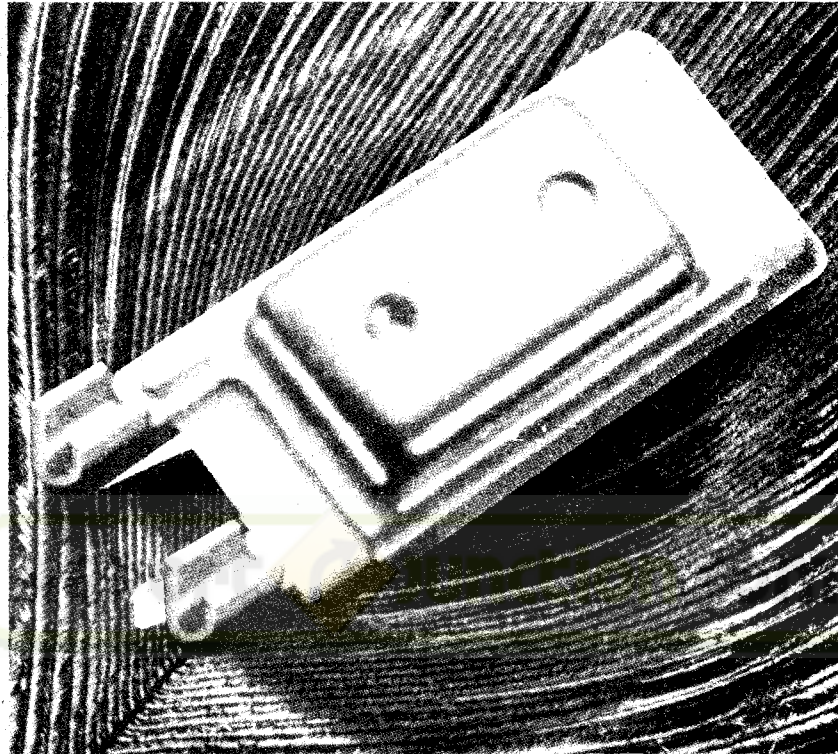




## The Eternal Guardian For Motor Protection



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# CONTINENTAL CONTROLS LIMITED

## 11<sup>TH</sup>

## ANNUAL REPORT

### 2005 - 2006

*Continental Controls Limited***BOARD OF DIRECTORS**

Shri Navin G. Thakkar - Chairman & Mg. Dir  
 Shri Samir N. Thakkar - Director  
 Shri Amit N. Thakkar - Director  
 Shri Pradeep C. Gaglani - Director  
 Shri Harish S. Thakkar - Director  
 Shri Kanaiyalal S. Thakkar - Director

**BANKERS**

Bank of India  
 HDFC Bank Ltd.

**AUDITORS**

D. Kothary & Co.  
 Chartered Accountants  
 Mumbai.

**ADVOCATE**

A. B. Shah & Co.  
 Mumbai

**REGISTERED OFFICE**

Siddharth Industrial Estate, No. 2,  
 Gala No. 1, Shailesh Udhayog Nagar,  
 Sativali Road, Waliv, Vasai (East)  
 Distt. Thane - 401208.

**PLANT SITE**

5, Govt. Industrial Estate,  
 Masat,  
 Silvassa 396 230,  
 Dadra & Nagar Haveli  
 (U.T.)

**REGISTRAR AND TRANSFER AGENT**

Purva Sharegistry (I) Pvt. Ltd.  
 28-D, Police Court Lane,  
 33, Printing House,  
 Behind Old Handloom House, Fort,  
 Mumbai 400 001.

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## Continental Controls Limited

### NOTICE

NOTICE IS HEREBY GIVEN THAT THE ELEVENTH ANNUAL GENERAL MEETING OF CONTINENTAL CONTROLS LIMITED WILL BE HELD ON SATURDAY, THE 30<sup>TH</sup> DAY OF SEPTEMBER 2006 AT KRISHNA GARDENS, MALJIPADA, OPP. CROWN PETROL PUMP, AHMEDABAD HIGHWAY, TALUKA VASAI, DISTT. THANE AT 2.00 P.M TO TRANSACT THE FOLLOWING BUSINESS :

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006, and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To appoint a Director in place of **Mr. Samir N.Thakkar**, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 224, 225 and other applicable provisions if any, of the Companies Act, 1956, M/s. D. Kothary & Co. Chartered Accountants, Mumbai, the retiring Auditors be and are hereby re-appointed as Auditors of the company to hold the office from the conclusion of this meeting until conclusion of the next Annual General Meeting of the company on remuneration to be decided by the Board of Directors at a later date in consultation with Auditors apart from reimbursement of actual out of pocket expenses incurred by them"

For and on behalf of the Board

**Navin G.Thakkar**

Chairman & Managing Director

Place: Vasai, Thane

Date: 28<sup>th</sup> August, 2006

### Registered office:

Siddharth Industrial Estate No. 2,  
Gala No.1, Shailesh Udyog Nagar  
Sativali Road, Waliv  
Vasai (E), Distt. Thane-401208

### NOTES FOR MEMBERS' ATTENTION:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.  
  
Proxies in order to be effective must be received at the registered office of the company not less than 48 (forty eight) hours before the commencement of the meeting.
2. Members desirous of asking any questions are requested to write to the company at least 7 days

before the date of the meeting, as to enable the management to keep the information ready.

3. The Share Transfer Books and the Register of Members of the Company will remain closed from 20th September, 2006 to 30th September, 2006 (both days inclusive).
4. Members are requested to :
  - i) Immediately intimate change of address, if any, either to the company or to the Share Transfer Agent quoting reference of their Registered Folio Number/ClientID.
  - ii) Send their queries if any, regarding accounts at least 10 (Ten) days before the Annual General Meeting at the Registered Office of the Company.
5. Members / Proxies are requested to bring the copy of their Annual Report along with them and to produce the Attendance Slip at the entrance of the Meeting Hall.

For and on behalf of the Board

**Navin G.Thakkar**

Chairman & Managing Director

Place: Vasai, Thane

Date: 28<sup>th</sup> August, 2006

### Registered office:

Siddharth Industrial Estate No. 2,  
Gala No.1, Shailesh Udyog Nagar  
Sativali Road, Waliv  
Vasai (E), Distt. Thane-401208

Details of Directors seeking re- appointment at the forthcoming Annual General Meeting of the Company

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

NAME OF DIRECTOR	Samir N.Thakkar
Date of Birth	11.09.1973
Date of Appointment	02.03.1995
Expertise in specific functional areas	Wide experience in policy making, general administration and control of production
Qualifications	Graduate
List of Companies in which outside Directorships held as on 31.03.2006	Nil
Chairman/Member of the Committees of other Companies on which he is a Director as on 31.03.2006	Nil

- \* The Committee include the Audit Committee, the Remuneration/ Compensation Committee and Shareholders/Investors Grievance Committee.

# Continental Controls Limited

## DIRECTORS' REPORT

To,

The Members,

Your directors have pleasure in placing before you the 11<sup>th</sup> Annual Report of the Company along with the Audited Accounts for the year ended 31<sup>st</sup> March, 2006:

### 1. Financial Results:

Financial Results for the Year ending 31<sup>st</sup> March 2006

(Rs. In lacs)

	2005-2006	2004-2005
SALES / SERVICES RENDERED	314.40	253.70
(Less of Returns & Excise Duty)		
OPERATING PROFIT (PBIT)	64.08	48.32
INTEREST	6.30	3.26
DEPRECIATION	45.74	41.98
<b>PROFIT BEFORE TAX</b>	<b>12.04</b>	<b>3.08</b>
PROVISION FOR TAX		
a) Current Tax	1.00	0.25
b) Frieng Benefit Tax	2.25	
c) Deferred Tax	1.80	2.60
<b>PROFIT AFTER TAX (PAT)</b>	<b>7.00</b>	<b>0.23</b>

### 2. Dividend :

Your Directors consider it prudent to conserve its resources to invest in opportunities arising in the future and therefore, express their inability to recommend any dividend for the year under review.

### 3. Operational Review :

The fiscal 2005-06 was the satisfying year in comparison to last year performance. apart from recording 52.50 % increase in sales, Operating profit before interest, depreciation and taxes also shows an upward trend, standing to Rs.63.41 Lacs as compared to Rs. 48.32 Lacs in the last financial year, reporting growth of 31.23 %.

Total Sales and other operating income has been Rs. 314.40 Lacs as compared to Rs. 253.70 Lacs in the last financial year.

Despite stiff competition the company has been able to maintain its export earning at Rs. 136.48 Lacs as compared to Rs. 88.63 Lacs last year.

### 4. Directors:

In accordance with the provisions of the Companies Act, 1956 Mr. Samir N. Thakkar, Director of the company retire by rotation and being eligible offer himself for re appointment.

### 5. Listing on the Stock Exchanges:

The Company's shares are listed on the following Stock Exchange:

The Bombay Stock Exchange Limited

Phiroze Jeejobhoy Towers

Dalal Street, Fort, Mumbai – 400 001

The Company has been complying with the listing agreement stipulations from time to time. The Company has made the payment of Annual Listing Fees for F.Y. 2006-07 to Bombay Stock Exchange Limited.

### 6. Corporate Governance:

Your Company follows principles of effective Corporate Governance. The endeavor of your company is not only to comply with regulatory requirements but also to practice Corporate Governance principles that lay a strong emphasis on integrity, transparency and overall accountability.

The report of the Directors on the practices of Corporate Governance is given as a separate section titled 'Corporate Governance', which forms part of this Annual Report.

### 7. Audit Committee:

As per Section 292A of the Companies Amendment Act, 2000 and in accordance with Clause 49 of the Listing Agreement, an Audit Committee under the Chairmanship of Mr. Pradeep Gaglani was set up constituting of 3 independent non-executive directors including the Chairman. The Audit Committee met 5 times during the financial year of which one meeting was held before the approval of accounts by the Board of Directors. The recommendations of the audit committee were considered and adopted by the Board of Directors.

### 8. Fixed Deposits:

The Company has not accepted or renewed any Fixed Deposits within the meaning of Section 58-A of the Companies Act, 1956.

### 9. Particulars of employees:

Employees whose particulars are required to be disclosed under Section 217 (2A) of the Companies Act, 1956:

There were no employees in the company drawing salary more than Rs.2, 00,000/- p.m. during the financial year ended 31<sup>st</sup> March, 2006.

### 10. Directors' Responsibility statement u/s 217 (2AA) of the Companies Act, 1956:

The Directors confirm that in the preparation of the annual accounts for the year ended 31<sup>st</sup> March 2006 –

- The applicable accounting standards have been followed along with proper explanations relating to material departures, if any.
- That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for the period ended 31<sup>st</sup> March, 2006.
- That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the



## Continental Controls Limited

provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- iv) That the directors had prepared the annual accounts on a going concern basis.

### 11. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo: (Section 217 (1)):

#### A. Conservation of Energy:

Your Company operations does not involve intensive energy consumption. Despite not a heavy energy user, the company acknowledges its importance and hence adequate measures have been taken to reduce energy consumptions wherever possible.

#### B. Research & Development Technology Absorption:

##### a) Particulars of Research and Developments:

As business and technologies are changing constantly, continuous investments in research and development are of paramount importance. As a result of research efforts, your company has been able to develop processes and methodologies that have resulted in constant improvement in quality and productivity.

##### b) Particulars of Technology Absorption, Adoption and Innovation:

- i) The company gets information on latest technology on equipment/process, marketing etc. and this has been continuously absorbed and adopted to suit to company's operations.
- ii) Benefits derived as a result of the above efforts e.g, product improvement, cost reduction, product development, import substitution etc.

##### c) Details of Technology – Not Applicable.

#### C. Foreign Exchange Earning and Outflow:

During the year under review, your company earned a foreign exchange of Rs 136.48 Lacs/- and utilized foreign exchange worth Rs 49.62 Lacs/-.

### 12. Auditors:

M/s. D. Kothary and Company, Chartered Accountants, retire at the end of 11<sup>th</sup> Annual General meeting and being Eligible, offer themselves for re-appointment.

### 13. Acknowledgements:

The Board wishes to place on record its appreciation to the contribution made by the employees of the company. The Directors also acknowledges the cooperation and assistance received from our bankers, auditors, shareholders and employees during the period under review.

By Order of the Board

**Navin G. Thakkar**

Chairman & Managing Director

Place: Vasai, Thane

Date: 28<sup>th</sup> August, 2006

## CORPORATE GOVERNANCE REPORT

### 1. Company's Philosophy on Code of Governance

Continental Controls Limited is committed to good Corporate Governance. Transparency, fairness, disclosure and accountability have been central to the working of the company, its management and its board of directors.

In India, confederation of Indian Industry (CII) pioneered the corporate governance initiative through its publication, Desirable Corporate Governance: A Code in April 1998. Subsequently, the Securities and Exchange Board of India (SEBI) constituted a committee to prescribe a code for corporate governance for listed companies.

The SEBI code is incorporated in the Listing Agreement of stock exchanges, including Mumbai, with whom Continental Controls Limited equity shares are listed. Certain provisions of the Companies Act, 1956 also deal with Corporate governance. This chapter of the Annual Report constitutes the compliance report of the company on corporate governance during the year 2005-06.

### 2. Board of Directors :

The names and categories of the Directors on the Board, their attendance at Board meetings held during the year and the number of Directorship and Committee Chairmanship/ Membership held by them in other companies is given below. Other directorship do not include alternate directorship, directorship of private limited companies and of companies incorporated outside India. Chairmanship/ Membership of Board Committees includes only Audit and Shareholders/Investors Grievance Committee.

#### a) Composition of Board of Directors and details of other directorships held

Name of the Director	Executive Non Executive/ Independent Director	No of outside Directorship held in Public Limited Companies	Membership held in Committee of Directorship	Chairmanship held in Committee of Directors
Mr. Navin G. Thakkar	Executive	NIL	NIL	NIL
Mr. Samir N. Thakkar	Executive	NIL	NIL	NIL
Mr. Amit N. Thakkar	Executive	NIL	NIL	NIL
Mr. Pradeep C. Gaglani	Non Executive & Independent	NIL	NIL	NIL
Mr. Harish S. Thakkar	Non Executive & Independent	NIL	NIL	NIL
Mr. Kanaiyalal S. Thakkar	Non Executive & Independent	NIL	NIL	NIL

#### b) Board Meetings :

The Board meets at least once a quarter to review the quarterly results and other items on agenda. The Board Meetings are generally held at the registered office of the company.

## Continental Controls Limited

During the year 2005-2006 5(Five) Board Meeting were held on 28<sup>th</sup> April, 2005, 28<sup>th</sup> July, 2005, 27<sup>th</sup> August, 2005, 31<sup>st</sup> October 2005 and 31<sup>st</sup> January 2006.

Attendance of each Director at Board Meeting for the year 2005 – 2006 and last Annual General Meeting :

Name of the Director	No of	No of Meetings held	Attendance at Last Annual General Meeting
Mr. Navin G. Thakkar	5	5	Present
Mr. Samir N. Thakkar	5	4	Present
Mr. Amit N. Thakkar	5	4	Present
Mr. Pradeep C. Gaglani	5	5	Present
Mr. Harish S. Thakkar	5	3	Present
Mr. Kanaiyalal S. Thakkar	5	3	Present

### Code of Conduct :

The Board has laid down a code of conduct for all the Board Members and Senior Management of the company. Senior Management includes team comprising of members of the category of General Manager and above, including all functional heads.

The declaration by the Managing Director affirming the compliance of Code of Conduct by all the Board Members and Senior Management personnel is annexed separately in the Annual Report.

### 3. BOARD COMMITTEES :

#### AUDIT COMMITTEE

The terms of reference of the Audit Committee are broadly as under:

#### A. In relation to Financial Reporting:

Oversight of the company's financial reporting process and the disclosure of its financial statements is correct, sufficient and credible, specifically reviewing with management the half yearly/annual financial statements before submission to the board, focusing primarily on:

- Any changes in accounting policies and practices;
- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause 2(AA) of Section 217 of the Companies Act, 1956.
- Major accounting entries based on exercise of judgement by management;
- Qualification in draft audit report;
- Significant adjustments arising out of audit;
- The going concern assumption;
- Compliance with Accounting Standards;

- Compliance with Stock Exchange and legal requirements concerning financial statements;
- Any related party transactions i.e. transactions of the company of material nature, with promoters of the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

#### B. In relation to Audit

##### (i) Relevant to Internal and Statutory Audit

- Reviewing adequacy of internal control systems
- Reviewing financial and risk management policies
- Reviewing with the management the quarterly financial statements before submission to the Board for approval.

##### (ii) Relevant to Statutory Audit

- Recommending appointment and removal of external auditors, fixing of audit fees and approval for payment of fees for any other services.
- Discussion with external auditors before the audit commences, the nature, scope and approach of audit as well as post audit discussion to ascertain areas of concern.

##### (iii) Relevant to Internal Audit

- Reasons for substantial defaults in payments to depositors, debenture holders, shareholders ( in case of non payment of declared dividend ) and creditors.
- Reviewing the scope and adequacy of the internal audit function.
- Review of reports of internal auditors primarily the significant findings and follow up thereon including findings relating to investigations regarding frauds, irregularities and material failures of internal control system.

The Audit Committee is empowered to;

- a. Investigate any activity within its scope of role.
- b. seek information from any employee.
- c. Obtain outside legal or other professional advice.
- d. Secure attendance of outsiders with relevant expertise, if it considers necessary.

The previous Annual General Meeting of the Company was held on 30<sup>th</sup> September , 2005 and the same was attended by Mr. Pradeep C. Gaglani the Chairman of the Audit Committee.

## Continental Controls Limited

### Composition :

#### i) The Audited Committee comprises of the following non executive independent members of the Board :

1.	Mr. Pradeep C. Gaglani – Chairman
2.	Mr. Harish S. Thakkar
3.	Mr. Kanaiyalal S. Thakkar

#### ii) During the year 2005-06 the audit Committee met five times on the following dates:

28<sup>th</sup> April 2005      28<sup>th</sup> July 2005      27<sup>th</sup> August 2005  
31<sup>st</sup> October 2005      31<sup>st</sup> January 2006.

#### iii) Attendance of the Directors in the Audit Committee Meeting.

Name of the Director	No. of Meeting Attended
Mr. Pradeep C. Gaglani	5 out of 5
Mr. Harish S. Thakkar	3 out of 5
Mr. Kanaiyalal S. Thakkar	3 out of 5

### Remuneration Committee :

The Board of Directors had constituted a Remuneration Committee comprising of Non Executive, Independent Directors viz. Mr. Pradeep C. Gaglani, Mr. Harish S. Thakkar and Mr. Kanaiyalal S. Thakkar. Mr. Harish S. Thakkar is the Chairman of the Committee. The committee will ensure appropriate disclosure on the remuneration of Director and will deal with remuneration Package of Directors service contract, notice period, severance fee and stock option, if any. Detail of Directors Remuneration paid for the year ended 31.03.2006 is as below:

Name of Director	Remuneration Paid/(Rs.)	Sitting Fees. (Rs.)	Total (Rs.)
Mr. Navin G. Thakkar*	10,000/- p.m.	NIL	10,000/- p.m.
Mr. Samir N. Thakkar	NIL	NIL	NIL
Mr. Amit N. Thakkar*	15,000/- p.m.	NIL	15,000/- p.m.
Mr. Pradeep C. Gaglani	NIL	NIL	NIL
Mr. Harish S. Thakkar	NIL	NIL	NIL
Mr. Kanaiyalal S. Thakkar	NIL	NIL	NIL

\* Service Contract — For a period of five years w.e.f 01.01.2005

The Non Executive Directors of the Company do not draw any remuneration and sitting fees from the company for attending Board meeting or a meeting of the Committee thereof.

### Employees Stock Option Scheme

The company does not have any Employee Stock Option Scheme.

### Performance linked Incentives

### No performance linked incentive is paid to any of the Directors.

The shareholding of Non –Executive Directors at March 31, 2006 are as under:

Name of the Director	No. of Shares held
Mr. Pradeep C. Gaglani	200
Mr. Harish S. Thakkar	NIL
Mr. Kanaiyalal S. Thakkar	NIL

### Shareholders'/Investor' Grievance Committee :

The Board of Directors had constituted, Shareholders'/ Investors' Grievance Committee which functions with the objective of looking into redressal of Shareholders'/ Investors' grievances. The Committee consists of :-

The Composition and other particulars of 'Shareholders / Investors Grievance Committee' are as follows:

Name of the Director	Chairman /Member	Category	No. of meeting held during 2005-06	No. of meeting attended during 2005-06
Mr. Navin G. Thakkar	Chairman	Managing Director	2	2
Mr. Harish S. Thakkar	Member	Independent Non-executive Director	2	1
Mr. Kanaiyalal S. Thakkar	Member	Independent Non-executive Director	2	2

Two Meetings were held on 28<sup>th</sup> July 2005 and 31<sup>st</sup> January 2006.

At every meeting of the Board, status as to the shareholders grievances, if any is taken on record by the Board.

Name, designation and

address of Compliance Officer:

Mr. Amit N. Thakkar  
Executive Director  
Continental Controls Limited  
Siddharth Industrial Estate No.2,  
Gala No. 1, Shailesh Udyog Nagar,  
Sativali Road, Waliv,  
Vasai (East), Distt.  
Thane – 401 208

All Share transfers and correspondence thereon with the shareholders are handled by the Company's Registrars and Share Transfer Agents viz Purva Sharegistry (I) Pvt. Ltd., 28-D, Police Court Lane, 33, Printing House, Behind Old Handloom House, Fort, Mumbai-400 001.

There were no complaints received, resolved and outstanding at the end of the year under review.

### 4. Management Analysis and Review Report

Continental Controls Limited one amongst the few companies into the manufacturing of Thermal Overload Protectors have carried out a niche for

## Continental Controls Limited

themselves in this particular of the engineering industry. The management of the company vests in the Board comprising of personnel with more than over a decade of hands-on industry experience. The day to day affairs are being managed by a team of experienced and qualified professionals.

The company always strives to achieve optimum performance at all levels by adhering to corporate governance practices which rests upon the four pillars of : transparency, disclosure, independent monitoring and fairness to all.

Continental Controls Limited always strived to promote good governance practices, which ensures that :

- A Competent management team is at the helm of affairs.
- The Board is strong with an optimum combination of Executive and Non-Executive directors, who represent the interest of all stakeholders.
- The Board effectively takes all key corporate decisions and is effectively in control of the company affairs.
- The management and employees have a stable environment.

The Indian economy has been gathering pace and is now one of the fastest growing economies in the world. Performance of the corporate sector has improved. Despite the sharp price erosion and stiff competition the company has been able to increase its total revenue Rs. 31.51 million as against the corresponding figure of Rs. 25.37 million in earlier year showing an increase of almost 24.2 %.

The Company also maintained its export sales to Rs. 13.65 million as compared to the last year figures of Rs. 8.87 million and the profit after tax has increased from Rs. 0.2 million to Rs. 0.63 million. The sales of the software has shown an downward trend and the same has fallen to Rs. 1.84 million as against last year figure of Rs. 2.94 million.

With the positive economic environment, the company is positioning itself to reach greater heights with increase in production of all its product groups. Continuous R & D initiatives have shown improvement in quality and in the introduction of new products. However, with the un-organized players in the Indian Market, more particularly in the small-scale sector, prices have been under constant pressure resulting in lower realization. This threat is being effectively met by constant product up gradation, cost reduction, avoidance of waste and going for high value component.

### 5. General Body Meetings :

Financial Year	Date	Location	Time
2002-2003	30 <sup>th</sup> September 2003	ROHAN'S PARTY HALL, SUMMER NAGAR, BUILDING NO.1, NEAR FLYOVER, S.V. ROAD, BORIVALI (WEST), MUMBAI - 400 092	3.00 P.M
2003-2004	30 <sup>th</sup> September 2004	KRISHNA GARDEN, MALJIPADA, OPP. CROWN PETROL PUMP, AHMEDABAD HIGHWAY, TALUKA, VASAI (EAST) DISTT. THANE	1.30 P.M.
2004-2005	30 <sup>th</sup> September 2005	KRISHNA GARDEN, MALJIPADA, OPP. CROWN PETROL PUMP, AHMEDABAD HIGHWAY, TALUKA, VASAI (EAST) DISTT. THANE	2.30 P.M.

There were no special resolutions passed by the company through postal ballot during the year ended 31<sup>st</sup> March 2006. At the ensuing Annual General Meeting, there are no resolutions proposed to be passed through postal ballot.

No Extra ordinary General Meeting were held during the Financial Year 2005-06

### 6. Disclosures :

#### Related Party Transactions

- There are no materially significant related party transactions of the Company with key managerial personnel, which have potential conflict with the interest of the company at large. However, the related party Disclosures, as required to be mentioned in accordance with Accounting Standards (AS) 18, have been provided on note 11 of Schedule 16 to the Accounts contained in this report.

#### Compliances

The Company had complied with the requirement of the Stock Exchange, SEBI and other statutory authorities on all matters relating to capital market during the last three years. No pecuniary structures have been imposed on the company by any of the above-mentioned authorities.

#### Risk Management

The company has laid down procedures to inform the Board Members about the risk assessment and minimisation procedures. These procedures are periodically reviewed to ensure that Executive Management controls risk through means of properly defined framework.