred. Useful lives are reviewed and adjusted if appropriate at each reporting date.

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 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in rand (ZAR), which is the Company's functional and the Group's presentation currency.

1.7.2 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 of the Group as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

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- (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 other comprehensive income.

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 other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recognised in the statement of comprehensive income 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.

1.7.3 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 recognised in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency 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 relating to changes in amortised cost are recognised in the income statement and other changes in carrying amounts are recognised in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income' or 'finance cost'. All other foreign exchange gains and losses are presented in the income statement within 'operating profit/(loss)'. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

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 when their carrying amount is to be recovered principally through a sale transaction, not through continuing use and such sale is considered highly probable. 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

- (i) Represents a separate major line of business or geographical area of operations;
- (ii) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (iii) Is a subsidiary acquired exclusively with a view to resale.

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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

1.9.1 Classification

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 its financial assets at initial recognition.

(a) 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 the investment matures or management intends to dispose of the investment within twelve months of the end of the reporting date.

(b) 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. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-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.

(c) 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 those assets with a maturity greater than twelve months after the reporting date. These are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method. Interest on loans and receivables is calculated using the effective interest rate method and recognised in the income statement.

1.9.2 Recognition and measurement

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 for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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 other comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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 within 'other operating income' or 'administrative expenses' respectively 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 as part of 'other operating income' when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. Changes in the fair value of monetary securities denominated in a foreign

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currency and 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. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income.

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.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of 'other operating income'. Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'other operating income' when the Group's right to receive payments is established. If the market for available-for-sale assets is not active, the Group uses discounted cash flow analysis to calculate the fair value.

1.9.3 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- (i) Significant financial difficulty of the issuer or obligor;
- (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (v) The disappearance of an active market for the financial asset because of financial difficulties; or
- (vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - » Adverse changes in the payment status of borrowers in the portfolio; and
 - » National or local economic conditions that correlate with defaults on the assets in the portfolio.

If there is objective evidence that an impairment loss on loans or receivables carried at amortised cost has been recognised, 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 (excluding future credit losses that have not been incurred) discounted at the loan or receivable's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment

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loss decreases and the decrease relates objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 reclassified 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. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement. The policy in respect of impairment testing of trade receivables is disclosed in note 1.12.

1.10 Taxation

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

1.10.1 Tax rates

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

The normal South African company tax rate used for the year ended 31 December 2010 is 28% (2009: 28%). Deferred income tax assets and liabilities for South African entities at 31 December 2010 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% (2009: 10%) 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 income tax

Deferred income 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 income 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.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The Group's temporary differences arise from property, plant and equipment; intangible assets; prepayments; provisions; and tax losses carried forward. Deferred income 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.

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Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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) - it excludes borrowing costs. 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 of gains and losses from other comprehensive income on qualifying cash flow hedges relating to inventory purchases.

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 the provision for impairment and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectable, it is written off against the provision for impairment for trade receivables.

1.13 Cash and cash equivalents

For the purposes of the statement of cash flows, 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 statement of financial position.

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

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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 reporting date.

1.16 Borrowing costs

Borrowing costs relating to qualifying assets are capitalised and borrowing costs relating to other assets are expensed in the income statement during the period in which they are incurred.

1.17 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. Restructuring provisions comprise lease termination penalties and employee termination payments. 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 reporting 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.

1.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.19 Deferred revenue

Income received in advance is deferred and recognised once the appropriate revenue recognition criteria, as outlined in 1.20 below, have been satisfied.

1.20 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. The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer; the type of transaction and the specifics of each arrangement.

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

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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.

1.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

1.22 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors as it makes strategic decisions.

1.23 Dividends

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

1.24 Financial risk management

1.24.1 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 program 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 principles for overall risk management as well as 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.

(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, the Euro and the Australian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management requires 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.

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(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the statement of financial position 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

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 2009 and 2010 the Group's long-term borrowings at variable rates were denominated in rand.

The Group did not make use of interest rate swaps in 2009 or 2010.

(b) Credit risk

Credit risk is managed on an operational basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only major banking groups and high-quality institutions 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 is monitored regularly.

(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.

1.24.2 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 statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' shown in the statement of financial position (after adding back treasury shares) plus net debt.

1.24.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset and liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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 reporting date.

The fair value of forward foreign exchange contracts is determined using quoted forward foreign exchange rates at the reporting date. The fair values of quoted investments are based on current bid prices.

1.24.4 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: (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (ii) hedges of a particular risk associated with a recognised asset or liability or highly probable forecast transactions (cash flow hedge); or (iii) hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the transaction the Group documents 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.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised 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.

(b) 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 other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified 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 recognised 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 the statement of comprehensive income is immediately transferred to the income statement. The fair values of various derivative instruments used for hedging purposes are disclosed in note 32. Movements on the hedging reserve in the statement of equity are shown in note 13.

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1.25 Employee benefits

1.25.1 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 salaried employees participate in the plan.

1.25.2 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 over the vesting period. 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 (for example profitability; sales growth targets; and remaining an employee of the entity over specified time period) and the impact of any non-vesting conditions (for example, the requirement for employees to save) and including any market performance conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting 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.

1.25.3 Profit-sharing and bonus plans

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

1.26 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. 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.

(a) Property, plant and equipment

These items are depreciated over their useful lives, taking into account the residual value at the end of the item's useful life. Residual values and useful lives are based on industry knowledge and past experience with similar assets.

(b) Intangible assets

Brands and other intangibles that are acquired through acquisition are capitalised on the statement of financial position. 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. The assumptions reflect management's best estimates, but these estimates involve inherent uncertainties, which

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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 lives of the brands and other intangibles are re-evaluated. If the estimate of the remaining useful life changes, the remaining carrying value is amortised prospectively over that revised remaining useful life. Indefinite useful lives are allocated to intangible assets if there is no foreseeable limit to the period over which the Group expects to consume the future economic benefits embodied in the intangible asset. In making this assessment management follows the guidance in IAS 38.

The Group has classified its Gabriel trademark as having an indefinite life, as indicated in note 3. Factors considered include, (i) the history of the brand; (ii) current market share; (iii) brand development strategy; and (iv) expected future benefits to be derived from the assets.

(c) Impairment of capitalised research and development costs and intangible assets with a finite useful life

When there is an impairment indicator, the carrying value of capitalised research and development projects and intangible assets with a finite useful life 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.

(d) Impairment of goodwill and intangible assets with an indefinite useful life

The Group assesses the possible impairment of goodwill and intangible assets with an indefinite useful life annually. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to note 4 for key assumptions used.

(e) 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 11.

(f) Recognition of deferred tax asset

Refer to note 8.

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2. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant, machinery and equipment	Vehicles	Total
GROUP	R 000	R 000	R 000	R 000
Year ended 31 December 2010				
Opening carrying value	27 214	99 333	1 223	127 770
Exchange rate adjustments	-	(220)	(6)	(226)
Additions	322	13 832	91	14 245
Disposals and scrappings	-	(83)	(56)	(139)
Impairment charge	-	(222)	-	(222)
Depreciation charge	(680)	(16 437)	(690)	(17 807)
Closing carrying value	26 856	96 203	562	123 621
At 31 December 2010				
Cost	33 045	224 373	3 512	260 930
Accumulated depreciation and impairment	(6 189)	(128 170)	(2 950)	(137 309)
Closing carrying value	26 856	96 203	562	123 621
Year ended 31 December 2009				
Opening carrying value	27 767	109 505	2 516	139 788
Exchange rate adjustments	-	(235)	(7)	(242)
Additions	124	11 023	39	11 186
Disposals and scrappings	-	(3 042)	(651)	(3 693)
Depreciation charge	(677)	(17 918)	(674)	(19 269)
Closing carrying value	27 214	99 333	1 223	127 770
At 31 December 2009				
Cost	32 723	212 067	4 167	248 957
Accumulated depreciation and impairment	(5 509)	(112 734)	(2 944)	(121 187)
Closing carrying value	27 214	99 333	1 223	127 770
Leased assets included above comprise:				
At 31 December 2010				
Cost	-	16 633	788	17 421
Accumulated depreciation and impairment	-	(7 531)	(446)	(7 977)
Closing carrying value	-	9 102	342	9 444
At 31 December 2009				
Cost	-	17 037	849	17 886
Accumulated depreciation and impairment	-	(5 792)	(287)	(6 079)
Closing carrying value	-	11 245	562	11 807

Finance leases are secured by property, plant and equipment (refer to note 14).

An impairment charge of R222 000 (2009: Rnil) arose in the Aftermarket segment's cash generating units ("CGUs"). This impairment charge is included in other operating expenses in the income statement.

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	Notes	GROUP		COMPANY	
		2010 R 000	2009 R 000	2010 R 000	2009 R 000
3. INTANGIBLE ASSETS					
Goodwill	3.1	31 989	34 065	-	-
Trademarks, patents and distribution rights	3.2	57 709	60 733	-	-
Capitalised product development costs	3.3	17 126	11 086	-	-
Customer relationships	3.4	13 769	17 893	-	-
Other intangible assets	3.5	2 788	5 749	-	-
		123 381	129 526	-	-
3.1 Goodwill					
Opening carrying value		34 065	36 134	-	-
Exchange rate adjustments		(2 076)	(2 069)	-	-
Closing carrying value		31 989	34 065	-	-
At 31 December					
Cost		31 989	34 065	-	-
Accumulated impairment		-	-	-	-
Closing carrying value		31 989	34 065	-	-
Goodwill has been allocated to the following CGUs:					
Pi Shurlok - Plastics moulding		15 833	15 833	-	-
Pi Shurlok - Foreign operations		16 156	18 232	-	-
		31 989	34 065	-	-
Goodwill of R15 833 000 (2009: R15 833 000) is attributable to the acquisition of the Sagercy businesses in March 2006.					
Goodwill of R16 156 000 (2009: R18 232 000) is attributable to the acquisition of the business of Pi Technology (now Pi Shurlok) in the UK in December 2006. The decrease of R2 076 000 (2009: R2 069 000) relates to an exchange rate adjustment.					
3.2 Trademarks, patents and distribution rights					
Opening carrying value		60 733	64 273	-	-
Exchange rate adjustments		(565)	(673)	-	-
Impairment charge		-	(155)	-	-
Amortisation charge		(2 459)	(2 712)	-	-
Closing carrying value		57 709	60 733	-	-
At 31 December					
Cost		72 590	73 485	-	-
Accumulated amortisation and impairment		(14 881)	(12 752)	-	-
Closing carrying value		57 709	60 733	-	-

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	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
3. INTANGIBLE ASSETS continued				
3.2 Trademarks, patents and distribution rights continued				
Trademarks, patents and distribution rights consist of the following carrying values with their remaining amortisation periods:				
Gabriel trademark indefinite useful life	34 453	34 453	-	-
Autocom trademark 14 years (2009: 15 years)	2 406	2 578	-	-
Echlin/Dana trademark 14.75 years (2009: 15.75 years)	10 916	11 648	-	-
Acsa-Mag trademark 14.75 years (2009: 15.75 years)	5 960	6 360	-	-
Pi trademark 6 years (2009: 7 years)	3 455	4 657	-	-
Other	519	1 037	-	-
	57 709	60 733	-	-

An impairment charge of Rnil (2009: R155 000) arose in the Aftermarket segment as a result of the write-off of distribution rights. This amount is included in administrative expenses in the income statement.

3.3 Capitalised product development costs

Opening carrying value	11 086	4 875	-	-
Exchange rate adjustments	(2 122)	(1 151)	-	-
Capitalised during the year	10 628	8 175	-	-
Amortisation charge	(2 466)	(680)	-	-
Impairment charge	-	(133)	-	-
Closing carrying value	17 126	11 086	-	-

At 31 December

Cost	23 642	15 424	-	-
Accumulated amortisation and impairment	(6 516)	(4 338)	-	-
Closing carrying value	17 126	11 086	-	-

An impairment charge of Rnil (2009: R133 000) arose in the OEM segment as a result of the carrying amount of certain capitalised product development costs exceeding their recoverable amount. This amount is included in marketing and selling expenses.

3.4 Customer relationships

Opening carrying value	17 893	22 681	-	-
Exchange rate adjustments	(435)	(517)	-	-
Amortisation charge	(3 689)	(4 271)	-	-
Closing carrying value	13 769	17 893	-	-

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	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
3. INTANGIBLE ASSETS continued				
3.4 Customer relationships continued				
At 31 December				
Cost	37 291	37 978	-	-
Accumulated amortisation and impairment	(23 522)	(20 085)	-	-
Closing carrying value	13 769	17 893	-	-
Customer relationships consist of the following carrying values with their remaining amortisation periods:				
Pi Shurlok UK customers 6 years (2009: 7 years)	2 653	3 576	-	-
Pi Shurlok RSA customers 3.5 years (2009: 3.25 years)	5 563	7 784	-	-
Gabriel customers 5.67 years (2009: 6.67 years)	5 553	6 533	-	-
	13 769	17 893	-	-
3.5 Other intangible assets				
Opening carrying value	5 749	9 284	-	-
Exchange rate adjustments	(217)	(411)	-	-
Additions	607	830	-	-
Amortisation charge	(3 351)	(3 954)	-	-
Closing carrying value	2 788	5 749	-	-
At 31 December				
Cost	17 186	17 587	-	-
Accumulated amortisation and impairment	(14 398)	(11 838)	-	-
Closing carrying value	2 788	5 749	-	-
Other intangible assets consist of the following carrying values with their remaining amortisation periods:				
Software 0.5 to 3 years (2009: 1 to 3 years)	1 857	4 833	-	-
Favourable lease agreements 6.15 years (2009: 6.25 years)	767	916	-	-
Licence agreement 0.5 to 3 years	164	-	-	-
	2 788	5 749	-	-
Leased assets included in other intangible assets comprise:				
At 31 December				
Cost	2 738	2 738	-	-
Accumulated amortisation and impairment	(2 350)	(1 469)	-	-
Closing carrying value	388	1 269	-	-

Finance leases are secured by intangible assets, refer to note 14.

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3. INTANGIBLE ASSETS continued

3.5 Other intangible assets continued

Annual re-assessment of useful lives of intangible assets

The useful lives of intangible assets are re-assessed annually. This process may result in some intangible assets being reclassified as having indefinite lives, whilst the estimated useful lives of others may be changed.

The useful life of the Gabriel trademark was re-assessed to be indefinite during the previous financial year.

The impact of this change in estimate is disclosed in note 36.

4. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually. Property, plant and equipment and intangible assets with a finite useful life are only tested for impairment if indicators of impairment exist. Impairment calculations are done per CGU in the Group.

The following CGUs were identified in the Group:

CGU	Operating segment
CI Automotive - Gabriel division	Aftermarket
CI Automotive - Trading division	Aftermarket
Pi Shurlok - Foreign operations	OEM
Pi Shurlok - Electronics manufacturing	OEM
Pi Shurlok - Plastics moulding	OEM

The recoverable amount of the CGUs 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. Management has determined gross margins for strategic projections based on past performance and its expectations for market development. 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 2010		GROUP 2009	
	Growth rate ⁽ⁱ⁾	Discount rate ⁽ⁱⁱ⁾	Growth rate ⁽ⁱ⁾	Discount rate ⁽ⁱⁱ⁾
CI Automotive - Gabriel division	5.3%	17.3%	6.1%	14.3%
CI Automotive - Trading division	5.3%	16.9%	6.1%	13.4%
Pi Shurlok - Foreign operations	1.7%	15.0%	5.0%	18.8%
Pi Shurlok - Electronics manufacturing	5.3%	19.7%	6.1%	17.1%
Pi Shurlok - Plastics moulding	5.3%	16.9%	6.1%	13.9%

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

This rate is based on a long-term economic growth and inflation projection in the specific economic environment in which the CGU operates.

(ii) Pre-tax discount rate applied to the cash flow projections. The basis of the discount rate is the Weighted Average Cost of Capital (WACC) rate of the Group, adjusted with specific risk factors per CGU.

Sensitivity analysis of key assumptions:

A 20% increase in the discount rate and a 20% decrease in the growth rate of the value-in-use calculations per CGU will not result in an impairment charge of any intangible asset or goodwill in the 2010 financial year.

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
4. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND INTANGIBLE ASSETS continued				
An operating segment-level summary of the goodwill and indefinite useful life intangible assets is presented below:				
Goodwill				
Pi Shurlok - Plastics moulding	15 833	15 833	-	-
Pi Shurlok - Foreign operations	16 156	18 232	-	-
Indefinite useful life intangible assets				
CI Automotive - Gabriel division	34 453	34 453	-	-

Impairment charges:

Impairment charges in 2009 and 2010 of property, plant and equipment; distribution rights; and capitalised product development costs (refer to notes 2, 3.2 and 3.3) relate to specific property, plant and equipment and intangible assets where the assets will not be utilised in future periods and the assets' carrying amounts exceed their recoverable amounts.

No impairments of any goodwill or intangible assets (with both finite and indefinite useful lives) arose due to the value-in-use impairment calculations of the identified CGUs.

5. INTEREST IN SUBSIDIARIES

Non-current

Investments in subsidiaries

Unlisted shares at cost	208 560	208 560
Loans to directly held subsidiaries	120 000	-
Loans to indirectly held subsidiaries	76 000	-
	404 560	208 560
Directors' valuation	404 560	208 560

Current

Loans

To directly held subsidiaries	3 161	43 009
To indirectly held subsidiaries	18 411	117 063
To other Group entities	9 644	24 132
	31 216	184 204
Impairment	(10 097)	(10 097)
	21 119	174 107

Refer to note 34.4 for details and terms of loans to subsidiaries.

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

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010	2009	2010	2009
	R 000	R 000	R 000	R 000

6. INVESTMENTS IN JOINT VENTURES

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

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

6.1 Lear Shurlok Electronics (Pty) Limited

Share of accumulated profit after tax before dividends since acquisition	7 010	6 595	-	-
Accumulated dividends received since acquisition	(6 030)	(6 030)	-	-
Net carrying value	980	565	-	-

The following amounts represent the Group's share of the assets, liabilities and profits in Lear Shurlok Electronics (Pty) Limited:

Current assets	2 708	4 061	-	-
Current liabilities	(1 728)	(3 496)	-	-
Interest in equity	980	565	-	-
Share capital*	-	-	-	-
Share of accumulated profit	980	565	-	-

Revenue	19 574	20 979	-	-
Operating profit after interest	576	484	-	-
Profit after tax	415	148	-	-
Net cash utilised in operating activities	(1 930)	(696)	-	-

* Issued: 100 ordinary shares of R1 each

6.2 Aquapay (Pty) Limited

The investment in Aquapay (Pty) Limited of R1 582 000 is fully impaired (2009: fully impaired). This company has been deregistered subsequent to the year-end.

7. FINANCIAL ASSETS

7.1 Available-for-sale financial assets

Listed

Ordinary shares in MiX Telematics Limited				
600 000 (2009: 600 000) shares held at the beginning of the year	648	384	-	-
Fair value movements recognised in statement of comprehensive income	120	264	-	-
600 000 (2009: 600 000) shares held at the end of the year	768	648	-	-

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

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
7. FINANCIAL ASSETS continued				
7.1 Available-for-sale financial assets continued				
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	4 812	4 812	4 812	4 812
Accumulated impairment	(4 812)	(4 812)	(4 812)	(4 812)
Closing carrying value	-	-	-	-

The preference shares are fully paid par value convertible redeemable shares that are not convertible or redeemable in ordinary shares before May 2012.

7.2 Financial assets at fair value through profit or loss

Listed

Ordinary shares in MiX Telematics Limited

126 492 (2009: 126 492) shares held at the beginning of the year	137	81	-	-
Fair value movements recognised in income statement	25	56	-	-
126 492 (2009: 126 492) shares held at the end of the year	162	137	-	-

The fair value movement of R25 000 (2009: R56 000) has been included in other operating income in the income statement.

7.3 Fair values

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

Available-for-sale financial assets	768	648	-	-
Financial assets at fair value through profit or loss	162	137	-	-
	930	785	-	-

The fair value measurement for the above shares is level I based on the quoted price in the active market.

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
8. DEFERRED INCOME TAX				
The following deferred income tax balances are reflected at reporting date:				
Deferred income tax assets	31 886	28 445	-	-
Deferred income tax liabilities	(26 296)	(21 532)	-	-
Balance at the end of the year	5 590	6 913	-	-
Reconciliation				
Balance at the beginning of the year	6 913	(6 631)	-	-
Temporary differences credited to income statement	(296)	13 797	-	-
Rate change	(306)	-	-	-
Exchange rate adjustments	(1 202)	(1 665)	-	-
Tax charge relating to components of other comprehensive income	490	1 881	-	-
Other	(9)	(469)	-	-
Balance at the end of the year	5 590	6 913	-	-
Analysis				
Capital allowances	(18 072)	(17 447)	-	-
Intangible assets	(18 862)	(20 124)	-	-
Provisions	7 060	7 510	-	-
Prepayments	(386)	(220)	-	-
Tax losses	33 370	36 898	-	-
Hedging reserve	395	661	-	-
Foreign currency translation reserve	1 377	629	-	-
Other temporary differences	708	(994)	-	-
	5 590	6 913	-	-

Of the R33 370 000 (2009: R36 898 000) in respect of the tax losses recognised as deferred income tax assets, R33 184 000 (2009: R33 109 000) relates to the individual loss making Group companies. Based on approved business plans and budgets of these loss making subsidiaries, management's view is that the tax losses from previous years and other temporary differences can be utilised against future taxable profits and therefore realisation of the related tax benefit is probable.

The Group did not recognise a deferred income tax asset to the value of R1 712 300 (2009: R2 210 224) in respect of tax losses amounting to R2 872 290 (2009: R4 376 197) and capital losses amounting to R4 924 446 (2009: R4 924 446) because its utilisation against future taxable income is not highly probable.

The Company did not recognise a deferred income tax asset of R604 469 (2009: R644 895) in respect of tax losses amounting to R2 158 819 (2009: R2 303 197).

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
9. INVENTORIES				
Raw materials	56 844	45 011	-	-
Work in progress	9 303	10 862	-	-
Finished goods	70 447	68 821	-	-
	136 594	124 694	-	-

The cost of inventories recognised as an expense and included in cost of sales amounts to R517 149 000 (2009: R503 136 000).

Inventories carried at fair value less cost to sell amount to R973 000 (2009: R742 000).

Inventories are held as security for the general notarial bond (refer to note 31).

Refer to note 21 for write-down of inventory.

10. TRADE AND OTHER RECEIVABLES

External trade receivables	77 816	77 742	-	-
Related parties receivables (refer to note 34.3 and 34.5)	4 944	10 289	173	1 155
	82 760	88 031	173	1 155
Provision for impairment of trade receivables	(5 466)	(3 343)	-	-
	77 294	84 688	173	1 155
Prepayments	5 502	4 587	1	42
Other receivables	7 195	3 544	-	261
Rental deposit	1 924	2 140	-	-
Value Added Tax	407	2 149	-	-
Short-term loan to Multenet Technologies (Pty) Limited	-	-	-	-
	92 322	97 108	174	1 458

The short-term loan to Multenet Technologies (Pty) Limited is secured by trade receivables and inventory and is interest free and repayable on demand. The total loan of R6 984 000 has been impaired in full in prior years. R5 309 020 (2009: R5 309 020) 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	77 294	84 688	173	1 155
Other receivables	7 195	3 544	-	261
Rental deposit	1 924	2 140	-	-
Short-term loan to Multenet Technologies (Pty) Limited	-	-	-	-
	86 413	90 372	173	1 416

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

GROUP		COMPANY	
2010	2009	2010	2009
R 000	R 000	R 000	R 000

10. TRADE AND OTHER RECEIVABLES continued

Trade and other receivables that are less than three months past due are not considered impaired. As of 31 December 2010, the Group had trade and other receivables of R34 428 000 (2009: R48 721 000) that 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 settle their amounts owing to the Group.

The Company's trade and other receivables of R143 000 (2009: R30 000) that were past due but not impaired relate mostly to inter-company balances that will be repaid within the next twelve months.

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

Neither impaired, nor past due	51 985	41 651	30	1 386
Not impaired but past due in the following periods:				
Less than 30 days	24 867	27 566	-	-
Between 30 and 60 days	7 922	16 763	-	-
Between 60 and 90 days	701	3 327	-	-
More than 90 days	938	1 065	143	30
	86 413	90 372	173	1 416

An impairment provision of R5 466 000 (2009: R3 343 000) was recognised against trade receivables.

The ageing of the impaired portion of receivables is as follows:

Up to three months	1 794	1 265	-	-
More than three months past due	3 672	2 078	-	-
	5 466	3 343	-	-

The carrying amounts of trade and other receivables are denominated in the following currencies:

SA rand	50 871	56 444	173	288
US dollar	18 884	12 614	-	-
British pound	7 352	12 101	-	1 128
Euro	7 263	6 328	-	-
Australian dollar	1 829	2 857	-	-
Other currencies	214	28	-	-
	86 413	90 372	173	1 416

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
10. TRADE AND OTHER RECEIVABLES continued				
Movements in the provision for impairment of trade receivables are as follows:				
Balance at the beginning of the year	(3 343)	(4 112)	-	(83)
Provision charged to the income statement	(1 031)	(4 857)	-	-
Provision reversed to the income statement	1 362	183	-	83
Reclassification	(3 462)	-	-	-
Provisions utilised during the year	1 008	5 443	-	-
Balance at the end of the year	(5 466)	(3 343)	-	-

The creation of the provision for impaired receivables of R845 000 (2009: R4 857 000) has been included in administrative expenses and R186 000 (2009: Rnil) in selling and marketing expenses in the income statement. The release of the provision for impaired receivables of R1 362 000 (2009: R183 000) has been included in other operating income. When there is no expectation of recovering additional cash, amounts charged to the allowance 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. The Group does not have any security registered for amounts due from trade and other receivables.

Trade receivables securitisation

During 2010 the CI Debtors Finance (Pty) Limited ("CIDF") securitisation funding arrangement was replaced by a debtors finance facility. This resulted in the HSBC debentures being repaid at the end of March 2010.

These debentures were reclassified as current liabilities in the 2009 financial statements of the Group (refer to note 14).

Background information

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

- To create a flexible environment in which the Group could 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"), CI 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 maintained the right to manage and administer the collections process.

In terms of the program, the Group raised R64 million during December 2007 and an additional R3 million during March 2008 from Hong Kong and Shanghai Banking Corporation Limited ("HSBC Bank") at a fixed rate for a period of 5 years.

CIDF funded the purchase price paid to the Group by issuing 64 Class A, secured, non-amortising zaAA rated debentures and a R28 786 000 subordinated, unsecured, non-amortising and unrated loan. The zaAA Class A debentures were rated by an independent ratings agency.

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

10. TRADE AND OTHER RECEIVABLES continued

Trade receivables securitisation continued

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 program. The option was exercised at the end of March 2010.

The SPV and security trust are consolidated in terms of SIC12 Consolidation - Special Purpose Entities.

GROUP		COMPANY	
2010	2009	2010	2009
R 000	R 000	R 000	R 000

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

Control Instruments Automotive (Pty) Limited	-	62 535		
Pi Shurlok (Pty) Limited	-	35 270		
Pi Shurlok Engineering (Pty) Limited	-	2 935		
	-	100 740		

11. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND SHARE OPTIONS

Share capital

Authorised

The total authorised number of ordinary shares is 200 million (2009: 200 million) with a par value of 5 cents (2009: 5 cents) per share.

Issued

139 436 754 (2009: 139 436 754) ordinary shares at the beginning and end of the year

	6 972	6 972	6 972	6 972
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All the issued shares are ordinary shares with a par value of 5 cents per share and are fully paid.

Share premium

Balance at the beginning and end of the year

	396 996	396 996	396 996	396 996
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Treasury shares

2 049 712 (2009: 2 049 712) shares held by The Control Instruments Share Incentive Scheme

	(3 117)	(3 117)		
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Total issued share capital, share premium and treasury shares

	400 851	400 851	403 968	403 968
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notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

11. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND SHARE OPTIONS continued

Buy-back of shares

No shares were purchased during 2010 (2009: Nil).

Share options

The Control Instruments Share Incentive Scheme ("the share scheme")

Movements in the number of shares in the share scheme for the year

	GROUP	
	Number of shares	
	2010	2009
	000	000
Available for allocation at the beginning of the year	2 050	2 050
Shares purchased by the share scheme	-	-
Total available for allocation	2 050	2 050
Employee entitlement	(1 900)	(300)
Allocated but not yet granted at the end of the year	(150)	(1 850)
Shortfall at the end of the year	-	(100)

Share options are granted to directors and 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.

	GROUP			
	Average exercise price	Number of options	Number of options	Average exercise price
	2010	2010	2009	2009
	cents			cents
Share options at the beginning of the year	290	300 000	300 000	290
Share options granted	75	1 850 000	-	-
Forfeited	75	(250 000)	-	-
Share options at the end of the year	109	1 900 000	300 000	290

Out of the 1 900 000 (2009: 300 000) outstanding options, 500 000 (2009: 275 000) options were exercisable at year-end.

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

11. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND SHARE OPTIONS continued

Share options continued

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	GROUP		GROUP	
	Exercise price	Number of options	Number of options	Exercise price
	cents	2010	2009	cents
Expiry dates				
2011*	200	200 000	200 000	200
2011*	470	100 000	100 000	470
2015	75	1 600 000	-	-
		1 900 000	300 000	

In 2009 200 000 share options were extended to September 2011.

The fair value of options granted during the year, using the binomial model, was R624 226 (2009: Rnil). The option expense for the year was R238 000 (2009: Rnil).

The significant inputs into the model for the share options granted in May 2010 were share prices between R0.26 and R2.63 on various grant dates; exercise prices shown above; standard deviations of expected share price returns of between 18.59% and 90.49%; dividend yields of between 2.61% and 2.64%; a forfeiture rate of 5.84% and an option life of four and a half years.

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

* During 2007 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 MiX Telematics Limited. This opportunity was taken up by most of the option holders.

The outstanding share options at 31 December 2010 include two MiX Telematics Limited shares for every Control Instrument Group Limited share option.

The significant inputs into the model for these share options were share prices between R6.00 and R6.20 on various grant dates; exercise prices shown above (marked with an asterisk); standard deviations of expected share price returns of between 29.2% and 39.03%; dividend yields of between 1.03% and 1.10%, a forfeiture rate of nil% and the option life of four years.

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.

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
12. FOREIGN CURRENCY TRANSLATION RESERVE				
Balance at the beginning of the year	(12 382)	(3 185)	-	-
Currency translation differences for the year	(7 467)	(9 826)	-	-
Deferred income tax on fair value adjustments	748	629	-	-
Balance at the end of the year	(19 101)	(12 382)	-	-

The foreign currency translation reserve relates to exchange differences arising from the translation of foreign subsidiaries' income statements at average exchange rates for the year and their statements of financial position at the ruling exchange rates at the statement of financial position date if the functional currency differs.

13. OTHER RESERVES

Analysis

Hedging reserve	(1 016)	(1 710)	-	-
Available-for-sale reserve	(461)	(581)	-	-
Share based payment reserve (IFRS 2)	882	644	551	551
	(595)	(1 647)	551	551

Reconciliations

Hedging reserve

Cash flow hedges

Balance at the beginning of the year	(1 710)	1 539	-	-
Fair value gains/(losses) during the year	(1 411)	(2 363)	-	-
Deferred tax on fair value gains/(losses)	395	653	-	-
Transfers to the income statement	2 363	(2 138)	-	-
Deferred tax on transfers to the income statement	(653)	599	-	-
Balance at the end of the year	(1 016)	(1 710)	-	-

The hedging reserve relates to the changes in the fair value of derivative financial instruments. These derivative financial instruments are forward exchange contracts. Refer to note 32.1.

Available-for-sale reserve

Balance at the beginning of the year	(581)	(845)	-	-
Fair value adjustments	120	264	-	-
Balance at the end of the year	(461)	(581)	-	-

The available-for-sale reserve relates to the difference between the fair value and book value of investments in listed shares, classified as available-for-sale financial assets.

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
13. OTHER RESERVES continued				
Reconciliations continued				
Share based payment reserve (IFRS 2)				
Balance at the beginning of the year	644	644	551	551
Share option expense for the year	238	-	-	-
Balance at the end of the year	882	644	551	551

The fair value of share options issued to employees is accounted for in the share-based payment reserve over the vesting period. The reserve is adjusted at each year-end when the entity revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to this reserve in equity-settled plans.

14. BORROWINGS

Current

Bank overdraft	3 352	1 818	8 872	-
Current portion of finance leases, debentures and long-term loans	5 550	72 065	-	-
Debtors finance facility	70 000	-	-	-
Current loans	665	595	-	595
Total current borrowings	79 567	74 478	8 872	595

Non-current

Secured

Finance leases	16 614	13 252	-	-
Debentures	-	67 630	-	-
Long-term loans	-	1 936	-	-
	16 614	82 818	-	-
Less: Short-term portion included in current borrowings	(5 550)	(72 065)	-	-
Total non-current borrowings	11 064	10 753	-	-
Total borrowings	90 631	85 231	8 872	595

GROUP Carrying value

GROUP Fair value

The carrying value and the fair values of the non-current borrowings are as follows:

Finance leases	11 064	10 007	11 064	10 007
Long-term loans	-	746	-	746
	11 064	10 753	11 064	10 753

The fair value of current and non-current borrowings equals their carrying value.

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
14. BORROWINGS continued				
The carrying value of borrowings is denominated in the following currencies:				
SA rand	87 279	83 413	8 872	595
US dollar	3 352	1 818	-	-
	90 631	85 231	8 872	595
The Group has the following undrawn borrowing facilities:				
Floating rate - Expiring within one year	50 000	52 547	41 128	50 000

The facilities expiring within one year are annual facilities. They are subject to review at various dates during 2011.

Finance lease liabilities are secured by property, plant and equipment and other intangible assets with a book value of R9 832 000 (2009: R13 076 000).

The bank overdraft is secured by unlimited cross suretyships. Refer to note 31.

During 2010 the CIDF securitisation funding arrangement was replaced by a debtors finance facility. This resulted in the HSBC Bank debentures being repaid at the end of March 2010. Refer to note 10.

Maturity of non-current borrowings (excluding finance lease liabilities, but including debentures):

Within one year	-	68 820	-	-
Between one and two years	-	746	-	-
	-	69 566	-	-

Finance lease liabilities - minimum lease payments:

	GROUP		
	Up to one year	One to five years	Total
At 31 December 2010			
Total lease payments due	6 773	12 789	19 562
Finance costs included in total lease payments	(1 223)	(1 725)	(2 948)
Present value of finance lease liabilities	5 550	11 064	16 614
At 31 December 2009			
Total lease payments due	4 298	11 536	15 834
Finance costs included in total lease payments	(1 053)	(1 529)	(2 582)
Present value of finance lease liabilities	3 245	10 007	13 252

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010	2009	2010	2009
	R 000	R 000	R 000	R 000

14. BORROWINGS continued

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

At fixed interest rates: six months or less	665	595	-	595
At fixed interest rates: one to five years	-	67 630	-	-
At floating interest rates	89 966	17 006	8 872	-
	90 631	85 231	8 872	595

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

Bank overdraft	9.0%	11.9%	9.0%	11.9%
Debtors finance facility	9.0%	-	-	-
Current loans	8.8%	12.3%	-	12.3%
Finance lease liabilities	9.0%	10.6%	-	-
Debentures	-	11.4%	-	-
Long-term loans	-	10.7%	-	-

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 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
15. PROVISIONS				
Warranty provision				
Balance at the beginning of the year	8 141	8 739	-	-
Additional provisions charged to the income statement	2 784	6 595	-	-
Utilised during the year	(3 468)	(7 193)	-	-
Balance at the end of the year	7 457	8 141	-	-
Other provisions				
Balance at the beginning of the year	-	2 375	-	-
Exchange rate adjustments	-	(65)	-	-
Utilised during the year	-	(2 310)	-	-
Balance at the end of the year	-	-	-	-
Non-current	2 320	3 639	-	-
Current	5 137	4 502	-	-
	7 457	8 141	-	-

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.

16. TRADE AND OTHER PAYABLES

Trade payables	82 481	81 581	264	217
Accrued expenses	45 079	27 987	7 096	6 771
Deferred revenue	5 903	5 730	-	-
Value Added Tax	1 755	2 647	469	303
Other payables	1 259	5 480	-	-
	136 477	123 425	7 829	7 291

The fair value of the Group's trade and other payables is as follows:

Trade payables	82 481	81 581	264	217
Accrued expenses	45 079	27 987	7 096	6 771
Other payables	1 259	5 480	-	-
	128 819	115 048	7 360	6 988

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
16. TRADE AND OTHER PAYABLES continued				
The carrying values of the Group's trade and other payables are denominated in the following currencies:				
SA rand	94 150	76 327	7 341	6 988
British pound	8 994	5 144	19	-
US dollar	14 252	13 000	-	-
Euro	11 423	20 135	-	-
Japanese yen	-	372	-	-
Other currencies	-	70	-	-
	128 819	115 048	7 360	6 988

17. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts - cash flow hedges

Assets	-	-	-	-
Liabilities	(1 411)	(2 363)	-	-
Total	(1 411)	(2 363)	-	-

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 fair value measurement for the above financial instruments are level 2 based on inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2010 were R26 115 000 (2009: R48 397 000).

The highly probable hedged 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 the statement of comprehensive income (refer to note 13) on forward foreign exchange contracts as at 31 December are reclassified 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 reporting date.

The fair values of financial liabilities at year-end equal their carrying value.

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
18. DISCONTINUED OPERATIONS				
Total loss from discontinued operations consists of the following:				
Costs incurred relating to discontinued operations	-	(409)	-	(409)
Reduction to profit on disposal of fleet and vehicle management businesses	-	(5 000)	-	(5 000)
	-	(5 409)	-	(5 409)

Fleet management businesses sold to MiX Telematics Limited ("MIX")

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

A settlement agreement relating to the net working capital dispute was signed with MIX in 2009 and a R5 million settlement was accounted for under discontinued operations.

19. REVENUE

Sale of goods	815 563	758 745	-	-
Rendering of services	90 560	81 659	3 001	2 391
Dividend income - unlisted	-	-	1 132	-
	906 123	840 404	4 133	2 391
Continuing operations	906 123	840 404	4 133	2 391

20. OTHER OPERATING INCOME

Continuing operations

Profit on disposal of property, plant and equipment	63	64	-	-
Motor Industry Development Plan ("MIDP") claims	2 903	1 869	-	-
Foreign exchange gains	1 156	1 691	-	23
Reversal of impairment against investments and loans			-	65 250
Reversal of prior year bad and doubtful debts and other receivables	1 362	183	-	83
Rental income	45	1 286	-	-
Project recovery	1 674	507	-	-
Insurance claim	308	-	308	-
Other	2 662	1 135	-	435
	10 173	6 735	308	65 791

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
21. OPERATING PROFIT/(LOSS)				
Continuing operations				
Operating profit/(loss) 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	(63)	(64)	-	-
Loss on disposal and scrapping of property, plant and equipment	66	2 587	-	-
Net loss on disposal and scrapping of property, plant and equipment	3	2 523	-	-
Auditor's remuneration				
Audit fee	2 504	2 208	855	652
Under provision in prior year	379	103	175	378
Other services	299	617	-	-
	3 182	2 928	1 030	1 030
Depreciation of property, plant and equipment				
Land and buildings	680	677	-	-
Plant, machinery and equipment	16 437	17 918	-	-
Vehicles	690	674	-	-
	17 807	19 269	-	-
Owned	15 165	16 595	-	-
Under finance lease	2 642	2 674	-	-
	17 807	19 269	-	-
Classified as follows in the income statement:				
Cost of sales	14 617	15 856	-	-
Marketing and selling expenses	167	288	-	-
Administrative expenses	1 730	1 783	-	-
Other operating expenses	1 293	1 342	-	-
	17 807	19 269	-	-
Impairment of property, plant and equipment				
Plant, machinery and equipment	222	-	-	-
Repairs and maintenance expenditure on property, plant and equipment	10 408	10 140	-	-

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
21. OPERATING PROFIT/(LOSS) continued				
Amortisation of intangible assets				
Trademarks, patents and distribution rights	2 459	2 712	-	-
Customer relationships	3 689	4 271	-	-
Capitalised product development costs	2 466	680	-	-
Other intangible assets	3 351	3 954	-	-
	11 965	11 617	-	-
Classified as follows in the income statement:				
Cost of sales	3 855	4 979	-	-
Marketing and selling expenses	980	980	-	-
Administrative expenses	5 816	4 199	-	-
Other operating expenses	1 314	1 459	-	-
	11 965	11 617	-	-
Impairment of intangible assets				
Trademarks, patents and distribution rights	-	155	-	-
Capitalised product development costs	-	133	-	-
	-	288	-	-
Classified as follows in the income statement:				
Marketing and selling expenses	-	133	-	-
Administrative expenses	-	155	-	-
	-	288	-	-
Operating lease expenses				
Land and buildings	16 225	16 877	-	-
Equipment	2 309	3 155	-	-
Vehicles	295	297	-	-
	18 829	20 329	-	-
Inventory				
Write-down of inventory	4 797	19 843	-	-
Trade and other receivables				
Impairment charge for bad and doubtful debts	1 031	4 857	-	-
Reversal of prior year bad and doubtful debts	(1 362)	(183)	-	(83)
	(331)	4 674	-	(83)
(Profit)/loss on financial assets at fair value through profit or loss				
Unrealised	(25)	(56)	-	-

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
21. OPERATING PROFIT/(LOSS) continued				
Net foreign exchange (gains)/losses				
Gains	(1 156)	(1 691)	-	(23)
Losses	954	6 717	132	182
	<u>(202)</u>	<u>5 026</u>	<u>132</u>	<u>159</u>
Research and development costs	<u>5 929</u>	<u>6 798</u>	<u>-</u>	<u>-</u>
Restructuring costs	<u>-</u>	<u>2 264</u>	<u>-</u>	<u>-</u>
Investment in subsidiaries and inter-company loans				
Reversal of impairment of investments and loans			<u>-</u>	<u>(65 250)</u>
Income from subsidiary companies				
Management fees			3 001	2 391
Dividend income			1 132	-
			<u>4 133</u>	<u>2 391</u>
Directors' emoluments (refer to note 33)			<u>10 221</u>	<u>6 359</u>
Discontinued operations				
Reduction to profit on disposal of fleet and vehicle management businesses	<u>-</u>	<u>5 000</u>	<u>-</u>	<u>5 000</u>

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
22. EXPENSES BY NATURE				
Continuing operations				
Changes in inventories of finished goods and work in progress	126 985	130 869	-	-
Consumption of raw materials and consumables	390 164	372 267	-	-
Staff costs	216 207	196 382	1 305	2 658
Contract workers	10 838	4 133	-	-
Depreciation, amortisation and impairment charges	29 994	31 174	-	-
Advertising	7 244	6 312	-	3
Travel	10 094	8 220	16	43
Warranties	5 689	6 123	-	-
Operating lease expenses	18 829	20 329	-	-
Building utilities	17 027	13 036	-	-
Freight	12 602	12 147	-	-
Professional fees	13 317	9 351	1 088	1 701
Repairs and maintenance	10 888	10 140	-	-
Information technology	4 745	4 460	-	4
Listing costs	573	633	573	633
Communications	3 488	4 251	-	1
Packaging materials	3 804	3 027	-	-
Other expenses	21 069	32 276	1 763	1 430
Total cost of sales, marketing and selling, administrative and other operating expenses	903 557	865 130	4 745	6 473
Discontinued operations				
Professional fees	-	409	-	409
Reduction to profit on disposal of fleet and vehicle management businesses (refer to note 18)	-	5 000	-	5 000
Total cost of sales, marketing and selling, administrative and other operating expenses	-	5 409	-	5 409

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010	2009	2010	2009
	R 000	R 000	R 000	R 000

23. STAFF COSTS

Continuing operations

The total cost of employment of all employees, including executive directors, was as follows:

Wages and salaries	196 521	174 508	924	2 113
Social security costs	16 218	15 758	183	271
Share options expense	238	-	-	-
Retirement benefit costs	13 593	12 027	198	274
Termination benefits	233	2 264	-	-
	226 803	204 557	1 305	2 658

Employees at the end of the year:

	Number		Number	
Full time	899	889	1	1
Part time	89	37	-	-
	988	926	1	1

Staff costs include costs capitalised as part of intangible assets.

24. NET FINANCE INCOME/(COSTS)

Continuing operations

Finance income

Bank accounts	-	-	83	-
Interest income from related parties	-	-	1 348	1 510
Other	-	303	-	-
	-	303	1 431	1 510

Finance costs

Bank borrowings	(2 694)	(4 619)	(404)	(636)
Finance leases	(1 206)	(1 446)	-	-
Debentures	(1 889)	(7 661)	-	-
Long-term loans	(64)	(335)	-	-
Debtors finance facility	(5 236)	-	-	-
Other	(206)	(90)	-	(3)
	(11 295)	(14 151)	(404)	(639)

The Bank facilities are negotiated and managed at Group level. Interest is received and paid in a subsidiary company from where it is then allocated to other companies in the Group.

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
25. SHARE OF PROFIT FROM JOINT VENTURES				
Share of profits in Lear Shurlok Electronics (Pty) Limited	415	148		

26. TAXATION

Continuing operations

Current income tax - current year	837	2 899	-	-
- prior year	(1 794)	(3 905)	-	(200)
Deferred income tax - current year	2 729	(8 920)	-	-
- prior year	(2 433)	(4 877)	-	-
- rate change	306	-	-	-
	(355)	(14 803)	-	(200)

Tax rate reconciliation

	%	%	%	%
Standard rate	28	28	28	28
Adjusted for:				
Permanent differences	52	(7)	(29)	(29)
Deferred income tax not recognised on calculated losses	16	(2)	1	1
Deferred and normal income tax adjustments in respect of prior years	(224)	24	-	-
Rate change	16	-	-	-
Income tax calculated at domestic tax rates applicable to subsidiaries' profits in their respective countries	93	(3)	-	-
Effective rate	(19)	40	-	-

	R 000	R 000	R 000	R 000
Estimated assessable losses available for set-off against future taxable income:				
Total assessable losses	132 877	143 330	2 158	2 303
Applied to reduce deferred taxation	(125 081)	(134 030)	-	-
	7 796	9 300	2 158	2 303

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010	2009	2010	2009
27. EARNINGS PER SHARE				
27.1 Basic earnings per share				
Basic earnings per share is calculated by dividing the net profit/ (loss) attributable to equity holders of the Company by the weighted average number of shares in issue during the year, excluding the average number of ordinary shares purchased by the Control Instruments Share Incentive Scheme and held as treasury shares.				
Weighted average number of shares in issue (000)	137 387	137 387		
Continuing operations				
Profit/(loss) for the year (R 000)	2 214	(16 888)		
Basic earnings/(loss) per share (cents)	1.6	(12.3)		
Discontinued operations				
Loss for the year (R 000)	-	(5 409)		
Basic loss per share (cents)	-	(3.9)		
Total				
Profit/(loss) for the year (R 000)	2 214	(22 297)		
Basic earnings/(loss) per share (cents)	1.6	(16.2)		

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

GROUP
2010 2009

27. EARNINGS PER SHARE continued

27.2 Diluted earnings per share

The diluted earnings/(loss) 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 the net profit/(loss) attributable to equity holders.

Weighted average number of shares in issue (000)	137 387	137 387
Adjustments for share options (000)	-	-
	137 387	137 387

Continuing operations

Profit/(loss) for the year (R 000)	2 214	(16 888)
Diluted earnings/(loss) per share (cents)	1.6	(12.3)

Discontinued operations

Loss for the year (R 000)	-	(5 409)
Diluted loss per share (cents)	-	(3.9)

Total

Profit/(loss) for the year (R 000)	2 214	(22 297)
Diluted earnings/(loss) per share (cents)	1.6	(16.2)

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		GROUP	
	2010	2010	2009	2009
	R 000	R 000	R 000	R 000
	GROSS	NET	GROSS	NET
	(before tax)	(after tax)	(before tax)	(after tax)
27. EARNINGS PER SHARE continued				
27.3 Headline earnings/(loss) per share				
Weighted average number of shares in issue (000)	137 387	137 387	137 387	137 387
Continuing operations				
Profit/(loss) for the year	1 859	2 214	(31 691)	(16 888)
Loss on disposal and scrapping of property, plant and equipment	3	2	2 523	1 812
Impairment of property, plant and equipment	222	160	-	-
Impairment of intangible assets	-	-	288	208
Headline earnings/(loss)	2 084	2 376	(28 880)	(14 868)
Headline earnings/(loss) per share (cents)	1.5	1.7	(21.0)	(10.8)
Discontinued operations				
Loss for the year	-	-	(5 409)	(5 409)
Reduction to profit on disposal of fleet and vehicle management businesses	-	-	5 000	5 000
Headline loss	-	-	(409)	(409)
Headline loss per share (cents)	-	-	(0.3)	(0.3)
Total				
Profit/(loss) for the year	1 859	2 214	(37 100)	(22 297)
Reduction to profit on disposal of fleet and vehicle management businesses	-	-	5 000	5 000
Loss on disposal and scrapping of property, plant and equipment	3	2	2 523	1 812
Impairment of property, plant and equipment	222	160	-	-
Impairment of intangible assets	-	-	288	208
Headline earnings/(loss)	2 084	2 376	(29 289)	(15 277)
Headline earnings/(loss) per share (cents)	1.5	1.7	(21.3)	(11.1)

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		GROUP	
	2010	2010	2009	2009
	R 000	R 000	R 000	R 000
	GROSS	NET	GROSS	NET
	(before tax)	(after tax)	(before tax)	(after tax)
27. EARNINGS PER SHARE continued				
27.4 Diluted headline earnings/(loss) per share				
Weighted average number of shares in issue (000)	137 387	137 387	137 387	137 387
Adjustments for share options (000)	-	-	-	-
	137 387	137 387	137 387	137 387
Continuing operations				
Headline earnings/(loss) (R 000)	2 084	2 376	(28 880)	(14 868)
Diluted headline earnings/(loss) per share (cents)	1.5	1.7	(21.0)	(10.8)
Discontinued operations				
Headline loss (R 000)	-	-	(409)	(409)
Diluted headline loss per share (cents)	-	-	(0.3)	(0.3)
Total				
Headline earnings/(loss) (R 000)	2 084	2 376	(29 289)	(15 277)
Diluted headline earnings/(loss) per share (cents)	1.5	1.7	(21.3)	(11.1)

28. DIVIDENDS

No dividends were declared (2009: nil).

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
29. NOTES TO THE STATEMENTS OF CASH FLOWS				
29.1 Cash generated from/(utilised in) operations				
Profit/(loss) before tax - continuing operations	1 859	(31 691)	723	62 580
Loss before tax - discontinued operations	-	(5 409)	-	(5 409)
Adjusted for:				
Reduction to profit on disposal of fleet and vehicle management businesses	-	5 000	-	5 000
Depreciation of property, plant and equipment	17 807	19 269	-	-
Amortisation and impairment of intangible assets	11 964	11 905	-	-
Loss on disposal, scrapping and impairment of property, plant and equipment	225	2 523	-	-
(Reversal of impairment)/impairment of investments and loans			-	(65 250)
Net finance costs/(income)	11 295	13 848	(1 027)	(871)
Profit on financial assets at fair value through profit or loss	(25)	(56)	-	-
Write-down of inventory	4 797	19 843	-	-
Reversal of prior year impairment charges for bad and doubtful debts	(1 362)	(28)	-	-
Impairment charge for bad and doubtful debts	1 031	4 857	-	-
Share option expenses	238	-	-	-
Share of profit from joint ventures	(415)	(148)	-	-
Foreign exchange loss on loan	-	-	131	-
Dividend income	(36)	(31)	(1 132)	-
	47 378	39 882	(1 305)	(3 950)
Changes in working capital				
Decrease/(increase) in inventory	(17 405)	7 125	-	-
Decrease in trade and other receivables	2 238	19 899	1 284	8 257
Increase/(decrease) in trade and other payables and provisions	14 066	8 208	(149)	(2 740)
Cash generated from/(utilised in) operations	46 277	75 114	(170)	1 567
29.2 Cash and cash equivalents				
Cash and bank balances	45 050	30 072	-	32 190
Bank overdrafts	(3 352)	(1 818)	(8 872)	-
	41 698	28 254	(8 872)	32 190
Fair values of cash and cash equivalents	41 698	28 254	(8 872)	32 190

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
30. COMMITMENTS				
Capital expenditure commitments				
Authorised by directors and contracted for:				
Property, plant and equipment	1 010	-	-	-
Authorised by directors and not yet contracted for:				
Property, plant and equipment	3 778	4 501	-	-
The capital expenditure is to be financed as follows:				
Internally generated funds	-	-	-	-
Existing credit facilities	4 788	4 501	-	-
	4 788	4 501	-	-
Operating lease commitments				
The future lease payments under non-cancellable operating leases are as follows:				
Up to one year	7 508	13 972	-	-
Over one year but not more than five years	30 998	27 117	-	-
	38 506	41 089	-	-
The Group leases various buildings, office equipment and vehicles 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 R19 410 000 (2009: R19 964 000) was made in 2010, but an expense of R18 829 000 (2009: R20 329 000) was included in the income statement.				
Classified as follows in the income statement:				
Cost of sales	5 353	6 265	-	-
Administrative expenses	11 788	13 156	-	-
Marketing and selling expenses	518	576	-	-
Other operating expenses	1 170	332	-	-
	18 829	20 329	-	-

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP	
	2010	2009
	R 000	R 000
31. CONTINGENT LIABILITIES		
GROUP		
Guarantees		
South African Revenue Service	895	603
Assets pledged as security		
Property	26 856	27 214
Intangible assets (Gabriel trademark)	34 453	34 453
Trade receivables	87 407	100 740
Finance lease - property, plant and equipment (refer to note 2)	9 444	11 807
Finance lease - intangible assets (refer to note 3)	388	1 269

Unrestricted charge over the shares of Pi Shurlok Limited.

General notarial bond for R80 million over plant and equipment, inventory and other movable assets.

Cross-suretyships are in place between the different entities in the Group.

Rebate store

The South African Revenue Service claimed R12 million in respect of a rebate store operated by Pi Shurlok (Pty) Limited. Pi Shurlok (Pty) Limited lodged an appeal, which was successful and the matter is now closed.

COMPANY

The Company has signed a letter of support to Control Instruments Corporate Services (Pty) Limited to provide financial support if needed.

32. 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 risks through ongoing operational and finance activities.

32.1 Market risk

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position 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.

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

32. FINANCIAL INSTRUMENTS continued

32.1 Market risk continued

Price risk continued

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 2010, if the bid prices of equity investments in which the Group holds a share had been 15% higher/lower, with all other variables held constant, the net profit (2009: loss) for the year would have been R21 000 higher/lower (2009: R18 000 lower/higher) and other comprehensive income would have been R92 000 (2009: R78 000) higher/lower.

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 2010 and 31 December 2009 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.

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

	Closing rate of exchange	Foreign amount	Rand amount	Fair value	Profit/(loss)
	R	000	R 000	R 000	R 000
GROUP					
Year ended 31 December 2010					
Foreign exchange purchases					
US dollar	6.73	1 800	12 682	12 107	(575)
British pound	10.43	30	334	313	(21)
Euro	8.97	1 355	12 972	12 160	(812)
Japanese yen	0.08	1 500	127	124	(3)
			26 115	24 704	(1 411)
Year ended 31 December 2009					
Foreign exchange purchases					
US dollar	7.46	2 586	19 912	19 283	(629)
British pound	11.93	30	374	358	(16)
Euro	10.72	2 380	27 168	25 505	(1 663)
Japanese yen	0.08	10 999	943	888	(55)
			48 397	46 034	(2 363)

Receivables and trade payables at 31 December 2010 include aggregate net unhedged receivables of R16 802 000 (2009: R17 689 000) in respect of sales proceeds and purchases due in foreign currency.

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32. FINANCIAL INSTRUMENTS continued

32.1 Market risk continued

Foreign currency risk continued

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 2010, if the Rand had weakened/strengthened by 10% to the:

- US dollar; with all other variables held constant, post-tax profit (2009: loss) for the year would have been R870 000 higher/lower (2009: R593 000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables and trade payables.
- Euro, with all other variables held constant, post-tax profit (2009: loss) for the year would have been R146 000 higher/lower (2009: R306 000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade receivables and trade payables.
- Australian dollar; with all other variables held constant, post-tax profit (2009: loss) for the year would have been R132 000 higher/lower (2009: R206 000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of Australian dollar-denominated trade receivables and trade payables.
- British pound, with all other variables held constant, post-tax profit (2009: loss) for the year would have been R24 000 (2009: R170 000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of British pound-denominated trade receivables and trade payables.

Interest rate risk

The Group's interest rate risk at reporting date relating to financial liabilities is set out in note 14.

At 31 December 2010 cash and cash equivalents to the value of R41 698 000 (2009: R28 254 000) are exposed to interest rate risk.

Sensitivity analysis

Interest rate risks are presented by way of sensitivity analysis 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 2010, if interest rates on rand-denominated borrowings had been 1% higher/lower with all other variables held constant, the Group's net profit (2009: loss) for the year would have been R628 000 lower/higher (2009: R114 000 higher/lower), mainly as a result of higher/lower interest rate expense on floating rate borrowings.

During 2010, 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 R64 000 (2009: R4 000) lower/higher, mainly as a result of higher/lower interest rate expense on floating rate borrowings.

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FOR THE YEAR ENDED 31 DECEMBER 2010

GROUP		COMPANY	
2010	2009	2010	2009
R 000	R 000	R 000	R 000

32. FINANCIAL INSTRUMENTS continued

32.2 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 are as follows:

Cash and cash equivalents

Cash at banks and short-term bank deposits:

Barclays	Moody's rating: P-1 (2009:Aa3)	(1 193)	689	-	-
Standard Bank	Moody's rating: P-1 (2009:A1)	38 258	24 194	(8 872)	(32 153)
HSBC	Moody's rating: P-1 (2009:Aa2)	62	297	-	-
JP Morgan	Moody's rating: B (2009:Aa3)	4 350	2 756	-	-
Other		221	318	-	37
Total cash and cash equivalents		41 698	28 254	(8 872)	(32 190)

The Company has guaranteed the Group's credit facility of which the undrawn balance of R50 million is available.

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 a limited concentration of credit risk.

Concentration of credit risk

South Africa	51 529	56 417	173	288
Rest of Africa	1 230	461	-	-
Europe	18 989	20 428	-	1 128
USA	12 836	9 601	-	-
Other	1 829	3 465	-	-
	86 413	90 372	173	1 416

Classification of receivables

Key accounts with good track record	66 579	70 381	-	-
Other accounts with good track records	14 677	18 520	173	1 416
High risk customers	5 157	1 471	-	-
	86 413	90 372	173	1 416

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32. FINANCIAL INSTRUMENTS continued

32.2 Credit risk continued

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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

The Group's debtors book was given a zaAA rating by an independent ratings agency in respect of the debtors securitisation program. The debtors securitisation program was replaced by a debtors finance facility at the end of March 2010 (refer note 10).

32.3 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 that, as far as possible, 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 be reasonably 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 reporting 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 R 000	Total cash flows R 000	Less than 1 year R 000	Between 1 and 2 years R 000	Between 2 and 5 years R 000
GROUP					
At 31 December 2010					
Finance leases	16 614	19 562	6 773	4 452	8 337
Debtors finance facility	70 000	70 000	70 000	-	-
Bank overdraft	3 352	3 352	3 352	-	-
Derivative financial instruments	1 411	1 411	1 411	-	-
Trade and other payables	128 819	128 819	128 819	-	-
Current loans	665	665	665	-	-
	220 861	223 809	211 020	4 452	8 337
At 31 December 2009					
Finance leases	13 252	15 834	4 298	4 365	7 171
Debentures	67 630	69 519	69 519	-	-
Long-term loans	1 936	2 089	1 319	770	-
Bank overdraft	1 818	1 818	1 818	-	-
Derivative financial instruments	2 363	2 363	2 363	-	-
Trade and other payables	115 048	115 048	115 048	-	-
Current loans	595	595	595	-	-
	202 642	207 266	194 960	5 135	7 171

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FOR THE YEAR ENDED 31 DECEMBER 2010

	Carrying value R 000	Total cash flows R 000	Less than 1 year R 000	Between 1 and 2 years R 000	Between 2 and 5 years R 000
32. FINANCIAL INSTRUMENTS continued					
32.3 Liquidity risk continued					
COMPANY					
At 31 December 2010					
Current loans	8 872	8 872	8 872	-	-
Trade and other payables	7 360	7 360	7 360	-	-
	16 232	16 232	16 232	-	-
At 31 December 2009					
Current loans	595	595	595	-	-
Trade and other payables	6 988	6 988	6 988	-	-
	7 583	7 583	7 583	-	-

The Company has guaranteed the Group's credit facility. The liquidity risk linked to the guarantee is short-term and has a contractual cash flow of R50 million (2009: R50 million).

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 its capital structure, the Group may adjust 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 statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position (after adding back treasury shares) plus net debt.

During 2010 the Group increased its gearing ratio from 37% to 38%.

The gearing ratios at 31 December 2010 and 31 December 2009 were as follows:

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
Total borrowings	227 108	208 656	16 701	7 886
Less: cash and cash equivalents (limited to total borrowings)	(45 050)	(30 072)	-	(7 886)
Net debt	182 058	178 584	16 701	-
Total equity	295 109	298 562	409 155	408 432
Total capital	477 167	477 146	425 856	408 432
Gearing ratio	38%	37%	4%	0%

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	COMPANY	
	2010 R 000	2009 R 000
33. DIRECTORS		
33.1 Directors' remuneration		
Executive directors		
Remuneration for services paid for by:		
Company	1 110	1 542
Subsidiaries*	7 476	3 951
	8 586	5 493
Non-executive directors		
Fees for services as directors paid for by:		
Company	1 375	816
Subsidiaries*	260	50
	1 635	866
	10 221	6 359

* Pi Shurlok Limited and Control Instruments Corporate Services (Pty) Limited
(2009: Pi Shurlok Limited and Control Instruments Automotive (Pty) Limited).

GROUP

Year ended 31 December 2010

	Directors' fees	Basic salary	Share-based payment expense	Social security costs	Bonuses and performance related payments	Pension scheme contributions	Total
	R	R	R	R	R	R	R
Executive directors							
R Friedman ¹							
Foreign	-	2 304 398	-	191 252	-	-	2 495 650
Local	-	615 867	-	183 054	-	102 651	901 572
	-	2 920 265	-	374 306	-	102 651	3 397 222
SD Rogers ²	-	1 588 000	27 502	38 835	-	179 492	1 833 829
FE Giliomee ²	-	1 495 200	27 502	30 125	-	171 948	1 724 775
NCGN Preston ³	-	1 435 560	27 502	166 593	-	-	1 629 655
Non-executive directors							
JPS O'Leary	400 000	-	-	3 875	-	-	403 875
EPH Bieber ⁴	200 000	-	-	2 625	-	-	202 625
SV Bromfield	300 000	-	-	2 875	-	-	302 875
A Watson	347 500	-	-	2 825	-	-	350 325
IH Scott-Gall	300 000	-	-	550	-	-	300 550
PM Surgey ⁵	75 000	-	-	-	-	-	75 000
Total	1 622 500	7 439 025	82 506	622 609	-	454 091	10 220 731

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33. DIRECTORS continued

33.1 Directors' remuneration continued

GROUP

Year ended 31 December 2009

	Directors' fees	Basic salary	Share-based payment expense	Expense allowance	Bonuses and performance related payments	Pension scheme contributions	Total
	R	R	R	R	R	R	R
Executive directors							
R Friedman							
Foreign	-	1 724 244	-	472 396	-	-	2 196 640
Local	-	748 825	-	19 020	-	100 870	868 715
	-	2 473 069	-	491 416	-	100 870	3 065 355
FE Giliomee	-	728 186	-	9 880	-	81 650	819 716
SD Rogers	-	677 098	-	74 491	-	84 323	835 912
NCGN Preston	-	93 495	-	-	-	5 610	99 105
RJ Fraenkel	-	539 209	-	65 818	-	68 296	673 323
Non-executive directors							
JPS O'Leary	353 500	-	-	-	-	-	353 500
EPH Bieber	209 792	-	-	-	-	-	209 792
SV Bromfield	252 500	-	-	-	-	-	252 500
A Watson	25 000	-	-	-	-	-	25 000
IH Scott-Gall	25 000	-	-	-	-	-	25 000
Total	865 792	4 511 057	-	641 605	-	340 749	6 359 203

Notes

2010

¹ R Friedman did not receive an increase in salary during 2010. The difference in his remuneration between 2009 and 2010 relates to relocation allowances paid and exchange rate differences.

² SD Rogers' and E Giliomee's remuneration relates to twelve months in 2010 compared with eight months in 2009.

³ NCGN Preston resigned as an executive director on 26 November 2010.

⁴ EPH Bieber retired as a non-executive director on 30 August 2010.

⁵ PM Surgey was appointed as a non-executive director on 1 October 2010.

Share options were issued to directors of the Company during 2010 (2009: nil).

2009

EPH Bieber was re-appointed as a non-executive director on 1 March 2009.

RJ Fraenkel resigned as an executive director on 14 April 2009.

FE Giliomee was appointed as an executive director on 24 April 2009.

SD Rogers was appointed as an executive director on 24 April 2009.

A Watson was appointed as a non-executive director on 4 December 2009.

IH Scott-Gall was appointed as a non-executive director on 4 December 2009.

NCGN Preston was appointed as an executive director on 4 December 2009.

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33. DIRECTORS continued

33.2 Directors' interest in shares

The direct and indirect interests of the directors and their associates in the issued share capital of the Company at 31 December 2010 and at the date of this report were 16 934 101 (2009: 16 349 326*) shares.

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

	Direct	Indirect	Associate	Total	%
GROUP					
31 December 2010					
R Friedman*	8 354 434	828 100	2 039 592	11 222 126	8.05
SV Bromfield	4 605 186	-	-	4 605 186	3.30
FE Giliomee	500 000	-	-	500 000	0.36
JPS O'Leary	250 000	-	-	250 000	0.18
SD Rogers	185 200	-	-	185 200	0.13
IH Scott-Gall	171 589	-	-	171 589	0.12
A Watson	-	-	-	-	-
PM Surgey	-	-	-	-	-
				16 934 101	12.14

31 December 2009

R Friedman *	8 354 434	828 100	2 039 592	11 222 126	8.05
SV Bromfield	4 000 000	-	-	4 000 000	2.87
FE Giliomee	500 000	-	-	500 000	0.36
JPS O'Leary	250 000	-	-	250 000	0.18
SD Rogers	185 200	-	-	185 200	0.13
NCGN Preston	135 000	-	-	135 000	0.10
EPH Bieber	57 000	-	-	57 000	0.04
A Watson	-	-	-	-	-
IH Scott-Gall	-	-	-	-	-
				16 349 326	11.73

* In line with JSE Listings Requirements, R Friedman's shareholding has been adjusted to exclude 'indirect non-beneficial' shares. His 2009 shareholding has been restated.

33.3 Directors' share options

Details of directors' share options are shown below.

Number of options	2009	During the year			2010	Option price R	Date received	Expiry date
		Taken up	Granted	Forfeited				
R Friedman	200 000	-	-	-	200 000	2.00	2 Sept 2005	2 Sept 2011
SD Rogers	-	-	200 000	-	200 000	0.75	20 May 2010	20 May 2015
FE Giliomee	-	-	200 000	-	200 000	0.75	20 May 2010	20 May 2015
NCGN Preston	-	-	200 000	(200 000)	-	0.75	20 May 2010	-

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	GROUP		COMPANY	
	2010	2009	2010	2009
	R 000	R 000	R 000	R 000
34. RELATED PARTY DISCLOSURE				
34.1 Transactions with directors				
Rental of office premises	132	132	-	-
Other services	403	299	-	106
	535	431	-	106

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

Refer to note 33 for directors' remuneration and share options.

34.2 Key management personnel remuneration (excluding Company directors)

Remuneration	5 478	3 213	-	-
Post-employment benefits	541	251	-	-
Share-based payment expense	69	-	-	-
	6 088	3 464	-	-

The general managers of subsidiary companies, the financial director of the international operations and the Group human resources executive are considered to be key management personnel.

34.3 Joint ventures

Sales to Lear Shurlok Electronics (Pty) Limited	34 096	41 840	-	-
Receivables from Lear Shurlok Electronics (Pty) Limited	4 944	10 289	-	-

34.4 Loans to related parties

At the beginning of the year		174 107	174 740
Net movement for the year		43 012	(65 883)
Reversal of impairment of loans		-	65 250
At the end of the year		217 119	174 107

Loans to directly held subsidiaries

Powerswift Limited	926	774
Transport Lighting and Fleet Products (Pty) Limited	2 235	2 235
Pi Shurlok (Pty) Limited	120 000	40 000

Loans to indirectly held subsidiaries

Pi Shurlok Engineering (Pty) Limited	76 000	100 000
Pi Shurlok Limited	18 411	17 063

Loans to other entities

CI Debtors Finance (Pty) Limited	-	14 488
The Control Instruments Share Incentive Scheme	9 644	9 644

	227 216	184 204
Impairment	(10 097)	(10 097)
Net interest in loans	217 119	174 107

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FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
	2010 R 000	2009 R 000	2010 R 000	2009 R 000
34. RELATED PARTY DISCLOSURE continued				
34.4 Loans to related parties continued				
Investment in subsidiaries			196 000	-
Current assets			21 119	174 107
			217 119	174 107

Except for the loans to Pi Shurlok Limited, Pi Shurlok (Pty) Limited and Pi Shurlok Engineering (Pty) Limited, the loans are unsecured, interest free and are repayable on demand.

The loan to Pi Shurlok Limited is unsecured, bears interest at prime rate less 2% and is repayable on demand with a six month notice period.

The loans to Pi Shurlok (Pty) Limited and Pi Shurlok Engineering (Pty) Limited are unsecured, interest free and will not be repaid until both Control Instruments Group Limited and the relevant company agree to it. These loans are linked to the capital of each company and are classified as equity.

The loan to The Control Instruments Share Incentive Scheme ("the Share Scheme") is secured by a pledge of 2 049 712 (2009: 2 049 712) Control Instruments Group Limited shares with a market value of R1 537 284 (2009: R1 332 313).

A reversal of impairment of the loans to Pi Shurlok Engineering (Pty) Limited ("Pi Shurlok Engineering") and the Share Scheme was recognised during 2009. The reversal of the impairment of the loan to the Share Scheme was based on an improved valuation of the equity instruments held by the Share Scheme.

The reason for the reversal of the impairment of the loan to Pi Shurlok Engineering was a positive sustainable change in the financial performance of the Pi Shurlok Engineering business during the year.

The ability of the business to repay the loan to Control Instruments Group Limited is determined based on the projected surplus future cash flows of the Pi Shurlok Engineering business. Future cash flows are determined based on the financial strategic projections approved by management and the board of directors covering a four year period, taking into account past performance and their expectations for market development. Cash flows beyond the four year period are extrapolated using an estimated growth rate of 5.3% (2009: 6.1%).

Based on projected surplus future cash flows calculated above, there is no reason to believe that the Pi Shurlok Engineering business will not be able to repay the loan in the foreseeable future.

Sensitivity analysis of key assumption

A 20% decrease in the 5.3% (2009: 6.1%) estimated growth rate of the business will not have an impact on the ability of the business to repay the loan to its holding company.

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	COMPANY	
	2010	2009
	R 000	R 000
34. RELATED PARTY DISCLOSURE continued		
34.4 Loans to related parties continued		
The loans to Transport Lighting and Fleet Products (Pty) Limited, The Control Instruments Share Incentive Scheme and Pi Shurlok Limited are subordinated.		
Company	Subordinated to:	
Transport, Lighting and Fleet Products (Pty) Limited	All creditors	
The Control Instruments Share Incentive Scheme	All creditors	
Pi Shurlok Limited	Barclays Bank	
34.5 Year-end balances arising from sales/purchases of goods/services		
Receivables from related parties		
Control Instruments Corporate Services (Pty) Limited	23	-
The Control Instruments Share Incentive Scheme	150	12
Pi Shurlok Limited	-	1 128
CI Debtors Finance (Pty) Limited	-	15
	173	1 155
Trade and other payables		
Pi Shurlok Limited	19	-
Management fees earned from subsidiaries		
Control Instruments Automotive (Pty) Limited	2 063	1 408
Pi Shurlok (Pty) Limited	397	685
Pi Shurlok Engineering (Pty) Limited	541	298
	3 001	2 391
Dividends received from subsidiaries		
CI Debtors Finance (Pty) Limited	1 132	-
Management fees paid to subsidiaries		
Control Instruments Automotive (Pty) Limited	-	358
Control Instruments Corporate Services (Pty) Limited	114	-
	114	358

35. PENSION AND OTHER POST-RETIREMENT OBLIGATIONS

Pension and provident funds

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 2007 and the next valuation will be based on the audited results as at 31 December 2010.

The cost of retirement benefits charged to the income statement during the financial year under review amounts to R13 593 000 (2009: R12 027 000).

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36. CHANGE IN ACCOUNTING ESTIMATE

Re-assessment of useful lives of trademarks

The useful life of the Gabriel trademark was re-assessed during 2009 as being indefinite as there is no foreseeable limit to the period over which this trademark is expected to generate net cash inflows for the Group. The market share of this trademark and the duration of its existence support this assessment. The Gabriel trademark is owned by CI Automotive (Pty) Limited.

The change in the estimated useful life of this trademark had the following impact on the previous year's financial results:

	GROUP 2009 R 000
Increase in profit before tax	1 520
Increase in deferred income tax expense	(426)
Net increase in profit for the year	<u>1 094</u>

37. LITIGATION WITH SAGERCY

The Group acquired a 100% interest in the businesses of Sagercy PE, Ariston and Specialised Plastics Engineering ("SPE") ("Sagercy business") with effect from 1 March 2006. Ariston and SPE were sold to Smiths Plastics (Pty) Limited, a subsidiary of Metair Investments Limited with effect from 17 March 2008.

The case against the previous owners of the Sagercy business for the recovery of R34 million arising out of certain warranties and representations made by them is ongoing.

38. 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 the international OEM 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.

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38. SEGMENTAL INFORMATION *continued*

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.

The board of directors has re-evaluated the basis for measuring normalised earnings before tax, depreciation and amortisation (normalised EBITDA) and has excluded inter-segment service charges from the measure. Normalised EBITDA for 2009 has been restated accordingly. However, this had no effect on the statement of financial position or the income statement.

Segmental information for the year ended 31 December 2010

	GROUP				Total R 000
	OEM R 000	Aftermarket R 000	Head office R 000	Unallocated / eliminations R 000	
External revenue	433 188	472 935	-	-	906 123
Inter-segment revenue	3 478	-	19 314	(22 792)	-
Total segment revenue	<u>436 666</u>	<u>472 935</u>	<u>19 314</u>	<u>(22 792)</u>	<u>906 123</u>
Normalised EBITDA	<u>7 911</u>	<u>53 153</u>	<u>(16 734)</u>	<u>(1 357)</u>	<u>42 973</u>
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

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38. SEGMENTAL INFORMATION continued

Segmental information for the year ended 31 December 2009

			GROUP		Total R 000
	OEM R 000	Aftermarket R 000	Head office R 000	Unallocated / eliminations 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.

notes to the annual financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

38. SEGMENTAL INFORMATION continued

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

	GROUP	
	2010	2009
	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)

The Group is domiciled in South Africa. The results of its revenue from external customers in South Africa and other countries is as follows:

Revenue

South Africa	715 704	691 678
Other countries	190 419	148 726
	906 123	840 404

The total of non-current assets other than financial instruments and deferred tax assets are located as follows:

Non-current assets

South Africa	207 178	217 079
Other countries	40 804	40 782
	247 982	257 861

freehold land and buildings

AT 31 DECEMBER 2010

20 Wiganthorpe Road, Pietermaritzburg

26 Wiganthorpe Road, Pietermaritzburg

28-30 Wiganthorpe Road, Pietermaritzburg

	Date of acquisition/additions	GROUP	
		2010 R 000	2009 R 000
Land	January 2004	500	500
	November 2002	100	100
	July 1987	44	44
Buildings	January 2004	10 867	10 867
	November 2002	857	857
	July 1987	542	542
Additions	2010	322	-
	2009	124	124
	2008	736	736
	2007	414	414
	2006	226	226
	2005	1 582	1 582
	2004	770	770
	2003	1 341	1 341
	2002	834	834
	2001	608	608
	2000	5 213	5 213
1999	610	610	
1988 - 1994	2 737	2 737	
Adoption of IFRS I - Revaluation of the land and buildings	1 January 2004	4 618	4 618
		33 045	32 723
Directors' valuation		39 000	39 000

principal subsidiary companies

AT 31 DECEMBER 2010

DIRECTLY HELD

	Number of shares		Shareholding		Cost of shares	
	2010	2009	2010 %	2009 %	2010 R 000	2009 R 000
Pi Shurlok (Pty) Limited Design, development, manufacturing, sales and distribution	480 000	480 000	100	100	2 684	2 684
Control Instruments Automotive (Pty) Limited Design, development, manufacturing, sale and distribution of aftermarket components	5 000	5 000	100	100	133 252	133 252
Powerswift Limited Holding company	2 155	2 155	100	100	72 624	72 624
Transport Lighting and Fleet Products (Pty) Limited Sales and distribution	10 000	10 000	100	100	-	-
Control Instruments Corporate Services (Pty) Limited Service supplier; including management and treasury services	100	-	100	-	-	-
CI Debtors Finance (Pty) Limited * Debtors factoring	100	-	100	-	-	-
Provision for impairment					-	-
					208 560	208 560
Loans						
						Carrying value of loans
Pi Shurlok Engineering (Pty) Limited					76 000	-
Pi Shurlok (Pty) Limited					120 000	-
					196 000	-

All of the above companies have a December year-end and are unlisted.

Apart from Powerswift Limited, which is incorporated in Cyprus, all of the above companies are incorporated in South Africa.

* Deregistered subsequent to year-end.

principal subsidiary companies

AT 31 DECEMBER 2010

INDIRECTLY HELD

	Country of incorporation	Shareholding	
		2010	2009
Pi Shurlok Limited	UK	100%	100%
Pi Shurlok Engineering (Pty) Limited	South Africa	100%	100%
Pi Shurlok LLC	USA	100%	100%
Pi Shurlok GmbH	Germany	100%	100%

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

joint ventures

AT 31 DECEMBER 2010

	Shareholding		Cost of shares	
	2010	2009	2010	2009
	%	%	R 000	R 000
Lear Shurlok Electronics (Pty) Limited	49	49	-	-
Distribution of specialised automotive electronic products.				
The company has a December year-end and is unlisted.				
It is incorporated and carries on its principal operations in South Africa.				
Aquapay (Pty) Limited	50	50	-	-
The company was deregistered subsequent to the year-end.				

shareholding analysis

AT 31 DECEMBER 2010

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 - 1 000 shares	492	40.39	205 270	0.15
1 001 - 10 000 shares	482	39.57	1 858 840	1.33
10 001 - 100 000 shares	178	14.61	6 293 848	4.51
100 001 - 1 000 000 shares	47	3.86	15 240 771	10.93
1 000 001 shares and over	19	1.57	115 838 025	83.08
	1 218	100.00	139 436 754	100.00

Distribution of shareholders

Banks	6	0.49	60 175 778	43.16
Close corporations	20	1.64	1 127 218	0.81
Endowment funds	4	0.33	30 701	0.02
Individuals	1 066	87.52	40 925 288	29.35
Insurance company	1	0.08	1 457 527	1.05
Investment companies	4	0.33	393 707	0.28
Mutual funds	8	0.66	25 647 536	18.39
Nominees and trusts	76	6.24	3 358 492	2.41
Other corporations	7	0.57	169 500	0.12
Private companies	22	1.81	1 193 876	0.86
Retirement funds	3	0.25	2 907 419	2.09
Share trusts	1	0.08	2 049 712	1.47
	1 218	100.00	139 436 754	100.00

Public/non-public shareholders

Non-public shareholders	14	1.15	63 398 757	45.47
Directors and associates of company holdings	11	0.91	16 934 101	12.14
Strategic holdings (more than 10%)	1	0.08	41 871 144	30.03
Share trusts	1	0.08	2 049 712	1.48
Issuer pension funds	1	0.08	2 543 800	1.82
Public shareholders	1 204	98.85	76 037 997	54.53
Total	1 218	100.00	139 436 754	100.00

shareholding analysis

AT 31 DECEMBER 2010

	Number of shareholdings	%	Number of shares	%
Resident/non-resident shareholders				
Resident	1 191	97.78	120 133 823	86.16
Non-resident	27	2.22	19 302 931	13.84
	1 218	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:

Rand Merchant Bank	41 871 144	30.03
Hermes Asset Management	13 570 000	9.73
Tantalum Capital	12 442 419	8.92
SIX SIS Ltd (Custodian)	10 927 715	7.84
Pictet et cie Banquiers (Custodian)	7 274 328	5.22
	86 085 606	61.74

corporate information

CONTROL INSTRUMENTS GROUP LIMITED

www.ci.co.za

Company registration number 1964/003987/06

Share code: CNL

ISIN: ZAE000001665

COMPANY SECRETARY

JC Jeffery

REGISTERED OFFICE

28 Wiganthorpe Road

Willowton

Pietermaritzburg 3201

PO Box 2661, Paarl 7620

AUDITOR

PricewaterhouseCoopers Incorporated

Capital Place, 15 - 21 Neutron Avenue

Technopark, Stellenbosch 7600

PO Box 57, Stellenbosch 7599

BANKER

The Standard Bank of South Africa Limited

5th Floor, Standard Bank Centre, Heerengracht

Cape Town 8001

PO Box 40, Cape Town 8000

SPONSOR

Investec Bank Limited

100 Grayston Drive

Sandton 2196

PO Box 785700, Sandton 2146

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

General +27 11 688 5200

Proxy submissions +27 11 688 5238

notice of annual general meeting

CONTROL INSTRUMENTS GROUP LIMITED

(Incorporated in the Republic of South Africa)

Company registration number 1964/003987/06

Share code: CNL

ISIN: ZAE000001665

("Control Instruments" or "the Company")

Notice of meeting

Notice is hereby given in terms of S179(1) of the Companies Act Number 61 of 1973, as amended that the twenty-third annual general meeting of Control Instruments Group Limited ("Control Instruments" or "the Company") will be held at Control Instruments Automotive, 59 Merino Avenue, City Deep, Johannesburg, South Africa on Wednesday, 15 June 2011 at 15h00 to conduct the business set out below.

Interpretation of this notice

All references in this notice of annual general meeting to the "JSE Listings Requirements" means the Listings Requirements of the JSE Limited, as amended from time to time and as interpreted and applied or disappplied by the JSE Limited.

Save where the context requires otherwise, all references in this notice of annual general meeting to the "Companies Act" means the "Companies Act Number 61 of 1973, as amended", until the general effective date of the Companies Act No. 71 of 2008, whereafter they shall mean the "Companies Act No. 71 of 2008, as amended".

Purpose of meeting

The purpose of the meeting is to consider and, if deemed fit, to pass, with or without modification, the resolutions set out below.

Ordinary resolution number 1 - Adoption of annual financial statements

The complete annual financial statements of the Company and its subsidiaries ("the Group") and the Company for the financial year ended 31 December 2010 form part of the annual report that accompanies this notice. A summarised form of these financial statements has therefore not been presented. The complete annual financial statements of the Group and the Company for the financial year ended 31 December 2009 can be accessed on the Group's web site, www.ci.co.za.

To adopt the audited annual financial statements of the Group and Company for the year ended 31 December 2010 and the reports of the directors and the auditor.

In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

Ordinary resolution number 2 - Re-appointment of external auditor

To reappoint the Company's auditor, PricewaterhouseCoopers, Inc. on the recommendation of the current Audit Committee of the Company, as independent registered auditor of the Company (noting that Mr Frans Weilbach is the individual registered auditor of that firm who will undertake the audit) for the period until the next annual general meeting of the Company.

In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

notice of annual general meeting

Ordinary resolution number 3 - Fixing of auditor's remuneration

To authorise the directors to fix the auditor's remuneration for the past year.

In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

Ordinary resolution number 4 - Confirmation of appointment of Mr PM Surgey

To confirm the appointment of Mr PM Surgey who was appointed as a director with effect from 1 October 2010. His abridged *curriculum vitae* appears on page 20 of the annual report. The Board unanimously recommends his appointment to shareholders.

In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

Ordinary resolution number 5 - Re-election of directors

To elect Messrs IH Scott-Gall and SD Rogers who retire by rotation and, being eligible, offer themselves for re-election. Their abridged *curricula vitae* appear on pages 20 and 21 respectively of the annual report. The re-election of each director will be carried out in separate ordinary resolutions. The Board unanimously recommends the re-election of these directors to shareholders.

In order for these resolutions to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

Ordinary resolution number 6 - Appointment of members of the Audit Committee

To elect Audit Committee members as recommended by the King Code of Governance for South Africa 2009 ("King III") (Chapter 3).

The Board is satisfied that the Company's Audit Committee members are suitably skilled and experienced independent non-executive directors. Collectively they have sufficient qualifications and experience to fulfil their duties. They have an excellent understanding of financial reporting, internal financial controls, risk management and governance processes within the Company, as well as International Financial Reporting Standards, South African Statements of Generally Accepted Accounting Practice and other regulations and guidelines applicable to the Company. They more than adequately keep up-to-date with developments affecting their required skill-set.

The Board therefore unanimously recommends Professor A Watson and Messrs PM Surgey and IH Scott-Gall for election to the Audit Committee. Their abridged *curricula vitae* appear on page 20 of the annual report.

In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

notice of annual general meeting

Ordinary resolution number 7 - Authority to issue shares to the Control Instruments Share Incentive Scheme

To grant a special authority to the Board of directors to allot and issue a maximum of 14 million ordinary shares, less such number of shares that may have been issued between 30 April 2010, being the date of the previous annual general meeting, and 15 June 2011, being the date of the upcoming annual general meeting, in the share capital of the Company to the Control Instruments Share Incentive Scheme, Masters reference IT 866/96 ("the scheme") as and when such shares are subscribed for by the trustees of the scheme pursuant to and subject to the terms and conditions of the scheme and the JSE Listings Requirements. This authority shall be valid only until the next annual general meeting of the Company.

In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

Special resolution number 1 - Fees of non-executive directors

To approve the payment by the Company of the proposed remuneration of the non-executive directors for the year ended 31 December 2011 as follows.

	31 December 2010	Proposed 31 December 2011
Chairman of the Board	R400 000	R450 000
Chairman of the Audit Committee	R360 000	R375 000
Chairman of the Remuneration Committee	R300 000	R300 000
Non-executive director	R300 000	R300 000

The reason for and effect of this resolution is to approve the payment by the Company of the proposed remuneration of the non-executive directors for the year ended 31 December 2011.

In order for this resolution to be adopted, the support of at least 75% of the total number of votes that the shareholders present or represented by proxy at this meeting are entitled to cast is required.

Special resolution number 2 - Financial assistance to related or inter-related company

To approve any direct or indirect financial assistance generally to any company or corporation that is related or inter-related to the Company, as authorised by the Board of the Company.

The reason for and effect of this resolution is to approve financial assistance by the Company to related or inter-related entities as authorised by the Board of the Company.

In order for this resolution to be adopted, the support of at least 75% of the total number of votes that the shareholders present or represented by proxy at this meeting are entitled to cast is required.

notice of annual general meeting

Special resolution number 3 - Acquisition of shares issued by the Company

The Company or one of its subsidiaries be and are hereby authorised, by way of a general authority, to acquire shares issued by the Company upon such terms and conditions as the directors may from time to time decide, but subject to the provisions of the Companies Act and the JSE Listings Requirements, including the following terms and conditions:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- the Company being authorised thereto in terms of its articles of association;
- at any point in time, the Company may only appoint one agent to effect any repurchase;
- this general authority be valid until the Company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing of this special resolution (whichever period is shorter);
- an announcement be published as soon as the Company has cumulatively repurchased 3% of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of shares and for each 3% in aggregate of the initial number of that class acquired thereafter; containing full details of such repurchases;
- repurchases by the Company in aggregate in any one financial year may not exceed 20% of the Company's issued share capital as at the date of passing of this special resolution or 10% of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;
- repurchases may not be made at a price greater than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date on which the transaction was effected;
- an issuer or its subsidiary may not repurchase shares during a prohibited period as defined in paragraph 3.67 unless they have in place a repurchase program where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the program have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of twelve months after the date of this annual general meeting:

- the Company and the Group will be able, in the ordinary course of business, to pay their debts;
- the consolidated assets of the Company and the Group fairly valued will be in excess of the liabilities of the Company and the Group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited Group annual financial statements;
- the working capital of the Company and the Group will be adequate for ordinary business purposes; and
- the share capital and reserves are adequate for the ordinary business purposes of the Company and the Group.

The reason for and effect of this resolution is to grant the Company a general authority to facilitate the acquisition of the Company's own shares, which general authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that this general authority shall not extend beyond fifteen (15) months from the date of adoption of this resolution. Such general authority will provide the directors with flexibility to effect a repurchase of the Company's shares, should it be in the interest of the Company to do so at any time while the general authority is in force.

notice of annual general meeting

In order for this resolution to be adopted, the support of at least 75% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Additional disclosure required in terms of the JSE Listings Requirements in respect of this resolution

The following additional information, some of which appears elsewhere in this annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of the general authority:

- Directors - pages 20 and 21.
- Major shareholders - page 103.
- Directors' interest in ordinary shares - refer to note 33.2 on page 91.
- Share capital of the Company - refer to note 11 on pages 61 to 63.
- Contingent liabilities - refer to note 31 on page 83.
- Litigation statement - refer to note 37 on page 95.

Directors' responsibility statement

The directors of the Company, whose names are given on pages 20 and 21, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all relevant information.

Material changes

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

The directors have no specific intention, at present, for the Company to repurchase any of the securities issued by the Company, but consider that such a general authority should be put in place should an opportunity present itself to do so during the year that is in the best interests of the Company and its shareholders. The reason for and effect of this special resolution is to grant the Company or one of its subsidiaries a general authority in terms of the Companies Act and the JSE Listings Requirements for the acquisition by the Company or one of its subsidiaries of shares issued by the Company.

Ordinary resolution number 8 - Authority to implement resolutions

Each of the directors of the Company is authorised to do all things, perform all acts and sign all documentation necessary to effect the implementation of the ordinary and special resolutions adopted at this annual general meeting.

In order for this resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

WHO MAY ATTEND AND VOTE

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

notice of annual general meeting

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

PROXIES

The form of proxy is only for the use of registered shareholders of certificated ordinary shares in Control Instruments and the holders of dematerialised ordinary shares registered in their own name. Forms of proxy must be completed and delivered to the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg; PO Box 61051, Marshalltown 2107 or facsimile +27 11 688 5238 to reach them by no less than 48 hours prior to the meeting.

Shareholders who have dematerialised their shares with their CSDP or broker and have not elected own name registration, must arrange with their CSDP or broker to provide them with the necessary authorisation to attend the annual general meeting or the shareholders must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned in the manner and by the cut-off time stipulated by their CSDP or broker.

By order of the Board



JC JEFFERY
Company Secretary
25 March 2011
Cape Town

form of proxy

CONTROL INSTRUMENTS GROUP LIMITED

(Incorporated in the Republic of South Africa)

Company registration number 1964/003987/06

Share code: CNL

ISIN: ZAE000001665

("Control Instruments" or "the Company")

Only for use by Control Instruments shareholders holding certificated shares and shareholders who have dematerialised their shares and elected own name registration through a Central Securities Depository Participant ("CSDP") or broker, at the annual general meeting of the Company to be held at Control Instruments Automotive, 59 Merino Avenue, City Deep, Johannesburg on Wednesday, 15 June 2011 at 15h00.

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

I/We (please print in block letters) _____

being a registered shareholder/s of the Company and holding _____ ordinary shares,

hereby appoint 1. _____ or failing him/her

2. _____ or failing him/her

the chairman of the meeting as my/our proxy to attend and speak and vote for me/us on my/our behalf at the annual general meeting of the Company to be held at Control Instruments Automotive, 59 Merino Avenue, City Deep, Johannesburg on Wednesday, 15 June 2011 at 15h00 for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed at the meeting and at each adjournment or postponement thereof and to vote for or against the resolutions or to abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions: (Please insert the relevant number of votes exercisable in the space provided).

Resolution	For	Against	Abstain
Ordinary resolution number 1 - Adopt Company and Group annual financial statements			
Ordinary resolution number 2 - Reappointment of external auditor			
Ordinary resolution number 3 - Authority to fix auditor's remuneration			
Ordinary resolution number 4 - Confirmation of appointment of director; PM Surgey			
Ordinary resolution number 5 - Re-election of director; IH Scott-Gall			
Ordinary resolution number 5 - Re-election of director; SD Rogers			

form of proxy

Ordinary resolution number 6 - Appointment of Audit Committee members (in terms of King III)			
Ordinary resolution number 7 - Authority to issue shares to the Control Instruments Share Incentive Scheme			
Special resolution number 1 - Fees of non-executive directors			
Special resolution number 2 - Financial assistance to related and inter-related companies			
Special resolution number 3 - General approval to repurchase the Company's shares			
Ordinary resolution number 8 - Authority to implement resolutions			

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote in his/her stead. A proxy so appointed need not also be a member of the Company.

Signed at _____ on _____ 2011

Signature _____ Assisted by (if applicable) _____

PLEASE READ THE NOTES TO PROXY ON PAGE 113

notes to proxy

1. Shareholders who have dematerialised their shares with their CSDP or broker and have not elected own name registration, must arrange with their CSDP or broker to provide them with the necessary authorisation to attend the annual general meeting or the shareholders must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned in the manner and by the cut-off time stipulated by their CSDP or broker.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. If a shareholder does not indicate on the instrument appointing a proxy that his/her proxy is to vote in favour of or against any resolution or resolutions or to abstain from voting, the proxy shall be entitled to vote as he/she sees fit.
4. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the entire shareholder's votes exercisable at the meeting. A shareholder or the proxy is not obliged to exercise all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
5. Forms of proxy must be lodged with or posted to the Company's transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown 2107) or facsimile +27 11 688 5238 to reach them by no less than 48 hours prior to the meeting. The completion and lodging of this form of proxy by shareholders holding certificated shares and shareholders who have dematerialised their shares and elected own name registration through a CSDP or broker, will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof. Shareholders who have dematerialised their shares and not elected own name registration through a CSDP or broker, who wish to attend and vote at the annual general meeting of shareholders, must instruct their CSDP or broker to issue them with the necessary authority to attend and vote.
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries of the Company.
7. A deletion of any printed matter must be initialled. Any alteration or correction must be signed, not initialled, by the signatory/ies.
8. The chairman of the annual general meeting may reject or, provided that he/she is satisfied as to the manner in which a member wishes to vote, accept any form of proxy that is completed other than in accordance with these instructions.
9. Notwithstanding anything to the contrary contained elsewhere in this document, with effect from the general effective date of the Companies Act No. 71 of 2008, the following provisions shall apply in relation to proxies, and to the extent that such provisions conflict with any other provision of this document, these provisions shall prevail:
 - 9.1 A shareholder of the Company may appoint any individual (including an individual who is not a shareholder of the Company) as a proxy to participate in, and speak and vote at, the annual general meeting of the Company.
 - 9.2 A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
 - 9.3 A proxy instrument must be in writing, dated and signed by the shareholder.

notes to proxy

- 9.4 A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person subject to any restrictions set out in the instrument appointing the proxy.
- 9.5 A copy of the instrument appointing a proxy must be delivered to the Company, or to any other person on behalf of the Company, before the proxy exercises any rights of the shareholder at the annual general meeting.
- 9.6 Irrespective of the form of instrument used to appoint the proxy (i) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder (ii) the appointment is revocable unless the proxy appointment expressly states otherwise and (iii) if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or making a later inconsistent appointment of a proxy and delivering a copy of the revocation instrument to the proxy and the Company.
- 9.7 The proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction except to the extent that the Memorandum of Incorporation of the Company, or the instrument appointing the proxy provides otherwise.