METAIR
INVESTMENTS LIMITED
automotive | industrial | retail

BUILDING RESILIENCE THROUGH TURBULENCE

INTEGRATED ANNUAL REPORT **2023**

STABILISE LEADERSHIP

ACHIEVE PLANNED PROJECT PROFITABILITY AT HESTO

ADDRESS THE HIGH DEBT LEVELS

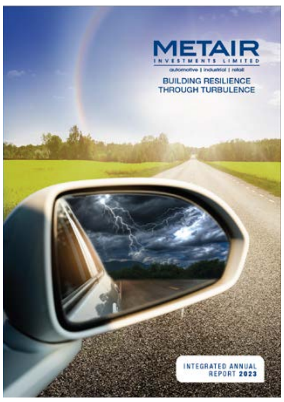
As a new management team, our immediate priorities at the start of 2024 are to:

UNLOCK VALUE FROM MUTLU AKÜ

RESOLVE COMPETITION CONCERNS IN ROMANIA

While our short-term focus is on the main concerns, we are also starting the process of finalising a new strategy for the group to ensure a turnaround and long-term success.

COVER IMAGE AND THEME



Metair is emerging from a number of years during which the operating environment has been particularly challenging. At the same time, the complexity of doing business in the automotive industry has increased exponentially and the company commenced its largest ever expansion project to support a major customer's new model launch. The hard decisions Metair is taking will restore stability and turn Metair around to return to long-term value creation.

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For further information regarding this report, please contact the group company secretary, Sanet Vermaak: Telephone: +27 10 786 0800 Email: sanet@metair.co.za

INTRODUCTION
ABOUT THIS REPORT

This integrated annual report (report) is prepared primarily to meet the information needs of Metair's current and prospective shareholders and providers of finance.
It provides insight into how Metair creates value for its stakeholders, the matters that most materially impact value creation, operating context and performance, material risks and opportunities, stakeholder groups and their interests, sustainability performance, governance, outlook and prospects. In doing so, it includes information relevant to all stakeholders.

The report covers the company's activities for the year ended 31 December 2023. It focuses on the short-term factors that have the most potential impact on Metair's ability to create value in the long-term.

REPORTING GUIDELINES AND REGULATORY REQUIREMENTS

The report was drafted taking into account the requirements and recommendations of the relevant codes, frameworks and regulations including:

- The IFRS Foundation's Integrated Reporting <IR> Framework
- The King IV™ Report[1]
- International Financial Reporting Standards (IFRS)
- The JSE Listings Requirements
- The Companies Act
- The JSE Sustainability Disclosure Guidance

The sustainability information included in the report is informed by the GRI Standards (Standards), although Metair does not report in accordance with the Standards.

To expand the group's climate change reporting and understanding of climate change impacts, and to meet investor requests for expanded reporting, Metair is in the process of producing its first standalone summary Climate Change Report aligned to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

REPORT BOUNDARY

The financial information in this report includes all Metair subsidiaries and associates in accordance with IFRS. Non-financial sustainability information, such as human resources statistics and environmental performance, does not include information for Associated Battery Manufacturers (East Africa) Limited (ABM). Given the size of these operations, this exclusion does not have a material effect on the group's reported non-financial performance.

Hesto is reported in the annual financial statements as a managed associate, but is included in the ESG reporting in the report as Metair is responsible for day-to-day management. Transformation information provided on page 34 applies to the South African subsidiaries and their material holdings, and excludes the non-South African operations at year end (Rombat, Mutlu Akü, Dynamic, ABM and Prime Batteries).

No significant changes to Metair's business structure occurred during the year and there were no material restatements of information provided in previous reports. As explained on page 158 and in note 28 to the annual financial statements, the impact of hyperinflation resulted in the application of IAS 29 on Mutlu Akü's results.

ASSURANCE

Metair's combined assurance model monitors key strategic risks and opportunities, internal controls and other material areas.

The integrity of the data management, monitoring and reporting is supported by internal and external assessments. The following information received external assurance:

- The consolidated and separate annual financial statements for the year ended 31 December 2023 were audited by EY. Their report appears on page 87.
- Specific sustainability information was externally assured by Integrated Reporting & Assurance Services (IRAS). Refer to their report on page 42.
- External verification of Broad-Based Black Economic Empowerment (B-BBEE) performance at a consolidated group level as well as at subsidiary level for the South African operations was performed by Empowerlogic. The Metair group B-BBEE certificate and B-BBEE statutory report are available on the website at https://www.metair.co.za/sustainability/policies-and-reports.

All targets, intentions and forecasts stated in this report are accurate based on the information available to Metair at the time of writing. These may be invalidated should conditions change significantly and the group will report on progress in the next report.

The forecast financial information contained in this integrated annual report has not been reviewed or reported on by the company's external auditor and is the responsibility of the directors of the company.

[1] *Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.*

APPROVAL OF THE INTEGRATED REPORT

The Metair board acknowledges its responsibility to ensure the integrity of the report. The board confirms that it has applied its collective mind to the preparation and presentation of this report, and believes that all material matters, the integrated performance of the company and its impact on the environment and stakeholders are fairly presented.

T N Mgoduso
Chair

P S O'Flaherty
CEO

METAIR AT A GLANCE

OUR BUSINESSES

AUTOMOTIVE COMPONENTS VERTICAL

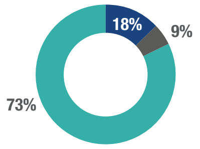
7 companies

in South Africa

Manufactures products including brake pads, shock absorbers, lights, radiators, air-conditioners, suspension parts, wiring harnesses and plastic assemblies.

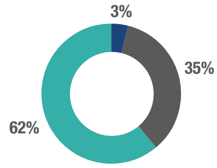
Refer to the Material operations section on pages 5 and 6

GROUP REVENUE BY GEOGRAPHIC MARKET*



- Türkiye and the UK
- Romania
- South Africa

GROUP REVENUE BY PRODUCT*

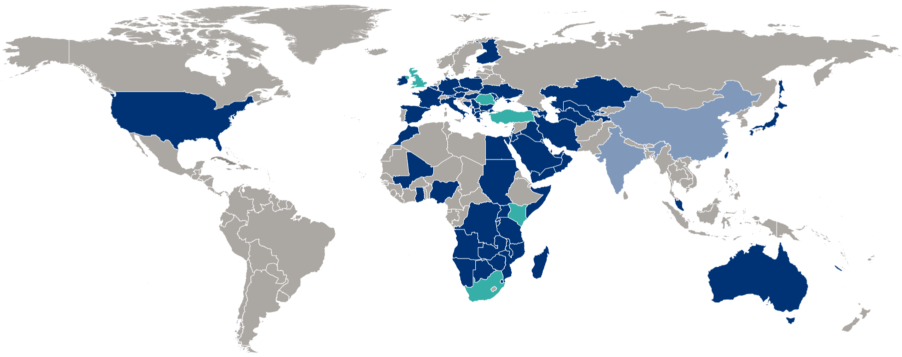


- Automotive components
- Automotive batteries
- Industrial and non-automotive products

* *Revenue includes Hesto (see note on page 97).*

The concept of custodianship defines Metair's approach to corporate social responsibility and ESG. It challenges every person working at Metair to be the best caretaker they can be in their roles. This broadens Metair's focus to build a sustainable legacy while recognising the wider responsibilities the group has to its stakeholders.

GEOGRAPHIC PRESENCE



- Countries of operation
- Countries supplied

ENERGY STORAGE VERTICAL

5 companies

in Türkiye, South Africa, Romania, Kenya and the UK

Manufactures and trades energy storage products and solutions. These are primarily lead-acid and an increasing number of lithium-ion batteries.

Refer to the Material operations section on page 7

METAIR'S SUSTAINABILITY GOALS

- Rights and well-being at work
- Rights and resilience in communities
- Waste and pollutants
- Climate change
- Materials and natural resources

OUR CORE VALUES

Obey the law	Respect others	Be fair (Equity)	Be honest	Protect the environment

COMPLEMENTARY VALUES

Safety First	Customer-Centric	Collaborate for success	Innovate for the Future	Quality & Excellence

SALIENT FEATURES

GROUP REVENUE
increased by 14% to
R15.9bn

GROUP OPERATING PROFIT
(before impairments) increased by 49% to
R668m

GROUP HEADLINE EARNINGS PER SHARE (HEPS)
increased by 152c to
135 cents
per share

NET WORKING CAPITAL/ REVENUE
21%
(2022: 23%)

CASH CONVERSION RATIO
105%
(2022: 26%)

DEBT/EQUITY RATIO
52%
(2022: 51%)

LTIFR
remained at
0.20
(2022: 0.20)

REMUNERATION
R2.8bn
salaries, wages and other benefits (2022: R2.3bn)

SKILLS
R35.2m
invested in training initiatives to further develop human capital

TRANSFORMATION
consolidated group B-BBEE
Level 1
all South African subsidiaries at Level 4 or better

WATER CONSUMPTION
per person per hour worked decreased
2%

RECYCLING
±50 000
tonnes of lead recycled

CARBON FOOTPRINT
Group Scope 1 and 2 carbon emissions per person per hour worked decreased to
5.6 kg CO_2e

MATERIAL OPERATIONS AND MARKET SEGMENTS

AUTOMOTIVE COMPONENTS VERTICAL

Hesto

HESTO HARNESSES

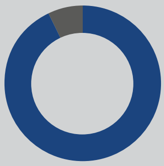
OWNERSHIP
74.9%

GROUP REVENUE CONTRIBUTION
26%

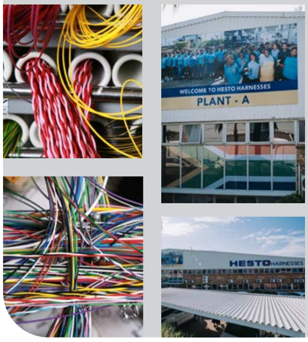
Products
Wiring harnesses, instrument cluster/combination meters, moulded parts

Location
KwaDukuza, South Africa

REVENUE SPLIT BY PRODUCT AREA



- Local OE 93%
- Local Aftermarket 7%



Smiths Manufacturing

SMITHS MANUFACTURING (PTY) LTD

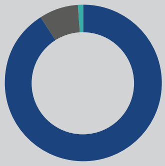
OWNERSHIP
75%

GROUP REVENUE CONTRIBUTION
11%

Products
Heating, ventilation, and air conditioning (HVAC) and climate control systems, air cleaners, wiper and washer systems, radiators, reserve tanks, charge air coolers, compressors, engine control units, air conditioning pipes and hoses, cooling modules, radiator fan shrouds and condensers

Location
New Germany, South Africa

REVENUE SPLIT BY PRODUCT AREA



- Local OE 91%
- Local Aftermarket 8%
- Exports 1%

Lumotech

LUMOTECH lighting your way

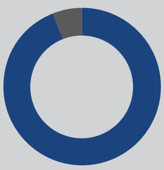
OWNERSHIP
100%

GROUP REVENUE CONTRIBUTION
10%

Products
Headlights, tail lights, reflectors and plastic injection mouldings

Locations
Kariega, South Africa

REVENUE SPLIT BY PRODUCT AREA



- Local OE 94%
- Local Aftermarket 6%

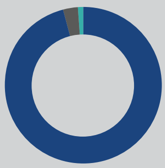
Automould

AUTOMOULD PTY LTD

OWNERSHIP
100%

GROUP REVENUE CONTRIBUTION
6%

REVENUE SPLIT BY PRODUCT AREA



- Local OE 96%
- Local Aftermarket 3%
- Non-auto 1%

Products
Plastic injection moulding, chrome plating, body colour painting and assemblies, interior and exterior trim, instrument panel assemblies, 2K moulding technology, side injection technology, engine components and cooling systems, plastic bins, crates and storage solutions

Locations
New Germany, Westmead, East London and Pretoria, South Africa

MATERIAL OPERATIONS AND MARKET SEGMENTS
(continued)

AUTOMOTIVE COMPONENTS VERTICAL

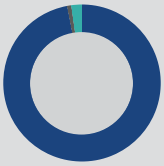
Supreme Spring

Products
Coil springs, leaf springs, stabiliser bars, torsion bars
Location
Boksburg and Nigel, South Africa

OWNERSHIP
100%

GROUP REVENUE CONTRIBUTION
6%

REVENUE SPLIT BY PRODUCT AREA



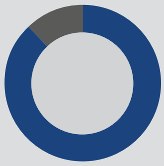
Local OE	97%
Local Aftermarket	1%
Exports	2%

Unitrade

OWNERSHIP
100%

GROUP REVENUE CONTRIBUTION
3%

REVENUE SPLIT BY PRODUCT AREA



Local OE	88%
Local Aftermarket	12%

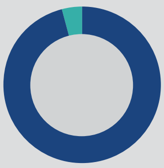
Products
Automotive wire, PVC insulated copper
Location
KwaDukuza, South Africa

Alfred Teves Brake Systems
includes Auto Plastics

OWNERSHIP
100%

GROUP REVENUE CONTRIBUTION
1%

REVENUE SPLIT BY PRODUCT AREA



Local Aftermarket	96%
Exports	4%

Products
Brake pads, brake discs, brake shoes, hydraulics and other braking components
Locations
Boksburg and Nigel, South Africa

ENERGY STORAGE VERTICAL

Mutlu Akü

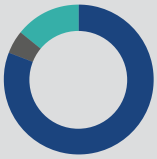
OWNERSHIP
100%

GROUP REVENUE CONTRIBUTION
17%

Products: Automotive and industrial batteries, solar systems, backup systems, standby systems and charging systems

Locations: Istanbul and Gediz, Türkiye

REVENUE SPLIT BY PRODUCT AREA



Local automotive	81%
Local industrial	5%
Exports	14%

First Battery

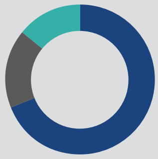
OWNERSHIP
100%

GROUP REVENUE CONTRIBUTION
10%

Product: Automotive and industrial batteries, solar systems, back-up systems, standby systems, charging systems, Battery Centre franchise

Locations: East London, Cape Town, Durban and Benoni, South Africa

REVENUE SPLIT BY PRODUCT AREA



Local automotive	69%
Local industrial	17%
Exports	14%

Rombat

Member of Metair Group

OWNERSHIP
99.4%

GROUP REVENUE CONTRIBUTION
9%

REVENUE SPLIT BY PRODUCT AREA

Local automotive	32%
Exports	68%

Products: Automotive batteries, battery distribution networks
Locations: Bistrita and Copsa Mica, Romania

Dynamic Battery

BATTERY SERVICES LTD

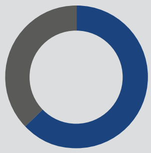
OWNERSHIP
100%

GROUP REVENUE CONTRIBUTION
1%

Products: Batteries, battery distribution networks

Locations: Lancashire, Wiltshire and Leicestershire, United Kingdom

REVENUE SPLIT BY PRODUCT AREA



Local automotive	63%
Local industrial	37%

Associated Battery Manufacturers (East Africa) Limited

OWNERSHIP
25%

Products
Automotive and solar batteries

Location
Kenya

LEADERSHIP

Metair's board comprises a diverse blend of relevant industry, investment and financial skills. The subsidiary managing directors have significant experience in the automotive and manufacturing industries, with an average tenure at Metair of 23 years. The recent appointments to the team have added capacity and expertise. The team steering the group into 2024 is a powerful mix of entrenched company knowledge and new skills. Detailed CVs of our leadership team are available on our website.

8
REMCO/NOMCO

TN Mgoduso (67)
CHAIR AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2016

Qualification: MA (Clinical Psychology)

Other directorships: Zimplats, Jojose Investments and Differential Capital (Pty) Limited

Over 20 years' experience in automotive and logistics, 6 years in investments and over 10 years in health services

6
AC
IC

B Mawasha (45)
LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2018

Qualification: BSc (Eng) Electrical, GCC, PMD, ADP

Other directorships: Impala Platinum Holdings, Exxaro Resources Limited

Over 20 years' experience in mining and 6 years in automotive

5
SAEC
REMCO/NOMCO

MH Muell (63)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2019

Qualification: Diplom-Betriebswirt (BA)

Other directorships: Stracienta Africa (Pty) Limited and Scientrix Holdings Limited

Over 30 years' experience in the automotive industry

3
AC
SAEC

AK Sithebe (41)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2021

Qualification: BCom Acc (Hons), CA(SA), MBA

Other directorships: Dis-Chem Pharmacies Limited and Altron Limited

More than 18 years' experience in financial services and 13 years in investments (industrial sector focus)

5
REMCO/NOMCO
IC

NL Mkhondo (40)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2019

Qualification: BAcc, CA(SA), MBA

Other directorships: PPC Limited, Limited, Value Capital Partners

Over 15 years' experience in corporate finance, mergers and acquisitions and investments

1
AC
IC

N Medupe (53)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2023

Qualification: BAcc, Postgraduate Diploma in Accountancy, Certificate in Sustainability Leadership and Corporate Governance

Other directorships: City Lodge Hotels Limited, Alexander Forbes Group Holdings Limited and Exxaro Resources Limited

More than 8 years' experience in financial services and automotive

3
REMCO/NOMCO
IC

PH Giliam (68)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: 2021

Qualification: BEng (Hons)

Other directorships: None

More than 30 years' experience in the international automotive industry

5

S Sithole (51)
ALTERNATE DIRECTOR TO N MKHONDO

Appointed to the Board: 2019

Qualification: BAcc (Hons), CA(SA), CA(Z) Programme for Leadership Development (Harvard Business School), Diploma in Banking (UJ)

Other directorships: Value Capital Partners, Adcorp Holdings (alternate), Sun International Holdings and Tiger Brands

Over 30 years' experience in finance and automotive

0
SAEC

PS O'Flaherty (61)
CHIEF EXECUTIVE OFFICER
Appointed to the Board: 2024

Qualification: BCom, B. Acc, CA(SA)
Over 23 years' experience in the infrastructure, manufacturing, energy and banking industries

1

A Jogia (46)
CHIEF FINANCIAL OFFICER
Appointed to the Board: 2023

Qualification: BCom Acc, PGDA, CA(SA)
10 years' experience in the automotive industry
10 years in Metair Group

SM Vermaak (58)
COMPANY SECRETARY
Appointed to Metair: 1998

Qualification: BCom (Fin M) AIRMSA
25 years' experience in company secretarial and the automotive industry all with Metair

J Mouton (63)
CHIEF OPERATING OFFICER
Appointed to Metair: 2023

Qualification: BMW Management Development Programmes
Responsibilities: ATE, Automould, Smiths Manufacturing, Supreme Spring, First Battery, Mutlu Akü and Rombat
42 years' experience in the automotive and logistics industries

EW Ropertz (64)
METAIR EXECUTIVE
Appointed to Metair: 2023

Qualification: National Higher Diploma – Mechanical Engineering, MBA
Responsibilities: Hesto, Lumotech and Unitrade
44 years' experience in the automotive industry with 36 years in Metair

KEY INDICATORS

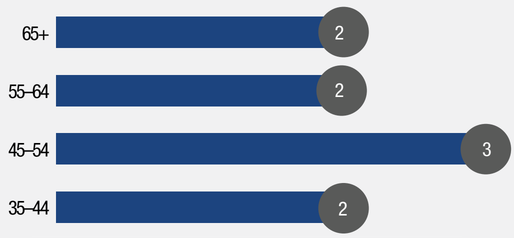
5 Years of service
AC Audit and risk committee
REMCO/NOMCO Remuneration and nominations committee
IC Investment committee
SAEC Social and ethics committee

Committee Chair
Executive director
Non-executive director
Cosec, COO and Metair executive

BOARD TENURE

3 LESS THAN 3 YRS
4 3 TO 5 YRS
2 MORE THAN 5 YRS

AGE GROUP



RACE AND GENDER

3 WHITE
7 ACI
4 FEMALE
6 MALE

INDEPENDENCE

2 EXECUTIVE
8 INDEPENDENT NON-EXECUTIVE

LEADERSHIP (continued)

SUBSIDIARY MDs: AUTOMOTIVE COMPONENTS VERTICAL

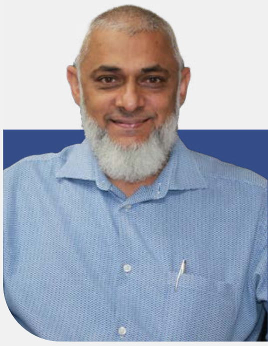
Alfred Teves Brake Systems:

GR Ting Chong (55)

Qualification: National Diplomas in Industrial Engineering and Production Management, Certificate in Management (Henley College UK)

36 years' experience in the automotive industry

16 years in Metair Group



Automould:

BA Ally (54)

Qualification: National Higher Diploma – Mechanical Engineering

35 years' experience in the automotive industry

20 years in Metair Group

Hesto:

EW Ropertz (64)

Qualification: National Higher Diploma – Mechanical Engineering, MBA

44 years' experience in the automotive industry

36 years in Metair Group

Lumotech:

JVG du Plessis (47)

Qualification: IT Systems Architecture, MBA

23 years' experience in the automotive industry

13 years in Metair Group

Smiths Manufacturing:

S Konar (56)

Qualification: BCom (Hons), MBA

37 years' experience in the automotive industry

37 years in Metair Group

Supreme Spring:

ME Barley (62)

Qualification: Principles of Business Management, Toyota Executive Management Programme

43 years' experience in the automotive industry

43 years in Metair Group

Unitrade:

YS Chinapen (37)

Qualification: BCom, Management Development Programme

15 years' experience in the automotive industry

15 years in Metair Group

SUBSIDIARY MDs: ENERGY STORAGE VERTICAL

Mutlu Akü:

T Tulgar (40)

Qualification: LLB, Esq

10 years' experience in the automotive industry

10 years in Metair Group

First Battery:

RF Bezuidenhout (57)

Qualification: National diploma in Human Resources Management

36 years' experience in the manufacturing industry

32 years in Metair Group

Rombat:

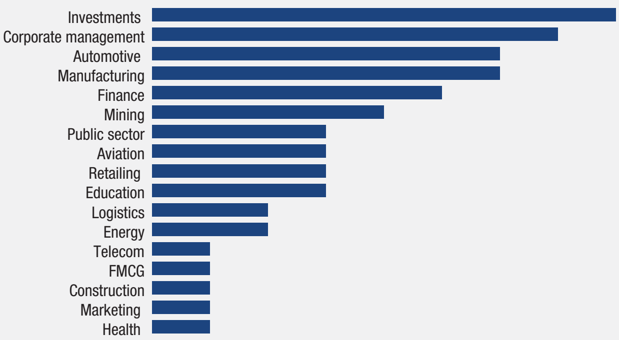
AR Ioanes (49)

Qualification: Company Management, Masters in Management of Business Development, MBA

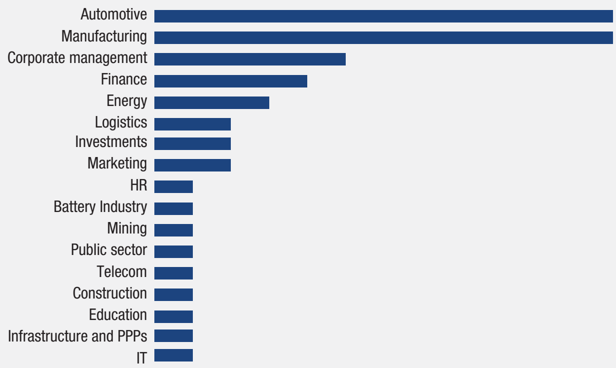
5 years' experience in the automotive industry, 24 years in manufacturing

3 years in Metair Group

Non-executive directors' experience



Executive team and subsidiary MD experience



OPERATIONS TEAM*

29yrs

AVERAGE AUTOMOTIVE/ MANUFACTURING EXPERIENCE

23yrs

AVERAGE TENURE AT METAIR

** COO, Metair executive and subsidiary MDs*

MATERIAL MATTERS

The matters that have the most material impact on Metair's ability to create value are the short-term challenges facing the business.

1 Project profitability at Hesto

The launch and ramp up to support a major customer's new vehicle involved material unforeseen complexities, including design and engineering changes to wiring content and a substantial increase in labour hours. A model facelift introduced in April 2023 also affected the harness design and manufacturing. These complexities resulted in higher than expected up-front costs, labour and line capacity as well as inventory at Hesto. This has resulted in significant debt levels within the Hesto business.

Response

Metair strengthened Hesto management and oversight and implemented intensive corrections to enhance efficiencies and reduce costs. Metair has been working closely with Hesto's technical partner and customer on the project to ensure its long-term success, which included a commercial price adjustment that provides strong support for revenues and operating profit over the remaining model life of up to nine years. These interventions resulted in Hesto generating R104 million in EBIT in the second half of 2023 after recording an EBIT loss of R711 million in the first half of 2023. Ongoing support from Metair and Hesto's technical partner will continue to ensure that the business achieves its business plan. In addition, the restructure and refinancing programme being carried out at the group level will consider Hesto's funding requirements.

Link to risks 1, 3	More information pages 14, 17, 25, and 57

2 Derisking Mutlu Akü

Mutlu Akü has been an important part of the group since its acquisition in 2013. However, it operates in an extremely difficult macroeconomic and geopolitical context that, together with the current hyperinflationary environment in Türkiye, have introduced significant complexity in the business. In 2023, Mutlu Akü faced a number of additional challenges, including a shortage of contract workers and the loss of material export volumes, resulting in a drop in profitability, high debt levels and increased working capital.

Response

Metair is reviewing and restructuring Mutlu Akü, and putting in the necessary resources to support management to address the current issues facing the business. The board continues to assess ways to derisk Mutlu Akü and realise value from its investment.

Link to risk 2	More information pages 14, 17, 24, 25 and 58

3 High debt levels

Over the last two years, Metair has made substantial investments in projects to support new customer model launches to position the group for forecast growth in the South African automotive industry. Project debt, increased working capital investments, the high cost of borrowings in all geographies Metair operates in and a short-term decline in profitability, mainly at Hesto and Mutlu Akü, resulted in group net debt reaching peak levels in 2023.

The group has also provided financial guarantees for funding and trade credit support advanced to Hesto by the minority shareholder, Yazaki Corporation. The funding support is subordinated in favour of external funders but requires a rebalance from Metair.

Response

Management is closely monitoring debt levels, liquidity and covenants, and implementing strategies to addressing these issues. These include effective cash management and cost control, delaying non-critical capital expenditures and engaging customers for flexible support on capital investments for new models. Metair is engaging with its funders to restructure and refinance the short-term debt falling due in 2024 and have commenced a full debt restructure and refinance programme, which includes the funding structure and debt due at Hesto.

Link to risk 3	More information pages 17, 26, 27 and 58

4 Leadership instability

Since the start of 2023, Metair has had a change of board chair and the resignation of two CEOs. Together with the lean head office structure and the significant challenges and increased complexity the business faced, these changes stretched operational management and drew the non-executive directors increasingly into the business.

Response

Metair has made a number of external appointments and promoted internal resources to stabilise and strengthen executive leadership, enhance senior capacity and strengthen the head office role of strategic control.

Link to risk 4	More information pages 14, 15, 17 and 59

5 Competition concerns in Romania

Rombat received a Statement of Objections in November 2023 from the European Commission regarding potential anti-trust violations by manufacturers including Rombat between 2004 and 2017.

Response

Rombat is responding to the Statement and has engaged counsel to provide a response to the commission during April 2024. More information will be communicated once available and within the strict confidentiality obligations.

Link to risk 5	More information pages 15, 50, 59 and 143

LEADERSHIP REPORTS
INTERVIEW WITH THE CHAIR

"2023 was an undeniably challenging year for Metair. In the context of the obstacles created by slow global growth and ongoing geopolitical tension, country-specific and internal factors continued to impact Metair's operations."

TN Mgoduso
CHAIR

THE GROUP HAS EXPERIENCED SIGNIFICANT UPHEAVAL IN THE LAST FEW YEARS. HOW HAS THE BOARD MANAGED THESE?

As a board, we take our responsibility as custodians very seriously. The need to address an unprecedented number of major challenges at the same time, together with changes in the board chair and the resignation of two CEOs, introduced enormous complexity into the business. This stretched operational management and drew the non-executive directors increasingly into the business.

For the board to be operationally entrenched is clearly not a sustainable situation. We have therefore appointed a new CEO on a three-year contract to drive the revitalisation of the group, together with several newly promoted team members in the businesses.

The board's current strategic mandate is to support the new CEO and his team to stabilise the company and focus on the immediate priorities, as outlined in the interview with the incoming CEO (pages 16 – 17). These include ratifying the strategy for future growth in the second half of the year.

WHAT WERE THE MAIN EXTERNAL AND OPERATIONAL FACTORS THAT AFFECTED METAIR THIS YEAR?

2023 was an undeniably challenging year for Metair. In the context of the obstacles created by slow global growth and ongoing geopolitical tension, country-specific and internal factors continued to affect Metair's operations. South Africa is struggling with a range of well-documented issues, including persistent and record levels of loadshedding, interest rates at a 14-year high, a depreciating Rand and dysfunctional rail and port infrastructure.

Metair's operations in Türkiye had to navigate the effects of an earthquake, significant increases in labour costs, interest rates in excess of 40%, liquidity constraints, the impact of hyperinflation on domestic demand and the loss of more than one million batteries for exports.

In the Automotive Components Vertical, we launched and ramped up Metair's single largest Original Equipment Manufacturer (OEM) project in South Africa. While volume variability and market instability are inevitable during the launch of any major project, there were material unforeseen increases in complexities in the project. These included design changes during ramp-up, changes to wiring content and a substantial increase in labour hours that affected efficiencies and increased costs at Hesto.

WHAT IS BEING DONE TO STABILISE AND STRENGTHEN EXECUTIVE LEADERSHIP?

Metair appointed Paul O'Flaherty as CEO on a three-year contract to stabilise and reset the foundations of the business. Paul is a turnaround specialist with extensive experience in infrastructure, manufacturing, energy and banking industries. Wolfgang Ropertz, MD of Lumotech who has been in the group for 36 years, was moved up to an executive of Metair with responsibility to oversee Hesto, Lumotech and Unitrade.

Johan Mouton, with more than four decades in automotive manufacturing and logistics, was brought in as COO to oversee the other subsidiaries. Metair is in the process of appointing a group HR executive to strengthen head office's human capital capacity. These changes will allow executive leadership to return to their role of strategic control and empower the subsidiaries.

WHAT IS THE IMPACT ON METAIR OF THE POTENTIAL EU ANTI-TRUST VIOLATIONS AT ROMBAT?

As communicated in the SENS announcement on 6 December 2023, Rombat has received a Statement of Objection from the European Commission regarding potential anti-trust violations by manufacturers including Rombat between 2004 and 2017. Metair and its subsidiaries are committed to conducting its business in full compliance of the laws that apply in all its markets.

Rombat has engaged counsel and will be providing a response to the commission by end of April 2024. In line with the strict confidentiality obligations, Rombat is prohibited from disclosing any further information at this stage.

HOW DOES METAIR APPROACH SUSTAINABILITY?

Metair considers strong ESG performance as an inextricable aspect of manufacturing excellence and sustainable value creation, inspired by the concept of custodianship. With the increasing focus on ESG by investors, funders, regulators, customers and consumers, responsible business practices are rewarded with increased access to opportunities with responsible customers and business partners, as well as access to funding.

The board monitors the group's ESG performance on an ongoing basis. We are pleased to report that Metair's continued emphasis on supporting the health and safety of our workforce is evident in the lost-time injury frequency rate remaining at 0.20 for the year, being our best-ever performance.

Metair is committed to the principle of transformation and making progress in improving representation of historically disadvantaged persons in management. Preferential procurement programmes at the subsidiaries support black male and black female entrepreneurs to grow their businesses, creating jobs and furthering transformation in the automotive supply chain. Metair makes a large ongoing investment in programmes to develop skills in our workforce and broaden the skills base within the automotive component industry. Many of our CSI programmes aim to improve educational outcomes in ECD centres and schools in the communities around our operations.

WHAT ARE YOUR THOUGHTS ON THE ROAD AHEAD?

The group's priorities include improving profitability, lowering debt and effectively managing working capital levels. In this way we create value for shareholders. We are confident that the new CEO will focus on the correct steps to turn the group around.

Certain of the benefits from the changes implemented will start to flow through in the second half of 2024, although the risk of slower growth in Europe and continued weak demand in South Africa could negatively affect forecast motor vehicle production volumes.

The group's South African operations are well-placed to benefit from the increased stability, forecast good growth in production volumes and our strong relationships with OEMs, technology partners and customers.

The Energy Storage Vertical will remain focused on improving volumes, securing new hard currency export markets, expanding its traded industrial portfolio in South Africa and scaling the renewable energy business.

The group will continue to explore value creation opportunities within both business verticals including the potential exit of the Li-ion line in Romania.

APPRECIATION

Metair's employees and management have made enormous sacrifices to sustain the group through the turmoil of the last few years. The board is extremely grateful for their efforts. Metair's head office team covers a lot of ground in an extremely lean structure and we thank them for their contribution and persistence.

During the year, Michael Flemming and Bridgitte Mathews resigned as directors of the board. We welcomed Nondumiso Medupe as an independent non-executive director and chairperson of the audit and risk committee. The board thanks Mr Flemming and Ms Mathews for their valuable service and contribution to the company during their time on the board.

We thank our outgoing CEOs, Riaz Haffejee and Sjoerd Douwenga and wish them well in their future endeavours. We are pleased to welcome Paul O'Flaherty as the new CEO of Metair from 1 February 2024. We are confident that he will be able to address the constraints currently facing the business.

I thank my colleagues on the board for their support, willingness and commitment to increase their involvement during the senior management changes.

Finally, we extend our heartfelt thanks to our customers and technical partners for their ongoing support.

TN Mgoduso
CHAIR

LEADERSHIP REPORTS CONTINUED
INTERVIEW WITH THE INCOMING CEO

"The executive team is focusing on addressing the immediate challenges facing Metair. By releasing the friction these obstacles create, the group can start to regain its momentum and return to growth."

PS O'Flaherty
CEO

WHAT ATTRACTED YOU TO STEP INTO THE CEO ROLE AT METAIR?

Since 1964, Metair has been a key part of the automotive supply chain and its international portfolio has grown to 12 companies. It is a champion of localisation in South Africa, ensuring that the local economy benefits through job creation, skills development and transformation. I am passionate about working in industries that make an important contribution to growth in South Africa and wanted to take up the opportunity to be part of Metair's turnaround.

The automotive industry in South Africa makes a significant contribution to the local economy, comprising nearly 5% of GDP and over 20% of local manufacturing output. Exports of vehicles and components hit new records in 2022 and 2023. Government supports the industry through the APDP and has set an ambitious goal to produce 1.4 million vehicles in 2035, more than double current volumes. OEMs and automotive component manufacturers have responded with substantial investments in advanced facilities. The industry is also a significant creator of jobs, directly employing around 110 000 people and indirectly supporting 457 000 jobs.

WHAT WERE YOUR INITIAL IMPRESSIONS ON JOINING THE COMPANY?

It is no secret that Metair faces significant challenges on several fronts. These, and our responses, are addressed in detail throughout this report. What impressed me was the quality of underlying businesses and the fact that Metair has good management teams. Although Metair has issues in certain areas at the moment, Metair is an integral part of the automotive industry and is well positioned to benefit from the positive outlook for the sector.

I was also impressed by how well entrenched sustainability is in the company, with management and the board tracking a broad range of ESG KPIs to monitor and improve the group's performance. I learned of how deeply embedded the subsidiaries are in their host communities and the contribution they make as creators of jobs and through their community-focused CSI programmes.

WHAT ARE YOUR CURRENT PRIORITIES?

My immediate focus is to restore leadership capacity, stabilise Hesto, reach a decision on the way forward with Mutlu Akü and address the potential EU anti-trust issue at Rombat. At the same time, we are focused on restructuring Metair's balance sheet to reset the group for growth. We are working on these issues daily to start generating momentum in the business. This does not mean we are not forward focused at the same time. We have also started the process of reviewing the group's strategy. Since joining, I have also been meeting with Metair's stakeholders to understand their key concerns.

OUTSIDE OF THESE KEY PRIORITIES, WHAT ARE SOME OF THE FUNDAMENTAL ISSUES FACING METAIR?

The material matters shown on page 12 represent the broader matters that affect Metair's ability to create long-term value. These will be reassessed as part of the strategy this year.

It is essential that we develop Metair's capacity and agility to deal with the increased complexity and variability in new OEM projects. Rapid change in the automotive industry requires that we ensure our products remain relevant and competitive.

Metair also needs to continue to find ways to successfully manage the difficulties facing manufacturing in South African and Türkiye, including loadshedding, rising labour cost and availability constraints, deteriorating infrastructure, exchange rate volatility and ongoing supply chain issues.

The many challenges the group has faced have stretched capacity and Metair is conscious of the requirement to support the wellbeing of our people.

Addressing all these factors have one common goal – meeting the needs of Metair's customers to earn commercial yields that create optimal returns for all stakeholders.

WHAT IS BEING DONE TO ADDRESS THE POOR PERFORMANCE AT HESTO?

Metair has added management capacity and brought in a seasoned executive to oversee the company. A commercial price adjustment was negotiated with the customer that will result in a meaningful uplift in the revenues and operating profit to be generated by Hesto over the remaining model life. We expect Hesto to continue to stabilise and maintain its profitability as it did in the second half of the year.

The Metair board re-assessed the long-term viability of Hesto. Together with the support of our funders, technical partner, customer and cost reduction and efficiency improvements, the project is sustainable over the remaining model life of up to nine years. We are also adding resources and skills to ensure that we build capacity in the group to rapidly respond to current and future complexity.

WHAT DOES METAIR PLAN TO DO WITH ITS OPERATIONS IN TÜRKIYE?

Mutlu Akü is a solid and sustainable business that helped to diversify the group at the time of the acquisition in 2013. However, it operates in an extremely difficult macroeconomic and geopolitical context. These challenges, along with the current hyperinflationary environment and disconnect from senior head office support, have introduced significant complexity in the business. This has resulted in high debt levels and working capital at a time when significant export volumes have been lost. Metair is putting in the necessary resources to support management to address the current issues and continue to investigate ways to realise value from our investment.

HOW IS METAIR ADDRESSING THE UNSUSTAINABLE DEBT LEVELS AT HESTO AND THE GROUP?

Group net debt is at peak levels as a result of increased working capital and new model investments. Management is closely monitoring debt levels, liquidity and covenants, and implementing strategies to addressing these issues. Metair is engaging with our funders to restructure and refinance the short-term debt falling due in 2024 and have commenced a full debt restructure and refinance programme. Our funders remain supportive and the group has access to sufficient facilities for ongoing operational requirements. More information is outlined in the CFO report on page 24.

WHAT ARE YOUR LONGER-TERM GOALS?

The executive team is focusing on addressing the immediate challenges facing Metair. By releasing the friction these obstacles create, the group can start to regain its momentum and return to growth. We will take the next few months to address the priority areas and evaluate the current situation, with the finalisation of a detailed turnaround strategy aimed for the second half of 2024.

P. O'Flaherty

PS O'Flaherty
Chief Executive Officer

CREATING VALUE

OUR AUTOMOTIVE BUSINESSES

THE SOUTH AFRICAN AUTOMOTIVE INDUSTRY

The automotive industry is a significant contributor to the South African economy, generating 4.9% of GDP[2] in 2022 and accounting for 21.7% of the country's manufacturing output. Exports of vehicles and automotive components to 152 international markets rose to a record R227.3 billion, representing 12.4% of South Africa's total exports.

This growth in exports of vehicles and components was achieved through a material ongoing investment in advanced technology, state-of-the-art equipment, skills development, productivity gains and enhancements across the value chain. In 2022, international automotive original equipment manufacturers (OEMs) continued to invest R7.1 billion in South Africa (2021: R8.8 billion) and automotive component manufacturers invested a further R4.5 billion (2021: R5.7 billion).

The automotive industry value chain includes thousands of upstream companies that supply parts, components and materials, as well as a downstream network of retailers and workshops across the country, delivering broad economic benefits and creating employment. In 2022, the automotive industry provided jobs for around 110 000 people and its strong multiplier effect supported approximately more than 457 000 jobs.

In addition, the industry makes a substantial contribution to the fiscus, with the seven OEMs active in South Africa paying more than R14 billion in taxes and duties in 2022.

Strong government support and positive trends support the local industry

The South African government supports the automotive industry through automotive and industrial programmes such as the South African Automotive Masterplan (SAAM) 2035 and the Automotive Production and Development Programme (APDP). Phase II of the APDP provides support and certainty to OEM manufacturers to 2035 and SAAM sets an ambitious annual vehicle production goal of 1.4 million vehicles in 2035 from recent levels of 500 000 to 600 000.

As OEMs shift their focus to New Energy Vehicles (NEVs) in their home countries, South Africa is becoming a favoured manufacturing base for internal combustion engine (ICE) models and variants. COVID-19, ongoing logistics disruptions and geopolitical uncertainty resulted in OEMs choosing to source components close to their manufacturing sites to simplify supply chains.

OPPORTUNITIES FOR METAIR

As a supplier of automotive components and batteries to OEMs operating in South Africa, Metair is well-positioned to participate in industry growth and benefits from the APDP's emphasis on B-BBEE and localisation of component production. All of Metair's major South African OEM customers are introducing new models and facelifts in the next two to five years with some limited introduction of their NEV technology. Metair's long history of successful automotive technology partnerships with leading global companies positions the group well to participate in future trends.

RISKS FOR METAIR

The commercial model of the automotive components industry is complex and contracts run over many years. Components are designed and supplied for specific models that may be produced for five to ten years. The risk of customer production volumes not meeting forecast always lies with the supplier. Significant upfront investment is required in planning, tooling, equipment and training to prepare for the launch of a new model and, to a lesser extent, facelifts to existing models. The launch is a complex and costly exercise, particularly in the harnesses business, with economic returns only starting to be realised once production stabilises and planned target production volumes are achieved by the customer. Variations to specifications or other requirements during the project add significant complexity and need to be priced appropriately to protect project margins. Cost, quality and delivery are key attributes in supporting customers, sustaining the wider industry and remaining competitive.

The automotive industry is highly competitive and evolving rapidly. Manufacturing in South Africa faces a number of challenges, including the volatile political, social and labour environments, policy uncertainty, supply interruptions to essential inputs such as energy, water and raw materials, and the constraints of loadshedding and failing rail and port infrastructure. These factors affect local manufacturers' ability to achieve the production efficiencies necessary to compete and attract long-term OEM investment.

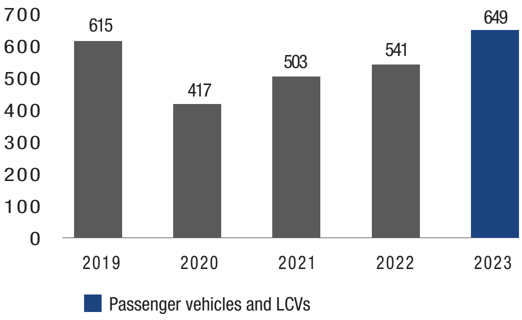
South African motor vehicle production recovering

Vehicle production is linked to demand in domestic and export markets, which generally tracks economic growth. Around two thirds of annual vehicle production is exported from South Africa, with Europe the main destination.

Production of passenger vehicles and light commercial vehicles (LCVs) in South Africa increased by 20% to 649 000 units[3] in 2023, 6% above pre-COVID production, despite continued global supply chain disruptions, record levels of loadshedding and the impact of major logistical challenges at the ports. The depressed economy, high cost of living and sustained high interest rates saw domestic sales remaining around 499 000 units, 2% below 2019. Exports increased by 13% to 395 000 units, surpassing the previous record set in 2019, supported by new model launches.

2. *Source: Naamsa. All figures are for 2022. GDP contribution comprises 2.9% from automotive manufacture and 2.0% from automotive retail.*
3. *Source: Metair internal data*

Motor vehicle production and exports – South Africa ('000)



Source: Metair internal data

VEHICLE PRODUCTION IN TÜRKIYE AND ROMANIA

Metair's operations in the Energy Storage Vertical sell batteries to OEMs that are included in new vehicles, service aftermarket demand in their local markets and export batteries into other markets. Production of passenger cars and commercial vehicles in Türkiye increased by 9% to 1 468 000 vehicles in 2023 (2022: 1 353 000). Passenger car production in Romania increased from 2 276 000 to 2 278 000 units despite inflationary cost pressures (particularly energy and labour costs) and the ongoing uncertainty following Russia's invasion of Ukraine.

FORD Q1 AWARD TO FIRST BATTERY 2023

On 13 January 2023, First Battery achieved Ford Q1 Certification. Q1 Certification is awarded to Ford suppliers that demonstrate excellence beyond the ISO/TS certification requirements in five critical areas: capable systems, continuous improvement, ongoing performance, superior manufacturing process and customer satisfaction. To qualify, companies must simultaneously achieve the following:

- 100% on-time delivery and service
- Zero customer quality complaints/ notifications and no open corrective actions
- Best in class PPM measures
- A minimum Q1 rating of 80 (First Battery's current rating is 90)
- Written endorsements from: Ford Manufacturing (each ship-to location), Ford Customer Service Division, Ford Supplier Technical Assistance, Ford Material Planning & Logistics

Ford Managers, First Battery Director and Quality Manager receiving Q1 flag at Settlers Way Plant, East London.

Ford Managers, First Battery Directors and staff receiving Q1 flag at Benoni Plant.

HOW METAIR CREATES VALUE

Metair manages and controls businesses in the mobility and energy sectors to deliver quality and cost-competitive products. The group's commitment to custodianship embeds ESG considerations into the business model to embrace green manufacturing, the circular economy and broad social benefit. In executing its strategy, Metair creates and preserves value, balancing the necessary trade-offs between risks and opportunities, the interests of different stakeholder groups and the six capitals.

STAKEHOLDERS

CAPITAL INPUTS

Shareholders, investors and funders

FINANCIAL CAPITAL

Capital raised from shareholders and lenders, and cashflow from the group's activities retained in the business, is invested to support the operations and sustain growth.

- R690 million capex
- R2.8 billion in remuneration paid to employees
- R3.1 billion in debt

Suppliers

MANUFACTURED CAPITAL

Property, plant and equipment, including manufacturing facilities, physical and IT infrastructure, and machinery and tooling at 16 operations in five countries.

- R4.1 billion in property, plant and equipment

Employees, trade unions

HUMAN CAPITAL

The skills, experience, productivity, safety, wellness and motivation of Metair's 17 035 employees and contractors. The group's leadership skills and culture of manufacturing excellence and custodianship.

- 34.3 million person hours worked
- R35.2 million invested in employee training
- 1 312 learnerships

Technology partners, leadership and employees

INTELLECTUAL CAPITAL

Software and licensing rights and agreements used in the manufacturing operations. Brands and the skills and experience of the technical experts in the group and the IP developed in the research and development divisions and technology incubators. Metair's technology partners provide access to essential intellectual property and experience to meet the needs of OEM customers.

- R46.0 million invested in research and development

All stakeholders

SOCIAL AND RELATIONSHIP CAPITAL

Metair's business is based on trust and mutually beneficial relationships with its stakeholders. The group demonstrates its commitment to custodianship and ethical business practices in its engagements with stakeholders. Metair's strong relationships with its technology partners, OEMs and customers are key to its long-term success.

All stakeholders

NATURAL CAPITAL

The land on which Metair's facilities stand, the air around us and key inputs such as water, raw materials and energy. Lead, which is used to make batteries, can have a significant environmental and social impact if not managed responsibly.

- 224.4 GWh of electricity consumed
- 753 087m^3 of water consumed

Manufacturing inputs

- Steel
- Aluminium
- Copper
- Lead
- Polymers
- Alloys
- Rubber
- Tooling
- Parts
- Chemicals
- Gas
- Electricity
- Water
- Labour

ISO 50001

ISO 9001

ISO 18001

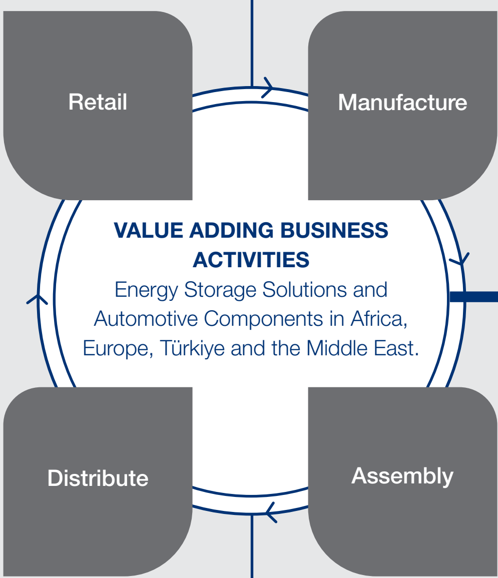
ISO/IATF 16949

ISO 14001

AUTOMOTIVE COMPONENTS VERTICAL

Outputs

- Brake systems
- Shock absorbers
- Lighting
- Radiators
- Air conditioners
- Suspension parts
- Wiring harnesses
- Plastic parts



ENERGY STORAGE VERTICAL

Outputs

- Lead-acid auto batteries
- Lithium-ion auto batteries
- Telecoms solutions
- Material handling solutions

Metair's governance framework enables oversight and accountability through reporting and disclosure, effective risk management, clear performance management, transparency and ethical and effective leadership.

CAPITAL OUTCOMES

FINANCIAL CAPITAL

- R4.3 billion in wealth created for stakeholders
- R1.1 billion EBITDA before impairment including equity earnings

MANUFACTURED CAPITAL

- R441 million depreciation and amortisation

HUMAN CAPITAL

- Group LTIFR remained at 0.20
- Absenteeism increased to 2.5%
- 97.5% HDSA staff
- 49.2% female representation

INTELLECTUAL CAPITAL

- Improved technical skills and experience in the group
- Talent mapping and succession planning to develop the next generation of leadership and technical expertise

SOCIAL AND RELATIONSHIP CAPITAL

- R18.6 million invested in CSI projects
- Consolidated group B-BBEE Level 1 achieved
- Relationship with TWIMS to develop green manufacturing capabilities

NATURAL CAPITAL

- 2023 carbon footprint 513 828 tCO_2e
- 7.7 tonnes of non-hazardous waste recycled
- ± 50 000 tonnes of lead recycled

MATERIAL CAPITAL TRADE-OFFS IN 2023

Metair continued to make a significant investment of financial capital into tools and equipment (manufactured capital), training (human capital) and intellectual capital to support the expansion project at Hesto.

Metair invested in programmes to develop specialist skills across the group, focused on learnerships, trainees and apprenticeships.

Metair's investments into climate change mitigation improved access to water (natural capital and manufactured capital) at some operations and created barriers for flood prevention.

Metair is committed to UN Sustainable Development Goals (SDGs) and ensures that negative environmental and social impacts are limited.

KEY STAKEHOLDER RELATIONSHIPS

Metair recognises that our ability to create long-term sustainable value depends on the quality of our stakeholder relationships – how well we understand and respond to their needs, interests and expectations. Stakeholder engagement is a standing item on the board agenda and directors are kept appraised of all material engagements and their outcomes.

Providers of financial capital

Shareholders and lenders

Their interests and expectations

Return on invested capital, effective capital allocation, value creation strategy, sustainability of Metair's business, total shareholder returns, fair and transparent remuneration, unlocking share value, good reputation, positive prospects and responsible ESG practices.

How Metair engages

- Stakeholder reports, including the integrated annual report, results commentaries, the abridged report, interim and annual results presentations, pre- and post-results feedback, SENS announcements and press releases
- Regular meetings, including the annual general meeting, one-on-one meetings, site visits, pre-close meetings and ad hoc (as requested)
- Investor perception surveys
- Company website

Customers

Major OEMs and consumers in the aftermarket

Their interests and expectations

Meeting required product quality and delivery standards at a competitive cost, brand strength, sustainability of the group's business, B-BBEE status, transformation, investment in technology and innovation, expansion to support customer goals, responsible health, safety and environmental performance, ongoing investment in training and corporate social responsibility.

How Metair engages

- Contract negotiations
- Scheduled supplier forums
- Ongoing interactions in the ordinary course of business
- The annual Metair Exhibition
- Quality reviews
- Performance reviews
- Industry forums
- Trade shows and exhibits
- Customer reward systems
- Customer visits

Business partners

Joint venture partners and associates

Their interests and expectations

Financial performance, consistent supply, manufacturing and management performance, fair treatment and quality of management, investment support, effective business model, responsible ESG practices, investment in technology, employee health and safety.

How Metair engages

- Ongoing interactions in the ordinary course of business
- The annual Metair Exhibition

Employees and trade unions

Management, employees and their representatives

Their interests and expectations

A safe and healthy work environment, fair remuneration, equal work/equal pay, transformation, job preservation and creation, shareholding participation expectation, good corporate culture, banning of labour brokers, preferential procurement from B-BBEE accredited parties, education, training and skills development, support for secondary and tertiary education in communities, rural area economic development, deliverable and sustainable corporate social investment programmes, anti-internationalisation and globalisation demands for South African businesses.

How Metair engages

- Operational performance reviews
- Feedback sessions
- CEO site visits
- Regular electronic communication
- Anonymous Tip-offs hotline
- Company website
- Induction programmes
- Union interactions as required
- Wage negotiations

Society

Government and communities

Their interests and expectations

Regulatory compliance, health and safety, responsible operation and ESG practices, transformation, preferred procurement from B-BBEE accredited parties, environmental responsibility, sustainable employment and corporate social responsibility.

How Metair engages

- Engagements on specific policy issues
- Representation on industry bodies
- Regular regulatory submissions
- Interactions as required

Other

Industry bodies*, suppliers and consultants, analysts and the media

Their interests and expectations

Good corporate conduct, support in engaging government and regulators on industry matters, responsible ESG practices, health and safety, access to management, fair payment terms, treatment and contractual responsibility and preferential procurement opportunities.

How Metair engages

- Participation in industry forums
- Ongoing engagements in the normal course of business
- Interactions as requested
- Press releases
- Company website

** Including NAACAM, NAAMSA and SABMA*

PERFORMANCE REVIEW
CFO'S REPORT

"The group's results reflect the corrective steps taken to improve and stabilise performances in both business verticals within a difficult and dynamic trading environment. Our immediate and key priority is correcting the debt profile of the group including Hesto."

A Jogia
CFO

Note: *This report provides a high-level overview of the financial performance and position of the group for 2023. For more details, please refer to the full annual financial statements for the year under review.*

OVERVIEW

We continued to face headwinds during 2023. These challenges included:

- A major customer's new model launch, ramp up and associated complexities in our local wiring harness businesses
- Ongoing supply chain disruptions, exacerbated by the deterioration in rail and port infrastructure in South Africa, which created delays and increased costs through emergency airfreight
- Increased working capital (safety stock) held to support customers and overcome supply chain challenges,
- Global inflationary pressures and high cost of borrowings. Türkiye interest rates increased to 42.5% and annual inflation peaked at 64.8%, contributing to a significant rise in interest costs for the group
- The impact of war in Ukraine and Israel affecting demand in our European battery businesses
- The loss of more than one million export batteries, mainly due to the end of a supply contract to North America and the impact of self-sanctioned supply into Russia by Mutlu Akü in Türkiye

From an overall market perspective, total OEM production volumes increased by 20% to 649 231 cars in 2023, driven mainly by Toyota's recovery from the impact of floods in KwaZulu-Natal in 2022 and the launch of new models, most notably the Ford Ranger (including the VW Amarok) bakkie. This helped to improve top line growth in our local automotive business. Automotive battery volumes sold in our energy storage business declined 17% from 8.7 million to 7.3 million units, mainly due to the loss of export volumes.

Management's efforts concentrated on the recovery of our wiring business Hesto Harnesses following the significant losses incurred in the first half of 2023, as well as stabilising Mutlu Akü following the drop in volumes and shortage of labour resources. Despite the strain from these two major businesses, our other core businesses – lighting (Lumotech), suspension (Supreme Springs), H-VAC (Smiths Manufacturing) and SA battery (First Battery) performed strongly.

GROUP FINANCIAL REVIEW

Group revenue increased 14% to R15.9 billion (2022: R13.9 billion), supported by improved OEM production volumes in South Africa and increased price growth mainly due to higher material cost content and complexity. The Automotive Components business (excluding Hesto which is accounted for as an associate) contributed R7.82 billion to group revenue, a 48% increase from 2022. Hesto's revenue increased by 222% from R1.8 billion to R5.7 billion. Revenue from our Energy Storage business declined 7% to R8.0 billion (2022: R8.6 billion) mainly due to lower aftermarket volumes (including exports) as well as currency translation effects arising from Mutlu Akü.

Group EBIT (earnings before interest and taxation, calculated as profit before interest, taxation and share of associate earnings) increased 7% to R487 million (2022: R453 million). EBIT margin was 3.1% (2022: 3.3%), which was impacted by operational inefficiencies during ramp up of the group's major customer project, the non-cash impact of hyperinflation accounting adopted for

Mutlu Akü and impairment of the Li-ion line in Romania (Rombat) of R179 million. On a pre-hyperinflation basis and excluding impairments, EBIT amounted to R1 150 million (2022: R789 million) at a 7.3% margin (2022: 5.8%).

Net finance expenses increased 97% to R741 million (2022: R377 million) due to increased borrowing rates, specifically in Türkiye, where market interest rates ranged between 45% – 55%, combined with higher net debt levels to support customer expansion and high working capital investments. Net monetary gains arising from hyperinflation accounting restatements amounted to R556 million (2022: R398 million).

Share of equity losses from associates amounted to R10 million (2022: R239 million loss). Hesto's share of post-tax equity losses, amounting to R393 million, is not included within equity accounted earnings. In terms of equity accounting rules under IFRS (IAS28), if there are no contractual shareholder obligations to fund Hesto's operating losses, the portion of losses exceeding the carrying value of the underlying investment are not recognised and deferred until sufficient future profits are generated to reverse the accumulated losses. Hesto's loss is included within the segmental results and in the calculation of debt covenants.

Group EBITDA (earnings before interest, taxation, depreciation and amortisation – calculated as group operating profit and equity-accounted earnings plus depreciation, amortisation and impairments on non-financial assets) increased 86% to R1.1 billion (2022: R592 million).

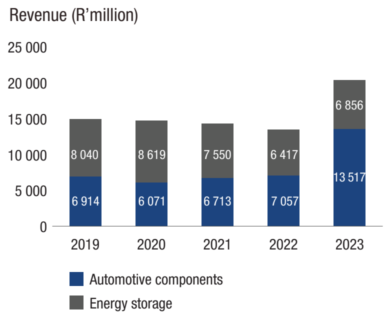
Headline earnings per share (HEPS, adjusted for impairments as well as profits and surpluses on disposals), increased by 152 cents to 135 cents per share (2022: 17 cents per share loss).

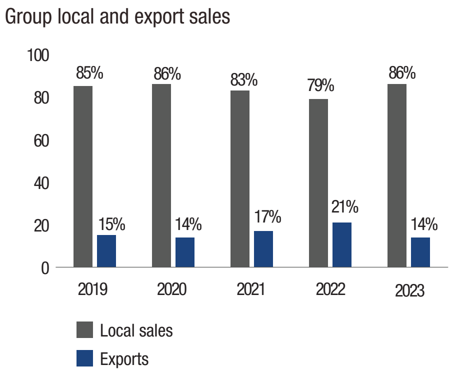
SEGMENTAL REVIEW

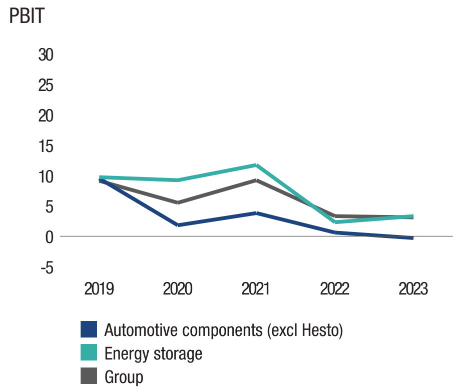
The revenue and profit numbers in this section include the group's managed associate, Hesto, in line with the presentation in the segmental review in note 1 to the annual financial statements.

Metair's two business verticals – Automotive Components and Energy Storage – supply products to their local markets in South Africa, Romania and Türkiye. They also export to customers, mainly in Europe, the Middle East and sub-Saharan Africa.

The Automotive Component Vertical contributed 63% to group segment revenue in 2023, with the Energy Storage Vertical contributing 37% (2022: 45% Automotive Component Vertical and 55% Energy Storage Vertical).







AUTOMOTIVE COMPONENTS VERTICAL

Despite local and global market challenges, South African OEM production volumes of passenger vehicles and LCVs grew 20% to 649 231 units in 2023 (sourced through Metair marketing internal intel), assisted by new model launches and the recovery after last year's floods. The vertical experienced strong revenue growth, contributing R13.5 billion (2022: R7.1 billion), an increase of 92%.

The group's automotive subsidiaries (excluding managed associate Hesto) generated EBIT of R567 million (2022: R393 million) at a margin of 7.3% (2022: 7.4%), slightly impacted by OEM customer volume and mix variability as well as the effects of loadshedding and supply disruptions.

The group invested significantly in supporting a major customer new model over the past two years, with Hesto, Automould, Unitrade and Lumotech having material exposure to the project. Production formally launched in mid-November 2022 and ramped up to full production by mid-2023 attaining full year production of 130 963 units.

HESTO HARNESSES

Ramp up production on the group's major project proved extremely challenging and complicated with significant design and engineering changes. A model facelift introduced in April 2023 also significantly impacted the harness design and manufacturing. This complexity necessitated higher than expected up-front costs, labour and line capacity as well as inventory at Hesto. Unfortunately, excessive once-off airfreight and labour costs of R465 million contributed to a R711 million loss before interest and taxes at Hesto in the first half of the year. Close collaboration with the customer and our technology partner led to an agreement for a commercial price adjustment, providing significant support for revenues and operating profit over the remaining model life of nine years. As a result, Hesto generated R104 million EBIT in the second half of 2023.

The overall automotive components vertical recovered in the second half of 2023 and full year loss before interest and taxes include the full accounting for Hesto was R41 million (2022: R45 million profit).

ENERGY STORAGE VERTICAL

Geo-political tensions, high inflationary and other economic pressures dampened automotive battery sales in our energy business. Mutlu Akü imposed self-sanction protocols to terminate export sales to Russia and, combined with cancellations from a key customer in the US, export volumes fell by 69% (1.2 million units) to 0.5 million units. A difficult labour environment in Türkiye unfortunately also resulted in a shortage of contract workers during the last quarter of 2023. The situation was resolved, but production was constrained for 2.5 months. Given our firm commitments to prioritise OEM customers, Mutlu Akü local aftermarket sales suffered a decrease of 34% to 1.0 million units (2022: 1.6 million units). Total Mutlu Aku automotive sales volume amounted to 3.3 million batteries (2022: 4.9 million).

CFO'S REPORT (continued)

Sales of automotive batteries at Rombat in Romania held steady at 2.3 million units, although tensions in Ukraine affected consumer sentiment and demand in Europe. Volumes for First Battery increased 8% from 1.5 million units to 1.7 million units in a competitive and price sensitive market. Total OEM battery sales volumes accounted for 36% of total energy volumes (2022: 28%), a slightly higher mix than target. Our emphasis is to correct the sales mix going forward by improving export volumes in other markets and replenishing aftermarket channels following the production challenges in Q4.

Mutlu Akü's local currency (pre-hyperinflation) EBIT increased 18.7% to Turkish Lira (TL) 645 million (2022: TL 544 million) at an EBIT margin of 13.6% (2022: 11.9%). When translated into South African Rand (ZAR) earnings, Mutlu Akü contributed R515 million (2022: R530 million) EBIT as the TL devalued on average 20% against the ZAR. First Battery improved local market share and generated EBIT of R183 million (2022: R177 million) at a margin of 8.5% (2022: 8.8%). Rombat generated EBIT of R33 million (2022: R36 million), impacted by regional instability and high energy cost.

On a pre-hyperinflation basis and before impairment of the Li-ion line in Rombat (normalised), Energy Storage revenue declined 3.6% to R8 billion (2022: R8.3 billion), R730 million EBIT was generated (2022: R746 million) and EBIT margin held steady at 9.1% (2022: 9.0%).

First Battery expanded its traded product portfolio to increase the range of standby, renewable energy applications and industrial backup solutions. First Battery transitioned fully into the industrial trading model and benefits are expected to fully materialise from 2024. Total industrial segment revenue amounted to R602 million (2022: R598 million).

The Energy Storage Vertical reported EBIT of R268 million for the year (2022: R195 million).

HYPERINFLATION IN TÜRKIYE

The Turkish Lira devalued on average by 20% against the ZAR (43% against the dollar) in 2023 and Türkiye experienced a challenging economic environment with inflation rates increasing significantly to 64.8% by the end of December 2023, demonstrating persistent inflationary pressure within the country's economy. The central bank of Türkiye embarked on an aggressive tightening regime, raising the key interest rate with a series of rate hikes, reaching 42.5% by December. These hikes signified a robust shift towards more orthodox policies aimed at curbing years of rampant inflation. Mutlu Akü's net interest costs therefore increased by 115% to R485 million (2022: R226 million).

Mutlu Akü's earnings are reported under IAS 29 and translated at year end exchange rates (1TL: R0.62). The impact of IAS 29 on Mutlu's pre-hyperinflationary results and the group is summarised below:

- EBIT declined R493 million (2022: R576 million), mainly due to cost of sales restatements
- Net monetary (financial) gain amounted to R556 million (2022: R398 million) through profit and loss
- Profit after tax gain of R70 million (2022: loss of R208 million) arising from restatements of non-monetary assets, non-monetary liabilities and equity through profit and loss
- Cumulative uplift in total net assets of R2.5 billion (2022: R1.8 billion) and equity of R2.2 billion (2022: R1.6 billion), shown as foreign currency translation gains within other comprehensive income

Mutlu Akü continuously monitors regulatory impacts and explores strategies to navigate volatilities in interest rates, foreign exchange and inflation.

FINANCIAL POSITION

Net working capital increased by R128 million to R3.33 billion (2022: R3.18 billion). To ensure the security of supply to our customers, we increased safety stock levels, especially for imported components with long lead times. Group inventory increased 23% to R3.3 billion (2022: R2.7 billion), offset by lower trade receivables. Higher raw material and commodity prices (especially lead in Türkiye) raised levels of working capital.

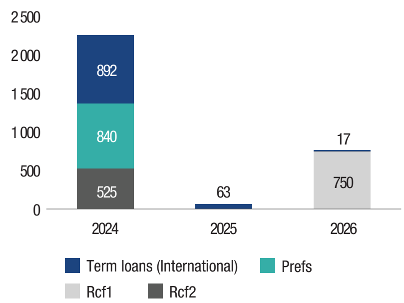
The changes in working capital contributed to an improvement in cash generated from operations from R151 million in 2022 to R1.2 billion, resulting in cash conversion of 104% (2022: 18%). Free cash generated amounted to R306 million (2022: R664 million utilised). Cash and cash equivalents declined to R567 million from R980 million in the prior year, arising mainly at Mutlu Akü as lower export sales impacted cash cycles. Group net debt (borrowings less cash and cash equivalents, excluding Hesto) increased to R2.8 billion at year-end (2022: R2.6 billion) primarily due to the intensive capital expansion and working capital needs, especially in Türkiye.

Group net asset value per share increased to 2 790 cents (2022: 2 615 cents).

DEBT, LIQUIDITY AND GEARING

The group's net debt to equity ratio amounted to 52% (2022: 51%). Net debt to EBITDA amounted to 2.6 times (2022: 4.4 times), higher than target of 2.5 times due to higher working capital, funding taken up for new projects and the impact of hyperinflation on Mutlu Akü's results. R2.3 billion of group bank debt is due in 2024.

Debt maturities (R'million)



The group's revolving credit facilities (RCFs) of R1 275 million (RCF 1: R750 million maturing August 2026 and RCF 2: R525 million maturing April 2024) and preference share funding of R840 million (maturing December 2024) are subject to bank covenants. Net debt, calculated on a covenant testing methodology which includes Hesto, amounted to R4.6 billion at balance sheet date. Despite the high debt level, the group remained within agreed banking covenants levels:

Financial covenant ratio	Covenant Level	Compliance	Dec 23
Dividend and interest cover ratio	Not less than 1.5x	Y	1.69
Total net borrowings to adjusted EBITDA ratio	Not more than 4x	Y	3.06
Priority debt covenant	Not more than 2x	Y	1.64

Management's focus remains to closely monitor debt levels, liquidity and covenants, with a priority of reducing these in a responsible manner. The group's revolving credit facility (RCF) 2 funding of R525 million, due in April 2024, has been successfully extended for an additional year. Management is closely monitoring debt levels and liquidity, with a priority to reduce these in a responsible manner. In addition, the group is implementing a range of strategies to reduce and restructure debt levels, including effective cash management and cost control, delaying non-critical capital expenditures and engaging customers for flexible support on capital investments for new models. Unutilised credit facilities amounted to R767 million (2022: R752 million) in South Africa and R1.6 billion (2022: R1.2 billion) equivalent conditional facilities internationally.

The Metair board of directors re-assessed the long-term viability of Hesto. Together with the support of our funders, technical partner, customers as well as cost reduction and efficiency improvements, the business is sustainable over the remaining model life of key projects. We are focused on returning the company to sustainable profitability and positive cash generation.

Management determined that there is no material uncertainty or significant doubt upon the group's ability to continue as a going concern and sufficient access to facilities are available for ongoing operational requirements. Notes 14 and 19.3 in the financial statements provide detailed information on the group's borrowing facilities, liquidity and capital risk management.

FINANCIAL GUARANTEES

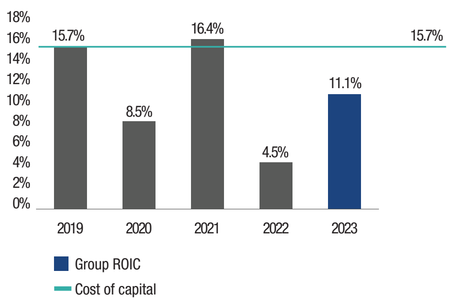
The group provided financial guarantees, amounting to $57 million, for funding and trade credit support advanced to Hesto by the minority shareholder, Yazaki Corporation. The funding structure and debt due at Hesto will also form part of the debt restructure and refinancing programme.

CAPITAL ALLOCATION

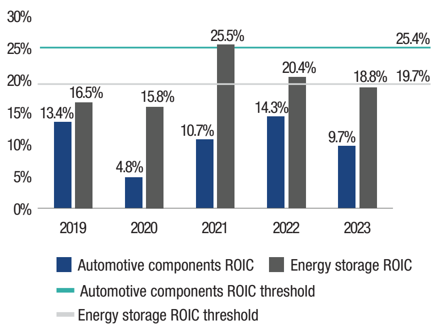
Our primary financial return criteria when allocating capital to operating assets (maintenance and new business) is return on invested capital (ROIC), supplemented by return on assets, internal rate of return and cash generation to support our ability to pay down future debt obligations, without constricting growth capital. ROIC targets (investment thresholds) are in place at group and individual business units. Capital allocated is required to exceed its cost of capital within 3 years of investment. Group return on invested capital (ROIC) was 11.1% (2022: 4.5%), impacted by the hyperinflation impact at Mutlu Akü and initial investments in projects.

Long-term return targets:
Metair WACC: 15.7%
Energy Storage Vertical ROIC threshold: 19.7%
Automotive Components Vertical ROIC threshold: 25.4%

Return on Invested Capital (ROIC) vs Cost of Capital



Vertical ROIC and Thresholds



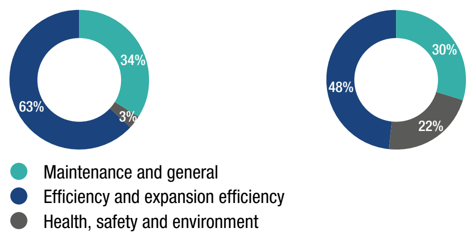
The group invested R690 million (2022: R1.16 billion) capital expenditure (Capex), to support future growth and efficiency improvements. R289 million was spent on maintenance, R380 million on expansion and R21 million on health and safety. Much of the capital expenditure was focused on capacity expansion for the Automotive Components Vertical to support planned new model launches and facelifts. Due to delays in commissioning the Li-ion line in Romania, combined with geo-political tensions and advancements in Li-ion cell technology, the Li-ion Line was impaired to estimated recoverable value of R58 million.

For 2024, we will continue to prioritise investing for future growth and sustainability. We plan to commit R910 million, which includes R409 million for critical maintenance and other efficiency projects, R281 million for new customer vehicle models and derivatives, R55 million on Rombat's solar energy project, R69 million on completion of AGM ('absorbed glass mat') and heavy-duty battery technology expansions and R96 million on health and safety requirements including earthquake protection upgrades at Mutlu Akü in Türkiye. The capital required will be funded through a combination of internal cash generated, existing and new credit lines, but subject to affordability on a case-by-case basis.

2024 CAPITAL COMMITMENTS (INCLUDING HESTO)

(R million)	Maintenance and general	Efficiency and expansion efficiency	Health, safety and environment	Total
Automotive Components Vertical	188	346	17	551
Energy Storage Vertical	107	173	79	359
Total commitments	**295**	**519**	**96**	**910**

Automotive components vertical Energy storage vertical



INTANGIBLE ASSETS AND GOODWILL

Intangible assets, including goodwill, are valued at R1.2 billion (2022: R1 billion). Goodwill arising at Rombat and Mutlu Akü as well as the Mutlu Akü indefinite useful life brand-name are not subject to amortisation but tested annually for impairment. Annual impairment tests support the carrying values of goodwill and other intangible assets. (refer note 8 of the AFS).

DIVIDEND

While Metair's dividend policy is to pay dividends that are covered by earnings (dividend cover) between two and four times, in the current financial position, the company will not declare dividends for the 2023 financial year.

A Jogia
CFO

FINANCIAL PERFORMANCE

	2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Revenue	**15 856 456**	13 905 467	12 621 070	10 234 706	11 237 995
Profit before taxation	**291 685**	234 605	962 122	296 768	871 369
Impairment charges/(reversals)	**180 923**	(4 247)	10 903	108 168	25 351
Interest paid	**809 710**	410 747	177 464	204 731	259 875
Preference dividend	**65 569**	47 466	41 658	46 919	60 532
Profit/(loss) attributable to ordinary shareholders	**95 535**	(40 385)	674 791	174 184	624 186
Total equity	**5 532 876**	5 197 495	3 874 354	4 214 838	4 310 786
Interest-bearing debt	**3 397 618**	3 557 367	2 289 422	2 370 313	2 196 411
Property, plant and equipment	**4 078 258**	3 770 774	2 636 978	2 618 197	2 707 381
Current assets	**7 241 801**	7 491 543	5 536 218	5 538 675	4 906 321
Total assets	**13 109 273**	12 832 400	9 075 419	9 298 270	8 967 335
Number of shares in issue	**198 986**	198 986	198 986	198 986	198 986
Weighted average number of shares in issue	**193 770**	193 483	192 715	192 118	191 904
Net asset value per share (cents)*	**2 790**	2 615	1 946	2 133	2 186
Basic earnings/(loss) per share (cents)	**49**	(21)	350	91	325
Headline earnings/(loss) per share (cents)	**135**	(17)	354	148	336
Dividend per share (cents) declared and paid	**Nil**	90	75	Nil	100
Dividend cover (times) (calculated on headline earnings on prior year)	**N/A**	3.9	2.0	N/A	3.4
ROIC	**11.1**	4.5	16.4	8.6	15.7
Net profit/(loss) as a % of average total shareholders' funds (ROE)	**2.4**	(0.1)	17.1	4.3	15.3
Total shareholders' funds as a % of total assets	**42.2**	39.7	42.7	45.3	48.1
Interest cover (times)	**0.7**	1	7	3	4
Staff complement	**6 593**	6 467	6 062	5 920	6 166

* *Calculated on ordinary shareholders equity and number of shares in issue excluding treasury shares.*

PERFORMANCE AGAINST 2023 TARGETS

Progress against the short-term priorities identified in the 2022 integrated annual report are shown in table below:

	2023 Priorities	Progress
1.	Implement and effectively execute agreed projects/ priorities.	Ongoing. Metair successfully supported the launch and ramp up of a new model and facelift at a major customer and continues to meet commitments with other clients.
2.	Maintain strong cash conversion rate across operations.	Ongoing. Improved but subject to tough economic conditions Türkiye and loss of exports returning.
3.	Enhance operational efficiency across the group.	Ongoing. Given customer volume and mix variability.
4.	Develop and finalise the plan for the next phase of renewable energy implementation.	Project put on hold for most sites pending improved commercial feasibility. 42 MW solar park is being installed at Rombat and a feasible project awaiting board approval at Supreme Spring.
5.	Business intelligence reporting – ensure insightful reporting and extract actionable insights from data to improve the group's performance, growth and cash management/usage.	Ongoing. Emphasis at the moment is being placed on IT system upgrades at Mutlu and Hesto.
6.	Achieve positive movement on the difference between intrinsic/fair value per share and market value per share.	Ongoing. Metair still trades at a discount to intrinsic value. The strategy for 2024 will be to close this gap.
7.	Understand the likely impact of new disruptive technologies on the group's business model and plan and respond accordingly.	Ongoing.

SUSTAINABILITY REPORT
METAIR SUSTAINABILITY MODEL

Metair regards itself as a custodian and manages its business ethically, remaining mindful of environmental and social impacts with the wellbeing of future generations in mind. Sustainability is designed into how Metair does business. As a participant in the global automotive supply chain, responsible business practices are essential and demonstrating a commitment to high standards of quality, ESG and ethical behaviour creates a competitive advantage.

HOW METAIR MANAGES SUSTAINABILITY

The board is responsible for sustainability in the group, with management and monitoring of sustainability delegated to the social and ethics committee. Environmental, social and governance policies and principles are set at group level and applied by the subsidiaries. Risk management processes are overseen by the audit and risk committee and include social, ethical and environmental risks.

The social and ethics committee sets ESG targets for operations that are incorporated in subsidiary key performance measures and influence short-term incentives. The short and long-term incentive structures for senior executives incorporate ESG targets for health and safety, preferential procurement, transformation, compliance and environmental indicators.

Metair's sustainability framework, model and roadmap define key themes from the relevant areas prescribed by ESG best practice including the SDGs, Companies Act, King IV and other relevant local and international legislation, frameworks and initiatives.

ETHICS

Incidents of non-compliance, disciplinary action status, corporate social investment initiatives, and risks and opportunities are recorded in a social and ethics register. Subsidiaries complete quarterly ethics questionnaires that are collated to monitor ethics performance and progress on ethics initiatives. More information on how the board embeds an ethical culture is available on page 45.

RIGHTS AND WELLBEING AT WORK

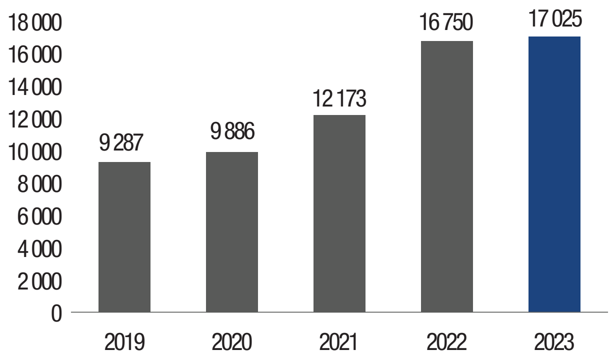
Metair's goal: Enhance the professional capabilities and wellbeing of employees to build stronger relationships with the organisation

Metair recognises that the group's success is founded on the skills, experience, productivity, wellness and motivation of the group's people. At the end of 2023, there were 17 035 people (including contractors) working in the Metair group[4], an increase of 1.6% on 2022.

Metair aims to be the employer of choice in the industry to employees of choice. Metair's compelling employee value proposition includes competitive remuneration, quality training programmes, practical learning opportunities and the potential for career opportunities and broader experience across the group and in international operations.

Workforce profile

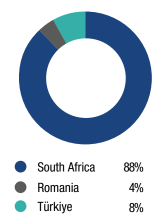
Staff complement (including Hesto)



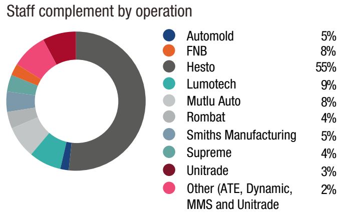
88% of the group's workforce is employed at South African operations, 8% in Türkiye and 4% in Romania. Permanent employees make up 93% of the workforce and contractors 7% (2022: 92% permanent staff). Hesto accounts for 55% of the group workforce, Lumotech 9%, Mutlu Akü 8% and First Battery 8%. HDSA comprise 98% of South African employees (2022: 96%) and women comprise 49% of group employees (2022: 48%).

Total workforce numbers may vary during the course of the year linked to model changes and seasonal volume adjustments.

Staff complement by region



Staff complement by operation



4. *Total employee numbers reported in this section include Hesto employees as Metair is responsible for day-to-day management at this associate.*

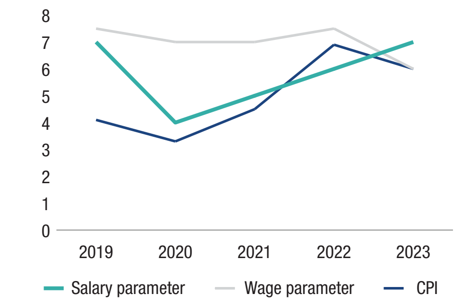
Permanent staff turnover rate increased to 9.3% in 2023 (2022: 8.0%) and absenteeism increased to 2.5% (2022: 2.0%). There were 23 retrenchments in the group (2022: 118), with 17 at Mutlu Akü.

Staff at most South African subsidiaries were affected by short-time during the year due to load shedding and unplanned customer volume variances.

Fair remuneration

Metair is committed to fair and competitive remuneration and regularly benchmarks remuneration to ensure that pay is determined within a relevant current context. The group's lowest earning workers are paid well above the national minimum wage and Metair has consistently increased hourly wages faster than salaried pay and the CPI to help to reduce the pay gap between salaried employees and wage earners.

Salary and wage increase per annum comparison (%)



Skills development

Training programmes at the subsidiaries help employees to develop skills relevant to their industry and areas of focus. Skills development includes practical learning programmes for qualifying candidates outside the group that build a skills pipeline for future employment.

Training provided to employees includes mandatory skills training, technical training, personal and professional development, product knowledge training, on the job training and study assistance. Several operations offer adult education and training courses and permanent employees can receive financial assistance to further tertiary studies.

Practical learning programmes include learnerships, apprenticeships, candidate technician internships, candidate engineers' programmes and graduate-in-training programmes.

Hesto's training school is accredited with the Manufacturing, Engineering and Related Services SETA (MERSETA) and offers an accelerated artisan training programme in collaboration with the Department of Labour and MERSETA.

There were 1 312 learners in non-artisan learnerships in the group in 2023 (2022: 163), 51% of whom are women, as well as 75 new recruits in Metair's artisan apprenticeship programmes (15% women). 668 bursaries were provided to promising students studying in the engineering, finance and technical fields (2022: 478) at a cost of R14.4 million.

SUSTAINABILITY REPORT (continued)

In 2023, the group invested R82.2 million in skills development programmes for employees (2022: R20.9 million) which represents 34.5% of net profit after tax (2022: 4.2%). R35.2 million was invested in training, which includes induction training, awareness programmes and other non-skills training (2022: 31.3 million). Training spend per permanent employee decreased to R2 686 (2022: R3 216), across 9 283 training interventions. 71% of training spend in South Africa was directed to HDSA candidates in 2023. A total of 22 800 employees were trained during the year, which includes training of temporary and seasonal employees that may not be included in the headcount at year-end.

Promoting transformation and diversification in the automotive component sector

Metair is participating in an industry skills development initiative in partnership with the National Association of Automotive Component and Allied Manufacturers' (NAACAM) and MERSETA. The programme provides a bursary, apprenticeship and skills advancement programme to develop gold-standard manufacturing skills to support the automotive component sector's growth, sustainability, transformation and diversification.

In 2023, 1 313 bursaries and programmes and 64 apprenticeships were awarded to develop skills for the current and future requirements of the sector.

Succession planning

The remuneration and nominations committee oversees succession planning for the Metair board to achieve an optimal balance between independence and continuity on the board and committees. Succession planning for the rest of the group is overseen by the remuneration and nominations committee.

The leadership development framework maps out career paths, individual development plans and succession for Metair's future leaders and technical experts at subsidiary and group levels. During the year, executive assessments were done on group managing directors to map capabilities and identify areas for development.

A standardised performance management model is in place at subsidiaries for top management to monitor and improve performance.

Diversity and transformation

Metair is committed to the principle of transformation and recognises the many benefits of diversity. HR policies emphasise the importance of diversity in key decision-making forums.

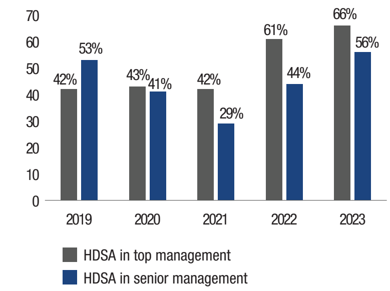
Metair's focus in South Africa is primarily on promoting transformation in the context of B-BBEE regulations, while diversity programmes at international subsidiaries mainly focus on improving gender representation.

The group transformation and the equal opportunity policy promotes transformation in the workforce and progress is monitored and reported to the board by the employment equity and transformation committees within the subsidiaries. Five-year employment equity plans are in place and annual employment equity reports are submitted in accordance with the Employment Equity Act.

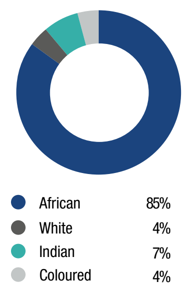
Transformation is embedded in the talent management and succession planning programmes to improve representation at management level. Promising candidates identified in the subsidiaries are developed through accelerated skills development programmes, learnerships, targeted internal and external training programmes as well as mentoring by executives.

At the end of 2023, HDSAs comprised 97% of the total permanent workforce at the South African subsidiaries. HDSAs in top and senior management increased to 60% (2022: 59%) and HDSA women in top and senior management increased to 19% (2022: 16%). HDSAs in top management increased to 66% (2022: 61%) and HDSAs in senior management increased to 56% (2022: 44%).

HDSA in workforce (SA operations only)



Staff composition (SA only)



Labour relations

Metair respects the rights of employees and those of suppliers to freedom of association and recognises trade unions as important stakeholders in the group. Recognition agreements are in place at national, provincial and company level. All South African operations fall under Chapter III of the Motor Industry Bargaining Council. At year-end, 49% of employees belonged to a union (2022: 41%).

Metair aims to maintain constructive relationships with unions that appropriately balance the needs and interests of all parties. 9 432 person days were lost at Smiths Manufacturing during a seven-week strike over the implementation of a third shift, which was resolved at the end of May 2023. In 2022, 8 870 person days were lost to strikes at Mutlu Akü, Smiths Manufacturing and Automould.

Health and safety

The welfare, health and safety of employees and contractors is a priority. There are effective safety policies and practices in place in all work areas for potentially dangerous machines and certain materials at the manufacturing facilities. The most common workplace injuries in the group operations include cuts, bruises, back and muscle strains and burns.

The Metair group safety, health and environmental policy sets guiding principles which are implemented in detailed policies at the subsidiaries relevant to their specific circumstances. Health and safety policies align with the necessary legal frameworks, including the Occupational Health and Safety Act (OHSA), No. 85 of 1993.

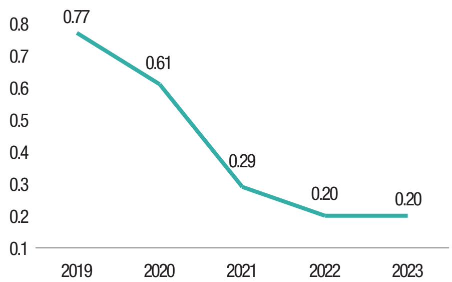
A health and safety template based on the ISO 45001 framework assists subsidiaries with compliance, continuous improvement and best practices. Twelve of the operations are accredited in terms of OHSAS 18001 or ISO 45001.

Hazard identification and risk assessment (HIRA) processes identify potential risks and effective safety procedures are put in place. Employees receive continuous training in safe work procedures and safety awareness is kept high with safety signs and posters, regular awareness campaigns, safety meetings and toolbox talks.

First aid cases, medical treatment cases, lost-time injuries and near misses are tracked, reported and investigated, and corrective action is taken to prevent reoccurrence. Incident reports are submitted to the Metair CEO.

Metair targets zero fatalities and disabling injuries, and a lost-time injury[5] frequency rate (LTIFR) of less than one incident per 200 000 person hours worked. Benchmark LTIFRs are set by the social and ethics committee for each subsidiary to drive improvements in safety performance. Safety statistics include employees and contractors in line with the relevant legislation.

LTIFR per 200 000 person hours



There were no occupational fatalities at group operations in 2023 and 26 lost time injuries (2022: 26). The LTIFR remained at 0.20, below Metair's benchmark of 1.0.

Hazardous substances

The primary substances of concern in the group are lead and acid at the companies in the Energy Storage Vertical, and hexavalent 6 chromium at Automould.

Facilities that use potentially dangerous substances have standard health and safety procedures that comply with local country regulations and the standards governing OE customers in other jurisdictions. Handling, management and storage of hazardous materials is strictly controlled and includes dedicated storage facilities. Spill management plans are in place at all operations, spill kits are installed in areas that have the potential for hazardous chemical spills and operators are trained in their use.

Lead is a core component of the batteries manufactured at First Battery, Mutlu Akü, Rombat and ABM. Long-term lead exposure can result in lead poisoning and is particularly dangerous for pregnant women.

Women are not allowed to work in lead areas in any of our operations. Employees who work in areas where they may be exposed to high levels of lead receive ongoing training in safe working practices and personal protective equipment. Other controls include improved extraction to reduce airborne lead dust, showers to wash after working in lead areas and ensuring facilities such as change houses are sufficiently far from smelters.

Blood lead levels are regularly monitored in the occupational health programmes at operations that use lead and compared against baseline tests done when the employee joined the company as well as the maximum exposure limits set in the relevant occupational health and safety regulations in the country of operation. Employees are removed from lead areas if blood lead levels reach 35 µg/100ml, which is below the regulatory limit in South Africa (60 µg/100ml) and in Türkiye and Romania (both 40 µg/100ml).

Operations monitor 30 µg/100ml as an "early warning" indicator and target no new net cases above this limit. In 2023, there were 351 new blood lead levels of above 30 µg/100ml.

Employees with blood lead levels >30 µg/100ml	2023	2022	2021
New cases	351	85	64
Cases returned below 30 µg	81	89	64

Prior year data represents blood lead levels >40 µg/100ml. Had this been applied for 2023, new cases would be 90.

HIV/Aids

HIV/Aids awareness is promoted at the South African operations through competitions, promotions, banners, speeches on wellness days and World Aids Awareness Day activities. Metair's major South African operations have clinics that offer voluntary counselling and testing (VCT) for HIV/Aids to employees and contractors.

In 2023, 486 employees received HIV/Aids voluntary counselling (2022: 317) and 2 460 employees and contractors were tested for HIV/Aids (2022: 781). Estimated HIV/Aids prevalence rates at the South African operations is around 2%.

Human rights

The social and ethics committee oversees human rights in the group. Metair subscribes to the 10 principles of the United Nations Global Compact, which include provisions relating to human rights, the rights of labour and a commitment to working against corruption. These principles are applied consistently across all operations in all countries of operation.

The code of ethics prohibits physical, mental, verbal, sexual or any other abuse, inhumane or degrading treatment, corporal punishment or any form of harassment. Metair does not tolerate discrimination in the company and, should an incident be reported, it is subject to the normal disciplinary procedures, which include dismissal.

As a supplier of products to OEMs and a producer of commercial and industrial energy storage solutions, Metair's products are not directly intended for use or consumption by children. Metair does not market its products to children.

Metair supports the elimination of child labour, forced and compulsory labour. Suppliers are assessed during onboarding of new suppliers and supplier audits to ensure that they operate in an ethical, compliant and sustainable manner.

There were no incidents reported in the company of unfair practices, discrimination or human rights abuse during 2023, and no reported incidents of non-compliance with regulations and voluntary codes concerning the impacts of the company's products and services on children's health. There were no reported negative impacts on children in local communities and/or wider society directly due to Metair's products.

5. *Lost-time injuries are workplace injuries that prevent an employee from returning to work the next day.*

SUSTAINABILITY REPORT (continued)

2023 targets and progress
Zero fatalities and reduce LTIFR to 1 or below across all companies. *Zero fatalities in 2023 and group LTIFR remained at 0.20. All subsidiaries achieved LTIFRs below 1.*
Group absenteeism to average below 3.0% (excluding contractors) across all companies. *Group absenteeism for the year was 2.4%. Absenteeism was above 3% at First Battery, Mutlu Akü and Smiths Manufacturing.*
Maintain group training spend at a minimum of R40 million. *Group training spend was R35.2 million, below target due to lower profitability.*
At least 250 learnerships across the group, 145 bursaries and 22 apprenticeships. *1 312 learnerships, 663 bursaries and 75 apprenticeships.*
Target at least a Level 2 B-BBEE score going forward. *Group B-BBEE Level 1 achieved.*
Blood lead levels to be kept below 30µg per 100ml (on a net case basis). *351 new cases of blood levels > 30µg were identified and 81 cases were returned below 30µg.*

2024 social target:

- Zero fatalities and maintain LTIFR below 1 across all companies
- Target Level 1 B-BBEE score at Group level
- Target zero new net cases of blood lead levels above 30µg per 100ml (early warning cases)

RIGHTS AND RESILIENCE IN COMMUNITIES

Metair's goal: Invest in skills development, economic progress, and social advancement of communities to create resilient communities

Group and subsidiary B-BBEE performance

South Africa's APDP requires Level 4 B-BBEE status to realise the full benefit of government support. Maintaining a good transformation performance is a potential source of competitive advantage when bidding for new OEM business.

Group and subsidiary transformation progress is measured using the Department of Trade, Industry and Competition B-BBEE Codes of Good Practice. Transformation targets are in place at all South African subsidiaries and B-BBEE performance is included as a key performance indicator in executive variable remuneration.

The B-BBEE status of the South African operations are shown below:

	Subsidiary B-BBEE Status	
Company	**2023**	**2022**
ATE	Non-Compliant	Non-Compliant
Automould	Level 4	Level 4
First Battery	Level 3	Level 3
Hesto	Level 2	Level 1
Lumotech	Level 1	Level 2
Smiths Manufacturing	Level 1	Level 2
Supreme Spring	Level 2	Level 2
Unitrade	Level 3	Level 3

In 2023, Metair's overall score increased to 107.57 and the group retained its Level 1 B-BBEE status on a consolidated basis. The group's externally verified B-BBEE certificate is available on the company website at **www.metair.co.za**.

Group B-BBEE status Element	**Weight**	**2023**	**2022**	**2021**
Ownership	25	25.00	24.05	23.0
Management control	19	15.21	14.29	14.43
Skills development	25	18.75	17.10	16.87
Enterprise and supplier development	46	42.69	43.32	40.78
Socio-economic development	5	5.00	5.00	4.96
Overall score	**120**	**106.65**	**103.76**	**100.04**
BEE contributor level	**1**	**1**	**1**	**1**

Preferential procurement, enterprise and supplier development

Metair's preferential procurement and enterprise and supplier development (ESD) initiatives provide opportunities for black-owned, black women-owned businesses and the youth to promote job creation, entrepreneurship and transformation in the South African automotive supply chain. The group procurement policy entrenches transformation in the supply chain and the subsidiaries share learnings and best practices at the group procurement forum. Preferential procurement targets are included in performance incentives for senior executives.

These programmes support a range of qualifying companies across the subsidiaries, including suppliers of raw materials, parts and consumables, consultants and providers of services including security, training, recruitment, cleaning, gardening, freight forwarding, canteen management, plumbing and maintenance. Support provided includes discounts, early payment terms, interest free financing and the supply of tools, equipment, premises and utilities, training and raw materials.

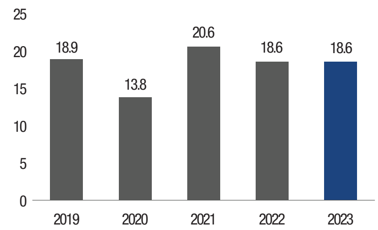
Total group preferential procurement spend was R2 947 million in 2023 (2022: R1 999 million), which represents 54% of total discretionary procurement spend.

Corporate Social Investment

Metair's corporate social investment (CSI) initiatives aim to strengthen relationships with, and improve the lives of, the people in the communities around operations. Metair prioritises projects that develop and uplift community members and increase skills in local communities, with an emphasis on addressing health issues and improving facilities and tuition at schools. Employees are invited to identify relevant initiatives for support through the CSI programme.

Metair's operating companies allocate 1% of net profit after tax to CSI projects and the group allocates a further 1% of group net profit after tax. Corporate social investment was R18.57 million in 2023 (2022: R18.65 million).

Corporate social investment spend (R million)



Initiatives supported during the year included promoting improved performance in Maths, Science and literacy at local schools; bursaries, education and training for disabled learners; workshops for teachers; equipment, furniture, materials and infrastructure for libraries and science laboratories; early childhood development programmes; initiatives to support orphans, underprivileged and the aged; youth and women development; renovation and maintenance of infrastructure at schools, non-profits and tribal councils; health facilities for contractors and employees; sports programmes; crime prevention and counselling services.

Metair sponsors the green manufacturing chair at the Toyota Wessels Institute for Manufacturing Studies (TWIMS) and a related CSI initiative. TWIMS is a learning institution in Durban accredited by GIBS Businesses School that offers advanced industry focused lean and green manufacturing MBA qualifications to previously disadvantaged individuals. Metair's CEO serves on the TWIMS advisory council.

Rombat, Metair's subsidiary in Romania, has been offering support for the local communities through the following projects:

1. Sports and wellbeing:
   a. Rombat marathon – the first edition of Rombat's competition for runners all over the country. Rombat had over 250 participants for this first edition, and managed to get the community together in this event promoting health and wellbeing through sport.
   b. The local women handball club – R1 million supporting approximately 600 young girls to adapt a healthy lifestyle and achieve performance in sports.
2. Education:
   a. Robotics team.
   b. Mathematics challenge organised by the Romanian Mathematics Science Foundation.
3. Basic needs:
   a. Bucurie Foundation – Rombat supplies warm food for the beneficiaries of this foundation, disabled youngsters. This is a tradition already as Rombat has been supporting them for over 15 years.
   b. Christmas campaign together with the local authorities – Rombat put together approximately 300 packages with non-perishable food and goods for less fortunate members of the community.

The earthquake in Türkiye affected ten cities and thirteen million people. A total of 130 stores were damaged and 426 were partially damaged. Close to 100 volunteers from Metair's Turkish subsidiary, Mutlu Akü participated in the relief efforts during the period. Approximately 650 relief-aid packs were prepared and distributed from Mutlu Akü.

2023 community target and progress
1% of net profit spent on CSI projects. Within the targeted spend Metair would like to increase the focus on projects that benefit people living with disabilities and high-level industry-focused green manufacturing education. *5.9% of net profit was allocated to CSI projects.*

2024 community target:

- 1% of net profit spent on CSI projects. Within the targeted spend Metair would like to increase the focus on projects that benefit people living with disabilities and high-level industry-focused green manufacturing education.

WASTE AND POLLUTANTS

WASTE & POLLUTANTS

Metair's goal: Reduce waste and pollution by implementing recycling initiatives across the different business

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Waste management

Waste is segregated at source and reused or recycled wherever possible. The waste that remains is disposed of in a responsible manner and in compliance with the relevant legislation. Hazardous waste is disposed of using registered disposal companies.

Targets are set to reduce scrap for primary and secondary materials to minimise waste from production processes. Initiatives include ongoing training and awareness, dedicated scrap programmes, root cause analysis of excess scrap and replacement of machinery and equipment with more efficient alternatives. Operations engage with suppliers and customers to reduce packaging received and shipped with products.

Several of the operations experienced increases in production scrap percentages due to production ramp ups, variability in customer orders, commissioning of new machinery, maintenance stoppages and low production volumes. These issues are being addressed through site-specific scrap reduction programmes.

54% of total non-hazardous waste (7 765 tonnes) was recycled in 2023 (2022: 65% and 12 031 tonnes). Recycled waste was mainly plastic, metal, wood and cardboard. Metair subsidiaries also

SUSTAINABILITY REPORT (continued)

recycled 79 935 litres of used oil during the year. Total non-hazardous waste sent to landfill increased 3% to 6 564 tonnes and hazardous waste disposed decreased 35% to 13 682 tonnes.
Total waste disposal, emissions treatment and remediation costs were R10.3 million in 2023 (2022: R3.3 million).

Batteries and recycling

Lead is a banned substance in Europe in terms of EU directive 2000/53/EC. OEMs are required to limit substances on this list in new vehicles and ensure that they are responsibly managed throughout the vehicle lifecycle. Metair's goal when designing new batteries is to reduce the amount of lead used without affecting performance.

Lead-acid batteries are nearly 100% recyclable. Recycled lead uses around a third of the energy needed to produce virgin lead and is cheaper to access. All of the group's battery manufacturing facilities have on-site recycling plants where lead is extracted from battery grids and terminals, refined and blended to produce high-quality lead alloys for new batteries. Battery acid is neutralised and processed through an effluent plant. Plastic from the battery casings is recycled into new battery casings.

Lead recycling helps to manage costs, secures supply of a critical input and also ensures that lead is managed responsibly through the battery lifecycle. Metair tracks the yield on lead recycling and plastic recycling percentages as measurement criteria for waste management. During 2023, the group recycled around 50 000 tonnes of lead (2022: 71 000).

The new EU battery regulation (Regulation 2023/1542) approved by the EU in July 2023 introduces significant changes and requirements to improve the sustainability and safety of batteries and battery-operated products. Among these are requirements to significantly increase recycling of cobalt, copper, lead, nickel and lithium by 2030.

Environmentally-friendly products (End-of-Life)

Metair's OEM customers operate under strict environmental laws in Europe and Japan that affect the material makeup and environmental impact of the components the group supplies for assembly in their products. These include regulations to reduce waste arising from end-of-life vehicles.

Metair's goal is to ensure that all components manufactured across the group have a positive life-cycle and end-of-life impact on the environment. Substances of Concern (SoC) are controlled and eliminated as far as possible in products. Metair monitors the chemical composition of products and submit full material declarations for all the components manufactured in line with the International Material Data System.

Metair has limited ability to reclaim products or packaging from end users in the automotive components business as these end up in vehicles that may be manufactured in, or exported to, other countries. Retail customers buying new automotive batteries are incentivised to return old batteries to bring lead back into the recycling process.

2023 Environmental targets and progress
All companies to maintain all quality management system (QMS) accreditation. *Achieved*
Target 1% improvement on site-specific production scrap percentages across all companies. *Not achieved for the reasons stated on page 35.*
Energy storage businesses to improve yield by 2% a year until they reach their theoretical ceiling yield. *Mutlu Akü has reached its theoretical lead recycling yield. Both First Battery and Rombat achieved a 1% improvement.*
Increase recycling of non-hazardous waste across the group by 2%. *Not achieved. Total volume of non-hazardous waste recycled decreased 36%.*

2024 environmental targets:

- Maintain all quality management system accreditations

CLIMATE CHANGE

Metair's goal: Reduce scope 1 and scope 2 CO_2 emissions by investing in clean energy generation across the different subsidiaries

Metair recognises that the consequences of climate change could have a significant impact on the group's activities. The group is cognisant of the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement which focuses on mitigation of GHG emissions and climate change adaptation. The agreement aims to ensure that the increase in global average temperature remains below 2°C above pre-industrial levels to reduce the risks and impacts of climate change.

For over 10 years, Metair has ensured that its subsidiaries monitor, measure and report on its direct and indirect climate change impacts by tracking Scope 1 and Scope 2 carbon emissions (i.e., carbon emissions resulting from fuels burned and electricity consumed), as well as its water and waste management. In 2023, a process was initiated to expand upon not only what Metair reports, but on how the group identifies, prioritises and manages the current and future impacts climate change is likely to have on each subsidiary. The process also assessed the impacts Metair's businesses are likely to have for its many stakeholders, including the physical/natural environment.

In support of this, and in response to investor requests for expanded reporting, Metair is in the process of producing its first standalone summary Climate Change Report aligned to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The report was developed following a series of subsidiary-specific workshops to identify the Metair Group's most material climate change risks and opportunities, as well as what, if anything each business has invested in mitigating risks and/or maximising opportunities. This includes developing flood damage control measures, improved rainwater and/or groundwater harvesting and treatment, internal greywater recycling, alternative energy installations (e.g., solar) and energy efficiency improvements.

From July 2024, International Financial Reporting Standards (IFRS) S2 Sustainability Disclosure Standard, issued by the International Sustainability Standards Board (ISSB), will become effective and Metair is committed to ensuring that all future climate-related disclosure is aligned to IFRS S2.

Metair participated in the 2023 CDP Climate Change project and maintained a B CDP score (2022: B), indicating that it is currently at a “Management” level regarding its approach to climate change. This score places Metair above the averages for global powered machinery companies (D), African companies (C) and the global average for all companies (C).

Carbon emissions

Metair’s total carbon footprint decreased by 16% to 513 828 tCO_2e in 2023 (2022: 614 258 tCO_2e) due to decreased production at Mutlu Akü and the use of hydropower at Rombat.

	2023	2022	2021	2020	2019
Scope 1 (direct emissions)	50 021	52 666	50 467	43 944	47 032
Scope 2 (indirect emissions from electricity)	143 656	163 146	166 687	146 062	173 311
Scope 3	320 151	398 445	395 462	306 549	421 099
Total	**513 828**	**614 258**	**612 616**	**496 554**	**641 441**

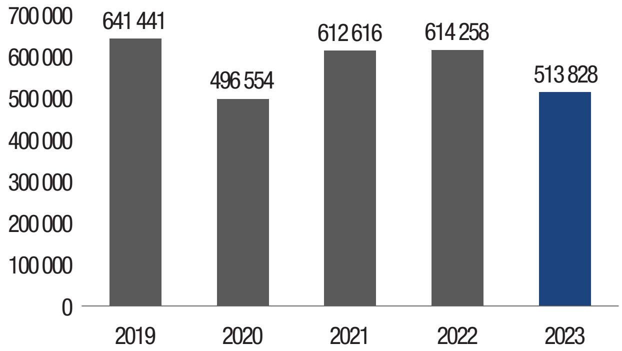
Metair’s carbon footprint is calculated using the GHG Accounting Protocol (World Resources Institute, World Business Council for Sustainable Development) as a guideline, and includes CO_2, CH_4 and N_2O. Refrigerant gases included hydrofluorocarbons (HFCs) and hydrochlorofluorocarbons (HCFCs R22). The Scope 1 carbon footprint calculations use emission factors from the Intergovernmental Panel on Climate Change (IPCC). Scope 2 emissions since 2019 used the grid emission factor specific to the country of operation. Scope 3 emissions were calculated using the relevant DEFRA emission factors.

First Battery, Rombat and Mutlu Akü manufacture energy storage solutions, which require carbon-dense materials and large amounts of energy and water. These three operations together contribute 65% to the group’s total carbon footprint. 54% of the group’s carbon footprint arises from consumption of raw materials, 28% from electricity consumption and 7% from stationary fuels.

Metair’s primary focus to reduce carbon emissions is on improving manufacturing efficiencies to optimise energy consumption and the use of raw materials while reducing waste in the production process. Scope 1 and 2 emissions per person per hour worked decreased 32% to 5.6 kg CO_2e in 2023 (2022: 8.2 kg CO_2e).

Metair started a process to assess the feasibility of installing solar panels at group facilities but in most cases, these projects were not commercially feasible and the project has been put on hold. However, Rombat is installing a 4,2 MW solar park. Rombat preferentially selects energy suppliers who provide at least 35% renewable energy. The South African subsidiaries are also investigating renewable energy wheeling agreements for green power (solar and wind) to improve the renewable energy mix.

TOTAL CARBON EMISSIONS (tCO_2e)



2023 Environmental targets and progress
Reduction of carbon emission by 2% by volume unit across Metair (internal) and by person hours worked. *Metair’s carbon emissions per person per hour worked reduced by 36%*
Target 10% year on year improvement on renewable energy mix. *Project put on hold.*

2024 environmental targets:

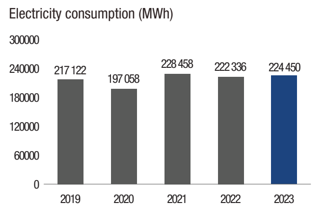
- Reduce carbon emissions by 2% by volume unit across Metair

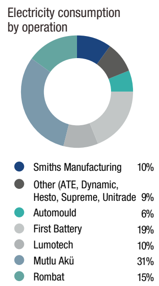
Carbon tax

South Africa’s Carbon Tax Act aims to shift the economy to low-carbon growth and help the country achieve its Nationally Determined Contributions as communicated under the Paris Agreement. It uses a market-based carbon pricing mechanism to target the most carbon- and energy-intensive companies.
Only ATE and Supreme Spring exceed the threshold emission levels in the legislation. While some of Metair’s raw material suppliers may be affected by the tax and could pass through cost increases, to date this has not been material.

Energy consumption

Electricity is the largest source of energy used at Metair operations. Total electricity consumed by the group increased by 1.0% to 224 450 MWh or 808 019 Gigajoules (2022: 222 336 MWh or 800 408 GJ). Electricity consumption per person hour worked decreased by 27.2% to 6.50 kWh/PHW (2022: 8.5 kWh/PHW).





Mutlu Akü (31%), First Battery (19%) and Rombat (15%) are the largest users of electricity in the group, comprising 65% of total group electricity. It should be noted, however, that around 40% of the electricity purchased by these operations is sold in the charged batteries and they are therefore reporting electricity purchased, rather than electricity consumed.

SUSTAINABILITY REPORT (continued)

Other significant energy sources used by the group include fuels such as petrol, diesel and gases. In total, the operations consumed 0.9 million litres of petrol and diesel in 2023 (2022: 1.5 million litres), 1 515 tonnes of coal (2022: 2.1 million tonnes) and 18 580 tonnes of gases (2022: 19 044) – mainly oxygen, nitrogen, liquified petroleum gas and liquified natural gas. In addition, 2.6 million m^3 of methane was consumed (2022: 3.6 million m^3).

Energy use is monitored as a key input in the group's manufacturing processes. The ISO 50001 energy management system has been implemented at all operations and requires that companies demonstrate improved energy efficiency.

2023 Energy consumption target and progress

Reduce total energy consumption per PHW by 2%.
Achieved. Electricity consumption per PHW decreased 27%.

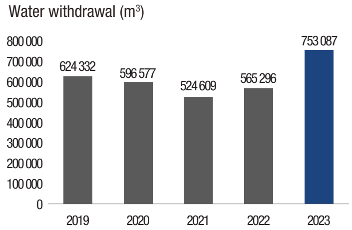
MATERIALS AND NATURAL RESOURCES

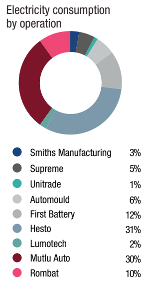
Metair's goal: Reduce water consumption by using natural water resources across the different businesses

Water is a precious resource and South Africa and Türkiye both face significant water challenges. In South Africa, these include deteriorating water infrastructure, pollution risks, and increasing water scarcity and droughts that are likely to be exacerbated by climate change. 2021 was Türkiye's driest year in two decades and major cities experienced drought conditions in 2023 amid high temperatures.

Operations source fresh water from municipal sources and boreholes, and withdrawal is measured from municipal or internal meter readings. Metair aims to reduce water consumption, increase water efficiencies and recycle process water where possible. Metair does not currently participate in the CDP water programme, but follows its guidance.

The three companies in the Energy Storage Vertical account for 52% of total group water withdrawal. Group water withdrawal increased by 33% to 753 087 m^3 (2022: 565 296 m^3) and water consumption per person hour worked increased by 2% to 22.0 litres (2021: 21.6 litres).





2023 Environmental targets and progress

Reduce total water consumption per PHW by 2%.
Not achieved. Water consumption per PHW increased by 2%.

2024 environmental targets:

- Reduce water consumption per PHW by 2% across all companies

SUSTAINABILITY DATA TABLE

		FY2023	FY2022	FY2021	FY2020	FY2019
Labour						
Total number of permanent employees	Number	13 098	9 734	9 039	7 399	7 645
Fixed term contract employees (<90 days)	Number	3	1 338	402	121	66
Fixed term contract employees (>90 days)	Number	2 688	4 390	873	1 077	580
Total number of contractors	Number	1 246	1 288	1 859	1 289	998
Total employees (including contractors)	Number	17 035	16 750	12 173	9 886	9 287
Percentage of employees who are deemed 'HDSA' (South Africa only)	%	97.5	96.3	93.2	91.0	92.0
Percentage of employees who are women	%	49.2	47.9	38.5	34.4	33.5
Total number of disabled employees	Number	232	165	155	155	177
Percentage of employees who are permanent	%	83.0	63.0	87.6	86.1	92.2
Percentage of employees who belong to a trade union	%	49	41.0	53.4	62.7	71.7
Total number of employee terminations	Number	2 722	2 330	1 251	1 275	1 810
Employee turnover rate	%	9.3	8.0	12.1	8.6	9.7
Total number of person hours worked – all employees and contractors	Number	34 542 051	26 236 683	20 744 873	16 745 357	18 890 351
Total number of person days lost due to absenteeism	Number	103 990	59 566	73 585	79 723	71 134
Absenteeism rate	%	2.5	1.9	3.0	4.2	3.2
Total number of person days lost due to industrial action	Number	9 432	8 870	366	2 547	52
Industrial action rate	%	0.2	0.1	0.01	0.1	0.0
Total number of employees trained	Number	22 800	16 374	10 578	8 951	10 630
Total number of employees with disabilities trained for skills, including internal and external training interventions	Number	N/R	N/R	N/R	N/R	N/R
Total number of training interventions	Number	9 283	19 650	15 454	14 333	26 807
Rand value of employee training spend	R (million)	35.2	31.4	36.8	33.5	34.7
Rand value of research and development spend	R (million)	46	28	25	26	28
Average Compensation per Male Employee	R	309 146	334 786	N/R	N/R	N/R
Average Compensation per Female Employee	R	158 179	207 248	N/R	N/R	N/R
Ratio of Male: Female Average Compensation (Gender Pay Gap Ratio)	Number	0.51	0.62	N/R	N/R	N/R
Health and Safety (all employees and contractors)						
Total number of lost time injuries	Number	34	26	30	51	73
Total number of medical treatment cases	Number	69	75	57	74	89
Total number of first aid cases	Number	686	443	545	547	549
Total number of recordable injuries	Number	103	101	87	125	162
Fatal injury frequency rate	Rate	0	0	0	0	0
Lost time injury frequency rate	Rate	0.20	0.20	0.29	0.61	0.77
Total recordable injury frequency rate	Rate	0.60	0.77	0.86	1.49	1.01
Total injury frequency rate	Rate	4.57	4.15	6.11	8.03	7.53
Total number of employees and contractors receiving VCT for HIV/Aids (i.e., counselled)	Number	486	352	135	666	670
Total number of employees and contractors tested for HIV/Aids	Number	930	816	331	502	1 119

SUSTAINABILITY DATA TABLE (continued)

		FY2023	FY2022	FY2021	FY2020	FY2019
Environmental						
Number of environmental incidents	Number	0	0	0	N/R	N/R
Total number of environmental complaints	Number	1	0	N/R	N/R	N/R
Rand value of spend of spend on climate change mitigation	Number	5 007 769	2 274 035	231 187	269 545	7 080 420
Carbon footprint						
– Scope 1	tCO_2e	50 020	52 666	50 467	43 944	47 031
– Scope 2	tCO_2e	143 657	163 195	166 687	146 062	173 311
– Scope 3	tCO_2e	320 151	398 445	382 054	306 549	421 099
– Total	tCO_2e	513 828	614 306	599 208	496 554	641 441
Energy						
Total electricity consumption – non-renewable	MWh	224 450	222 336	228 458	197 058	217 121
Total electricity consumption – renewable	MWh	3 221	89	N/R	N/R	N/R
Total petrol consumption	litres	252 348	301 971	455 767	202 303	279 185
Total diesel consumption	litres	681 352	1 188 821	1 101 329	594 736	726 353
Total direct energy consumption from non-renewable fuels burned	Gj	717 346	798 515	58 396	N/R	N/R
Total direct energy consumption from renewable fuels burned	Gj	0	0	N/R	N/R	N/R
Rand value of investments in projects to improve energy efficiency	Rand	104 778 522	1 022 419	N/R	N/R	N/R
Water						
Total water consumption	m^3	753 087	565 296	524 608	596 577	624 332
Total volume of water discharged	m^3	221 668	165 159	202 764	192 097	262 253
Rand value of investments in projects to improve water efficiency	Rand	1 782 500	1 251 616	N/R	N/R	N/R
Non-hazardous waste						
Total volume of non-hazardous waste sent to landfill	kgs	6 572 476	6 376 267	6 138 703	4 780 679	6 203 292
Total volume of paper recycled	kgs	27 022	22 218	60 185	62 738	73 100
Total volume of cardboard recycled	kgs	2 041 424	1 620 295	1 667 924	1 185 750	1 707 760
Total volume of plastic recycled (internal and external)	kgs	3 338 907	4 415 010	5 005 089	4 096 3231	4 748 610
Total volume of glass recycled	kgs	0	70	218	1 580	105
Total volume of metal recycled (including tin cans) (internal and external)	kgs	1 742 096	2 212 203	1 432 558	1 480 843	2 663 296
Total volume of biodegradable wet waste recycled	kgs	733 010	659 356	775 890	545 500	720 928
Total volume of other waste recycled (e-waste, wood, polystyrene, packaging foil etc.)	kgs	614 925	3 102 068	60 746	978 716	1 117 875
Total volume of non-hazardous waste recycled	kgs	7 765 108	12 031 219	10 142 440	8 391 147	11 031 674

		FY2023	FY2022	FY2021	FY2020	FY2019
Hazardous waste						
Total volume of hazardous waste recycled	kgs	33 909 842	21 484 462	19 577 119	3 328 673	2 539 823
Total volume of hazardous waste sent to appropriate disposal sites	kgs	13 682 426	21 085 679	20 603 795	17 640 107	22 086 842
Total volume of lead recycled	tonnes	±50 400	±68 300	±62 100	±65 700	±67 300
Total volume of oils recycled	kgs	79 935	55 384	52 837	36 487	27 847
CSI/SED Expenditures						
Rand Value of Corporate Social Investment (CSI)/ Socioeconomic Development (SED) expenditures	R (million)	18.6	18.6	20.6	13 8	18.9
Rand Value of CSI/SED spend on education	R (million)	2.4	3.2	1.1	1.5	2.8
Rand Value of CSI/SED spend on skills development, including Adult Basic Education & Training (ABET)	R (million)	6.5	1.5	2.8	0.9	1.6
Rand Value of CSI/SED spend on health, including HIV/AIDS	R (million)	5.7	6.8	4.6	4.5	4.0
Rand Value of CSI/SED spend on basic needs and social development, including nutrition and/or feeding programmes	R (million)	1.5	2.5	2.3	2.9	2.3
Rand Value of CSI/SED spend on infrastructure development	R (million)	0.1	0.2	0.3	0.4	0.0
Rand Value of CSI/SED spend on arts, sports and culture	R (million)	0.7	1.1	1.6	1.0	2.2
Rand Value of CSI/SED spend on other	R (million)	0.5	2.0	5.1	2.4	1.3
Rand Value of CSI/SED spend on environmental projects	R (million)	0	0	0.5	0	1.7
Rand Value of CSI/SED spend on job creation/small business support	R (million)	1.1	1.4	2.3	0.2	1.3
Enterprise development (support for small business development)						
Rand value of enterprise development spend	R (million)	9.7	13.9	13.5	17.0	16.6
Preferential procurement (South African operations only)						
Rand value of total discretionary procurement spend	R (million)	5 477	3 674	3 355	2 665	2 786.4
Rand value of HDSA procurement spend	R (million)	2 948	1 999	1 959	1 677	1 694
Preferential procurement spend rate	%	54	54.4	58.4	62.9	65.4

INDEPENDENT ASSURANCE STATEMENT

TO THE BOARD AND STAKEHOLDERS OF METAIR INVESTMENTS LIMITED ("METAIR"):

Integrated Reporting & Assurance Services (IRAS) was commissioned by Metair to provide independent third-party assurance (ITPA) over the sustainability content within Metair's 2023 Integrated Annual Report (hereafter, referred to as "the Report"), covering the year 1 January to 31 December 2023. For the purposes of this statement, the Report refers to content within the IAR in both the printed and downloadable/online forms, available via the web at www.metair.co.za.

ASSURANCE STANDARD APPLIED

To the best of Metair's ability, this assurance engagement has been aligned with an IRAS specific combination of AccountAbility's AA1000AS v3 assurance standard, structured to meet the AA1000AS Type 2 (High) requirements and guidance taken from experience gained over a more than 20-year period, inclusive of testing key sustainability performance data at its source.

COMPETENCE

Metair's assurance team was led by Michael H Rea, a Lead Sustainability Assurance Practitioner with 25 years' experience in environmental and social performance measurement, including sustainability reporting and assurance, with support from junior associates within the **IRAS** team. Michael has completed 116 assurance engagements for 49 different companies and has completed 160 assurance site visits in 21 countries to test data at source. Throughout the assurance engagement, Michael was supported by our team of associates and research interns.

INDEPENDENCE, RESPONSIBILITY AND LIMITATIONS

IRAS was not responsible for the preparation of any part of the Report and has not undertaken any commissions for Metair in the reporting period that would interfere with our independence. The preparation of this Report is solely the responsibility of Metair, where input from **IRAS** is limited to providing ongoing guidance of where early drafts of the report may appear to fall short of reasonable reporting expectations. However, **IRAS** provided assistance in the drafting of Metair's first standalone Climate Change Report by completing the following tasks:

- **IRAS** facilitated company-specific climate change risk and opportunity workshops during the assurance engagement inception meetings to aid Metair's subsidiaries with identifying and prioritising their most material climate change risks and opportunities. For 2023 reporting, the workshops were limited to Metair's South African subsidiaries.
- **IRAS** has provided a draft Climate Change Report in accordance with the guidance provided by the Taskforce on Climate-related Financial Disclosures and the International Sustainability Standards Board (ISSB) International Financial Reporting Standards (IFRS) S2 guidance for climate change reporting.

IRAS's responsibility in performing its assurance activities is to the Board and management of Metair alone and in accordance with the terms of reference agreed with them.

ASSURANCE OBJECTIVES

The objectives of the assurance process were to:

- Assess the extent to which Metair's ESG/Sustainability reporting adheres to AccountAbility's AA1000AP Assurance Principles of ***Inclusivity, Materiality, Responsiveness*** and ***Impact***, as well as the additional principles of ***Balance/Neutrality*** and ***Comparability***.
- Assess the extent to which policies, procedures, systems and controls employed for the collection, collation and reporting of sustainability performance data from subsidiaries meets reasonable expectations for accuracy, consistency, completeness and reliability, as tested at both the desktop/off-site and source/subsidiary levels.
- As per the requirements of Type 2 (High) assurance, test the accuracy, consistency, completeness and reliability of performance data for a set of selected sustainability indicators "at source" during site visits.
- Assess Metair's ability to provide transparent disclosure of quantitative comparable sustainability data (also referred to as "ESG" data), as presented within both the body of the Sustainability section of the Report and the Sustainability Data Table published within the Appendixes section of the Report.
- Assess the extent to which the Report adheres to reasonable local and international expectations for effective reporting, including guidance provided by the Value Reporting Foundation's Integrated Reporting <IR> Framework, the Sustainability Accounting Standards Board (SASB) Standards, the Johannesburg Stock Exchange (JSE) Sustainability Disclosure Guidance, and the Global Reporting Initiative's GRI Standards.

Scope of work performed

The process used in arriving at this assurance statement is based on IRAS's own ESG/Sustainability data criteria, as well as guidance from AccountAbility's AA1000AS v3 and other best practices in reporting and assurance. Metair's approach to assurance included the following:

- Site visits to two subsidiaries – Lumotech and Supreme Springs – to test not only the quality of data gathered at source, but also the effectiveness and reliability of Group-developed policies, procedures, systems and controls for the collection, collation and reporting of ESG/Sustainability data at the subsidiary level.

  NOTE: The 2023 assurance engagement was part of a multi-year cycle of assurance designed to ensure that all material operations are visited to test data at source. Prior year engagements included site visits to ATE, Automould, FB, Hesto, Smiths and Unitrade, providing IRAS with the ability to meet the assurance requirements for "High" according to AccountAbility's Type 2 assurance.

- Meetings with key Metair personnel responsible for the preparation of the Report to assess adherence to the AA1000AP principles of ***Inclusivity, Materiality, Responsiveness*** and ***Impact***.
- A review of sustainability measurement and reporting procedures – inclusive of reviews of the Group's ESG/Sustainability data consolidation process – at Metair's head offices, via management interviews with the reporting team, as well as through desktop research.

- A review of data collection, collation and reporting procedures at the Group level, with specific reference to all of the ESG/ Sustainability data points detailed in the Comprehensive ESG/ Sustainability Data Table presented as part of the Sustainability report within Metair's 2023 IAR.
- A series of interviews with the individuals responsible for collating and writing the sustainability report in order to ensure sustainability performance assertions could be duly substantiated.
- Reviews of drafts of the sustainability report for any significant errors and/or anomalies, inclusive of any lapses in the reporting of material issues identified during Metair's internal and external materiality assessments, as well as the potential inclusion of any assertions that are not supported by the ESG/Sustainability data reported by the subsidiaries to the Group.
- Reviews of drafts of the sustainability report to test for adherence to reasonable reporting expectations, inclusive of whether Metair's reporting reasonably adheres to the principles of ***Neutrality/Balance*** and ***Comparability***.
- Reviews of drafts of the sustainability report to test for adherence to reasonable reporting expectations.

Although IRAS reviewed all 264 indicators within our Sustainability Data Transparency Index (SDTI) during our Draft Report reviews, specific attention was paid to the following 20 ESG/Sustainability data points during the site visits to Lumotech and Supreme Springs, and when comparing site-confirmed data to the information contained within the Report:

1	**Total Employees**	Total number of permanent, temporary, and fixed-term contract employees.
2	**Employee Turnover**	Percentage of employees – at final day of reporting period – that left the company's employ for all reasons (e.g., End of Contract, Dismissal, Death, Retirement, Permanent Disability/Medical Boarding, etc.).
3	**Wage Gap Ratio**	As per amendments to the Companies Act, the ratio of Average Income (Total Cost to Company) for the Top 5% of all employees and directors to the Average Income for the Bottom 5%.
4	**Gender Pay Gap Ratio**	As per recommendations of the JSE's Sustainability Disclosure Guidance (2022), the ratio of Average Income per Female relative to the Average Income per Male employee.
5	**Disabled Persons Rate**	The percentage of employees who are deemed "disabled" as per local/national guidance on what is/is not a disability.
6	**Person Hours Worked**	Total number of PHW for all employees and contractors.
7	**FIFR**	Fatal Injury Frequency Rate (FIFR), calculated as the total number of fatal injuries (FIs) per 200 000 PHW – for employees and contractors.
8	**LTIFR**	Lost Time Injury Frequency Rate (LTIFR), calculated as the total number of lost time injuries (LTIs) per 200 000 PHW – for employees and contractors.
9	**TIFR**	Total Injury Frequency Rate (TIFR), calculated as the total number of injuries – inclusive of FIs, LTIs, Medical Treatment Cases (MTCs) and First Aid Cases (FACs) per 200 000 PHW – for employees and contractors.
10	**Days Lost Due to Injury**	Total number of person days lost due to LTIs.
11	**Injury Severity Rate**	Average number of days lost per LTI.
12	**Absenteeism**	Total number of person days lost due to all forms of absenteeism, inclusive of: • Scheduled: Annual Leave, Maternity/Paternity, Study, etc. • Non-Scheduled: Abscond, Sick, etc.
13	**Absenteeism Rate**	Total days lost relative to the number of days worked (i.e., PHW ÷ 8).
14	**Number of Persons Trained**	Total Rand value of expenditures on training initiatives, inclusive of: • Awareness Training: Inductions, safety briefings, etc. • Mandatory Re-Certifications: Renewing of licences for forklift drivers, etc. • Skills Development: Formal training programmes leading to new transferable skills, inclusive of certifications, diplomas and/or degrees.
15	**Electricity Consumption**	Total direct and indirect consumption of electricity for primary purposes.
16	**Petrol Consumption**	Total direct and indirect consumption of petrol for primary purposes.
17	**Diesel Consumption**	Total direct and indirect consumption of diesel for primary purposes.
18	**Water Consumption**	Total volume of water consumed – from all sources (i.e., municipal services, boreholes, etc.) – for primary purposes.
19	**Waste to Landfill**	Total volume of generated that is sent to landfill.
20	**Waste Recycled**	Total volume of waste generated that is sent for recycling.

INDEPENDENT ASSURANCE STATEMENT (continued)

FINDINGS AND RECOMMENDATIONS

Based on our analysis of Metair's ESG/Sustainability reporting, it is our belief that the company's ESG/Sustainability data collection, collation and reporting processes facilitate the effective consolidation of subsidiary performance data at the Group level for the purposes of annual disclosure to stakeholder. However, some opportunities exist with respect to the adequacy of pre-FYE controls relating to ensuring that Metair's Group Sustainability Definitions are applied consistently, particularly with respect to what constitutes a "Person Trained for Skills", and ensuring that the data management system employed to collated data from subsidiaries is adequately programmed to avoid over-reporting errors. Nonetheless, the current sustainability report reasonably reflects an accurate accounting of Metair's performance, including the review of data collected, collated and reported by the various subsidiaries.

Reporting against the assurance principles:

- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the stakeholder engagement content within the IAR, Metair reasonably identifies, prioritises and engages key stakeholders, thus meeting the requirements of ***Inclusivity***
- The content of the sustainability report does not differ, in any significant way, from an analysis of the material issues discussed within Metair, or within its sphere of influence, as per our desktop materiality scan process. Adequate systems and controls appear to be in place to identify and prioritise the company's "most material issues", thereby meeting reasonable ***Materiality*** expectations
- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the stakeholder engagement content within the IAR, Metair reasonably addresses stakeholder concerns through engagement, inclusive of, but not limited to, the content within its IAR, thereby meeting reasonable ***Responsiveness*** expectations
- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the stakeholder engagement content within the IAR, it is reasonable to assert that Metair addresses its most material impacts on stakeholders and the natural environment in which it operates through risk management policies and procedures at both the Group and subsidiary levels. However, Metair believe that more can be done to improve its ability to demonstrate how actions affect their broader ecosystems, and what is being done to mitigate these impacts. At a moderate level, we believe Metair's activities, inclusive of, but not limited to, the content discussed within its sustainability report, meets basic Impact expectations, but require further improvement, particularly with respect to additional disclosure to stakeholders within the sustainability report
- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the Report, Metair's presentation of its performance includes a fair and balanced reporting of the company's successes and challenges during the reporting period, thereby meeting reasonable ***Balance/Neutrality*** expectations.
- As per a review of management assertions, inclusive of discussions at the Group level and reviews of the IAR, particularly with respect to the presentation of quantitative/numerical performance information, and alignment of the Report to leading guidance materials (e.g., the *Value Reporting Foundation's Integrated Reporting <IR> Framework*). Metair provides an exceptional level of performance transparency in a manner that allows for comprehensive comparability against peer companies, thereby meeting reasonable ***Comparability*** expectations

Sustainability Data Performance

- Metair's systems for data collection, collation and reporting, at both the Group and Subsidiary level, are well established and used effectively to allow for the ongoing (quarterly) monitoring and management of the Group's ESG/Sustainability performance, inclusive of annual reporting to stakeholders.
- With respect to the data reported by the subsidiaries to the Group, inclusive of the data reviewed at Lumotech and Supreme Springs during the site visits, no significant errors and/or inconsistencies were identified to the extent of requiring any sort of qualification. While data errors were identified – primarily transcription errors from site to Group data management systems and programming errors for calculating annual totals for persons trained – these were identified, addressed and corrected during the year end consolidation and reporting process. However, it was noted that some subsidiaries continue to require a re-review of Group ESG/Sustainability definitions to ensure consistency of reported data.
- Based on the depth of reporting of ESG data within the IAR, including the comprehensive consolidated ESG/Sustainability data table, we believe that Metair demonstrates leadership relative to public disclosure of the ESG/Sustainability data. As per our SDTI analysis of Metair's current reporting, their ESG/Sustainability data transparency falls within the Top 1% of all JSE-listed companies.

CONCLUSIONS

Based on the information reviewed, IRAS is confident that Metair's sustainability report provides a comprehensive and balanced account of the sustainability performance of the company during the year under review. The data presented is based on a systematic process and we are satisfied that, aside from the exceptions stated above, the reported performance data accurately represents the current performance of Metair, while meeting the reporting principles of ***Inclusivity, Materiality, Responsiveness, Impact, Balance/Neutrality*** *and* ***Comparability.*** Moreover, we firmly believe that the sustainability report demonstrates leadership with respect to ESG data transparency.

Integrated Reporting & Assurance Services (IRAS)
Johannesburg

25 March 2024

GOVERNANCE REPORT

METAIR GOVERNANCE PHILOSOPHY AND FRAMEWORK

Metair defines governance as the system used to direct, grow and control its business in a sustainable manner. The group continuously challenges its approach, design and application in this area. In deepening its commitment to sustainability, the importance of the environment, society and profitability will be critical to Metair's long-term prospects. This requires a balanced focus on performance and stakeholder inclusivity.

The board strives to embed integrity, fairness, justice, transparency, responsibility and accountability in all of its dealings. The board is the custodian of good corporate governance in the group and aims to remain relevant in the fast and dynamic environment in which the group operates. Metair's governance philosophy guides the board to continuously direct, grow and control the business to achieve sustainable value creation for all stakeholders.

Metair's application of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV) principles and the adoption of the various recommendations set out in King IV are outlined in the King IV application register which is available on the company's website.

The board's duties and responsibilities are derived from:

- The Companies Act, 71 of 2008 (the Companies Act)
- JSE Limited Listings Requirements (JSE Listings Requirements)
- The Company's Memorandum of Incorporation (MOI)
- South African common law

BOARD OF DIRECTORS AND COMPANY SECRETARY

The Metair board (board) is the custodian of good corporate governance in the group and is supported by five board sub-committees.

The board is collectively responsible for its primary governance roles:

Ensuring accountability

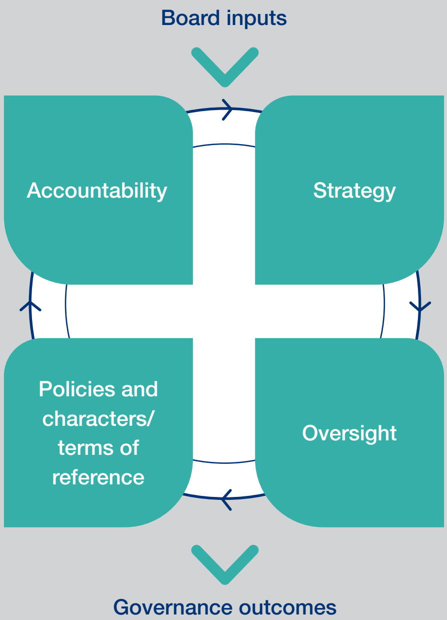
Steering and setting strategic direction

Overseeing and monitoring performance

Formulating policies

The board is **accountable** to all stakeholders (page 22) for the company's performance. The group's governance framework enables the board to maintain effective control of the company's operations. The board ensures the proper management, measuring and monitoring of the group's performance.

The board steers and sets the group's **strategic direction**. It oversees the group's strategy formulation, risk management (page 55), stakeholder engagement, budget and policy approvals as well as Metair's materiality determination processes (page 55).



The board charter (charter) (page 46) and MOI outlines the board's roles, responsibilities and policies, and defines the parameters which guide the board's functions. The board ensures that sound **governance processes** are embedded and diligently applied to Metair's internal controls, policies, terms of reference as well as overall procedures and processes.

The board and its committees (page 50) **oversee and monitor** the group's performance. All committees function according to board-approved terms of reference. The board has an approved delegation of authority framework (page 46) which outlines the authority levels of the board, committees and executive management.

In line with King IV, the board is responsible for cultivating an ethical culture, ensuring good performance, effective control and legitimacy.

- Corporate responsibility and ethics
- Risk management
- Sustainability
- Cost, delivery, quality and competitiveness
- Health, safety and the environment
- Finance – budgets and forecasts
- Wellness of employees
- Being a supplier of choice

VALUE CREATION FOR ALL STAKEHOLDERS

GOVERNANCE REPORT (continued)

The directors bring an appropriate balance of knowledge, skills, experience, diversity and independence to discharge the board's governance role and responsibilities objectively and effectively. More information about the directors is shown on page 8.

BOARD CHARTER

The charter and MOI outline the board's roles, responsibilities and policies, and define the parameters which guide the board's functions. The charter aims to ensure that the board robustly applies good governance principles in all its dealings. The charter, which can be found on the company's website at www.metair.co.za, is aligned with the provisions of relevant statutory and regulatory requirements. Metair's board charter is reviewed and approved annually.

EFFECTIVE CONTROL

As at 31 December 2023, the board comprised ten directors including the alternate director. In terms of the MOI, the board shall consist of a minimum of five directors and a maximum of 15 directors, depending on the proper constitution of the board and all committees. No employees apart from the executive directors are deemed to be prescribed officers.

Balance of power

The board operates with a clear division of responsibilities to ensure balance of power and authority. The board is led by an independent non-executive chair and has a lead independent director. The chief executive officer may not become the chair of the board until three complete years have passed after the end of his tenure as an executive director.

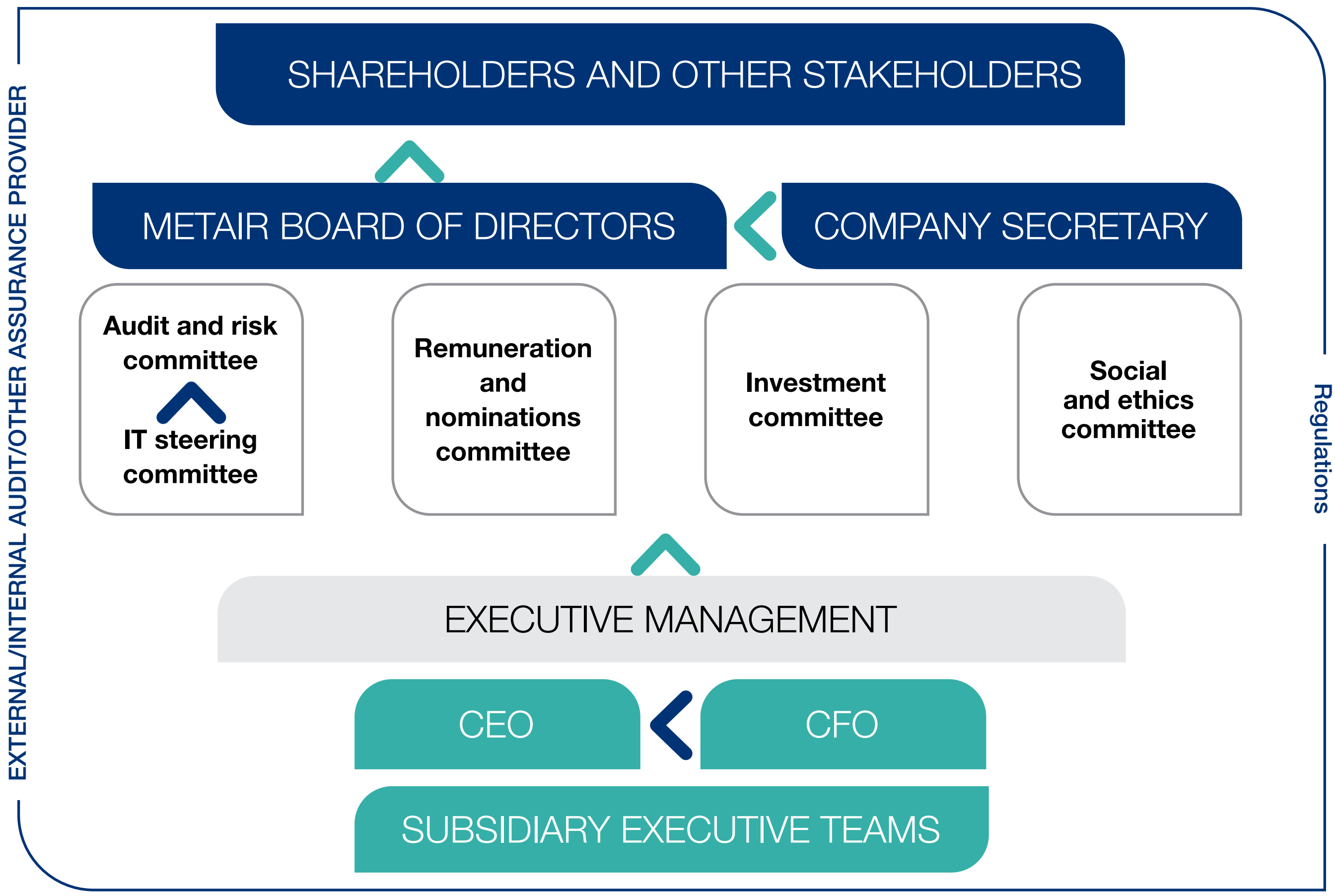
The leadership structure distinctly separates the roles of the chair and the chief executive officer. This structure, as well as the Metair board charter, ensures that the appropriate balance of power and authority is in place and that no single person has unfettered decision-making powers.

The board meets at least once a quarter and is responsible for strategic direction, policy decisions, governance and control of the company, through, among other activities, the approval of budgets and the monitoring of group performance. The independent board members meet at least once per annum for a non-executive directors' meeting to discuss matters without executive management being present. Non-executive directors can request documentation from, or set up meetings with, management as required.

Diversity

Metair has a formally approved policy to encourage broader diversity at board level. The policy addresses the historical gender and racial imbalances at board level when appointing new directors. The policy prescribes that the board should comprise one-third female board members and one-third black (as defined in the Broad-Based Black Economic Empowerment Act, No. 53 of 2003) board members, wherever possible.

The diversity of age, culture, gender, knowledge, skills, experience, education and independence of the board ensures that the board is appropriately equipped to navigate Metair's operating context. Wherever possible, Metair aims to ensure that, at least, a third of the board's composition is women. Metair achieved its diversity targets in 2023. The board considered the composition of its gender and racial diversity targets when new directors were appointed during the year and is satisfied that the composition is aligned to the broader diversity policy. The board welcomed Ms Medupe as an independent non-executive director and as chair of the audit and risk committee. Ms Medupe's has over 15 years of non-executive director experience and her appointment strengthens the board's financial oversight capabilities.



Delegation of authority framework

Metair's delegation of authority framework reinforces the board's role as the primary custodian of corporate governance and ensures that the group is effectively governed. The framework enables the achievement of the four governance outcomes of an ethical culture, good performance, effective control and legitimacy.

Metair's delegation of authority framework outlines the authority levels of the board, committees and executive management. The delegation of authority framework enables the board to retain effective control and well-informed oversight of the company. The framework was reviewed in 2023 and the board is satisfied that it contributes to role clarity and the effective exercise of authority.

Metair's executive directors are the primary link between management and the board. The group's executive directors formulate the strategy with the board and are responsible for implementing the board approved strategy and policies in the day-to-day operations of the group.

Metair's autonomous subsidiary model mandates the subsidiary executive teams to manage their own day-to-day operations. Metair executives exercise strategic control. Metair has a formal governance framework and strategic objectives to guide its subsidiary boards.

In 2023 the board's key decisions and resolutions were:

19 Jan 2023	15 Feb 2023	17 Mar 2023	31 Mar 2023	31 May 2023	1 Feb 2024
Authorised the extension of the Metair revolving credit facility maturing in February 2023.	Mr Flemming resigned due to personal reasons and Ms Mgoduso appointed as chairperson of the board. Mr Mawasha appointed as lead independent director.	Authorised further extension of Metair revolving credit facility to April 2024. Authorised the grant of Metair guarantees to Hesto for loan and credit support.	Mr Haffejee resigned as CEO.	Mr Jogia appointed as CFO. Mr Douwenga appointed as CEO but resigned with effect from 31 January 2024 due to health reasons.	Mr O'Flaherty appointed as CEO on a fixed three-year contract.
Q1	Q2		Q3	Q4	

BOARD CHANGES

2 May 2023 and 31 May 2023

- With effect from 28 April 2023, Ms Mathews resigned as an independent non-executive director and consequently stepped down as the chair of the audit and risk committee and also a member of the nominations committee
- Mr Douwenga was appointed as the permanent CEO of Metair
- Mr Jogia was appointed as the permanent CFO of Metair and executive director as well as a member of the investment committee
- Ms Mkhondo was appointed as a member of the nominations committee

13 June 2023

- Ms Medupe was appointed as an independent non-executive director and as chair of the audit and risk committee

14 September 2023

- With effect from 13 September 2023, the company's remuneration and nominations committees were combined into one committee, the remuneration and nominations committee
- Ms Medupe was appointed as a member of the investment committee, with effect from 13 September 2023

6 December 2023

- Mr Douwenga resigned as CEO and executive director of Metair with effect from 31 January 2024

15 January 2024

- Mr O'Flaherty was appointed as the new CEO of Metair and as a member of the company's social and ethics committee with effect from 1 February 2024

ETHICAL CULTURE

The board strives to embed an ethical culture which all Metair board members, employees, contractors and suppliers embrace and abide by. Metair's ethical culture cultivates a value-driven environment where all stakeholders are dedicated to conducting business honestly, fairly, legally and transparently. The Metair values are built on the principle of custodianship. Being a custodian has the embedded notion that Metair has an important role to play in a bigger long-term sustainable plan and that it is not the size of the role that matters but rather how well all stakeholders perform their role.

Code of ethics

Metair's code of ethics (the code) is available on www.metair.co.za. The code guides Metair to operate with unity, harmony, equality and respect for human dignity. The code aims to guide all stakeholders to act and conduct themselves with integrity. This assists to mitigate unethical conduct, fraud and corruption. The code encourages all employees to be exemplary custodians in their areas of responsibility, wherever they go. Training, awareness programmes and a social and ethics conference were held during the year to enhance the company's ethics management.

The code has been rolled out to all subsidiaries and is applicable to all employees (including contractors and temporary employees). The code is included in employee appointment letters and all employees undergo an induction process to familiarise themselves with the code.

GOVERNANCE REPORT (continued)

Conflicts of interest

Board members are required to regularly declare any shareholding and any interest they might have in transactions with the group. The Metair board members are also required to declare any conflict of interest in respect of any matters on the agenda at board or committee meetings. No conflicts of interest were identified during the year.

No board members were identified as politically exposed persons in 2023.

Dealing in securities and insider trading

Metair adheres to the Insider Trading Act no. 135 of 1998, which prohibits individuals from trading in any shares/securities when in possession of non-public material information. No employee, officer or director may trade directly or indirectly in the shares of the company during a closed period or a prohibited period. Closed periods are imposed from the 1st of January and 1st of July until the publication of the respective financial results. Where appropriate, a prohibited period is also imposed on certain employees during periods when they are in possession of undisclosed price-sensitive information.

The group also discloses all director dealings in securities in accordance with the JSE Listings Requirements.

Metair executive directors participated in the Metair Investments Limited 2009 Share Plan during the year. Refer to the Remuneration Report for more information on the share plan.

Whistleblowing

Metair has an independent anonymous whistleblowing programme managed through Deloitte's fraud tip-off line that operates 24 hours a day, 365 days a year. Whistleblowing awareness takes place through various communiques and reminders which are sent to all employees in the group during the year.

All employees across the group are encouraged to report any unethical transgressions or conduct without fear of being victimised. The Protected Disclosures Act no. 26 of 2000 ensures that those individuals who speak up against unethical or illegal behaviour will be protected. All tip-offs received are investigated and resolved within a reasonable time. Feedback is provided to the whistle-blower on actions taken and outcomes of the report. No issues of fraud and/or corruption were identified during the year.

Reports	2023	2022	2021
Tip-offs			
Received	44	36	30

Human rights

The social and ethics committee oversees human rights. This entails monitoring that the company's activities are in accordance with the human rights provisions in Türkiye, Romania, as well as with the Constitution of the Republic of South Africa (including the Bill of Rights), any relevant legislation, other legal requirements or prevailing codes of best practice, and the company's own code of ethics and policies. The company supports and respects the protection of internationally proclaimed human rights. The company is not complicit in human rights abuses.

Corporate social responsibility (CSR)

The board, supported by the social and ethics committee (page 62) and management, recognises the group's social and moral commitments to society. Metair's approach to CSR is based on the concept of custodianship and it is reinforced by the code, which entrenches the group's corporate citizenship and ethical leadership policies.

The board is committed to responsible corporate citizenship. The group contributes to the attainment of the UN Sustainable Development Goals (SDGs). The group is involved in a number of corporate social investment projects which are discussed on page 35.

Board independence

The board confirmed the independence of the non-executive directors. None of the Metair non-executive directors have served on the Metair Board for nine years or longer.

Professional advice

Metair has mechanisms in place to obtain independent professional advice on matters within the scope of any director's duties at the company's cost.

PERFORMANCE

Board evaluations

The board conducts an annual self-evaluation and an externally facilitated board evaluation was also done in 2023.

The results of the 2023 board evaluation indicate that the board is functioning well. A peer evaluation of non-executive directors and a chair's evaluation were done during the year. Peer evaluations were discussed with each non-executive director separately to highlight areas of improvement. The results indicate that the board is properly constituted.

Executive directors are evaluated annually through a detailed performance assessment process. The board is satisfied that the board evaluation process supports continued improvement in the company's performance and effectiveness.

Committee evaluations

All board committees conduct annual self-evaluations. All evaluations in 2023 indicated that the committees are functioning well. The improvement areas were noted and will be addressed in the forthcoming year. The board is satisfied that the committee evaluation process supports continued improvement in the company's performance and effectiveness.

The board reviews and approves all committee terms of reference annually. All charters were updated and approved during the year. Refer to the specific committee disclosures for more information.

Induction process

The remuneration and nominations committee oversees the board induction programme for new directors and ensures that directors develop relevant experience through a mentorship programme. It also oversees the development and implementation of continuing professional development programmes for directors. The director's roles and responsibilities are contained in a letter of appointment that is given to each director on appointment.

The induction process includes:

- A discussion with the Metair CEO to give the director the required level of understanding of the business, operations and industry as well as an outline of the company's vision and strategy
- A general discussion with Metair's CFO and company secretary
- Visits to major subsidiaries with the Metair CEO and/or CFO
- Provision of Metair documents including charters, policies and procedures, other company documents and relevant additional information as required
- Provision of Metair's meeting schedule with all relevant board. and committee meeting work plans, dates and times
- Provision of the latest Metair integrated annual report

Board training

Continuous training and development are important contributors to board effectiveness. Board training is scheduled annually on topical subjects by external and internal experts. The following training programmes were arranged in 2023:

- Directors and officers training
- Macroeconomic views – SA and global
- Türkiye outlook
- Various strategy trainings
- Building an African automotive manufacturing sector
- Developments in the global automotive renewables industry
- SA automotive environment

Group company secretary

Ms SM Vermaak has been the company secretary since 2001. The company secretary fulfils the duties set out in section 88 of the Companies Act, No. 71 of 2008 and is also responsible for ensuring compliance with the JSE Listings Requirements.

All board members have unfettered access to the company secretary, which assists them in performing their duties and responsibilities.

Metair's board conducts an evaluation of the company secretary annually. Based on the 2023 evaluation, the board is satisfied that the company secretary has the appropriate level of competence, qualifications, experience and knowledge to perform her duties. The company secretary reports to the board *via* the chair on all statutory duties and functions performed in connection with the board. All other duties and administrative matters are reported to the CEO and/or CFO. Ms Vermaak is not a director of the company and while she has direct access to the chair, the board is satisfied that an arm's-length relationship has been maintained between the board and the company secretary.

The board approves the appointment, including the employment contract and remuneration, of the company secretary as recommended by the remuneration and nominations committee. The board also has the primary responsibility for the removal of the company secretary should it be required.

Chief executive officer

The CEO is on a three-year fixed-term contract until 31 January 2027. His employment contract stipulates a three month notice period.

The Metair board chair together with all the committee chairs reviewed the outgoing CEO's performance against agreed performance measures and targets. The board expressed their sincere appreciation and support for the hard work delivered by the outgoing CEO and his management team.

The board, together with the CEO, agree on whether the CEO may take up additional professional positions, including membership of other governing bodies, outside of Metair. Time constraints and potential conflicts of interest will be considered and balanced against the opportunity for professional development. The CEO appointments shown on page 47 were approved by the board during the year.

ENSURING LEGITIMACY

Inclusive stakeholder approach

The Metair board has adopted a stakeholder inclusive approach in the execution of its governance roles and responsibilities. Refer to the key stakeholder relationships section on page 32.

Employment equity and transformation

The group, through each of its subsidiaries, submitted the relevant employment equity reports in October 2023 after thorough consultation with staff and union representatives. The employment equity and transformation committees at each South African subsidiaries monitored and measured performance against the five-year employment equity plan and instituted corrective action where necessary. Barriers such as skills shortages in previously disadvantaged groups were addressed through accelerated skills development programmes, learnership programmes, and intensive internal and external training.

The group consequently complies with all the requirements of the Employment Equity Act No 55 of 1998. Refer to the transformation section on page 32 of this report.

Sponsor

One Capital Sponsor Services (Pty) Limited (One Capital) acts as JSE Sponsor to the company in compliance with the JSE Listings Requirements.

Broad-Based Black Economic Empowerment

Metair maintains a consolidated B-BBEE scorecard to monitor subsidiary performance. The group remains committed to improving the management control element. Metair's ownership credentials, which flow through to all subsidiaries, increased to 25.00 (2022: 24.05). All subsidiaries achieved their goal to be at least level 4 contributors. Metair is pleased to report that four subsidiaries achieved a level 2 or better.

Compliance

The board is committed to ensuring that Metair and its subsidiaries consistently comply with all applicable laws, regulations and governance practices in the jurisdictions in which it operates. Metair also ensures compliance with King IV, the Companies Act, the JSE Listings Requirements and non-binding rules, codes and standards where applicable.

Metair complies with the provisions of the Companies Act and operates in conformity with its MOI.

The audit and risk committee and the social and ethics committee oversee the group's risk and compliance function. The company secretary and JSE Sponsor, One Capital are responsible for assisting the board in monitoring compliance with relevant legislation, including the JSE Listings Requirements. To keep committee members informed of developments in legislation, the JSE Listings Requirements and general compliance trends in the industry, compliance reports are regularly compiled and included in the meeting packs for the board and all committees.

GOVERNANCE REPORT (continued)

During 2023, the board continued to monitor the compliance of occupational health and safety regulations. Other key compliance risks identified were:

- Continued compliance with local and global business and competition regulations such as anti-competitive practices and increased focus on ESG aspects
- Emission regulations to address global warming have shaped the strategic direction of the automotive industry, including the trend towards new energy vehicles. Metair businesses are working to reduce their use of scarce resources, including energy, water and raw materials, and limit emissions and waste production. Specific targets to reduce carbon emissions and water and electricity consumption were included as a KPIs in the Metair short-term incentive in 2023 for all management throughout the group. The targets for 2024 will remain focused on reducing carbon emissions and water consumption
- Metair's IT governance and IT risk management and execution remains a focus area to ensure that the company's IT environment is managed optimally

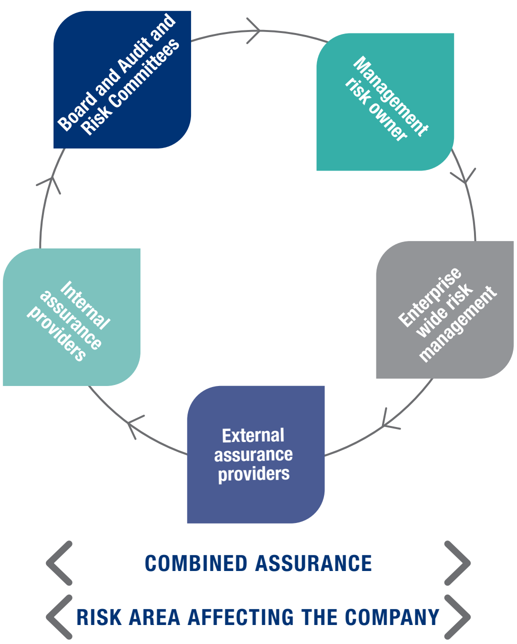
Metair and its subsidiary in Romania, Rombat, received an advance copy of a Statement of Objections from the European Commission on 30 November 2023. The Statement was circulated to several manufacturers of automotive lead-acid starter batteries and expressed the concerns that Rombat may have potentially violated EU anti-trust rules in the field of automotive lead-acid starter batteries between 2004 and 2017.

Rombat is currently conducting an in-depth analysis of the Statement for purposes of preparing an initial response to the Commission, to be made during April 2024.

Apart from the Statement of Objection, Metair is not aware of any material or repeated regulatory penalties, sanctions or fines for contraventions, or non-compliance with environmental laws or criminal sanctions and prosecutions imposed against any of its directors during 2023.

COMBINED ASSURANCE

Metair's combined assurance framework is based on five lines of defence as shown in the diagram below.



The audit and risk committee oversees assurance on behalf of the board. The group reviews its combined assurance model annually based on identified key risks. In 2023, the audit and risk committee confirmed that all risks are adequately covered by either/or external audit, internal audit, management, specialist consultants, government or insurance.

In 2023, all board committees continued working on optimising Metair's combined assurance model to avoid duplication and to promote collaboration.

All subsidiaries complete an annual control self-assessment questionnaire to declare that assurance has taken place. The subsidiaries also complete a regulatory universe annually and relevant employees are responsible for monitoring adherence with relevant legislation. The regulatory universe is updated regularly to include the latest legislation.

BOARD AND COMMITTEE ATTENDANCE

Directors' attendance at board and committee meetings during the year (including the changes which took place during the year) are shown in the table on the next page.

BOARD COMMITTEES

All committees function according to their board-approved terms of reference or charters which are available on the company's website at www.metair.co.za. The terms of reference or charters are reviewed annually and effectively delegated in respect of certain of the board's responsibilities. The board monitors these responsibilities to ensure effective oversight and control of the group's operations.

All committees confirmed that they are satisfied that they appropriately fulfilled their responsibilities in line with their terms of reference or charters during 2023. The chairpersons of all committees reported to the board after each meeting.

The committees are appropriately constituted to promote independent judgement and to assist with the balance of power. The board appoints the members of the committees and ensures the correct composition except for the audit and risk committee members, who are nominated by the board and elected by shareholders. Executive directors, management and external advisors attend committee meetings by invitation except for the social and ethics committee where the CEO is a member and the investment committee where the CFO is a member. The IT steering committee reports into the audit and risk committee and members are appointed by the chair of the IT steering committee in his capacity as an executive director of Metair.

Board and committee attendance

	Board	Audit and risk committee	Social and ethics committee	Remuneration and nominations committee[1]	Investment committee	IT steering committee	Overall attendance[#]
Number of meetings	**16**	**5**	**3**	**14**	**6**	**4**	
T Mgoduso[2]	16			14[#]			100%
R Haffejee[3]	7[A,#]		3				88%
S Douwenga[4]	14[A]		1[A]		1	1	79%
A Jogia[5]	8[#]				5[#]	3[#]	100%
NL Mkhondo[6]	16			14	6		100%
MH Muell	16		3	13[#]			100%
N Medupe[7]	8[#]	4[#]			3[#]		100%
B Mathews[8]	8[#]	1[#]	3				100%
AK Sithebe	16	5	3				100%
B Mawasha[9]	16	4[A]			6		96%
PH Giliam	16			8[#]	6		100%
J Smith[>]						4	100%
U Reddy[12]						4	100%
D Seker[10>]						3[A]	75%
Y Foolchand[11>]						1[#]	100%
S Konar[11>]						3[A]	100%
Overall director attendance#	**98%**	**93%**	**78%**	**98%**	**100%**	**90%**	

[#] *Attendance percentages are calculated on board attendance during the tenure of appointment. Executive directors are invited to attend all committee meetings.*

[A] *Apologies tendered.*

[1] *The remuneration and nominations committees were combined from 13 September 2023.*

[2] *Ms Mgoduso was appointed as chair of the board and chair of the nominations committee with effect from 15 February 2023. She stepped down as the lead independent non-executive director and as chairperson of the remuneration committee (but remained a member of this committee) with effect from the same date. The appointment was ratified at the annual general meeting of shareholders held in May 2023.*

[3] *Mr Haffejee resigned as CEO and member of the Social and Ethics Committee on 31 March 2023.*

[4] *Mr Douwenga was appointed as interim CEO and member of the Social and Ethics Committee with effect from 22 March 2023. He was appointed as CEO with effect from 31 May 2023. He resigned from the board and the Social and Ethics Committee on 31 January 2024.*

[5] *Mr Jogia was appointed as interim CFO with effect from 22 March 2023 and as CFO and member of the board and the Investment Committee with effect from 31 May 2023.*

[6] *Ms Mkhondo was appointed as chair of the remuneration committee with effect from 15 February 2023 and member of the nominations committee with effect from 31 May 2023. She was appointed chair of the combined remuneration and nomination committee with effect from 13 September 2023.*

[7] *Ms Medupe was appointed as chair of the Audit and Risk Committee with effect from 13 June 2023 and as member of the Investment Committee with effect from 13 September 2023.*

[8] *Ms Mathews resigned as a chairperson of the board and Audit and Risk Committee and as member of the nominations committee*

[9] *Mr Mawasha was appointed as lead independent director with effect from 15 February 2023.*

[10] *Mr Seker resigned from the IT Steering Committee with effect from 30 October 2023.*

[11] *Mr Konar resigned from the IT Steering Committee with effect from 21 November 2023 and was replaced by Ms Foolchand.*

[12] *U Reddy is not a director of Metair Investments Limited.*

[>] *Subsidiary representatives on the IT steering committee. They are not directors of Metair Investments Limited.*

GOVERNANCE REPORT (continued)

The composition of the committees below are as at 31 December 2023.

INVESTMENT COMMITTEE

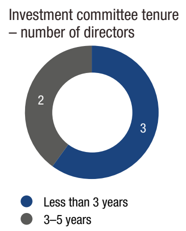
The investment committee analyses investment opportunities presented by executive management. Once the opportunities are approved by the committee, they are submitted to the board for final approval.

The committee aims to optimise capital allocation in a manner which sustainably creates and optimises stakeholder value. The committee weighs and evaluates capital proposals required for operational capital, strategic capital and shareholder capital, and includes the review of overall capital levels, individual capital projects, investment and divestment opportunities, as well as financing proposals by applying specific, detailed investment criteria.

The committee will also be focusing on post investment review documents to track performance on previously approved investments going forward.

The committee does not assume the functions of management, which remain the responsibility of the executive directors and other members of senior management. In the execution of their duties, committee members must apply the standards of conduct of directors as set out in section 76 of the Companies Act, and directors' personal financial interests as set out in section 75 of the Companies Act.

INVESTMENT COMMITTEE TENURE – NUMBER OF DIRECTORS



Members
Mr B Mawasha (Chair)
Mr PH Giliam
Ms NL Mkhondo
Mr A Jogia
Ms N Medupe

Attendees by invitation
CEO

Changes during the year
- Mr S Douwenga resigned as a member of the committee on 31 May 2023
- Mr A Jogia was appointed as a member of the committee on 31 May 2023

2023 Focus area feedback
- Monitoring project execution in line with agreed capital allocation – Ongoing
- Reviewing capital requirements for the ensuing year – Concluded
- Revolving credit facility agreements and extensions – In progress

2024 Focus areas
- Review de-risking opportunities for the group
- Review balance sheet and debt restructuring process
- Renew revolving credit facilities and extensions
- Review authority levels matrix

AUDIT AND RISK COMMITTEE

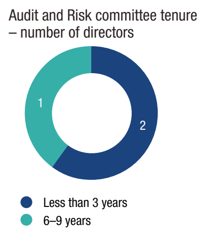
The audit and risk committee is constituted as a statutory committee of Metair in respect of its statutory duties in terms of section 94(7) of the Companies Act, the JSE Listings Requirements and in line with the recommendations of King IV as a committee of the board in respect of all other duties assigned to it by the board including those normally performed by an audit and risk committee.

The committee has an independent role and is accountable to the board and shareholders. The primary objective of the committee is to assist the board to fulfil its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, the risk management process, combined assurance and the group's process for monitoring compliance with laws, regulations and the code of conduct. The committee also sets the policy for the provision of non-audit services. Non-audit services are reviewed and approved at each audit and risk committee meeting.

The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Disclosure of Metair's risk management is available on page 55. The audit and risk committee report, as required in terms of section 94(7)(f) of the Companies Act, is set out on pages 60 – 61.

AUDIT AND RISK COMMITTEE TENURE – NUMBER OF DIRECTORS



Members
Ms N Medupe (Chair)
Ms AK Sithebe
Mr B Mawasha

Attendees by invitation
CEO
CFO
External audit – EY Representatives
Internal audit – KPMG Representatives

Changes during the year
- Ms Medupe was appointed as chair of the Audit and Risk Committee with effect from 13 June 2023
- Ms Mathews resigned as a chairperson of the board and Audit and Risk Committee with effect from 28 April 2023

2023 Focus area feedback
- Seamlessly embedding the new audit team and audit partner – Concluded
- Continued focus on the group's IT strategy and cyber security – Ongoing
- Monitoring human capital resources in the finance functions at key subsidiaries – resource upgrading started and will continue into the next year

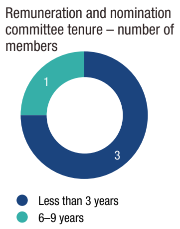
2024 Focus areas
- Appoint group risk and compliance officer
- Monitor balance sheet and debt restructuring process including covenant levels
- Continually assess the impact of cyber security risks and use of artificial intelligence in the control environment
- Manage ESG and climate change risks and disclosures

REMUNERATION AND NOMINATIONS COMMITTEE

The remuneration and nominations committee operates and reports in accordance with principle 14 of King IV and includes reporting on executive and non-executive director compensation. The committee also oversees the appointment of executive and non-executive directors to the board, ensures succession planning at board level, reviews the structure, size and composition of the board and its committees, and evaluates the performance of the board, its committees, its chair and its individual members.

For more details refer to the remuneration report on page 63. The report includes a background statement, remuneration policy and implementation report.

REMUNERATION AND NOMINATIONS COMMITTEE TENURE – NUMBER OF DIRECTORS



Members	Ms NL Mkhondo (Chair) Mr MH Muell Ms TN Mgoduso Mr PH Giliam
Attendees by invitation	CEO CFO
Changes during the year	• Ms Mkhondo was appointed as the chair of the committee on 15 February 2023
2023 Focus area feedback	• Implement leadership and talent management – Deferred to 2024 – awaiting the appointment of a Metair HR executive • Continue with replacement planning for the executive management team as well as succession planning for leaders three years away from retirement – Deferred to 2024 – awaiting the appointment of a Metair HR executive • Addressing Hesto's workforce structure to align with the rapid growth and increased demand – Ongoing • Implementing the new performance management framework – Done at the executive level to be rolled down further in the organisations • Increased focus on the management control element of the B-BBEE scorecard – Ongoing
2024 Focus areas	• Capacitate Metair head office • Appoint a Metair HR executive • Review of the complete remuneration philosophy, strategy, short- and long-term incentives • Attend to the issues rolled over from 2023

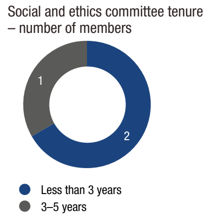
SOCIAL AND ETHICS COMMITTEE

The social and ethics committee is a statutory committee which is constituted in terms of its duties set out in section 72(4) and (5) of the Companies Act and its associated regulations. The committee ensures that Metair operates as a responsible citizen and conducts its business in an ethical and properly governed manner.

The committee oversees and monitors the group's ethics, quality, human capital, procurement, CSI initiatives and stakeholder relationships. The committee aims to ensure that the internal audit function assesses the ethical culture of the company as well as the adequacy and effectiveness of the group's ethics programme.

In 2023, the committee updated and approved various policies which were recommended to the board for final approval.

SOCIAL AND ETHICS COMMITTEE TENURE – NUMBER OF DIRECTORS



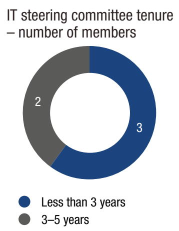
Members	Mr MH Muell (Chair) Mr S Douwenga Ms AK Sithebe
Attendees by invitation	Mr MC Mahlanu (First Battery) Ms B Yagmur Erol (Mutlu Akü) Mr P Vermaak (Hesto)
Changes during the year	• Mr S Douwenga was appointed as a member of the committee. He resigned from the board and the committee on 31 January 2024 • Mr P O'Flaherty was appointed as a member on 1 February 2024
2023 Focus area feedback	• Assessing the feasibility of the group's renewable energy strategy – Project cancelled with the exception of Rombat who continued with renewable energy in Romania • Embedding the sustainability framework – Ongoing
2024 Focus areas	• Investigate a platform to standardise ESG reporting and enable dashboards • Continue to drive environmental targets

GOVERNANCE REPORT (continued)

TECHNOLOGY AND INFORMATION STEERING COMMITTEE

The IT steering committee reports to the audit and risk committee. The primary purpose of this committee is to improve alignment between IT and business strategy. The committee aims to create accountability for IT decisions in five critical areas – investments, projects, risk, services, data and value generation – by evaluating IT value and the performance of IT services on an ongoing basis. The committee focuses on risks and strategic matters relating to the use of technology and information across the group. The group does not get involved in operational technology and information issues.

IT STEERING COMMITTEE TENURE – NUMBER OF DIRECTORS



Members	Mr A Jogia (Chair) Mr U Reddy (Metair) Ms J Smith (Supreme Springs) Mr D Seker (Mutlu Akü) Ms Y Foolchand (Smiths Manufacturing) Mr T Tulgar (Mutlu Akü)
Attendees by invitation	Ms M Mail (Metair)
Changes during the year	• Mr Douwenga resigned as a member and chair of the committee • Messrs Seker and Konar resigned as members and Ms Y Foolchand was appointed to the committee
2023 Focus area feedback	• Implementation of the IT strategy – to be revisited in 2024
2024 Focus areas	• Review and approve IT strategy on completion of full IT risk review

TECHNOLOGY AND INFORMATION GOVERNANCE

Metair aims to establish and achieve accountability, strategic alignment and appropriate risk management to optimise the value the group obtains from IT. To support this objective, all subsidiaries formulate their own IT strategies and plans which are subject to approval by their respective boards before being presented to the IT steering committee.

In summary, the strategies all contain the following main items:

- Strategic overview
- Risks and challenges
- Analysis of IT spend
- Analytical view of IT
- IT operating model
- Detailed strategic roadmap
- Roles and responsibilities
- Gaps and solutions
- Critical success factors
- IT strategy guiding principles
- IT policy framework

Training and knowledge sharing are a large component of Metair's technology and information governance. The group has established a repository which is accessible to all subsidiaries containing examples of various policy documents and best practices. Metair encourages all subsidiaries to leverage off each other by sharing problem areas and diverse solutions.

The following policies are included on the repository for subsidiaries to adhere to as a minimum:

- Acceptable use policies:
  - Security policy
  - Incident response policy
  - Asset disposal policy
  - Mobile device acceptable use policy
  - Backup and archiving matrix guideline
- Disaster recovery plans
- IT purchasing policy
- Information and security policy

There are continuous training initiatives to enhance internal awareness and competencies in cybersecurity, hacking and phishing.

GROUP RISK MANAGEMENT

Metair is committed to effective risk management which supports the group's objectives and the pursuit of value creation for all stakeholders.

Risk management is the responsibility of the board with the reporting and monitoring function being delegated to the audit and risk committee. An enterprise-wide risk management policy framework forms part of the audit and risk committee charter which is available on the company's website.

Risk reporting structure

The risk reporting structure is illustrated below.

Risk management is embedded into day-to-day activities and key decision-making processes. Metair has a risk management plan which is updated annually. The group has adopted a structured and systematic enterprise risk management system. The system is aligned to the board's corporate governance responsibilities and the group's strategy.

Effective and proactive risk management enables us to identify quantitatively and qualitatively measure the impact of risks and opportunities. Furthermore, it provides a platform for us to apply appropriate mitigation measures and to determine our appetite and tolerance levels. Metair addresses risks through avoidance, capital investment, systems, processes, people, insurance and assurance and/or a combination of these and believes that risk must always be reflected in business planning and be evident in budgets.

Risk management key areas are included with the audit and risk committee's focus areas.

Risk appetite and tolerance

Metair's risk appetite approach considers the nature of the automotive components industry, energy storage industry and the commercial substance of the group's relationship with customers.

Metair board	The Metair board is responsible for the identification of major risks, the total process of risk management, as well as for forming its own opinion on the effectiveness of the process.
The audit and risk committee	The audit and risk committee reviews and assesses the effectiveness of the risk management system and control processes within the organisation and presents its findings to the board.
Metair management	Metair management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of Metair.
Subsidiary boards	Subsidiary boards act as subsidiary risk committees and evaluate the risk registers, decide on the future monitoring of the material risks and opportunities and approve them for onward transmission to Metair.
Subsidiary management	Subsidiary management is responsible for setting a culture of risk identification and ensures that all staff members comply with the risk management policies and procedures set by Metair.

GOVERNANCE REPORT (continued)

Metair's risk appetite approach defines the nature of the risks which Metair will tolerate or not.

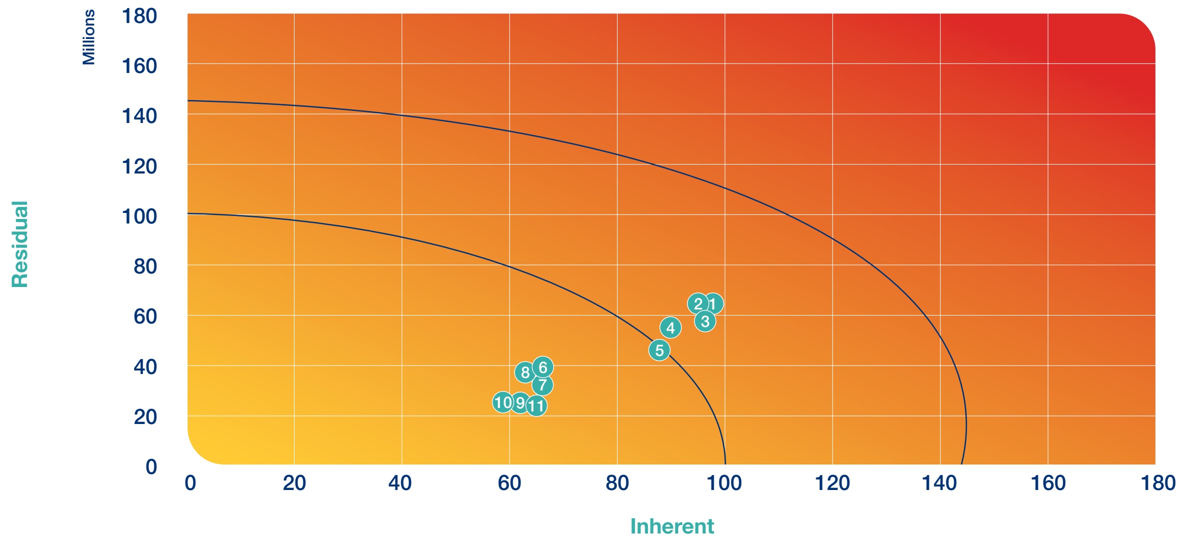
Metair's tolerance level is currently set at a residual risk exposure level of 70 (critical) which equated to R145 million in 2023. The rand value is assessed annually in the context of the prevailing economic environment and the state of the business. Adjustment factors are applied to each company's risks based on their respective materiality to the group's consolidated performance.

The audit and risk committee reviews the group's risk appetite annually.

Group top 11 residual risks

Current Rank	Previous Rank	Move		Risk name	Committee Oversight
1	7	Up	Immediate	Hesto new customer model project – special focus to achieve commercial and efficiency objectives in line with project plan and returning Hesto to profitability	• Investment • Audit and risk • Board • Management committees • Hesto
2	2	–	Immediate	Metair long-term strategy refinement including conclusion of portfolio optimisation and de-risking priorities focusing specifically on unlocking value from Mutlu Akü due to unfavourable macro-economic conditions and ensuring Mutlu Akü is stabilised in the short-term	• Board • All committees
3	New		Immediate	Highly leveraged balance sheet impacting liquidity, debt repayment and covenant thresholds	• Investment • Audit and risk • Board
4	3	Down	Immediate	Human capital – stabilising leadership due to the changes at the CEO and CFO level during 2023	• Audit and risk • Social and ethics • Remuneration and nominations • Board
5	10	Up	Immediate	Compliance with local and global business and competition regulations such as anti-competitive practices addressing competition concerns in Romania	• Audit and risk • Board • Social and ethics
6	1	Down	Ongoing	Metair production stability impacted by customer demand due to visibility and overall variability as a result of new market, model and technology trends	• Investment • Audit and risk • Board • Management committees • Marketing committee
7	5	Down	Ongoing	Escalating geo-political tensions/alliances impacting regions and markets within which Metair group operates	• Audit and risk • Social and ethics • Board
8	15	Up	Monitor	Progressive developments relating to Metair's product portfolio, especially with the introduction of multiple NEV technologies	• Investment • Audit and risk • Board • Management committees • Marketing committee
9	1	Down	Ongoing	Model and facelift launch complexity and flexibility leading to an increase in upfront cost and capital/capacity requirements combined with project execution capability	• Investment • Audit and risk • Board
10	4	Down	Ongoing	Stability and quality of reliable key suppliers, including Eskom, Arcelor Mittal and Sasol gas	• Social and ethics • Audit and risk • Board • Management committees
11	8	Down	Monitor	Natural disasters and climate change events, explosions and conflagrations and increasing focus on ESG aspects	• Board • Social and ethics

FINANCIAL IMPACT – RESIDUAL APPETITE AND TOLERANCE LEVELS



Inherent | Residual

1 (2022: 7)	Hesto new customer model project special focus to achieve commercial and efficiency objectives in line with project plan and returning Hesto to profitability	**Residual vs Inherent risk exposure**

Ramp up production at Hesto for a major customer's new model harnessing project proved extremely challenging and complicated with significant design and engineering changes. A model facelift introduced in April 2023 also significantly impacted the harness design and manufacturing. This complexity necessitated higher than expected up-front costs, labour and line capacity as well as inventory at Hesto. Close collaboration with the customer and the technology partner led to an agreement for a commercial price adjustment, providing significant support for revenues and operating profit over the remaining model life of nine years. However, the project remains under high alert to ensure that the positive signs for turnaround become sustainable.

Action plans

Business turnaround plan monitoring against target

Outcome

Balanced Automotive Components Vertical portfolio and improved NEV readiness.

Opportunity

Significant revenue and profitability growth, customer diversification and value creation for shareholders.

GOVERNANCE REPORT (continued)

2 (2022: 2)	**Metair long-term strategy refinement including conclusion of portfolio optimisation and de-risking priorities focusing specifically on unlocking value from Mutlu Akü due to unfavourable macro-economic conditions and ensuring Mutlu Akü is stabilised in the short-term**	Residual vs Inherent risk exposure

Metair's ability to execute its strategy to enhance shareholder value is complicated by operating in geo-political tensions and adverse economic policies in Türkiye. Mutlu Akü imposed self-sanction protocols to terminate export sales to Russia. This, combined with cancellations from a key customer in the US, decreased export volumes significantly. At the same time, a difficult labour environment in Türkiye also resulted in a shortage of contract workers. Turkey interest rates increased to 42.5% and annual inflation peaked at 65%, contributing to a significant rise in interest costs for the Group. To further mitigate against volatility, the Group will continue to pursue de-risking options for this business but ensuring that the operations are stabilised.

Action plans

Mutlu Akü value unlock exercise
Capital allocation management
Budgets/HEPS monitoring
Shareholder engagement sessions

Outcome

Stable and supportive shareholder and partner base supporting company and management actions. Stable platform to launch strategic execution from. Rigorous capital allocation process. De-risk Mutlu Akü.

Opportunity

Shorter term unlocking of value for shareholders and partners.

3 (2022: New)	**Highly leveraged balance sheet impacting liquidity, debt repayment and covenant thresholds**	Residual vs Inherent risk exposure

Metair's debt levels have reached an all time high due to a combination of project debt for new customer vehicle models, increased working capital investment, short-term decline in profitability, mainly at Hesto and Mutlu Akü, and a high cost of borrowings in all geographies Metair operates in. This has resulted in increased shareholder and funder scrutiny.

Action plans

Restructure Metair balance sheet
Individual company improvement plans
Net working capital reduction
Faster payment recoveries from customers

Outcome

Strengthening of Metair balance sheet and overall profitability.

Opportunity

Stronger relationship with funders, opportunity to source improved funding solutions such as green financing and special project financing. Review funding model with customers.

4 (2022: 3)	Human capital – stabilising leadership due to the significant changes at the CEO and CFO level during 2023	Residual vs Inherent risk exposure

Strategic oversight to assist with group turnaround in senior leadership. Stabilising leadership, enhance senior capacity and strengthening of head office.

Action plans

Senior leadership appointments at head office
Senior leadership appointments at subsidiaries

Outcome

Engaged employees and executives delivering high quality output

Opportunity

Building a differentiated team
Creating a productive, engaged and supported team

5 (2022: 10)	Compliance with local and global business and competition regulations such as anti-competitive practices addressing competition concerns in Romania and increased focus on ESG aspects	Residual vs Inherent risk exposure

Increased global and international focus by competition authorities in the automotive sector specifically attending to resolving the potential EU anti-trust violations between 2004 and 2017 at Rombat. More regulated global carbon environment. Fines, investigations, reputational damage and changing market practices. Subjected to potential investigations, financial penalties and reputational damage.

Action plans

Investigate and respond to EU anti-trust violations at Rombat
External consultant reviews on current market practices
Dawn raid readiness training
Continuous review of training programmes
Implement green roadmap

Outcome

Ongoing training of management and staff, issuing of specific internal manual containing information and regulations to guide behaviour in such a way as not to breach any competition regulations. Cooperation with all relevant authorities relating to all aspects that might be investigated from time to time. Initiation of green manufacturing infrastructure to reduce carbon footprint.

Opportunity

Increased focus on all marketing practices aimed at eliminating any possible anti-competitive business practices in all trading regions that could lead to increased focus by all players in the industry. Opportunity to review and learn from past practices. Adopt green manufacturing practices. Report on ESG elements to further mitigate risk.

GOVERNANCE REPORT (continued)

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee is constituted as a statutory committee of Metair Investments Limited in respect of its statutory duties in terms of section 94(7) of the Act and as a committee of the board in respect of all other duties assigned to it by the board. The committee has complied with its legal and regulatory responsibilities for the 2023 financial year.

Composition

The committee comprises three independent non-executive directors. The governance of risk forms part of the audit and risk committee's duties. All members of the committee are suitably skilled and experienced. The chairman of the board is not eligible to be the chairman or a member of the audit and risk committee.

Names and qualifications of committee members

Ms N Medupe (Chairperson)	Bachelor of Accountancy, Postgraduate diploma in Accountancy, Certificate in Sustainability Leadership and Corporate Governance
Mr B Mawasha	BSc (Eng) Electrical, GCC, PMD, ADP
Ms AK Sithebe	BCom Accounting (Honours), CA(SA), MBA

Terms of reference

The committee has adopted formal terms of reference approved by the board. These terms of reference are reviewed on an annual basis and updated where necessary. During the past year, the committee has executed its duties in accordance with the terms of reference.

The terms of reference can be found on the company's website https://www.metair.co.za/sustainability/policies-and-reports

Internal audit terms of reference

The committee has considered and approved the internal audit terms of reference.

Meetings

Five meetings were held during the year. All members attended all meetings.

Statutory duties

The role of the committee is set out in the audit and risk committee charter which can be found on the company's website.

The following statutory duties were executed by the committee in terms of the Companies Act:

- Nominated and appointed Ernst & Young Inc. (EY) as external auditors and Mr D Venter as the designated individual audit partner, after confirming their independence, as approved at the AGM on 4 May 2023
- The committee confirmed that EY and the respective designated individual auditor were approved by the JSE
- Approved the external auditor's fees, as per note 3 of the annual financial statements, and their terms of engagement
- All non-audit services provided by EY were reviewed and approved
- Meetings were held with EY after the audit and risk committee meetings, without executive management present, and no matters of concern were raised. No reportable irregularities were noted by EY
- The committee reviewed the annual financial statements, integrated annual report and the interim report during the year with the external auditors present before recommending these to the board for approval
- Ensured that the JSE's reporting back on proactive monitoring of financial statements in 2023 (2023 report) and documents set out in Annexure 3 of the 2023 report, and where necessary those of previous periods, was assessed and appropriate action taken where necessary to respond to the findings as highlighted in the JSE's report when preparing the annual financial statements
- Reviewed all trading statements before recommending them to the board for approval

Risk management

The board has assigned oversight of the risk management function to the audit and risk committee.

The committee ensured that appropriate financial reporting procedures exist and are operating, which included consideration of all entities included in the consolidated group IFRS financial statements, to ensure that the committee has access to all the financial information of Metair. This ensures that Metair can effectively prepare and report on the financial statements of the company.

The committee satisfied itself that the process and procedures followed in terms of identifying, managing and reporting on risk are adequate and that the following areas have been appropriately addressed:

- Financial reporting risks
- Internal financial controls
- Fraud risk relating to financial reporting
- IT risk as it relates to financial reporting

The committee mandate and enterprise-wide risk management policy framework are in place.

Combined assurance

As required by King IV, assurance was broadened to cover all sources of assurance, including external assurance, internal audit, management oversight and regulatory inspections. The combined assurance model has been updated to include the introduction of the five lines of assurance to differentiate the level of risk ownership and independence of assurance efforts by providers.

An annual combined assurance plan is submitted to the audit and risk committee, detailing all proposed assurance activities within the group, including the level of assurance. The committee ensures the alignment of the combined assurance plan, internal audit plans and external audit plans. Risk acceptance, level 1 finding disclosure process and risk extension requests are adopted as protocols.

The committee's role is to review the effective establishment and operation of combined assurance within the group. To this end, the company established a combined assurance framework.

The committee is satisfied with the combined assurance framework as a platform for ensuring an effective and efficient assurance model within the group.

Internal financial controls

For the purpose of determining the effectiveness of management systems and internal controls during the year, the committee reviewed the internal and external audit scope, plans and the resultant findings to determine the effectiveness of management systems and internal controls. Assurance was received from management, internal and external audit and, based on this combined assurance, the committee is satisfied that the internal controls of the group are adequate and that there was no material breakdown in internal controls.

Regulatory compliance

The group complied with all relevant laws and regulations, and considers adherence to non-binding rules, codes and standards. Compliance forms an integral part of the company's risk management process.

External audit

The audit and risk committee satisfied itself that the external auditor, EY, and its audit partner, complied with the suitability criteria for appointment as required in terms of paragraph 3.84(g)(iii) read with paragraphs 3.86 and 3.87 of the JSE Listings Requirements.

Following an effectiveness review the committee has no concerns regarding the external auditor's performance or independence. Refer to note 3 of the annual financial statements for audit fees paid. All non-audit services have been reviewed and approved by the committee and the independence of the auditors confirmed.

EY has been recommended to the board and shareholders for re-appointment. EY has been the company's lead auditors since 2022 and Mr D Venter appointed as designated audit partner in May 2022. Refer to note 3 of the annual financial statements for audit fees paid. The committee has reviewed and assessed the external auditor and designated individual audit partner in terms of the JSE Listings requirements and confirms the suitability of their re-appointment at the annual general meeting.

The committee ensured that the appointment of EY as the external auditor, and Mr D Venter as the designated individual audit partner, was presented and included as a resolution at the AGM of Metair pursuant to section 61(8) of the Companies Act.

All non-audit services were reviewed and approved by the committee and the independence of the auditors confirmed.

Key audit matters considered and addressed by the committee are as follows:
- Goodwill and indefinite life intangible assets impairment

Internal audit

The committee is responsible for overseeing internal audit. The committee:
- Approved the re-appointment of KPMG as internal auditor
- Approved the internal audit plan
- Ensured that KPMG is subject to an independent quality review, as and when the committee determines appropriate, at least every five years
- Ensured that the company has established appropriate financial reporting procedures and that those procedures are operating, which includes consideration of all entities included in the consolidated group IFRS financial statement, to ensure that it has access to all the financial information of the company to allow the company to effectively prepare and report on the financial statements of the company

Following an effectiveness review the committee has no concerns regarding the internal auditor's performance or independence and were satisfied with the performance of the head of internal audit (chief audit executive (CAE).

The CAE has access to the chair of the committee to ensure independence and has confirmed that internal audit conforms to a recognised industry code of ethics.

An external quality assurance review was performed and finalised at the end of 2019. The result of the assessment was that the maturity level of the internal audit activity, according to the internal audit maturity capability model, was assessed at level five – advanced, meaning that it produces best practice, is a strategic partner to their clients and acts as a leader in the internal audit profession.

A subsequent external quality assurance review was performed in 2023. The result of the assessment has not yet been finalised and will be reported to Metair's audit and risk committee at their June 2024 meeting.

External quality assurance is further provided through KPMG's international quality performance and compliance programme, which comprises an annual quality performance programme and risk compliance programme as well as other global review activities to monitor compliance. The KPMG internal quality assurance framework consists of managing compliance of independence policies and practices, building quality assurance into operational procedures, supervision and quality assurance throughout the engagement life cycle and quality assurance reviews. An annual in-flight review and internal quality performance review was performed on the Metair engagement and the engagement director, which were rated as satisfactory.

The internal audit service is subject to constant internal quality assurance and peer reviews. The primary responsibility for the ongoing, high-level quality assurance of all work carried out by the team is that of the engagement director. This responsibility includes ensuring that:

- The terms and conditions of the service level agreement are adhered to – both in letter and in spirit
- The strategic and annual internal audit plans are risk based and provide the level of coverage and assurance required by management and the audit and risk committee
- Individual projects are appropriately staffed at director and manager level
- The scope of the project is appropriately determined and communicated
- The reporting deadlines and standards are consistently met
- Internal quality assurance is performed by the manager and director on the assignment to ensure that the deliverable is of an exceptional standard, meets the requirements of the scope letter and the approved internal audit plan
- The director and manager's responsibilities include monitoring that the turnaround time for issuing reports is met
- The committee has a good working relationship with KPMG

Technology and information governance

In terms of King IV, the committee exercises oversight over technology and information governance.

The committee received reports on the group's digital transformation as well as the impact of cyber risk on information technology performance to support strategy execution.

Further details on technology information and governance are included on page 54 of the report.

GOVERNANCE REPORT (continued)

Chief financial officer review

The committee has reviewed the performance, appropriateness of the experience and expertise of the CFO, Mr A Jogia, and confirms his suitability in terms of the JSE Listings Requirements.

Integrated Annual Report

The committee has reviewed the annual financial statements of Metair Investments Limited and the group for the year ended 31 December 2023 and, based on the information provided to the committee, considers that the group complies in all material respects with the requirements of the Companies Act and International Financial Reporting Standards. The committee has reviewed the integrated annual report and the committee recommends the report to the board and shareholders for approval.

Ms N Medupe
Audit and risk committee chair

25 March 2024

SOCIAL AND ETHICS COMMITTEE REPORT

The board established a social and ethics committee with effect from 30 April 2012.

The social and ethics committee is constituted as a statutory committee of Metair Investments Limited in respect of its statutory duties in terms of the Companies Act and as a committee of the board in respect of all other duties assigned to it by the board. The committee assists the board in providing effective leadership and being a good corporate citizen. The committee has complied with its statutory duties and other duties assigned to it by the board for the 2023 financial year.

Composition

As at 31 December 2023, the committee comprised two independent non-executive directors, namely Mr MH Muell (chair) and Ms A Sithebe as well as one executive director, Mr S Douwenga.

Names and qualifications of committee members

Mr MH Muell (chair)	Diplom-Betriebswirt (BA) from Berufsakademie Stuttgart, Germany, equivalent to a Bachelor of Commerce
Ms AK Sithebe	BCom Accounting (Honours), CA(SA), MBA
Mr S Douwenga	BCom Accounting, CA(SA),

Following Mr Haffejee's resignation as CEO and executive director of Metair with effect from 31 March 2023 and consequently stepping down from the social and ethics committee on the same date, Mr Douwenga, Metair's CFO, was appointed as CEO and a member of the social and ethics committee on 22 March 2023.

Mr Douwenga resigned from the board and committee on 31 January 2024. Mr PS O'Flaherty was appointed as CEO, executive director and member of the social and ethics committee on 1 February 2024.

Terms of reference

The committee has adopted formal terms of reference approved by the board. These terms of reference are reviewed on an annual basis and updated where necessary. During the past year, the committee has executed its duties in accordance with the terms of reference. The terms of reference can be found on the company's website,
https://www.metair.co.za/sustainability/policies-and-reports

The committee has an independent role and makes recommendations to the board for its consideration.

The specific functions of the committee are to:
- Ensure that the company adopts an enterprise-wide social responsibility and ethics management process
- Review the annual sustainability report
- Monitor the company's activities, having regard to the Constitution (including the Bill of Rights), any relevant legislation, other legal requirements or prevailing codes of best practice, the company's own code of conduct and policies, regarding matters relating to:
  - ethics; and
  - social and economic development
- Ensure good and responsible corporate citizenship in terms of:
  - the environment, health and public safety, pollution, waste disposal and protection of biodiversity
  - stakeholder and consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws
  - labour and employment
- Draw matters within its mandate to the attention of the board
- Report, through one of its members, to the shareholders at the company's AGM on matters within its mandate
- Ensure that the internal audit function assesses the ethical culture of the company as well as the adequacy and effectiveness of the ethics programme of the company

Meetings

Three meetings were held during the year, and these were attended by all members.

No material non-compliance with legislation or best practice relating to the areas within the committee's mandate was brought to the attention of the committee. Based on its monitoring activities to date, the committee has no reason to believe that such non-compliance occurred.

The group incurred no material penalties, fines or convictions during the year.

MH Muell
Social and ethics committee chairman

25 March 2024

REMUNERATION REPORT

BACKGROUND STATEMENT

Metair adheres to all relevant remuneration governance codes and statutes that apply in the various jurisdictions where the group operates. The remuneration committee (committee) continually strives to improve the application and disclosure of recommended practices. Achieving a balanced and sustainable company requires us to improve in all aspects of the business, including Metair's remuneration and reward system. During the year, Metair implemented a robust performance management review process to ensure the executives' outputs deliver on the strategic outputs of the group and are aligned with financial rewards. Due to the socio-political environment currently prevailing in South Africa and Türkiye, remuneration and reward systems remain sensitive matters in the group and especially challenging to manage in Türkiye.

Metair's remuneration approach is closely linked to the principles of Metair's corporate governance philosophy. Metair is committed to fairness, justice, transparency, responsibility and accountability. The group recognises that Metair employees are central to Metair's ability to execute the group strategy and create value across all operations, and critical for the future sustainability of Metair. Delivering manufacturing excellence and adhering to Metair customer's quality standards while ensuring cost competitiveness depends on the group's ability to attract, nurture and retain appropriately skilled, experienced, diligent, involved and motivated employees. The company's capability in this regard is evident in Metair's proud 76-year history of strong financial performance and a legacy.

This remuneration report aims to provide Metair stakeholders with a transparent account of how Metair manages remuneration.

Due to the sensitivity of remuneration, Metair relies on fit-for-purpose remuneration systems to provide insight. Metair goes further, to test these systems against local conditions to ensure that key country-specific remuneration nuances are addressed. The group uses the Willis Towers Watson global grading system to evaluate each position, combined with the EXSYS scorecard system to manage the 21 different grade levels in the group. Metair uses the local country median as the targeted remuneration level to ensure sustainability. A detailed survey on the pay-lines, job grading, competitiveness and executive salaries was done in May 2023.

The committee exercises direct oversight of all grades 15 and above as per the Willis Towers Watson and EXSYS system and in some cases grade 14s ("the Executive Management"). This includes the company and all its subsidiaries, including Hesto. The CEO and CFO of the group are Prescribed Officers as defined.

The committee is satisfied that Willis Towers Watson is independent and objective.

Shareholder voting

Metair proactively engages with its shareholders to discuss material concerns relating to the group's remuneration policy and its implementation. In the event of a vote of 25% or more against the remuneration policy and/or the implementation report, Metair, through the committee, takes the following steps in good faith to reasonably:

- engage with the relevant dissenting shareholders to ascertain the reasons for dissenting votes;
- address any legitimate and reasonable objections and concerns raised; and
- respond appropriately to amend the remuneration policy, clarify, or adjust remuneration governance and/or processes.

If applicable, Metair will disclose the parties with whom the company engaged, the manner and form of engagement to ascertain the reasons for dissenting votes and the resulting responses/actions taken to address legitimate and reasonable objections and concerns.

As required by the JSE Limited Listings Requirements and King IV, the remuneration policy and the implementation report will be tabled for separate non-binding advisory votes by shareholders at the AGM to be held on 7 May 2024.

The revised draft of the Companies Amendment Bill, 2023, if implemented in its current form, will have far reaching implications for the company in that the remuneration policy and the implementation report must be submitted for approval by way of an ordinary resolution at the AGM going forward.

For the remuneration policy it means that the policy must be presented for approval every three years, or whenever material changes are made. When approval is not obtained, it must be presented again at the next AGM or at a shareholders meeting called for such purpose. The contents of the policy cannot be implemented until approval is obtained.

The implementation report, in respect of the previous financial year, must be presented annually for approval at the AGM and, where not approved the (i) committee must, at the next AGM, provide explanations on the manner in which shareholders' concerns have been taken into account and (ii) committee members must stand for re-election as members of the committee at the AGM at which the explanation is presented, unless such member(s) have served for a period of less than 12 months in the financial year under review. If at the following AGM, the implementation report in respect of the previous financial year is also not approved, the committee members will not be eligible to serve on the committee for a period of two years thereafter, but may remain board members if successfully re-elected at that AGM, if applicable. This will increase the responsibility for all stakeholders, particularly executive directors, shareholders, and remuneration committees to apply their minds to this subject.

Executive directors can no longer only take a self-serving approach and shareholders can no longer automatically vote "No" in the first instance according to general principles. The most common general principle used by the investor community to justify a "No" vote arises from shareholders objecting to the issue of shares to executives. This approach cements the "against" vote as the general norm and creates an unresolvable long-term disparity that will threaten sustainability.

Companies, through their remuneration committees, must do everything they can to ensure that acceptable and exemplary remuneration policies are in place to bridge the divide between all stakeholders by ensuring that awards are capped and subject to malus and clawback. Metair will continue to engage with shareholders on important issues relating to remuneration.

REMUNERATION REPORT (continued)

Non-binding advisory votes

At the AGM held on 4 May 2023, 89.67% (2022: 90.17%) of shareholders voted in favour of the 2022 remuneration policy and 97.41% (2022: 88.09%) were in support of the implementation report.

The results of the non-binding advisory voting on the 2023 remuneration policy and implementation report as well as the measures taken in response based on King IV and the Listings Requirements will be disclosed in the 2024 integrated annual report.

A copy of the AGM minutes is available on the company's website.

	Shares voted	For	Against
Ordinary resolution number 9(a): Endorsement of the company's remuneration policy	82.77%	89.67%	10.33%
Ordinary resolution number 6(b): Endorsement of the company's implementation report	82.77%	97.41%	2.59%
Special resolution number 1: Approval of non-executive directors' remuneration	82.77%	100.00%	0.00%

Shareholder feedback	Metair's response
A matter of principle to vote against anything that could lead to dilution of shareholder interests. There is still a chance that Metair will use treasury shares.	Existing treasury shares are legacy shares purchased in prior years and are used specifically for the vesting of the shares of the long-term share incentive plan. Once depleted, the company will endeavour to purchase shares in the market to ensure minimal dilution of shareholder interests. Total treasury shares as at 31 December 2023 amount to approximately 107 million Metair ordinary shares.
General appreciation for inclusion of ESG into remuneration structure.	Remains a core pillar of our remuneration policy and will continue to be.

Main areas of responsibility

The committee approves and oversees the implementation of a remuneration policy that supports Metair's strategic and value creation objectives. The committee ensures that the group has transparent, competitive, fair and responsible remuneration practices which promote the achievement of the group's strategy in the short-, medium- and long-term. The committee oversees and approves the remuneration of the Executive Management.

The remuneration policy is reviewed annually to ensure that it aligns with shareholders' interests and remains relevant to Metair's prevailing market conditions and the group's operational standpoint.

Nine meetings were held during the year and were attended by all members of the committee. Please refer to page 51 for more details on meeting attendance. Several additional meetings over and above the norm were required to deal with the leadership changes during the year. The quorum for transacting business as per the committee terms of reference is two members. The chairperson reported to the board after each meeting.

During the year, the committee approved the following new or amended policies which were recommended to the board for final approval:

- Metair performance management policy
- Metair malus and clawback policy

The committee was satisfied that it achieved its stated objectives during the period under review.

The committee is satisfied that Metair's remuneration policy is suitable to support the achievement of the group's objectives and to attract, retain and motivate employees.

The committee functions in terms of a charter which is approved and reconfirmed by the board annually. A copy of the charter is available on the company's website.

https://www.metair.co.za/sustainability/policies-and-reports

The committee also performs an annual self-evaluation of its effectiveness. The results of the 2023 self-evaluation confirmed that the committee is functioning well, and no major concerns were noted. The committee's focus for improvement continues to be on leadership succession and development.

The external and internal factors that influenced the company's remuneration are:

External

- Macroeconomic conditions
- Inflation
- Cost of living
- Labour market
- Labour unions
- Legislation
- Society

Internal

- The company strategy
- Job evaluations
- Performance appraisal
- Individual employee performance
- Affordability

Key decisions and focus areas in 2023

There have been several key leadership changes during the year under review. It was announced on 22 March 2023 that Mr R. Haffejee resigned as CEO and executive director of Metair with effect from 31 March 2023. He stepped down to pursue other opportunities more in line with his personal career goals. Mr S. Douwenga, the CFO at the time, was appointed permanent CEO with effect from 31 May 2023, but resigned with effect from 31 January 2024 due to health reasons.

Mr A. Jogia was appointed as permanent CFO with effect from 31 May 2023, following his initial appointment as interim CFO with effect from 22 March 2023.

To strengthen the management of the operational issues within the subsidiaries the following appointments were made:

- Appointment of a senior Metair Executive, Mr W. Ropertz, with effect from 1 June 2023 from within the group. He was seconded to Hesto to stabilise the operations and return it to profitability. He also oversees Lumotech and Unitrade
- The appointment of a group COO, Mr J. Mouton, with effect from 1 October 2023 on a two-year contract to oversee the operations of the subsidiaries that are not covered above

After a thorough appointment process undertaken by the remuneration and nominations committee and following approval by the board, it was announced that Mr P. O'Flaherty had been appointed CEO with effect from 1 February 2024 on a fixed term three-year contract.

The CEO and CFO have been charged with bringing stability to the group and driving specific short-term initiatives (which have been approved by the board). This includes developing and implementing a balance sheet restructuring plan, developing a revised group strategy and execution plan which focuses on decisions around the future of each business, developing an IT strategy and execution plan as well as an HR strategy and execution plan. These initiatives have been directly included in their short-term Incentive programmes (STIPs) for the year.

The key decisions taken by, and focus areas for, the committee over and above the issues noted above, were as follows:

- Review the remuneration policy and implementation report annually for presentation at the AGM for separate non-binding advisory votes.
- Review and approve remuneration packages for the Executive Management as well as short- and long-term incentives to ensure these are fair and appropriate for the long-term sustainability of the group.
- Review and approve succession planning to ensure strategic objectives are achieved.
- Monitor improvements to performance appraisals and assessments to enhance talent management development and career path planning.
- Monitor employment equity reports and adherence to the Metair masterplan.
- Measure key executive performance against key performance indicators (KPIs) and strategic objectives on the enhanced performance management system for the executive Management. The process will be implemented in the rest of the group during 2024.

For more information and other roles and responsibilities, refer to the committee charter on the company's website, https://www.metair.co.za/sustainability/policies-and-reports

Human capital and succession planning

The Metair nominations committee addresses succession planning at board and board committee level and the remuneration committee addresses subsidiary executive appointments. The remuneration committee's three-tier approach to succession planning is as follows:

- External candidates are identified from the market, permitting us to calibrate external talent with internal stars.
- Possible internal replacements are identified from within the respective subsidiaries.
- Individuals at other subsidiaries are identified who, if transferred, can succeed in possible vacancies.

The group HR function is an important role that will be capacitated in 2024, and the appointment of an HR executive is high on the agenda. The following focus areas will be attended to once the group HR executive is appointed:

- People practices evaluation to identify risks and recommendations for developing a new HR strategy and implementation plan.
- Leadership development framework – implementation planned for the second half of 2024.
- Replacement planning for the top two tiers of leadership and succession planning for leaders three to five years away from retirement.
- Talent management to create a talent pipeline for critical and scarce skills.

Occupational health and safety will remain a high priority, with specific attention to mental health and wellbeing of Metair employees.

Employment contracts

Employment contracts with group executive directors are reviewed and reconfirmed on an annual basis, and service contracts are in place for all non-executive directors. Employment and service contracts are the main vehicle to execute the clawback requirements for malus, value destruction and gross negligence. Although this concept is still untested in the market, the company will aim to as a minimum embed the right to full clawback in a court of law with standard burden of proof requirement in such an event.

In terms of Metair's memorandum of incorporation, an executive director may, subject to the provisions of the Companies Act, No. 71 of 2008 and the JSE Limited Listings Requirements, be appointed as such by contract for such period as the board may determine, but not exceeding seven years. Executive directors shall not be subject to retirement by rotation or be considered in determining the rotation by retirement of directors during the period of any such contract, provided that the number of executive directors so appointed shall always be less than half of the number of directors in office.

An executive director shall be eligible for reappointment at the expiry of any period of their appointment. Subject to the terms of their contract, they shall be subject to the same provisions of removal as the other directors and if they cease to hold the office of director from any cause, they shall *ipso facto* cease to be an executive director.

Performance management and performance appraisals

The committee performed a detailed exercise to enhance and simplify the performance management process and remuneration practices to ensure outputs deliver on the strategic objectives of the group and are aligned with financial rewards. A scorecard was developed for executive management considering market and best practices that takes threshold, on-target and stretch targets into account as well as financial metrics linked to value drivers.

REMUNERATION REPORT (continued)

A new performance management policy was approved during the year and the performance management process was rolled out to the group and implemented as a first step for the executive management. The implementation process will be continued in 2024, led by the HR professionals at the subsidiaries, to the lower levels in the group.

The committee reviewed the performance management scorecards for subsidiary executive management. The company secretary performance appraisal was conducted by the board chair and chairs of all committees, and the CFO performance appraisal was conducted by the audit and risk committee chair and investment committee chair. Separate discussions were held with the two departing CEOs as to how they would be paid on exiting the company.

The results of the performance appraisals of subsidiary leadership are moderated by the Metair executive team, the committee and all chairs, and are considered when salary increases, and incentive participation are determined. Strengthening the group's performance management culture remains a key area of focus.

Elements of Metair's performance management framework:

The following key performance areas were identified around which key performance indicators were designed for 2024:

- Financial (profitability, asset efficiency and cash generation)
- Operational
- Sales
- ESG and sustainability

Employment equity (EE)

Great emphasis is placed on EE with the oversight of the remuneration committee. This aims to not only address employment equity, inclusion, and diversity at Metair, but also to support unemployed Black talent to build potential career paths at Metair.

Management control on the B-BBEE scorecard remains an area of focus and the group has put specific plans in place to effectively improve the scores in this regard. The management control score improved with 6% from the previous year.

In Türkiye and Romania, the subsidiaries are focusing on improving diversity in terms of gender representation, especially at executive and board level.

Diversity management has been linked to the long-term incentive plan as one of the parameters to stress its importance.

REMUNERATION POLICY

The use of performance measures supports positive outcomes across the economic, social and environmental context in which the company operates and/or all the capitals that it uses or impacts.

The remuneration policy forms the basis of the group's remuneration model and strategy. The remuneration policy has been approved by the board and demonstrates the application of the company's ethical standards and processes around remuneration, as well as its approach to recognising and rewarding employees. There were no deviations from the policy during the year.

Metair is mindful of the sensitivities around remuneration, and as such, is committed to applying a fair, consistent, transparent, and professional approach to all its pay practices.

The policy is consequently designed with the following principles in mind:

- Promoting positive outcomes
- Promoting an ethical culture and responsible corporate citizenship
- Aligning with stakeholders' requirements and expectations
- Attracting, retaining and motivating qualified, skilled employees
- Enhancing transparency
- Fair and responsible remuneration practices that are consistently applied
- Fair minimum wages
- Driving a high-performance culture
- Affordability
- Overall sustainability of the company including financial and ESG indicators
- Compliance with applicable legislation

The remuneration model and strategy are aligned to the group's strategic direction and business-specific value drivers. The dynamics of the market and the context in which the group operates are important considerations in crafting the remuneration strategy and model.

Remuneration strategy

Metair recognises that the group's reward strategy has a direct impact on operational expenditure, group culture, employee behaviour and ultimately, with correct alignment, on the achievement of the group's sustainable balanced strategy. Metair aims to reward its employees in a way that reflects the dynamics of the market and the context in which the company operates. All components of the group's reward strategy, including guaranteed pay, variable pay and performance management, are aligned to the strategic direction and business-specific value drivers of Metair and its subsidiaries.

The remuneration policy was developed from an understanding of all stakeholders' requirements, guided by an approach that sets the framework for the policy and, in the final analysis, delivered a comprehensively designed remuneration structure. This remuneration structure formulates the implementation and resulting financial remuneration. The remuneration policy articulates and gives effect to the company's direction of fair, responsible and transparent remuneration, has been approved by the board, and demonstrates the application of the company's ethical standards and processes.

The main roles and responsibilities of the committee relating to the remuneration policy are as follows:

- Discharge the responsibilities of the board relating to all compensation, including share-based compensation for the executive management.
- Establish and administer the agreed group executive remuneration policy with the broad objectives of:
  – aligning executive remuneration with the group strategy, company performance and shareholder interests;
  – aligning the remuneration policy to promote the achievement of strategic objectives within the company's risk appetite;
  – setting remuneration standards which attract, retain, and motivate a competent executive management team;
  – evaluating compensation of the executive management, including approving salary, share-based and other incentive-based awards; and
  – ensuring that executive remuneration is fair and responsible in the context of overall employee remuneration to promote positive outcomes, an ethical culture and responsible corporate citizenship.
- Ensure that the remuneration policy describes all elements of remuneration that are offered in the company.
- Consider the remuneration policy, set strategic objectives for remuneration management within the company's operations and ensure that it gives effect in its direction to fair, responsible and transparent remuneration.
- Support the board to oversee that the implementation and execution of the remuneration policy achieve the stated objectives.
- Submit the remuneration policy to the board for approval.
- Ensure that the remuneration policy records the measures that the board commits to take if either the remuneration policy or the implementation report, or both, have been voted against by 25% or more of the voting rights exercised.
- Engage with shareholders to address objections and concerns relating to the remuneration policy as and when required.

Benchmarking
Metair uses Willis Towers Watson, a leading global advisory and broking solutions company with offices in over 140 countries worldwide, to benchmark all employee salaries. Executive remuneration reports are used to establish the competitiveness of executive and senior management pay in the group. Pay-line reports are used to review competitiveness by race, gender and global grade. Age analysis reports assist the committee to identify trends such as future retirements to ensure proper succession planning is in place. Income gap analyses are used to monitor employee categories relative to one another.

These reports are used to ensure fair and responsible remuneration packages and wages for all employees. The current policy is to remunerate against the median considering employee performance, retention, years of service and other relevant indicators as specified per position. Measurements against the median are done at least every three to five years to consider increases to adjust individual salaries to the correct level, however, increases are subject to what the company can afford. Stakeholders can use this information to make peer comparisons as it includes data from all companies in the industry worldwide.

Non-executive director remuneration
Metair has service contracts in place for all non-executive directors which outline among other things, their roles and responsibilities and fees. Non-executive directors are paid a fixed fee for their services but are entitled to claim for travel and other expenses incurred in carrying out their duties. Non-executive directors do not participate in the short-term incentive programme (STIP) or long-term incentive programme (LTIP).

Metair's approved fees are exclusive of VAT. Non-executive directors are required to send an invoice (inclusive of VAT where applicable) to Metair and the VAT must be paid over to SARS. The company must pay an additional 15% on top of the approved director fees, which cannot be claimed as a deduction or reclaimed for VAT.

Executive director employment contracts and policies
All executive directors generally have seven-year employment contracts in place except for the CEO who has a fixed three-year contract. Addendums to their service contracts are updated annually in terms of newly approved remuneration and any other changes that the committee requires. Executive director contracts do not contain termination packages or excessive notice periods.

Metair's approach and elements for the executive management remuneration
The committee reviews remuneration on an annual basis and decides on the total remuneration composition. The committee also reviews targets to ensure that they are relevant, fair and responsible, competitive, aligned to the strategy and have the potential to optimise shareholder value.

The principles applied to guaranteed pay and short-term incentives form part of the budgeted expenses of the business. Any incentive payment is subject to a self-funding requirement to ensure that targeted earnings attributable to shareholders are grossed up by the incentive payment amount and earned above target before pay-out.

Stakeholder groups

Stakeholder groups and what they may potentially consider

Investor/Shareholders
- Total shareholder return performance vs market
- Dividend payments

Employee/Trade unions
- Redundancies and restructuring
- Salary review
- Fixed pay and CEO pay ratio
- Gender/race gap
- Working conditions

Customers
- Financial performance
- ESG performance

Suppliers/Technology partners
- Environmental impact
- Net zero emissions

Community impact

REMUNERATION REPORT (continued)

Variable pay in the group consists of two elements – the STIP and the LTIP. A retention element is included where deemed appropriate to the long-term interests of the group.

Total annual remuneration in the group consists of three pay elements:

- Guaranteed pay
- Capped short-term incentive
- Capped long-term incentive

Guaranteed pay

All Metair employees are eligible to guaranteed pay on a monthly or weekly basis depending on the employment contract. The guaranteed pay structure for the group is based on cost to company, where all employee costs are accounted for as remuneration. Guaranteed pay comprises base salary and the group's contribution towards health and retirement benefits, medical aid or any other benefits required by the employment contract. Metair determines guaranteed pay by evaluating, understanding, comparing, measuring and grading every position in the group. The committee compares the position relative to the market to attract and retain talent. The magnitude of pay against the median can be influenced over time by employee performance, retention and years of service.

Short-term incentive

The on-target STIP allocation is set out below:

Metair	CEO	CFO
Total of CTC (on Target)	100%	100%

The KPIs for the 2023 STIP for the group executive directors are set out below:

		% On target CTC participation 2023*	
Pillar	**Key performance area**	**CEO**	**CFO**
Financial	Profitability – Actual headline earnings per share versus budget and target	35	35
	Asset efficiency – Return on invested capital (ROIC) versus returns to/above WACC	15	15
	Cash generation – Group cash conversion target	5	5
Strategic	Strategy development and execution – Group and verticals	20	20
	Group cohesiveness – Successful integration and delivery of synergies	5	15
	Leadership and talent management	5	
ESG/ sustainability	Environment	5	5
	Social	10	5
Total		**100**	**100**

** Maximum participation at stretched target – 150%*

The agreed 2024 KPIs for the group executive directors are as follows:

		% On target CTC participation 2024*	
Pillar	**Key performance area**	**CEO**	**CFO**
Financial	Profitability – Actual headline earnings per share versus budget and target	22	22
	Asset efficiency – Return on invested capital versus returns to/above WACC		
	Group	5.5	5.5
	Automotive Components Vertical (pre-hyperinflation)	5.5	5.5
	Energy Storage Vertical (pre-hyperinflation)	5.5	5.5
	Operating margin		
	Automotive Components Vertical (actual versus budget)	5.5	5.5
	Energy Storage Vertical (actual versus budget)	5.5	5.5
	Maintain/manage covenants	5.5	5.5
Strategic	Approved balance sheet restructuring plan and execute against approved execution plan	18	18
	Approved Group Strategy and execute against approved execution plan	6	6
	Approve IT Strategy and execute against approved execution plan	3	3
	Approved HR strategy and execute against approved execution plan	3	3
ESG/ sustainability	LTIFR (group average <1)	7.5	7.5
	B-BBEE score (Maintain Level 1)	7.5	7.5
Total		100	100

** For Financial and Strategic KPIs a threshold/entry level of 90% has been set and a stretch limited to 120% for overperformance for the CFO and 150% for the CEO. For ESG, due to the nature of the measures, no thresholds are set – it is based on "met" or not "met".*

Long-term incentive

Metair's LTIP was designed by an independent third party with high integrity as well as local and international recognition. Similarly, to the STIP, it is based on the cost to company of the participant to ensure fairness, even-handedness and to have an automatic built-in protection against exorbitant reward.

The aim of the LTIP is to attract, retain and extend the services of executive management of Metair. However, where required, the LTIP can be expanded to include certain high potential and/or mission-critical subsidiary executives/individuals with scarce and critical skills or key employees, even if they are not executives.

All candidates recommended for inclusion in the scheme must be approved by the committee before being submitted to the board for final sign-off.

Metair's LTIP is highly skewed towards performance, retention and shareholder alignment as the system awards annual performance shares to participants.

Treasury shares are legacy shares purchased in prior years and held in stock to be used specifically for the vesting of the shares of the scheme. Once depleted, the company will endeavour to purchase shares in the market to ensure minimal dilution of shareholder interests. Total treasury shares as at 31 December 2023 amount to 107 million Metair ordinary shares.

LTIP shares have a three-year waiting period before vesting and therefore have a three-year retention period. This design architecture was adjusted to accommodate shareholders' requirement to move away from share appreciation rights to performance share participation only. Share appreciation rights issued previously will all expire or vest (if vesting conditions are satisfied) in 2024. No share appreciation rights have been issued since 2019.

Performance share participation levels:

Description	Performance share award % of CTC (rounded)
Group CEO	60%*
Group CFO	50%
Metair executive	45%
Metair management	25%
Subsidiary CEO	45%
Subsidiary senior executives	30%
Subsidiary junior executives	20%

* *The current CEO is on a three-year contract and an allocation of 100% of CTC for the achievement on target and 200% of CTC for stretched targets have been approved.*

For the other participants, a maximum multiplier of two times will be applied when all performance criteria are met. This will cap the CFO participation at 100% of CTC.

Metair's return measurements for vesting are based on return on invested capital (ROIC), specific HEPS growth targets as well as cash conversion rates and ESG targets. The measuring of HEPS will be based on the growth above CPI over a rolling three- to five-year period.

Description	Performance share award criteria
ROIC targets	40%
HEPS growth	30%
Cash conversion target	20%
ESG targets	10%

a. ROIC

Targets adjusted to:

- ROIC upper target = WACC + 3%.
- ROIC lower threshold = 100% of WACC.

Participation threshold and multipliers

1. At 100% of WACC – 0.5 times.
2. From WACC to target – 1 to 2 times (straight-line).
3. Above target ROIC – limited to 2 times.

b. HEPS

- Minimum HEPS growth of annual official CPI for South Africa compounded over three years.
- Targeted HEPS growth of annual official CPI for South Africa + 4% compounded over three years.

Participation threshold and multipliers

1. At minimum HEPS growth – 0.5 times.
2. HEPS growth from three-year average CPI to three-year average CPI + 4% – 0.5 to 2 times (straight-line).
3. Above target HEPS growth – limited to 2 times.

c. Cash conversion target:

- Minimum cash conversion of 70% of EBITDA over the measurement period.
- Targeted cash conversion of 100% of EBITDA over the measurement period.

Participation threshold and multipliers

1. At minimum cash conversion rate – 0.5 times.
2. Cash conversion between 70% and 100% – 0.5 – 2.0 times.
3. Above target cash conversion – limited to 2 times.

d. ESG targets

These are amended each year.

ESG targets for 2024

Environmental

- Reduction in carbon emissions on volume units (consolidated) – 6% reduction over three years compared to base of full year 2023.
- Reduction of water consumption (consolidated – 6% reduction over three years compared to base of full year 2023.

Social

- Safety: LTIFR<1.
- Zero blood lead level cases above 30 μg/dl.

Governance

- Maintain B-BBEE level 1 rating for Metair Group.

No minimum threshold is in place and no stretch – KPIs must be "met" or "not met".

Retention shares

The final element is retention awards linked to specific performance criteria.

433 369 retention bonus shares were awarded to Mr S Douwenga, on 12 June 2023 on his appointment to permanent CEO. These shares were subsequently forfeited on 31 January 2024 due to his resignation.

No retention shares have been issued to any of the executive management and there are no outstanding retention awards at present.

REMUNERATION REPORT (continued)

IMPLEMENTATION REPORT

Job grading

Metair relies on objective international job grading systems, Willis Towers Watson and LMO EXSYS, which include data from all companies in the industry worldwide. Using an objective international job grading system enables stakeholders to compare positions and grades across all companies in the industry. Grading for the top positions at Metair resulted in the CEO position graded at 21 points and the group CFO at 18 points. These rankings allow stakeholders to make peer comparisons and evaluate the correctness and fairness – equal work for equal pay – of the group's remuneration practices. This ensures that pay is capped at the relevant graded level. The group uses the LMO EXSYS job and evaluation system to determine the ranking across the 21 graded positions in the group.

The generalised outcome on the Willis Towers Watson and EXSYS system is summarised in the table below:

Global grade	Industry benchmark positions	Equivalent Metair positions
21	Group CEO	Metair CEO
18	Group level CFO, company levels MDs	Metair CFO, large company MDs
17, 16, 15	Company level MDs, directors, senior managers, specialised professionals at group and company level	Small company MDs, directors, senior exco members, senior specialists, Metair group HR executive, finance executive and Metair company secretary
14, 13, 12, 11, 10	Junior managers, engineers, accountants	Junior executive committee members, managers, engineers, accountants, Metair group finance manager
9, 8, 7	Team leaders, line managers	Company team leaders, junior staff and clerks, technicians
6, 5, 4	Indirect workers, production support staff	Company quality controllers, logistics staff, administrative staff
3, 2, 1	Unionised and non-union workers	Direct labour

Income gap analysis

The Income gap analysis depicts employee/band ratios relative to each other. In 2023, the average guaranteed package for top management (global grades 15 and above) was 7.46 times higher (2021: 7.77 times) than the average guaranteed package for clerical/administration and semi-skilled employees (global grades 4-7). No analysis was done for 2022. The trend has moved in a positive direction in terms of Income gap.

Employee Category	2017	2018	2019	2021	2023
Top Management (Global Grades 15 and above) to Clerical/Administration/Semi-Skilled (Global Grades 4–7)	8.78	8.74	8.45	7.77	7.46
Professionally Qualified & Subject Matter Expert/Middle Management (Global Grades 12–14) to Clerical/Administration/Semi-Skilled (Global Grades 4–7)	4.09	4.08	4.01	3.90	3.46
Professionally Qualified & Subject Matter Expert/Middle Management (Global Grades 12–14) to Skilled Technical & Academically Qualified & Junior Management (Global Grades G 8–11)	2.19	2.18	2.20	2.16	1.98
Skilled Technical & Academically Qualified & Junior Management (Global Grades G 8–11) to Clerical/Administration/Semi-Skilled (Global Grades 4–7)	1.87	1.87	1.83	1.81	1.75

The Metair Income gap analysis depicting the employee category/band ratios relative to the CEO's salary remained flat for 2023 with the CEO earning 2.85 times (2021: 2.82 times) more than the average guaranteed package for top management employees (global grades 15 and above, excluding the CEO and CFO salaries). No analysis was done for 2022.

Employee Category	2016	2017	2018	2019	2021	2023
CEO (GG 21) to CFO (GG18)	1.63	1.63	1.63	1.70	1.27	1.27
CEO (GG 21) to Top Management (GG 15 and above excluding CEO & CFO)	3.88	3.80	3.73	3.81	2.82	2.85
CEO (GG 21) to Professionally Qualified & Subject Matter Expert/Middle Management (Global Grades 12–14)	7.45	7.42	7.26	7.29	5.62	5.75
CEO (GG 21) to Skilled Technical & Academically Qualified & Junior Management (Global Grades G 8–11)	16.31	16.21	15.83	16.01	12.10	11.37
CEO (GG 21) to Clerical/Administration/Semi-Skilled (Global Grades 4–7)	31.68	30.30	29.63	29.25	21.90	19.90

In accordance with recommendations within amendments to the Companies Act for companies to publicly report a calculated wage gap ratio, Metair has calculated the wage gap ratio (WGR) for all employees in South Africa who were employed for the entire year in 2023 (i.e., excluding people who either joined or left the company during the year). Among the "current employees" in South Africa, the overall WGR was 10.20, indicating that the average total cost to company (TCC) or the sum of all wages, benefits and bonuses for the top 5% earners in our workforce was 10.20 times higher than for those in the bottom 5%. This is a significant improvement over our 2022 WGR of 11.088.

The WGR for the entire group, inclusive of our operations in Romania and Turkey was 10.552 for 2023, compared to 10.642 for 2022.

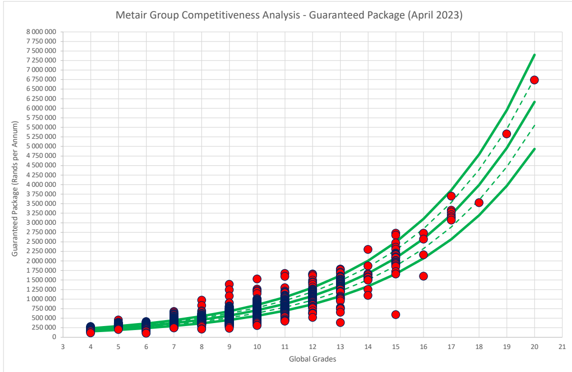
Similarly, Metair has adopted the JSE's 2022 Sustainability Disclosure Guidance recommendations to include a Gender Pay Gap Ratio (GPGR). For 2023, Metair calculated a GPGR of 0.612, such that the average compensation per female employee is 61.2% that of the average for male employees. While this may seem low, we have noted that a benchmark study for UK and EU oil companies reported ratios of between 0.51 and 0.91, where lower ratios are reported by companies with similar employment constraints as Metair. For example, legal and regulatory requirements restrict women from working in jobs where exposure to blood lead is possible, thereby significantly reducing the numbers and roles females can fill within our battery manufacturing companies where average wages tend to be higher. In addition, Metair is constrained by a current situation where the bulk of our female employees work in lower skill positions within companies like Hesto, where women make up over 70% of the largest workforce in the Group, thus reducing the average compensation per female compared to the average for male employees who are more significantly represented within the higher skill level positions.

The GPGR for the entire group, inclusive of our operations in Romania and Turkey was 0.446 for 2023, compared to 0.619 for 2022.

It is our belief that the research and analysis Metair continues to conduct regarding pay gap ratios further enhances our ability to focus attention on the ongoing transformation of our workforce, to ensure that more women are encouraged to fill more senior roles within the group, while all employees receive fair and balance compensation for their efforts.

Market position cap

The second element of Metair's approach plots remuneration against a pay grade position relative to the industry that Metair operates within. Market date aged to April 2023 was used for measurement. The pay scale below depicts the competitiveness of employee salaries relative to the graded salary scales. On average, employees were paid at 98% of the median (2021: 86%).



Market comparisons are performed by an independent third party that benchmarks Metair against peers in manufacturing businesses. The comparisons determine where the group should remunerate within a pay grade scale across the lower quartile, the median or the upper quartile of the benchmark. Metair uses the median as the targeted remuneration level to ensure sustainability.

Metair uses the global median as the targeted remuneration level to ensure sustainability. The median level is at 50% of the market, meaning that 50% of the market is still above the level of remuneration set at Metair.

Analysing the equity and fairness of remuneration paid will continue to form part of the HR agenda for 2024.

Market volatility remuneration plan

Metair's Turkish operations operate in a hyperinflationary environment. To govern and guide remuneration in such circumstances a market volatility remuneration plan was developed. The key principles are as follows:

- The inflation adjustments are treated as increases separate from market role benchmarking activities used to determine base pay ranges for roles/job families.
- Adjustments are applied to all non-wage negotiated workers, i.e., all white-collar workers.
- A blanket percentage is applied to all white-collar employees.
- The percentage applied is not linked to performance-based pay.
- The adjustments will take place in July and January.
- A 50% adjustment was approved from November 2023 which will be reviewed again in March 2024 in line with inflation. The Turkish inflation rate averages 64.8% for 2023.
- The percentage will be applied to the base guaranteed pay
- The mid-year salary increase practice will remain in place until such time as inflation returns to below 20%.

REMUNERATION REPORT (continued)

Pay structure

Benchmarking plays a critical role in determining the pay for the Executive Management and the executive directors. As noted earlier due to the changes in the executive leadership team no benchmarking for 2023 is deemed meaningful other than for guaranteed pay.

Total pay to the executive directors during 2023 is reflected below:

Position	Guaranteed CTC (R)	Short-term incentive (2023) (R)	Vesting to prior year long-term incentive (R)	Subsistence (R)	Leave pay (R)	Total (R)
Sjoerd Douwenga – CEO/CFO	7 696 042	1 066 667*	4 013 062**	37 971	1 822 796*	14 636 538
Riaz Haffejee – CEO	3 055 367				430 218	3 485 585
Anesh Jogia – CFO	3 478 350	2 400 000***		43 899		5 922 249

* *Mr Douwenga's short-term incentive will be paid in March 2024 and his leave pay was paid out at the end of January 2024.*
** *The vesting of Mr Douwenga's historical long-term incentive is indicative and based on the market value as at 31 December 2023 and will be adjusted according to the market value on vesting day which will be after the closed period.*
*** *Mr Jogia's short-term incentive will be paid in March 2024.*

The elements of the above are discussed further below.

Guaranteed pay

The related market surveys and published reports on remuneration for 2023 indicated a 7% increase for executive remuneration for 2023 and 6% for 2024. The committee decided to recommend a 6% general salary increase for 2024 (2023: 7%).

Annual performance assessments are used to adjust recommended base increases up or down.

The table below (Guaranteed pay) shows group CEO and CFO remuneration. It shows that the 2023 group CEO earnings were at 103% of the global median in 2023. The CFO is at 71% of the median largely due to being new in the role.

2023

Guaranteed pay

		Market data April 2023			Actual earnings as % of market level		
Position	Current earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
S Douwenga – CEO/CFO	7 696 042	5 655 614	7 069 517	8 483 421	136%	103%	86%
R Haffejee – CEO	3 055 367	5 655 614	7 069 517	8 483 421	59%	35%	30%
A Jogia – CFO	3 478 350	4 041 908	5 052 385	6 062 863	84%	71%	62%

Mr Douwenga functioned as CEO for three months from March 2023 to May 2023 and received an acting allowance of 15% for his role as interim CEO after which he was appointed as permanent CEO from 1 June 2023. His salary includes two months of remuneration as CFO for January 2023 to February 2023.

Mr Haffejee resigned as CEO in March 2023 with a notice period of three months and the salary above reflects such.

The Metair board chair together with all the committee chairs reviewed the outgoing CEO's performance against agreed performance measures and targets.

Mr Jogia was appointed as interim CFO from 1 March 2023 and received an acting allowance of 15%. He was appointed as permanent CFO from 31 May 2023. His salary includes 10 months for the position of CFO.

2022

Guaranteed pay

		Market data January 2023			Actual earnings as % of market level		
Position	Current earnings (R)	Lower quartile (R)	Median (R)	Upper quartile (R)	Lower quartile	Median	Upper quartile
R Haffejee – CEO	6 831 949	7 243 117	8 521 314	9 799 510	94%	80%	70%
S Douwenga – CFO	5 509 192	4 144 168	4 875 491	5 606 815	133%	113%	98%

Short-term incentive

Financial and strategic KPIs were not achieved in 2023 however, due to the achievement of ESG and sustainability related performance targets (15% of CTC) and the extraneous efforts of the CFO during the year, the board decided to award a discretionary bonus of 45% of annual CTC to Mr Jogia total STIP amounting to R2.4 million for 2023 that will be paid in March 2024. A bonus was also awarded to the former CEO, Mr Douwenga, of R1.1 million based on the achievement of ESG and sustainability related performance targets that will be paid in March 2024. Mr Haffejee did not qualify for any bonus. Considering this no benchmark comparisons are deemed meaningful for 2023.

Long-term incentive

433 369 retention bonus shares were awarded to Mr Douwenga on his appointment as CEO, on 12 June 2023. These shares were subsequently forfeited on his resignation as the CEO on 31 January 2024.

The table below indicates the percentage of CTC that were used to calculate the number of performance shares awarded to the CEO and CFO in April 2023, vesting in 2026. The percentage of CTC allocation is applied on an annual basis.

	Performance shares			
Position	% of CTC	Deemed value (R)	No. of shares	At deemed share value R/c
Sjoerd Douwenga – CEO	52%	4 005 689	175 227	22.86
Anesh Jogia – CFO	59%	2 038 609	89 178	22.86

Details of awards 2023, vesting in 2026:

Performance shares	
Sjoerd Douwenga – CEO	175 227
Anesh Jogia – CFO	89 178
Allocation date	3 April 2023
Vesting date	3 April 2026

Individual details on vesting

Vesting in 2023

Performance shares allocated on 3 April 2020 vested on 3 April 2023, however, no performance criteria were met hence there was no value to vest into the executives' names.

Share appreciation rights issued previously will expire or vest (if vesting conditions are satisfied) in 2024. No share appreciation rights have been issued since 2019.

Vesting in 2022

The table below contains details of vesting in 2022:

	Performance shares				Share appreciation rights			
Position	% of CTC	Deemed value (R)	No. of shares	At deemed share value R/c	% of CTC	Value (R)	No. of shares	At share value R/c
Sjoerd Douwenga – CFO	18%	1 220 930	43 871	27.83	10.13%	558 204	9 315	28.90

Awards not yet vested

Details of awards that have not yet vested including awards made in 2023 are shown in the table below:

Position	Type of awards	Grant date	Maturity date	Grant price	Number of awards	Fair value at grant date	Market value at 31 December 2023	Fair value as at 31 December 2024
Anesh Jogia	Performance shares	01-Apr-23	01-Apr-26	R0.00	89 178	R22.23	R1 582 910	R1 982 427
		01-Apr-22	01-Apr-25	R0.00	20 429	R27.27	R362 615	R557 099
		01-Apr-21	01-Apr-24	R0.00	28 234	R20.49	R501 154	R578 515
	Share appreciation rights	27-Nov-18	27-Nov-23	R17.70	3 956	R6.21	R198	R24 567
		27-Nov-19	27-Nov-24	R24.02	6 298	R7.37		R46 416
Total					148 095		R2 446 876	R3 189 023

226 088 historical LTIP shares awarded from April 2021 – April 2023 (market value as at 31 December 2023 of R4 013 062) will vest post the closed period to Mr Douwenga following his resignation as a good leaver. No performance share grants were paid to Mr Haffejee on his departure. Mr Jogia shares include shares obtained before his executive director appointment.

REMUNERATION REPORT (continued)

Fair value is based on the higher of the intrinsic value or the originally determined value in terms of IFRS 2. The intrinsic value is based on the market value of the Metair share of R17.75 on 31 December 2023 and assumes that all performance criteria were met.

For more details on CEO and CFO emoluments, refer to note 3 in the annual financial statements. The long-term incentive structure is further detailed in note 26 of the annual financial statements.

Total annual remuneration

Total annual remuneration for the Messrs Douwenga, Haffejee and Jogia is reconciled to the annual financial statements in the table below.

2023

Position	Guaranteed pay (R)	Short-term incentive (2023) (R)	Long-term incentive vested – prior year (R)	Subsistence allowance (R)	Leave pay (R)	Total (R)	Recon to AFS disclosure* STIP and LTIP settled in 2024	Recon to AFS disclosure* STIP 2022 paid in 2023	Leave pay (R)	Total as per AFS (R)
Sjoerd Douwenga – CEO/CFO	7 696 042	1 066 667	4 013 062**	37 971	1 822 796*	14 636 538	(5 079 729)	1 260 357	(1 822 796)	8 994 370
Riaz Haffejee – CEO	3 055 367				430 218	3 485 585		2 123 042		5 608 627
Anesh Jogia – CFO	3 478 350	2 400 000		43 899		5 922 249	(2 400 000)			3 522 249

* *Mr Douwenga's short-term incentive will be paid in March 2024 and his leave pay was paid out at the end of January 2024.*
** *The vesting value of Mr Douwenga's long-term incentive is indicative and based on the market value as at 31 December 2023 and will be adjusted according to the market value on vesting day which will be after the closed period.*

2022

Position	Guaranteed pay (R)	Short-term incentive (2022) (R)	Long-term incentive vested – prior year (R)	Total (R)	Recon to AFS disclosure* STIP 2022 accrued	Recon to AFS disclosure* STIP 2021 paid in 2022	Subsistence allowance (R)	Total as per AFS (R)
Riaz Haffejee – CEO	6 831 949	2 123 042	–	8 954 991	(2 123 042)	3 867 317	115 766	10 815 032
Sjoerd Douwenga – CFO	5 509 192	1 260 357	1 779 133	8 548 682	(1 260 357)	2 912 852	83 894	10 285 071

Personal holdings of executives as at 31 December 2023:

	Personal holding	Unvested retention shares	Total	Times CTC
Anesh Jogia – CFO*	10 662		10 662	0.1

* *Mr Jogia was appointed as permanent CFO on 31 May 2023.*

Non-executive directors' remuneration

An increase of 6% was recommended for non-executive directors' fees and will be presented for approval by shareholders at the AGM scheduled for 7 May 2024. Directors' fees proposed for 2024 are exclusive of VAT and are as follows:

Role	Fees
Board chairperson	R850 732.75 per annum
Non-executive directors	R425 366.38 per annum
Audit and risk committee chairperson	R51 028.11 per meeting
Audit and risk committee member	R31 186.60 per meeting
Remuneration and nominations committee chairperson	R37 849.98 per meeting
Remuneration and nominations committee member	R23 668.62 per meeting
Social and ethics committee chairperson	R33 168.27 per meeting
Social and ethics committee member	R17 017.63 per meeting
Investment committee chairperson	R33 168.27 per meeting
Investment committee member	R17 017.63 per meeting

Subsidiary board fees 1 January 2024 to 31 December 2024:	**Fees**
Chairperson	R283 577.58 per annum
Board member	R135 036.94 per annum

Refer to note 3 in the annual financial statements for details on actual non-executive director emoluments.

SUPPLEMENTARY INFORMATION
GLOSSARY

ABM	Associated Battery Manufacturers (East Africa) Limited
ACI	African, Coloured and Indian
AFS	Annual financial statements
AGM	Annual general meeting
AGM batteries	Absorbent glass matt batteries
AGOA	Africa Growth and Opportunity Act. US legislation to support the development of Sub-Saharan countries
APDP	Automotive Production and Development Programme. A government support programme for the South African automotive industry
B-BBEE	Broad-Based Black Economic Empowerment
BEV	Battery electric vehicle
BI	Business intelligence
BV	Book value
CDP	Carbon Disclosure Project
CEO	Chief executive officer
CFO	Chief financial officer
CGT	Capital gains tax
CGU	Cash generating unit
CPI	Consumer price index
CSI	Corporate social investment
CTC	Cost to company
DEFRA	UK Department of Environment, Food and Rural Affairs
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECL	Expected credit loss
EE	Employment equity
ESG	Environmental, social and governance
EU	European Union
FB	First Battery
FEC	Forward exchange contracts
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GDP	Gross domestic product
GDPR	EU General Data Protection Regulation
GG	Global grade
GHG	Greenhouse gas
GJ	Gigajoules
GRI	Global Reporting Initiative
HDSA	Historically disadvantaged South African
HEPS	Headline earnings per share
HR	Human resources
HVAC	Heating, ventilation and air conditioning
IAR	Integrated annual report
IAS	International Accounting Standards
IATF	International Automotive Task Force
IBC	Inside back cover
ICE	Internal combustion engine
IFC	Inside front cover
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors South Africa
IMDS	International Material Data System
IMF	International monetary fund
IP	Intellectual property
IRBA	Independent Regulatory Board for Auditors
ISO	The International Organisation for Standardization
IT	Information Technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KPI	Key Performance Indicator
kWh	Kilowatt hours
LCV	Light commercial vehicle
LME	London Metal Exchange
LTI	Lost time injury
LTIFR	Lost time injury frequency rate
LTIP	Long-term incentive plan
MD	Managing director
merSETA	Manufacturing, Engineering and Related Services SETA
MIB	Metair International Battery Metair's battery marketing organisation
MOI	Memorandum of Incorporation
MWh	Megawatt hours
NAACAM	National Association of Automotive Component and Allied Manufacturers of South Africa
NAAMSA	National Association of Automobile Manufacturers South Africa
NAV	Net asset value
NCI	Non-controlling interest
NEV	New energy vehicle
OE	Original Equipment
OEM	Original Equipment Manufacturer
OHSAS	Occupational Health and Safety Assessment Series
PBIT	Profit before interest and tax
PDI	Previously disadvantaged individuals
PHW	Person-hours worked
POPIA	Protection of Personal Information Act
PPE	Personal protective equipment
RCF	Revolving Credit Facility
ROE	Return on equity
ROIC	Return on invested capital
SABMA	South African Battery Manufacturers Association
SABS	South African Bureau of Standards
SAICA	South African Institute of Chartered Accountants
SANS	South African National Accreditation System
SED	Socio-economic development
SENS	Stock Exchange News Service
SETA	Sector Education and Training Authority – Skills development institutions established by the Skills Development Act in South Africa
SHE	Safety, health and environment
STEM	Science, technology, engineering, maths
STIP	Short-term incentive plan
TCFD	Taskforce for Climate-related Financial Disclosure
TL	Turkish Lira
TSR	Total shareholders return
TWIMS	Toyota Wessels Institute for Manufacturing Studies
UIF	Unemployment Insurance Fund
UWC	University of the Western Cape
VCA	Vehicle Certification Agency
VCT	Voluntary counselling and testing
WACC	Weighted average cost of capital

APPENDIX I – SHAREHOLDER ANALYSIS

Company: Metair Investments Limited
Register date: 29 December 2023
Issued share capital: 198 985 886

Shareholder spread	No of Shareholdings	%	No of Shares	%
1 – 1 000 shares	3 431	70.79	499 939	0.25
1 001 – 10 000 shares	876	18.07	3 232 608	1.62
10 001 – 100 000 shares	373	7.70	12 706 609	6.39
100 001 – 1 000 000 shares	128	2.64	40 444 038	20.33
1 000 001 shares and over	39	0.80	142 102 692	71.41
Totals	**4 847**	**100.00**	**198 985 886**	**100.00**

Distribution of shareholders	No of Shareholdings	%	No of Shares	%
Banks/Brokers	35	0.72	17 816 998	8.95
Close Corporations	29	0.60	270 447	0.14
Endowment Funds	38	0.78	1 836 126	0.92
Government	1	0.02	117 813	0.06
Individuals	3 779	77.97	6 248 790	3.14
Insurance Companies	40	0.83	11 484 987	5.77
Investment Companies	1	0.02	179 208	0.09
Medical Schemes	3	0.06	112 763	0.06
Mutual Funds	176	3.63	84 310 796	42.37
Other Corporations	19	0.39	35 163	0.02
Own Holdings	1	0.02	5 216 028	2.62
Private Companies	104	2.15	2 634 923	1.32
Public Companies	3	0.06	3 500	0.00
Retirement Funds	419	8.64	66 905 362	33.62
Sovereign Wealth Fund	1	0.02	81 533	0.04
Trusts	198	4.09	1 731 449	0.87
Totals	**4 847**	**100.00**	**198 985 886**	**100.00**

Public/non-public shareholders	No of Shareholdings	%	No of Shares	%
Non-Public Shareholders	**4**	**0.08**	**44 301 808**	**22.26**
Directors and Associates of the Company	3	0.06	39 085 780	19.65
Treasury Stock	1	0.02	5 216 028	2.62
Public Shareholders	**4 843**	**99.92**	**154 684 078**	**77.74**
Totals	**4 847**	**100.00**	**198 985 886**	**100.00**

Beneficial shareholders holding 3% or more	No of Shares	%
Coronation Fund Managers	21 720 506	10.92
Government Employees Pension Fund	21 385 124	10.75
Value Capital Partners H4 QI Hedge Fund	13 996 252	7.03
Old Mutual	13 188 631	6.63
Foord	11 399 301	5.73
Ninety One	9 449 300	4.75
Eskom Pension & Provident Fund	8 438 638	4.24
Government Pension Fund – Norway	7 994 965	4.02
Camissa Asset Management	6 943 247	3.49
Mines Pension Fund	5 894 885	2.96
Totals	**120 410 849**	**60.51**

SUPPLEMENTARY INFORMATION (continued)

Institutional shareholders holding 3% or more	No of Shares	%
Value Capital Partners	39 075 118	19.64
Coronation Fund Managers	36 811 243	18.50
Camissa Asset Management	29 714 030	14.93
Foord Asset Management	15 952 775	8.02
Public Investment Corporation	15 795 061	7.94
Dimensional Fund Advisors	4 659 307	2.34
Ninety One	9 982 734	5.02
Old Mutual Investment Group	6 143 367	3.09
Totals	**158 133 635**	**79.47**

Breakdown of non-public holdings		
Directors	**No of Shares**	**%**
Sithole S & Mkhondo N	**39 075 118**	**19.64**
VCP Portfolio	39 075 118	19.64
Jogia, A	**10 662**	**0.01**
Jogia, A	10 662	0.01
Totals	**39 085 780**	**19.65**

Treasury Stock	No of Shares	%
Business Venture Investments No.1217	5 216 028	2.62
Totals	**5 216 028**	**2.62**

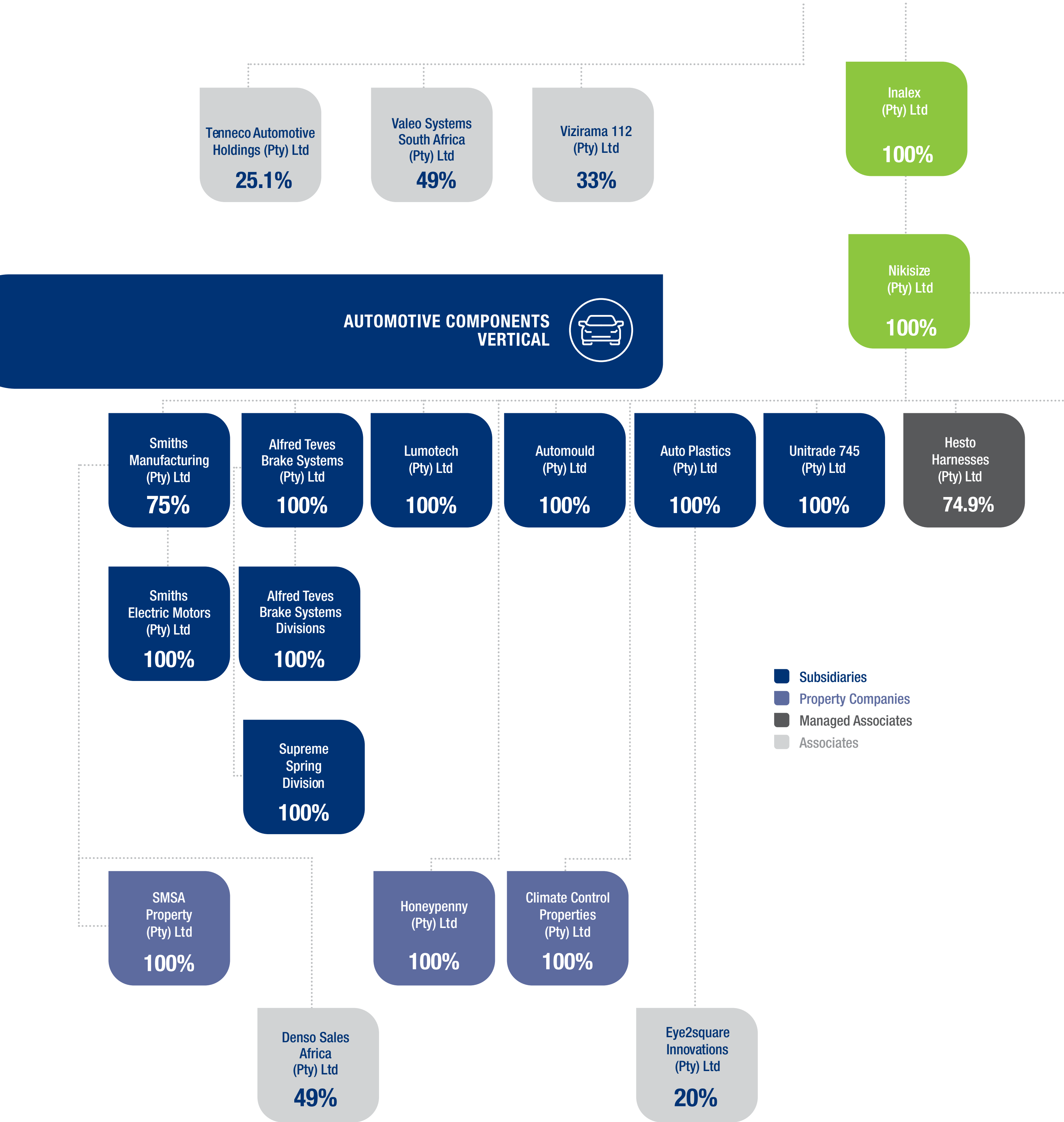
Holdings of more than 10%	No of Shares	%
Totals	**0**	**0.00**

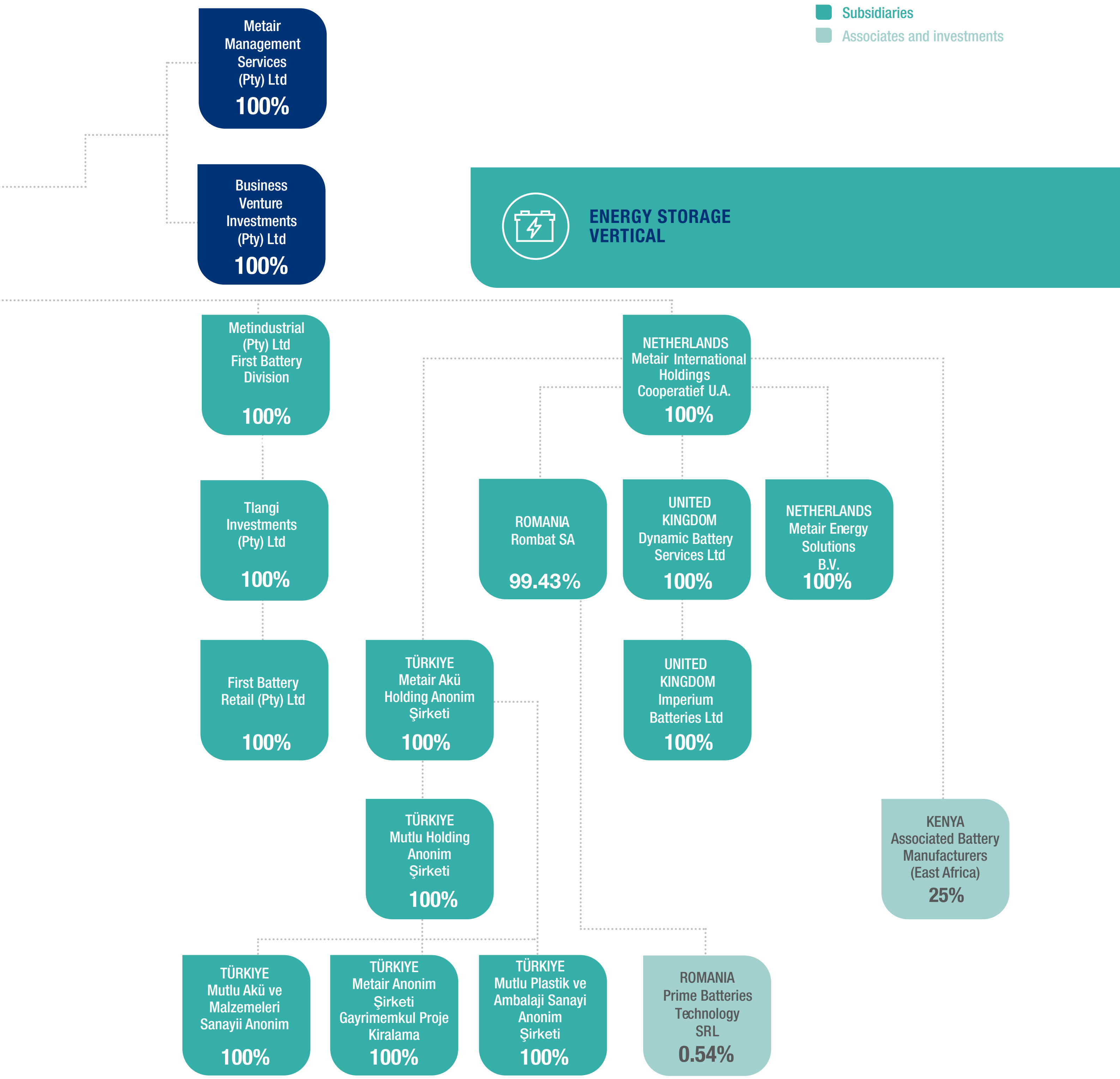
Breakdown of beneficial shareholders holding 3% or more	No of Shares	%
Coronation Fund Managers	**21 720 506**	**10.92**
Coronation Balanced Plus Fund	9 151 342	4.60
Corolife Special Opportunities Portfolio	4 716 647	2.37
Coronation Equity Fund	1 298 948	0.65
Coronation Worldwide Houseview S1	1 182 818	0.59
Coronation Managed Portfolio S2	1 017 477	0.51
Coronation Smaller Companies Fund	769 545	0.39
Corolife Houseview Equity Portfolio	724 311	0.36
Coronation Life – Coronation Managed Portfolio	655 317	0.33
Coronation Industrial Fund	574 149	0.29
Coronation SA Equity Fund	573 795	0.29
Coronation Market Plus Fund	535 506	0.27
Coronation Market Plus Fund	195 969	0.10
Coronation Global Frontiers Fund	324 682	0.16
Government Employees Pension Fund	**21 385 124**	**10.75**
Public Investment Corporation	14 529 074	7.30
Coronation Fund Managers	5 318 403	2.67
Sentio Capital Management	1 124 057	0.56
Excelsia Capital	382 823	0.19
Differential Capital	30 767	0.02
Value Capital Partners	**13 996 252**	**7.03**
Value Active PFP H4 QI Hedge Fund	13 996 252	7.03

Breakdown of beneficial shareholders holding 3% or more	No of Shares	%
Old Mutual	**13 188 631**	**6.63**
Old Mutual Life Assurance Company SA	5 705 920	2.87
Old Mutual Albaraka Balanced Fund	1 653 025	0.83
Old Mutual Life Assurance Company SA	1 643 862	0.83
Old Mutual Albaraka Equity Fund	1 462 557	0.74
Old Mutual Multi-Managers Satellite Equity Fund No.2	1 112 523	0.56
Old Mutual Albaraka Income Fund	371 429	0.19
Old Mutual Multi-Managers Satellite Equity Fund No. 4	309 349	0.16
Old Mutual Multi-Managers Satellite Equity Fund No. 4	205 238	0.10
Old Mutual Investment Group (Namibia)	179 208	0.09
Old Mutual Multi-Managers Satellite Equity Fund	169 862	0.09
Old Mutual Life Assurance Company SA	114 841	0.06
Old Mutual Life Assurance Company SA	95 593	0.05
Old Mutual Managed Alpha Equity Fund	68 389	0.03
Old Mutual Dynamic Floor Fund	25 949	0.01
Old Mutual Life Assurance Company SA	25 840	0.01
Old Mutual Capped Swix Index Fund	23 786	0.01
Old Mutual Life Assurance Company SA	12 445	0.01
Old Mutual Core Balanced Fund	5 752	0.00
Old Mutual Life Assurance Company SA	2 270	0.00
Old Mutual Core Moderate Fund	410	0.00
Old Mutual Core Conservative Fund	383	0.00
Foord	**11 399 301**	**5.73**
Foord Balanced Fund	7 431 701	3.73
Foord Equity Fund	3 928 890	1.97
Foord Domestic Balanced Func	38 710	0.02
Ninety One	**9 449 300**	**4.75**
Ninety One Emerging Companies Fund	4 510 639	2.27
Investec Special Focus Fund	2 932 813	1.47
Ninety One Value Fund	2 005 848	1.01
Eskom Pension & Provident Fund	**8 438 638**	**4.24**
Value Capital Partners	5 395 416	2.71
Camissa Asset Management	2 223 577	1.12
Excelsia Capital	358 814	0.18
Old Mutual Investment Group	136 068	0.07
Sanlam Investment Management	132 375	0.07
Mianzo Asset Management	118 126	0.06
Old Mutual Investment Group	74 262	0.04
Government Pension Fund – Norway	**7 994 965**	**4.02**
Camissa Asset Management	5 432 908	2.73
Visio Capital Management	2 562 057	1.29
Breakdown of beneficial shareholders holding 3% or more	**No of Shares**	**%**
Camissa Asset Management	**6 943 247**	**3.49**
Camissa Balanced Fund	1 756 777	0.88
Camissa Islamic Equity Fund	1 616 199	0.81
Camissa Islamic Balanced Fund	1 495 990	0.75
Camissa Alpha Equity Fund	1 257 462	0.63
Camissa SA Equity Fund	427 659	0.21
Camissa Stable Fund	267 101	0.13
Camissa Protector Fund	103 657	0.05
Camissa SA Balanced Fund	18 402	0.01
Totals	**92 795 458**	**46.63**

SUPPLEMENTARY INFORMATION (continued)
APPENDIX II – GROUP STRUCTURE

METAIR INVESTMENTS LIMITED
automotive | industrial | retail




Subsidiaries
Associates and investments
Metair Management Services (Pty) Ltd 100%
Business Venture Investments (Pty) Ltd 100%
ENERGY STORAGE VERTICAL
Metindustrial (Pty) Ltd First Battery Division 100%
NETHERLANDS Metair International Holdings Cooperatief U.A. 100%
Tlangi Investments (Pty) Ltd 100%
ROMANIA Rombat SA 99.43%
UNITED KINGDOM Dynamic Battery Services Ltd 100%
NETHERLANDS Metair Energy Solutions B.V. 100%
First Battery Retail (Pty) Ltd 100%
TÜRKIYE Metair Akü Holding Anonim Şirketi 100%
UNITED KINGDOM Imperium Batteries Ltd 100%
TÜRKIYE Mutlu Holding Anonim Şirketi 100%
KENYA Associated Battery Manufacturers (East Africa) 25%
TÜRKIYE Mutlu Akü ve Malzemeleri Sanayii Anonim 100%
TÜRKIYE Metair Anonim Şirketi Gayrimemkul Proje Kiralama 100%
TÜRKIYE Mutlu Plastik ve Ambalaji Sanayi Anonim Şirketi 100%
ROMANIA Prime Batteries Technology SRL 0.54%

SUPPLEMENTARY INFORMATION (continued)

APPENDIX III – QUALITY ACCREDITATION

	Environmental	Health and Safety	Quality (non-auto)	Quality (auto)	Energy management	Quality (OEM)	Quality (OEM)	Quality (OEM)	Quality (OEM)	Test (auto and industrial)
Subsidiaries	**ISO 14001**	**OHSAS 18001/ ISO 45001**	**ISO 9001**	**ISO/IATF 16949**	**ISO 50001**	**Q1 Ford**	**QSB Isuzu**	**Formal Q**	**VCA**	**SABS SANS**
ABM	✔	N/A	✔	Non-compliant	N/A	N/A	N/A	N/A	N/A	N/A
ATE	✔	✔	✔	N/A	✔	N/A	N/A	N/A	N/A	✔
Automould	✔	✔	✔	✔	✔	In progress	N/A	✔	N/A	N/A
First Battery	✔	✔	✔	✔	✔	✔	✔	✔	N/A	✔
Hesto	✔	✔	N/A	✔	✔	In progress	✔	N/A	N/A	N/A
Lumotech	✔	✔	✔	✔	✔	✔	N/A	✔	✔	N/A
Mutlu Akü	✔	✔	✔	✔	✔	✔	N/A	N/A	N/A	
Rombat	✔	✔	✔	✔	✔	✔	N/A	N/A	N/A	N/A
Smiths Manufacturing	✔	✔	✔	✔	✔	N/A	✔	N/A	N/A	N/A
Supreme Spring	✔	✔	✔	✔	✔	✔	✔	N/A	N/A	N/A
Tenneco	✔	✔	✔	✔	✔	✔	✔	✔	N/A	N/A
Unitrade	✔	✔	✔	✔	Non-compliant[6]	N/A	N/A	N/A	N/A	✔
Valeo	✔	✔	✔	✔	✔	✔	Non-compliant	✔	Non-compliant	Non-compliant

[6] Previously ISO 50001 compliant but relocated during the year and the new site will be recertified in 2024.

CONTENTS

ANNUAL FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, No. 71 of 2008 (Companies Act)

Preparer

The financial statements were prepared under the supervision of Mr A Jogia (CFO) BCom Acc, PGDA, CA(SA)

Published

27 March 2024

CERTIFICATE BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm, in terms of section 33(1) of the Companies Act, that for the year ended 31 December 2023, the company has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

SM Vermaak
25 March 2024

APPROVAL OF FINANCIAL STATEMENTS

The group financial statements and the financial statements of the company for the year ended 31 December 2023, set out on pages 85 to 169, were approved by the board of directors and signed on its behalf by:

TN Mgoduso
Chairperson

P O'Flaherty
CEO

Johannesburg
25 March 2024

DIRECTORS' RESPONSIBILITIES

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for maintaining proper accounting records and the preparation, integrity, and fair presentation of the financial statements of Metair Investments Limited (Metair or the company or the group) and its subsidiaries. The accounting records disclose with reasonable accuracy the financial position of the group and company.

The directors acknowledge that they are ultimately responsible for the system of internal controls established by the group and place considerable importance on maintaining a strong control environment. The directors are of the opinion, based on the information and explanations given by management and the internal auditors that the system of internal controls provides reasonable assurance that the financial records may be relied upon for the preparation of the financial statements.

The directors are of the opinion that the group and the company have adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The auditor is responsible for reporting on whether the group financial statements and the financial statements of the company are fairly presented in accordance with the applicable reporting framework.

The consolidated financial statements are stated in South African Rand (ZAR) and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 31 December 2023 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act.

They are based on appropriate accounting policies which have been applied consistently and are supported by reasonable and prudent judgements and estimates. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements. The financial statements have been audited by the independent auditors, Ernst and Young Inc., who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The annual financial statements fairly present the financial position, changes in equity, results of operations and cash flows of the group.

The audit report of Ernst and Young Inc. is presented on page 87.

DIRECTORS' RESPONSIBILITY ON FINANCIAL CONTROLS

The directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 86 to 169, fairly present in all material respects the financial position, financial performance and cash flows of the company in terms of IFRS;

(b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the company and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the company;

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

(e) where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have remediated the deficiencies; and

(f) we are not aware of any fraud involving directors.

P O'Flaherty	**A Jogia**
CEO	CFO

Johannesburg
25 March 2024

DIRECTORS' REPORT

The directors have pleasure in submitting their report for the year ended 31 December 2023.

GENERAL REVIEW

The main business of the group is the manufacture and supply of motor vehicle components and energy storage solutions such as automotive and industrial batteries. The group also manufactures non-automotive products. The financial statements on pages 91 to 169 set out fully the financial position, results of operations and cash flows of the group and company for the financial year.

FINANCIAL RESULTS

Group attributable profit for the year amounted to R96 million (2022: loss of R40 million).

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adapt the going concern basis in preparing the financial statements.

DIVIDENDS

No dividends were declared for ordinary shares during 2023 (2022: Nil).

STATED CAPITAL

Full details on the present position of the company's stated capital are set out in the notes to the financial statements.

There were no changes to stated capital for the year under review. Share incentive scheme particulars relating to options and awards under the Metair 2009 share plan are given in note 26.1 to the financial statements.

CHANGES IN NON-CURRENT ASSETS

The main changes to property, plant and equipment (including lease assets capitalised under IFRS 16) of the group were as follows:

	R'000
Additions (note 7)	630 624

The main changes to the intangible assets of the group were as follows:

	R'000
Additions (note 8)	25 073

DIRECTORS

The composition of the board of directors is set out on pages 8 to 9 of the integrated annual report.

P O'Flaherty (appointed February 2024)
R Haffejee (appointed February 2021 and resigned March 2023)
S Douwenga (appointed March 2014 and resigned January 2024)
TN Mgoduso (appointed March 2016)
B Mawasha (appointed March 2018)
S Sithole (appointed as alternate director August 2022)
MN Muell (appointed May 2019)
NL Mkhondo (appointed June 2019)
B Mathews (appointed January 2021 and resigned April 2023)
A Sithebe (appointed January 2021)
P Giliam (appointed May 2021)
A Jogia (appointed May 2023)
N Medupe (appointed June 2023)

SECRETARY

SM Vermaak

Business address
Oxford and Glenhove Building, 114 Oxford Road, Suite 7, Houghton Estate, Johannesburg, 2198

INTEREST OF DIRECTORS

Interest of directors in the company's stated capital are disclosed in note 26 of the financial statements. The directors have no material interest in contracts with the group.

SUBSIDIARIES

Details of the company's investments in its subsidiaries are disclosed on page 168 and note 9 to the financial statements.

HOLDING COMPANY

The company has no holding company.

AUDITORS

Ernst & Young Inc. was the group auditor in accordance with section 90 of the Companies Act and appointed for the 2023 financial year.

SPECIAL RESOLUTIONS AND ANNUAL GENERAL MEETING ('AGM')

Special resolutions were passed at the previous AGM held on 7 May 2023 in regard to:

- Approval of non-executive directors' remuneration for the period 1 January 2023 to 31 December 2023;
- General authority to provide direct or indirect financial assistance to all related and inter-related entities in terms of section 44 and 45 of the Companies Act; and
- General authority to acquire (repurchase) shares.

An AGM will be held on Tuesday, 7 May 2024. Refer to the notice of the AGM when issued for further details of the ordinary and special resolutions for consideration at the meeting.

POST-BALANCE SHEET EVENTS

The key focus of the group is to correct the capital structure including the debt profile (including Hesto). In this regard, the group has commenced a debt advisory restructure program. In addition, funders have agreed in principal to extend the maturity of RCF 2 of R525 million for a further year until April 2025.

Other than events disclosed within the financial statements, there were no other significant post-balance sheet events.

APPROVAL OF FINANCIAL STATEMENTS

The directors have approved the financial statements on pages 91 to 169 which are signed on their behalf by:

TN Mgoduso
Chairperson

P O'Flaherty
CEO

Johannesburg
25 March 2024

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF METAIR INVESTMENTS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate annual financial statements of Metair Investments Limited and its subsidiaries ('the group') and company set out on pages 91 to 169, which comprise of the consolidated and separate Balance Sheets as at 31 December 2023, and the consolidated and separate Income Statements and Statements of Comprehensive Income, the consolidated and separate Statements of Changes In Equity and the consolidated and separate Statements of Cash Flows for the year then ended, and notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Annual Financial Statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Annual Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate annual financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

The Key Audit Matters applies to the audit of the consolidated and separate annual financial statements:

Key Audit Matter	How the matter was addressed in the audit
Goodwill and indefinite life intangible assets impairment assessment The book value of goodwill and indefinite life intangible assets, amounts to R608 million and R254 million respectively as recorded in the consolidated annual financial statements. At least once a year and in case of a triggering event per IAS 36 Impairment of Assets, the Metair Group performs an impairment assessment of the recorded goodwill and indefinite life intangible assets. As disclosed in Notes 8 and 24 the Group estimates the value in use by applying a discounted cash flow model for each appropriate cash generating units. This is complex as input factors include significant judgement around the expected future cash flows due to the current economic climate (hyperinflation for Turkey) and judgement about the future market environment. In determining the recoverable amount, the following key assumptions are considered: • Discount rate • Growth rates • Working capital requirements • Capital expenditure Due to the complexity and sensitivity around the various assumptions, the history of impairments recorded in previous years and the amounts of headroom for some CGUs, scrutiny on the current economic climate and the market environment, we have designated the Goodwill and indefinite life intangible assets impairment assessment as a key audit matter.	**We performed the following procedures, amongst others:** We assessed the appropriateness of the valuation method applied in terms of the requirements of IAS 36 *Impairment of Assets*. We performed the below procedures on the key assumptions which included the discount rates, growth rates, working capital requirements and capital expenditure: • We assessed the historical accuracy of management's forecasts. • We agreed the current year and expected future cash flows used in the calculation to historical financial information and the strategic business planning approved by management respectively. • With the assistance of our valuation specialists, we evaluated the growth rates with external market data given the general and sector-specific market expectations. • With the involvement of our valuation specialists, we assessed the reasonability of the discount rate through benchmarking to independent sources as well as industry specific requirements. • We evaluated the reasonability of the working capital and capital expenditure by considering the input required to arrive at the planned outputs of the strategic business plan. • We evaluated the mathematical accuracy of the cash flow forecasts provided by management as well as the net asset value and headroom calculated. We performed our own sensitivity analysis in order to assess whether the tested book values are still sufficiently covered by the recoverable amounts in case of possible changes in the key assumptions within a realistic range. We assessed the appropriateness of the disclosure in terms of the requirements of IAS 36.

Other matter

The consolidated and separate annual financial statements of Metair Investments Limited for the year ended 31 December 2022 were audited by Ernst & Young Inc who expressed an unmodified opinion on those statements on 29 March 2023.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 177-page document titled: "Metair Investment Limited Integrated Annual Report 2023", which includes the Certificate by Company Secretary, Approval of Annual Financial Statements, Directors' Responsibilities and the Directors' Report, as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the consolidated and separate annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate annual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate annual financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Metair Investments Limited for 1 year.

Ernst & Young Inc.

Ernst & Young Inc.
Director - Dawie Venter
Registered Auditor
Charted accountant (SA)

26 March 2024

102 Rivonia Road
Sandton
2146

BALANCE SHEETS

AS AT 31 DECEMBER 2023

		GROUP		COMPANY	
		2023	2022	2023	2022
	Notes	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets		**5 867 472**	5 340 857	**557 629**	631 957
Property, plant and equipment	7	**4 078 258**	3 770 774		
Intangible assets	8	**1 166 971**	1 039 850		
Interest in subsidiaries	9			**557 629**	584 693
Loans to associates	25	**215 815**	192 574		
Investment in associates	10	**289 982**	301 060		47 264
Deferred taxation	15	**116 446**	36 599		
Current assets		**7 241 801**	7 491 543	**1 789 353**	1 791 946
Inventory	11	**3 289 551**	2 688 876		
Trade and other receivables	12	**2 550 042**	2 874 995		684
Contract assets	1.2	**408 602**	620 069		
Taxation		**22 488**	7 437		
Short-term loans to subsidiaries	9			**1 787 871**	1 787 871
Derivative financial assets	19.5	**2 198**	1 558		
Cash and cash equivalents	13	**968 920**	1 298 608	**1 482**	3 391
Total assets		**13 109 273**	12 832 400	**2 346 982**	2 423 903
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	26	**1 497 931**	1 497 931	**1 497 931**	1 497 931
Treasury shares	26	**(106 974)**	(106 974)		
Share-based payment reserve	27.1	**25 081**	57 897	**63 935**	90 999
Foreign currency translation reserve	27.2	**(1 149 528)**	(1 446 061)		
Equity accounted earnings	27.3	**101 059**	114 372		
Changes in ownership reserve	27.4	**(25 215)**	(22 260)		
Retained earnings	27.5	**5 063 202**	4 972 604	**326 753**	398 286
Ordinary shareholders equity		**5 405 556**	5 067 509	**1 888 619**	1 987 216
Non-controlling interests	27.6	**127 320**	129 986		
Total equity		**5 532 876**	5 197 495	**1 888 619**	1 987 216
Non-current liabilities		**1 699 840**	912 323	**11 632**	16 700
Borrowings and financial liabilities	14	**1 057 842**	350 180	**11 632**	16 700
Post-employment benefits	22	**63 622**	93 305		
Deferred taxation	15	**393 880**	333 054		
Deferred grant income	16	**131 749**	88 991		
Provisions for liabilities and charges	17	**52 747**	46 793		
Current liabilities		**5 876 557**	6 722 582	**446 731**	419 987
Trade and other payables (including deferred grant income)	16	**2 870 256**	2 995 674	**1 790**	1 593
Contract liabilities	1.2	**47 004**	11 775		
Borrowings and financial liabilities	14	**2 384 725**	3 234 734	**33 317**	10 847
Taxation		**37 313**	43 754		
Provisions for liabilities and charges	17	**126 134**	110 297		
Short-term loans from subsidiaries	9			**411 624**	407 547
Derivative financial liabilities	19.5	**8 820**	8 050		
Bank overdrafts	13	**402 305**	318 298		
Total liabilities		**7 576 397**	7 634 905	**458 363**	436 687
Total equity and liabilities		**13 109 273**	12 832 400	**2 346 982**	2 423 903

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

		GROUP		COMPANY	
	Notes	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Revenue	1	15 856 456	13 905 467		
Cost of sales		(13 935 031)	(12 667 166)		
Gross profit		1 921 425	1 238 301		
Other operating income and dividend income	3	258 601	537 323	21 331	245 637
Distribution expenses		(466 848)	(450 095)		
Administrative and other operating expenses		(994 775)	(867 097)	(6 064)	(7 086)
Impairment of Li-ion line	7	(179 164)			
Impairment loss on financial assets	9,12	(52 641)	(5 724)	(14 974)	
Operating profit	3	486 598	452 708	293	238 551
Interest income	2	68 918	33 981	19	11
Interest expense	2	(809 710)	(410 747)	(3 346)	(3 195)
Net monetary gain arising from hyperinflation in Türkiye	28	555 938	398 066		
Share of results and impairment of associates*	10	(10 059)	(239 403)	(68 497)	
Profit/(loss) before taxation		291 685	234 605	(71 531)	235 367
Taxation	4	(163 051)	(238 517)	(2)	
Profit/(loss) for the year		128 634	(3 912)	(71 533)	235 367
Attributable to:					
Equity holders of the company		95 535	(40 385)	(71 533)	235 367
Non-controlling interests		33 099	36 473		
		128 634	(3 912)	(71 533)	235 367
Earnings/(loss) per share					
Basic earnings/(loss) per share (cents)	5	49	(21)		
Diluted earnings/(loss) per share (cents)	5	48	(20)		

* In line with equity accounting rules (IFRS - IAS 28) the group's share of results of associates excludes Metair's proportionate share of Hesto's post tax equity losses of R393 million (2022: RNil) and the Hesto investment is at a nil value at 31 December 2023.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		GROUP		COMPANY	
		2023	2022	2023	2022
	Notes	R'000	R'000	R'000	R'000
Profit/(loss) for the year		128 634	(3 912)	(71 533)	235 367
Other comprehensive loss:					
Items that will not be reclassified to profit or loss:					
- Remeasurement loss on defined benefit plans	22	(23 518)	(26 565)		
- Taxation effect	15	4 649	4 935		
		(18 869)	(21 630)		
Items that may be reclassified to profit or loss:					
- Net exchange differences on translation of foreign operations including the effect of hyperinflation*		297 064	1 520 538		
Other comprehensive income for the year net of taxation		278 195	1 498 908		
Attributable to:					
Equity holders of the company		277 680	1 498 322		
- Remeasurement loss on defined benefit plans		(18 853)	(22 206)		
- Net exchange differences on translation of foreign operations including the effect of hyperinflation		296 533	1 520 528		
Non-controlling interests	27.6	515	586		
- Remeasurement (loss)/gain on defined benefit plans		(16)	576		
- Net exchange differences on translation of foreign operations		531	10		
Total comprehensive income/(loss) for the year		406 829	1 494 996	(71 533)	235 367
Attributable to:					
Equity holders of the company		373 215	1 457 937	(71 533)	235 367
Non-controlling interests	27.6	33 614	37 059		

* Foreign currency translation ('FCTR') movements consist predominantly of exchange losses arising from Mutlu when converting Turkish Lira earnings to Rands, and the impact of applying IAS 29 for hyperinflation consequences in Türkiye. FCTR arises on consolidation, is unrealised and has no tax consequences.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

		GROUP						
	Notes	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Attributable to equity holders of the group R'000	Non-controlling interests R'000	Total equity R'000
Year ended 31 December 2023								
Balance as at 1 January 2023	26, 27	**1 497 931**	**(106 974)**	**(1 296 052)**	**4 972 604**	**5 067 509**	**129 986**	**5 197 495**
Net profit for the year	27				**95 535**	**95 535**	**33 099**	**128 634**
Other comprehensive income/(loss)	27			**296 533**	**(18 853)**	**277 680**	**515**	**278 195**
Total comprehensive income/(loss) for the year	27			**296 533**	**76 682**	**373 215**	**33 614**	**406 829**
Employee share option scheme	27.1			**(32 014)**		**(32 014)**		**(32 014)**
Transfer of net vesting/forfeiture impact to retained earnings	27.1, 27.5			**(802)**	**603**	**(199)**	**199**	
Transfer of associate loss and dividend	27.3			**(13 313)**	**13 313**			
Dividend*	27.5						**(36 479)**	**(36 479)**
Foreign currency translation, including the effect of hyperinflation	27.4			**(2 955)**		**(2 955)**		**(2 955)**
Balance as at 31 December 2023		**1 497 931**	**(106 974)**	**(1 048 603)**	**5 063 202**	**5 405 556**	**127 320**	**5 532 876**
Year ended 31 December 2022								
Balance as at 1 January 2022	26, 27	1 497 931	(118 153)	(2 380 436)	4 759 200	3 758 542	115 812	3 874 354
Net (loss)/profit for the year	27				(40 385)	(40 385)	36 473	(3 912)
Other comprehensive income/(loss)	27			1 520 528	(22 206)	1 498 322	586	1 498 908
Total comprehensive income/(loss) for the year	27			1 520 528	(62 591)	1 457 937	37 059	1 494 996
Employee share option scheme	27.1			22 971		22 971		22 971
Vesting of share-based payment obligation	26, 27.1		11 179	(12 846)		(1 667)		(1 667)
Transfer of net vesting/forfeiture impact to retained earnings	27.1, 27.5			(154 692)	159 704	5 012	(5 012)	
Transfer of associate loss and dividend	27.3			(290 514)	290 514			
Dividend**	27.5				(174 223)	(174 223)	(17 873)	(192 096)
Foreign currency translation, including the effect of hyperinflation	27.4			(1 063)		(1 063)		(1 063)
Balance as at 31 December 2022		1 497 931	(106 974)	(1 296 052)	4 972 604	5 067 509	129 986	5 197 495

* No dividend was declared or paid in respect of the years ended 31 December 2023 and 31 December 2022.
R36 million refers to Smiths Manufacturing (Pty) Ltd (Smiths Manufacturing) and Rombat SA dividends paid to minority shareholders.

** An ordinary dividend of R0.90 per share was declared in respect of the year ended 31 December 2021.
R18 million refers to Smiths Manufacturing (Pty) Ltd (Smiths Manufacturing) and Rombat SA dividends paid to minority shareholders.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

		COMPANY					
	Notes	Stated capital R'000	Treasury shares R'000	Share-based payment reserves R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Total equity R'000
Year ended 31 December 2023							
Balance as at 1 January 2023	26, 27	**1 497 931**		**90 999**	**398 286**	**1 987 216**	**1 987 216**
Net loss for the year	27.5				**(71 533)**	**(71 533)**	**(71 533)**
Total comprehensive loss for the year					**(71 533)**	**(71 533)**	**(71 533)**
Employee share option scheme	27.1			**(27 064)**		**(27 064)**	**(27 064)**
Balance as at 31 December 2023		**1 497 931**		**63 935**	**326 753**	**1 888 619**	**1 888 619**
Year ended 31 December 2022							
Balance as at 1 January 2022	26, 27	1 497 931		82 688	350 245	1 930 864	1 930 864
Net profit for the year	27.5				235 367	235 367	235 367
Total comprehensive income for the year	27				235 367	235 367	235 367
Employee share option scheme	27.1			18 694		18 694	18 694
Acquisition of treasury shares from BVI	26		(18 622)			(18 622)	(18 622)
Exercise of share options	27.1		18 622	(10 383)	(8 239)		
Dividend*	27.5				(179 087)	(179 087)	(179 087)
Balance as at 31 December 2022		1 497 931		90 999	398 286	1 987 216	1 987 216

* No dividend was declared or paid in respect of the years ended 31 December 2023 and 31 December 2022.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

		GROUP		COMPANY	
	Notes	2023 R'000	2022 R'000	2023 R'000	2022 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from/(utilised in) operations	18.1	1 156 969	151 196	(5 594)	172 089
Interest paid	18.4	(779 300)	(391 297)	(409)	
Taxation paid	18.2	(235 229)	(269 100)	(2)	
Dividends paid	18.3	(36 479)	(192 096)		(179 087)
Dividends received from associates	10	6 047	61 551		45 180
Net cash inflow/(outflow) from operating activities		112 008	(639 746)	(6 005)	38 182
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment (excludes leased assets)	7	(576 101)	(424 715)		
Acquisition of intangible assets	8	(25 073)	(30 809)		
Proceeds on disposal of associate	10		8 433		
Advances made to subsidiaries	18.5				(179 087)
Loans to related party	25		(197 674)		
Interest received	2	45 377	33 981	19	11
Proceeds on disposal of property, plant and equipment	3, 7	31 123	10 609		
Net cash (outflow)/inflow from investing activities		(524 674)	(600 175)	19	(179 076)
CASH FLOWS FROM FINANCING ACTIVITIES					
Revolving credit facility drawdown	18.6	145 000	523 900		
Revolving credit facility repaid	18.6	(125 000)			
Mutlu and Rombat borrowings repaid	18.6	(1 120 122)	(936 087)		
Mutlu and Rombat borrowings raised	18.6	1 357 141	1 768 888		
Lease payments	18.6	(101 601)	(35 036)		
Advances received from subsidiaries	18.5			4 077	140 769
Utilisation of treasury shares - CGT (gain)/loss	27.1		(1 667)		
Net cash inflow from financing activities		155 418	1 319 998	4 077	140 769
Net (decrease)/increase in cash and cash equivalents		(257 248)	80 077	(1 909)	(125)
Cash and cash equivalents at the beginning of the year		980 310	961 895	3 391	3 516
Exchange loss and hyperinflation effect on cash and cash equivalents		(156 447)	(61 662)		
Cash and cash equivalents at end of the year	13	566 615	980 310	1 482	3 391

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT REPORT AND REVENUE	GROUP					
	2023			2022		
	Segment revenue R'000	% of total segment revenue	Segment PBIT R'000	Segment revenue R'000	% of total segment revenue	Segment PBIT R'000
1.1 SEGMENT REVIEW						
Energy storage						
Automotive						
Local	5 278 697	24	240 701	5 221 134	33	133 368
Direct exports	2 159 289	10	70 677	2 799 694	18	97 785
	7 437 986	34	311 378	8 020 828	51	231 153
Industrial						
Local	593 624	3	(43 498)	592 277	4	(37 151)
Direct exports	8 358		(169)	5 975		695
	601 982	3	(43 667)	598 252	4	(36 456)
Total energy storage	8 039 968	37	267 711	8 619 080	55	194 697
Automotive components						
Local						
Original equipment	12 537 745	58	(109 365)	6 401 488	41	(43 242)
Aftermarket	925 860	4	63 947	591 432	4	79 245
Non-auto	6 598		21	13 298		(1 259)
	13 470 203	62	(45 397)	7 006 218	45	34 744
Direct exports						
Original equipment	1 066		401	2 141		1 279
Aftermarket	46 554		4 443	48 702		8 548
	47 620		4 844	50 843		9 827
Total automotive components	13 517 823	62	(40 553)	7 057 061	45	44 571
Total segment results	21 557 791		227 158	15 676 141		239 268
Managed associate*	(5 701 335)		607 580	(1 770 674)		348 623
Li-ion line impairment*****			(179 164)			
Amortisation and depreciation arising from business combinations			(41 043)			(36 904)
Other reconciling items**			(127 933)			(98 279)
Total group revenue and operating profit	15 856 456		486 598	13 905 467		452 708
Share of results and impairment of associates			(10 059)			(239 403)
Profit before interest and taxation			476 539			213 305
Net finance costs			(740 792)			(376 766)
Net monetary gain arising from hyperinflation in Türkiye			555 938			398 066
Profit before taxation			291 685			234 605
Included in the above:						
Depreciation and amortisation			(440 512)			(372 951)
- Energy storage***			(280 821)			(248 861)
- Automotive components****			(159 691)			(124 090)
Impairment reversal/(charges)						
- Energy storage			(180 923)			4 247

* The results of Hesto Harnesses Pty (Ltd) ('Hesto') have been included in the segment review at 100%. Metair has a 74.9% equity interest but is responsible for the operational management.

** Other reconciling items relate to Metair head office and corporate costs.

*** Allocated to automotive R259.8 million (2022: R231.6 million) and industrial R21.0 million (2022: R17.3 million).

**** Allocated to original equipment R148.1 million (2022: R112.6 million) and aftermarket and non-auto R11.6 million (2022: R11.1 million).

***** We assessed the value of the Lithium-ion line ('Li-ion') in Romania ('Rombat') to determine whether the investment aligned to future strategic initiatives. Due to rapid changes in cell technology and chemistry, and with the long delays in commissioning, management impaired the line by R179.2 million to the estimated recoverable amount of R58 million, based on current state. Alternatives for the line, including disposal, will be re-evaluated during 2024.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. SEGMENT REPORT AND REVENUE (continued)

1.1 SEGMENT REVIEW (continued)

Segment information

Segment description and principal activities

The group manages an international portfolio of companies that manufacture and supply automotive components and energy storage solutions for local and export automotive and industrial markets. The group's manufacturing locations include South Africa, Romania and Türkiye and exports products directly from these locations into Africa, Middle East and Europe. The executive directors of the group and company are the chief operating decision makers. In order to determine operating and reportable segments, management examines the group's performance from a product, market and sales channel perspective. The reportable segments in the annual report are identical to the operating segments identified. The group's business is managed and analysed in two distinct verticals – the energy storage and the automotive components business units. The reportable segments of these business verticals are identified as follows:

Energy storage vertical – automotive and industrial

The energy storage business consists of the automotive and industrial segments which manufacture products for both local and export markets. First National Battery (South Africa), Mutlu (Türkiye), Rombat (Romania) and Dynamic (United Kingdom) are included in energy storage results.

Automotive batteries are mainly supplied to the aftermarket through the group's unique distribution channels and retail networks in addition to the supply of batteries to the original equipment manufacturers ('OEMs').

Industrial energy products relate to products sold in the telecoms, utility, mining, retail and materials/product handling sectors and are mainly sold in sub-Saharan Africa and Türkiye.

Automotive components vertical, including exports – original equipment ('OE'), aftermarket and non-automotive

The traditional automotive components business comprises of the following segments which manufacture products for the local and export markets:

- OE;
- aftermarket; and
- non-automotive products.

OE involves the manufacture and distribution of components used in the assembly of new vehicles for OEM customers. Supply is linked to a particular vehicle model as the group benefits from long industry product life cycles. Aftermarket involves the manufacture and distribution of components used to service vehicles produced by local OEMs as well as generic parts for imported vehicles.

This creates the opportunity for the group to supply products to owners of vehicles throughout its life cycle. Non-automotive markets include manufacture and distribution of products mostly related to industrial and utility sectors.

Automotive components products include coil and leaf springs, headlights, wiring harnesses and cable, air-conditioning, radiators, climate control systems, shock absorbers, plastic injection mouldings and brake pads. The businesses of Smiths Manufacturing, Automould and Auto Plastics, Supreme Spring and ATE, Lumotech, Unitrade and Hesto form the automotive components business vertical.

Basis of measurement

The executive directors assess the performance of these operating segments based on operating profit, or profit before interest and tax ('PBIT'), which includes reported depreciation, amortisation as well as impairment charges. PBIT also includes the results of the managed associate (Hesto), but excludes the results of other associates.

Interest income and expenses are not allocated to segments and amortisation of intangible assets arising from business combinations are also excluded. The amounts provided to the executive directors do not include regular measures of segment assets and liabilities and have therefore not been disclosed. Revenue from external parties reported to the executive directors is measured in a manner consistent with that in the income statement. All segment revenues include those from external customers arising from the sales of goods. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

1. SEGMENT REPORT AND REVENUE (continued)

1.1 SEGMENT REVIEW (continued)

Entity-wide information

Major customers

30% (2022: 29%) of total group revenue arises from sales to a single external major customer of the group. 27% (2022: 27%) specifically arises in the local OE segments of the automotive components vertical.

Geographical information

The group is domiciled in South Africa. Revenue from South African operations (including Hesto) was R15 674 million (2022: R9 070 million) and R5 884 million (2022: R6 606 million) from Europe and the Middle East ('EME'). EME domiciled operations predominantly consists of Romania and Türkiye.

Non-current assets

Non-current assets (excluding deferred tax assets) amounted to R5 751 million (2022: R5 304 million) of which R3 528 million (2022: R3 232 million) relates to foreign operations. Goodwill of R 608 million (2022: R 526 million) is fully allocated to the energy storage vertical and arose from the acquisition of Mutlu and Rombat. Goodwill is tested for impairment and no impairments were recorded in the current or prior years. Details can be found in note 8 – Intangible assets.

1.2 REVENUE

A. Revenue streams

The group generates revenue primarily from the sale of automotive components (car parts), automotive batteries and industrial products to its customers. The group currently has two distinct business verticals, energy storage and automotive components. The group's segment report (note 1.1 above) provides further information about the group's products, markets and revenue streams.

	GROUP	
	2023 R'000	2022 R'000
Revenue from contracts with customers	**15 856 456**	13 905 467

B. Disaggregation of revenue

The group derives revenue from the sale and transfer of goods and services over time and at a point in time. In the following tables, revenue is disaggregated by primary geographical markets (domiciled sales), major products and service lines and the timing thereof. The tables also include a reconciliation with segmented revenue.

	GROUP					
	2023			2022		
TOTAL GROUP	Revenue as reported R'000	Managed associate R'000	Total segment revenue R'000	Revenue as reported R'000	Managed associate R'000	Total segment revenue R'000
Primary geographical markets						
South Africa	**9 972 575**	**5 701 335**	**15 673 910**	7 299 507	1 770 674	9 070 181
Türkiye and UK	**3 909 026**		**3 909 026**	4 913 635		4 913 635
Romania	**1 974 855**		**1 974 855**	1 692 325		1 692 325
	15 856 456	**5 701 335**	**21 557 791**	13 905 467	1 770 674	15 676 141
Major product and service lines						
Automotive batteries	**7 437 986**		**7 437 986**	8 020 828		8 020 828
Automotive components and car parts	**7 709 774**	**5 701 335**	**13 411 109**	4 953 420	1 770 674	6 724 094
Automotive customer tooling	**100 116**		**100 116**	319 669		319 669
Industrial and non-automotive products	**608 580**		**608 580**	611 550		611 550
	15 856 456	**5 701 335**	**21 557 791**	13 905 467	1 770 674	15 676 141
Timing of revenue recognition						
Products transferred at a point in time	**9 489 659**	**382 479**	**9 872 138**	8 846 805	40 674	8 887 479
Products and services transferred over time	**6 366 797**	**5 318 856**	**11 685 653**	5 058 662	1 730 000	6 788 662
	15 856 456	**5 701 335**	**21 557 791**	13 905 467	1 770 674	15 676 141

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

B. Disaggregation of revenue from contracts with customers (continued)

		Reportable segments			
		Automotive		Industrial	
ENERGY STORAGE VERTICAL	Total revenue R'000	Local R'000	Direct export R'000	Local R'000	Direct export R'000
2023					
Primary geographical markets					
South Africa	**2 156 087**	**1 499 985**	**287 197**	**360 547**	**8 358**
Türkiye and UK	**3 909 026**	**3 140 201**	**535 748**	**233 077**	
Romania	**1 974 855**	**638 511**	**1 336 344**		
	8 039 968	**5 278 697**	**2 159 289**	**593 624**	**8 358**
Major product and service lines					
Automotive batteries	**7 437 986**	**5 278 697**	**2 159 289**		
Industrial batteries	**601 982**			**593 624**	**8 358**
	8 039 968	**5 278 697**	**2 159 289**	**593 624**	**8 358**
Timing of revenue recognition					
Products transferred at a point in time	**8 039 968**	**5 278 697**	**2 159 289**	**593 624**	**8 358**
2022					
Primary geographical markets					
South Africa	2 013 120	1 397 184	220 488	389 473	5 975
Türkiye and UK	4 913 635	3 152 627	1 558 204	202 804	
Romania	1 692 325	671 323	1 021 002		
	8 619 080	5 221 134	2 799 694	592 277	5 975
Major product and service lines					
Automotive batteries	8 020 828	5 221 134	2 799 694		
Industrial batteries	598 252			592 277	5 975
	8 619 080	5 221 134	2 799 694	592 277	5 975
Timing of revenue recognition					
Products transferred at a point in time	8 619 080	5 221 134	2 799 694	592 277	5 975

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

B. Disaggregation of revenue from contracts with customers (continued)

	Reportable segments				
		Local		Direct export	
	Total revenue	Original equipment	Aftermarket and non-auto	Original equipment	Aftermarket
AUTOMOTIVE COMPONENTS VERTICAL	R'000	R'000	R'000	R'000	R'000
2023					
Primary geographical markets					
South Africa	**7 816 488**	**7 218 889**	**549 979**	**1 066**	**46 554**
	7 816 488	**7 218 889**	**549 979**	**1 066**	**46 554**
Major product and service lines					
Automotive components and parts	**7 709 774**	**7 118 773**	**543 381**	**1 066**	**46 554**
Customer tooling services	**100 116**	**100 116**			
Non-automotive products	**6 598**		**6 598**		
	7 816 488	**7 218 889**	**549 979**	**1 066**	**46 554**
Timing of revenue recognition					
Products transferred at a point in time	**1 449 691**	**1 215 566**	**187 552**	**1 066**	**45 507**
Products and services transferred over time	**6 366 797**	**6 003 323**	**362 427**		**1 047**
	7 816 488	**7 218 889**	**549 979**	**1 066**	**46 554**
2022					
Primary geographical markets					
South Africa	5 286 387	4 671 487	564 057	2 141	48 702
	5 286 387	4 671 487	564 057	2 141	48 702
Major product and service lines					
Automotive components and parts	4 953 420	4 351 818	550 759	2 141	48 702
Customer tooling services	319 669	319 669			
Non-automotive products	13 298		13 298		
	5 286 387	4 671 487	564 057	2 141	48 702
Timing of revenue recognition					
Products transferred at a point in time	227 725	13 477	196 515		17 733
Products and services transferred over time	5 058 662	4 658 010	367 542	2 141	30 969
	5 286 387	4 671 487	564 057	2 141	48 702

C. Contract balances

The following section provides information about receivables, contract assets and contract liabilities:

	GROUP	
	31 Dec 2023 R'000	31 Dec 2022 R'000
Receivables, which are included in 'trade and other receivables' (note 12)	**1 770 671**	1 934 496
Contract assets*	**408 602**	620 069
Contract liabilities	**47 004**	11 775

* Any unconditional rights to consideration are presented separately as a receivable. A right to consideration is 'unconditional' if only the passage of time is required before payment is due. Although the group has an enforceable right to payment for performance completed to date (i.e., Automotive parts completed but not delivered) it does not necessarily have a present unconditional right to consideration until goods are actually delivered and invoiced to the customer. Expected credit losses on contract assets are immaterial.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

C. Contract balances (continued)

C.1 Significant changes in contract assets and liabilities

Contract assets relate primarily to the group's rights to consideration for work completed and committed to date on automotive components and tooling, but not billed at the reporting date. These contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the goods have been delivered and invoiced, and accepted by the customer. The associated finished goods, work in progress and materials have been de-recognised within cost of sales.

Contract liabilities primarily relate to advances received from customers for tooling and is invoiced as per specific contractual arrangements.

Rebates and discounts payable for R25.6 million (2022: R43.6 million), as well as refund liabilities for R12.3 million (2022: R14.3 million) are included within trade and other payables (note 16).

The significant changes in the contract assets and the contract liabilities during the period are reconciled in the tables below:

	GROUP			
	2023		2022	
	Contract assets R'000	Contract liabilities R'000	Contract assets R'000	Contract liabilities R'000
Opening balances at 1 January	**620 069**	**(11 775)**	511 199	(49 952)
Tooling activities concluded	**(6 209)**	**1 541**	(3 411)	40 372
Increases due to cash received excluding amounts recognised as revenue during the period		**(36 770)**		(2 195)
Transfers from contract assets to receivables (manufactured goods now invoiced)	**(613 860)**		(507 788)	
Work completed but not yet invoiced during the year	**408 602**		620 069	
Closing balances at 31 December	**408 602**	**(47 004)**	620 069	(11 775)

The major movements relate to increases in revenue recognised from changes in the levels of finished goods, work in progress and materials in respect of automotive components for OEM customers.

C.2 Revenue recognised in relation to previous periods

Revenue of R14.3 million (2022: R12.7 million) was recognised in the current year from performance obligations satisfied (or partially satisfied) in previous periods. These relate to a battery distributor arrangement in which entitlement to consideration is contingent on the occurrence or non-occurrence of future "on-sales". Within one of the groups entities, a supply arrangement exists whereby certain distributors could be requested to supply batteries to other customers of the group entity. A credit note (refund) is given to the distributor for their stock utilised. The arrangement is treated as a sale with a right to return, a form of variable consideration. Most distributors generally hold up to two weeks' stock holding. A portion of batteries sold is therefore reversed, based on estimated historical data sales trends. A refund liability (payables - note 16) and right to recover goods (inventory - note 11) are recognised.

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

C. Contract balances (continued)

C.3 Transaction price allocated to remaining performance obligations

The group's performance obligations are short term in nature. Purchase orders are received for daily car builds and ordering commitments, from OEMs, do not exceed 3 months in general. Tooling contracts in progress have a duration of not more than one year at reporting date. Therefore no information is provided about remaining performance obligations at 31 December that have an original expected duration of one year or less, as allowed by IFRS 15.

As a result of the battery distributor arrangement (refer C.2 above), revenue of R12.3 million (2022: R14.3 million) has been deferred or constrained until 2024.

C.4 Contract costs

Incremental costs incurred to satisfy new contracts or obligation are assessed for capitalisation under IFRS 15. The group also incurs training costs from time to time. Although they represent fulfilment costs to satisfy a customer contract, is recoverable and specific, these costs are not allowed to be capitalised per IFRS. Costs to fulfil contracts in progress form part of inventory. The group did not incur any nomination fee expenses during the year.

D. Performance obligations and summary of revenue recognition policies

The following tables highlight the key considerations under IFRS 15, by business vertical, from which the group generates its revenue. The full revenue accounting policies can be found within the group's overall accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. SEGMENT REPORT AND REVENUE (continued)

1.2 REVENUE (continued)

D. Performance obligations and summary of revenue recognition policies (continued)

Automotive components	
Products and services	**Nature, timing of satisfaction of performance obligations and significant payment terms**
Automotive components	Under our arrangements with OEMs, customers control all work in progress as their parts are being built. Revenue is recognised progressively (over time) and includes parts to be delivered (on hand), but entitled to be invoiced. For finished goods, revenue is recognised based on an 'entitled to invoice' method as selling price is known and fixed until annual pricing reviews. For work in progress and specific materials, these are based on costs incurred to date plus an appropriate mark up. Payment terms are normally 30, 45 and 60 days from invoice following actual delivery of the part. The entitlement to consideration is recognised as a contract asset and transferred to receivables when the entitlement to payment becomes unconditional (upon delivery and acceptance of parts).
OEM customer tooling	Revenue for tooling services is recognised progressively based on costs incurred to date (input method). Revenue is recognised on a gross basis (as principal) even though the production of the tooling is normally outsourced to third party tool-makers. Payment terms are usually based on specified instalments over the duration of the contract or construction of the tool.
Customer options (material rights)	Lifetime price reductions for future goods, which result in a material right for a customer, are separated and a portion of revenue (the sales price) is only allocated when those future goods are transferred.
Other (non-OEM) products	Under other revenue streams other than OEMs, customers do not take control of the products until delivered. Revenue is recognised upon formal acceptance of the product, including risks and rewards of ownership. Payment is on 30-day terms.
Warranty	All contracts include standard warranty clauses to guarantee that products comply with agreed specifications. Warranty provisions are recognised by the group. There are no extended warranties.
Financing components	The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. Payment terms are within industry norms.

Energy storage	
Products and services	**Nature, timing of satisfaction of performance obligations and significant payment terms**
Automotive batteries	The group recognises revenue when the customer takes possession of the battery (point in time). This usually occurs upon delivery to the customer's premises. For certain distributor arrangements, the amount of revenue recognised is adjusted for the expected refunds to be granted to the distributor, which are estimated based on the historical data for specific sale channels in which the goods are redirected. No cash refunds are made but credit notes are issued. These arrangements are treated as a sale with a right of return, a form of variable consideration. Export sales "inco-terms" are usually free on board and recognised upon shipment of the batteries. Payments terms for sale of batteries varies according to sale channels and are up to 90 days for distributors, 45 to 60 days for OEMs and up to 90 days upon shipment for exports.
Industrial products	Under industrial revenue streams, customers do not take control for the product until they are completed. Revenue is recognised on formal acceptance by the customer (point in time), usually upon delivery to the customer's premises. Payment terms are 60 and 90 days from delivery.
Warranty	All contracts include standard warranty clauses to guarantee that products comply with agreed specifications. Warranty provisions are recognised by the group. There are no extended warranties.
Financing components	The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. Payment terms are within industry norms.

		GROUP		COMPANY	
		2023	2022	2023	2022
		R'000	R'000	R'000	R'000
2.	**NET FINANCE COSTS**				
	Interest income				
	Bank deposits	44 984	23 126	19	11
	Related party loans	23 541	10 424		
	Other	393	431		
		68 918	33 981	19	11
	Interest expense				
	Bank borrowings and overdraft	(675 776)	(317 582)	(409)	
	Leases and instalment sale arrangements	(32 847)	(26 534)		
	Dividend on redeemable preference shares	(65 569)	(47 466)		
	Defined employee benefits schemes and other	(35 518)	(19 165)	(2 937)	(3 195)
		(809 710)	(410 747)	(3 346)	(3 195)
	Net finance expense	(740 792)	(376 766)	(3 327)	(3 184)
	Interest is recognised as it accrues in profit or loss using the effective interest method.				
3.	**OPERATING PROFIT**				
	Operating profit is stated after taking into account the following:				
	Other operating income and dividend income				
	Dividend income from subsidiaries (unlisted)				179 087
	Dividend income from associates (unlisted)				45 180
	Distributions from subsidiaries				8 239
	Management fees received	19 065	6 774		
	Government grants	160 279	141 841		
	Bad debts recovered	11	10		
	Rent received	4 089	111		
	Derivatives at fair value through profit or loss:				
	- Fair value loss - FECs	(3 814)	(19 408)		
	Amortisation of financial guarantee obligation	21 331	13 131	21 331	13 131
	Insurance claims on business interruption*	3 532	376 720		
	Sundry income	54 108	23 244		
		258 601	542 423	21 331	245 637
	Expenses by nature				
	Auditors' remuneration:				
	- Audit fees and disbursements	14 409	11 978	1 641	1 431
	- Non-audit assurance services	1 477	619		
	- Non-audit non-assurance services	688	606		
	Depreciation and amortisation (notes 7 and 8)	440 512	372 951		
	Impairment/(reversal of impairment) of property, plant and equipment	180 923	(4 247)		
	(Profit)/loss on disposal of property, plant and equipment	(19 697)	970		
	Lease charges (note 7)	46 212	29 579		
	Impairment loss/(gain) on financial assets (notes 9 and 12)	52 641	5 724	14 974	
	Managerial, technical service and professional fees	123 145	109 152		
	Foreign exchange losses/(gains)	25 189	(22 969)	(411)	
	Sales and marketing	73 022	75 535		
	Transport and distribution costs	292 295	312 345		
	Raw materials, consumables used and production overheads	11 467 132	10 656 136		
	Insurance premiums	46 049	28 602		
	Research and development expenses	21 757	16 607		
	Employee benefit expense	2 787 380	2 331 185	3 518	3 908
	Administrative and other expenses	75 325	65 309	1 316	1 747
	Total cost of sales, distribution expenses, administrative and other operating expenses	15 628 459	13 990 082	21 038	7 086

* The insurance income for the 2022 financial year, relates to claims for loss of profits as a result of the KwaZulu-Natal floods

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

		GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
3.	**OPERATING PROFIT (continued)**				
	Employee benefit expense				
	Wages, salaries and directors' fees	2 514 347	2 042 931	3 518	3 908
	Share-based payment (reversal)/expense	(27 064)	18 694		
	Termination benefits	1 185	12 360		
	Social security costs	179 836	150 240		
	Pension costs - defined contribution plans (note 22.3)	109 882	99 785		
	Post-employment medical aid benefits (note 22.1)	4 802	4 770		
	Other post-employment defined benefits (note 22.2)	4 392	2 405		
		2 787 380	2 331 185	3 518	3 908
	Number of persons employed by the group at the end of the year				
	Hourly	4 411	4 234		
	Monthly	2 182	2 233		
		6 593	6 467		
	Directors' emoluments				
	Executive directors				
	Salaries and allowances	17 270	18 607	17 270	18 607
	Other benefits	855	2 493	855	2 493
		18 125	21 100	18 125	21 100
	Paid by subsidiary companies			(18 125)	(21 100)
	Non-executive directors	7 639	8 139	3 175	3 594
	Fees	7 639	8 139	7 639	8 139
	Paid by subsidiary companies			(4 464)	(4 545)

3. OPERATING PROFIT (continued)

Directors' emoluments (continued)

	COMPANY				
	2023			2022	
	R Haffejee* R'000	S Douwenga** R'000	A Jogia*** R'000	R Haffejee R'000	S Douwenga R'000
Executive directors					
Salaries and allowances	3 317	7 279	3 291	6 574	5 253
Performance bonuses (based on previous year)	2 123	1 260		3 867	2 913
Pension and provident fund contributions	139	350	184	313	245
Company contributions	29	105	48	61	95
Gain on the exercise of share options					1 779
	5 608	8 994	3 523	10 815	10 285
Paid by subsidiary companies	(5 608)	(8 994)	(3 523)	(10 815)	(10 285)

	COMPANY					
	2023			2022		
	Net R'000	Fees R'000	Paid by subsidiary companies R'000	Net R'000	Fees R'000	Paid by subsidiary companies R'000
Non-executive directors						
TN Mgoduso	752	1 586	(834)	375	1 126	(751)
B Mawasha	401	1 013	(612)	375	1 250	(875)
PH Giliam	402	976	(574)	375	691	(316)
N Medupe	217	554	(337)			
NL Mkhondo	401	1 241	(840)	375	814	(439)
MN Muell	401	1 143	(742)	375	1 030	(655)
AK Sithebe	401	740	(339)	375	738	(363)
B Mathews	100	219	(119)	375	1 086	(711)
CMD Flemming	100	167	(67)	751	1 050	(299)
S Sithole				218	354	(136)
	3 175	7 639	(4 464)	3 594	8 139	(4 545)

Information regarding share awards/share options granted to executive directors of Metair can be found in note 26.1.

* Mr Haffejee resigned as CEO in March 2023.

** Mr Douwenga acted as CEO for three months from March 2023 to May 2023. He was appointed as permanent CEO from 31 May 2023 but resigned on 31 January 2024.

*** Mr Jogia was appointed as acting CFO from 1 March 2023. He was appointed as permanent CFO from 31 May 2023.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

		GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
4.	**TAXATION**				
	Normal taxation				
	Current:				
	- Current year	208 974	220 998	2	
	- Adjustments in respect of the prior year	3 355	1 357		
	Deferred:				
	- Current year	(47 071)	1 188		
	- Adjustments in respect of the prior year	198	(1 296)		
	- Rate change	(2 429)	(1 595)		
	Dividend withholding taxes	24	17 865		
		163 051	238 517	2	
		%	%	%	%
	Reconciliation of taxation rate:				
	Standard rate - South Africa	27.0	28.0	27.0	28.0
	Effect of change in taxation rate	(0.8)	(0.7)		
	Associates' results net of taxation	0.7	27.3		
	Associates' impairment	0.3	1.2		
	Prior year under provision/(over provision)	1.3	0.0		
	- Current	1.2	0.6		
	- Deferred	0.1	(0.6)		
	Non-deductible expenses	42.7	22.6	(35.2)	1.2
	- Non-deductible expenses for preference dividends	6.1	5.7		
	- Non-deductible expenses for interest and fees	0.9	1.8		
	- Non-deductible expenses on corporate and legal costs	13.0	7.3	(35.2)	1.2
	- Non-deductible expenses on Li-ion line impairment	9.8			
	- Other disallowable expenses for tax purposes	12.9	7.8		
	Foreign dividend withholding/other taxes		7.6		
	Taxation losses for which no deferred taxation asset was recognised		2.8		
	Utilisation of previously unrecognised tax losses	(0.5)	(3.4)		
	Other non taxable income	(2.2)	(1.2)	8.2	(29.2)
	Research and development tax credits	(1.9)	(2.5)		
	Learnership allowances	(0.8)	(1.9)		
	Earthquake tax - Türkiye (Mutlu)	6.1			
	Investment tax credit - Türkiye (Mutlu)	(6.5)			
	Tax effect of hyperinflation in Türkiye	(8.6)	26.7		
	Foreign tax rate difference	(0.9)	(4.8)		
	Effective rate	55.9	101.7		
	Corporate income tax rate ('CIT') substantially enacted, effective at 31 December and utilized for determining taxation is as follows:	2023 %	2022 %	2023 %	2022 %
	South Africa	27	28	27	28
	Türkiye	25	23		
	Romania	16	16		
	United Kingdom	19	19		

Estimated assessed tax losses which can be carried forward into future years and set off against future taxable income amounted to R537 million (2022: R460 million). Although balances are not lost, utilisation of assessed losses are limited to 80% of taxable income in South Africa. The group did not recognise deferred tax assets of R47 million (2022: R52 million), related to a portion of tax losses, as the utilisation for set off is not probable. On 12 March 2023, the Turkish government imposed an earthquake tax which resulted in R18 million additional taxes at Mutlu.

The tax effects relating to items of other comprehensive income are disclosed in notes 15 and 27.

		GROUP 2023	GROUP 2022
5.	**EARNINGS/(LOSS) PER SHARE**		
	Basic earnings/(loss) per share represents the income in cents attributable to equity holders of the company, based on the group's attributable profit or loss from ordinary activities divided by the weighted average number of shares in issue during the year, excluding treasury shares.	**49**	(21)
	Headline earnings/(loss) per share represents the income in cents attributable to equity holders of the company, based on the group's attributable profit or loss from ordinary activities, adjusted as required by SAICA Circular 1/2023 and the JSE Limited, divided by the weighted average number of shares in issue during the year excluding treasury shares.	**135**	(17)
	Diluted earnings/(loss) per share		
	Diluted earnings/(loss) per share (cents)	**48**	(21)
	Diluted headline earnings/(loss) per share (cents)	**133**	(17)

For the diluted earnings/(loss) per share calculation, the weighted average number of ordinary shares outstanding is adjusted to take into account all dilutive potential ordinary shares. The company has one category of potential dilutive ordinary shares: Share options. The number of shares taken into account is determined by taking the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share options and awards. This calculation is done to determine the 'purchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. There was no dilution in the prior year.

Reconciliation between basic and headline earnings (and cents per share)	GROUP 2023 R'000	Earnings per share 2023 cents	2022 R'000	Earnings per share 2022 cents
Net profit/(loss) attributable to ordinary shareholders	**95 535**	**49.3**	(40 385)	(20.9)
(Profit)/loss on disposal of property, plant and equipment	**(15 273)**	**(7.9)**	722	0.4
Gross amount	**(19 697)**		970	
Taxation effect	**4 424**		(248)	
Impairment/(Reversal of impairment) of property, plant and equipment	**179 420**	**92.6**	(3 057)	(1.6)
Gross amount	**180 923**		(4 246)	
Taxation effect	**(475)**		1 189	
Non-controlling interest effect	**(1 028)**			
Impairment of associate	**2 793**	**1.4**	10 440	5.4
Gross amount	**2 793**		10 440	
Headline earnings/(loss)	**262 475**	**135.4**	(32 280)	(16.7)
Weighted average number of shares in issue ('000)	**193 770**		193 483	
Diluted earnings/(loss) per share				
Net profit/(loss) attributable to ordinary shareholders	**95 535**	**48.3**	(40 385)	
Number of shares used for diluted earnings per share calculation ('000)	**197 831**		197 161	
Diluted headline earnings/(loss) per share				
Headline earnings/(loss)	**262 475**	**132.7**	(32 280)	
Number of shares used for diluted earnings per share calculation ('000)	**197 831**		197 161	
Weighted average number of shares in issue ('000)	**(193 770)**		(193 483)	
Adjustment for dilutive share options ('000)	**4 061**		3 678	

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		GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
6.	**DIVIDENDS**				
	No ordinary dividend was declared or paid in 2023 (2022: An ordinary dividend of 90 cents per share was declared on 16 March 2022 in respect of the 2021 financial year and paid on 11 April 2022).		174 223		179 087

		GROUP				
		Land and buildings* R'000	Plant, machinery and equipment* R'000	Vehicles and furniture fittings** R'000	Right-of-use assets R'000	Total R'000
7.	**PROPERTY, PLANT AND EQUIPMENT**					
	2023					
	At cost	**1 749 765**	**4 996 486**	**353 479**	**202 724**	**7 302 454**
	Less: Accumulated depreciation and impairment	**(244 170)**	**(2 657 188)**	**(193 857)**	**(128 981)**	**(3 224 196)**
		1 505 595	**2 339 298**	**159 622**	**73 743**	**4 078 258**
	2022					
	At cost	1 488 793	4 411 387	275 719	161 563	6 337 462
	Less: Accumulated depreciation and impairment	(197 196)	(2 124 923)	(146 432)	(98 137)	(2 566 688)
		1 291 597	2 286 464	129 287	63 426	3 770 774
	Reconciliation of movement:					
	Year ended 31 December 2023					
	Opening net book value	**1 291 597**	**2 286 464**	**129 287**	**63 426**	**3 770 774**
	Transfers***	**110 160**	**(145 654)**	**35 494**		
	Additions	**17 212**	**534 864**	**24 025**	**54 523**	**630 624**
	Disposals	**(5 799)**	**(5 401)**	**(226)**		**(11 426)**
	Depreciation	**(30 046)**	**(278 115)**	**(42 430)**	**(45 615)**	**(396 206)**
	Impairment		**(180 923)**			**(180 923)**
	Foreign currency translation, including the effect of hyperinflation (refer to note 28)	**122 471**	**128 063**	**13 472**	**1 409**	**265 415**
	Closing net book value	**1 505 595**	**2 339 298**	**159 622**	**73 743**	**4 078 258**
	Year ended 31 December 2022					
	Opening net book value	655 845	1 843 270	69 639	68 224	2 636 978
	Transfers*	38 826	(53 303)	14 477		
	Additions	17 438	533 076	40 187	27 685	618 386
	Disposals	(6 835)	(2 490)	(31)	(2 223)	(11 579)
	Depreciation	(20 643)	(251 522)	(29 227)	(30 375)	(331 767)
	Reversal of impairment		4 247			4 247
	Foreign currency translation	606 966	213 186	34 242	115	854 509
	Closing net book value	1 291 597	2 286 464	129 287	63 426	3 770 774

* Includes assets under construction.

** The carrying value of vehicles is R14 million (2022: R12 million), the carrying value of furniture and fittings is R146 million (2022: R117 million).

*** Transfers relate to assets under construction, completed and re-allocated.

Property, plant and equipment comprise of owned (including assets under construction) and leased assets. The group leases assets which include land and buildings, machinery, equipment and vehicles.

A register of land and buildings is available at the registered offices of the subsidiaries owning the respective properties.

Property, plant and equipment amounting to R94.6 million (2022: R88.6 million) are encumbered as security by Rombat for bank overdraft facilities provided to Rombat.

Capital expenditure of R631 million (2022: R618 million) includes instalment sale and leases liabilities for R55 million (2022: R131 million).

Depreciation is allocated to cost of sales for R315.7 million (2022: R262.5 million); distribution costs for R15.9 million (2022: R11.3 million); and administrative expenses for R64.6 million (2022: R58 million) in the income statement.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Assets under construction are included as follows:

	GROUP 2023 R'000	2022 R'000
Land and buildings	**34 971**	7 352
Plant, machinery and equipment	**448 754**	633 914

The group's Li-ion line (included in assets under construction) was written down during the year by R179.2 million to its value in use of R58 million. Upon strategic review of the line and in conjunction with rapid changes in cell technology and chemistry as well as delays in commissioning, the line was impaired. In determining the recoverable amount, the group engaged an independent external party to value the assets and simultaneously identified prospective fair value indicators, resulting in the determined recoverable value. The net book values of assets under instalment sale agreements ("HP's") amounted to R245.6 million (2022: R280.6 million).

Right of use assets, related to leases, are included as follows:

	GROUP 31 Dec 2023 R'000	31 Dec 2022 R'000
Land and buildings (Property)	**17 948**	38 098
Machinery, forklifts and factory equipment	**16 393**	19 078
Vehicles	**39 403**	6 250
	73 744	63 426

Lease rentals amounting to R16.5 million (2022: R10.4 million) relating to property and R29.7 million (2022: R19.1 million) relating to equipment are included in the income statement. These leases are short term and/or leases of low value items and are not capitalised. Equipment comprises mainly of IT and administrative equipment.

The amounts recognised in profit and loss in respect of the group's leases are as follows:

	GROUP 2023 R'000	2022 R'000
Interest on lease liabilities (included in finance costs)	**10 058**	5 350
Expenses relating to short term leases	**43 888**	26 059
Expenses relating to leases of low value assets that are not short term leases	**2 324**	3 520
Depreciation charges on right of use assets:		
- Property	**23 378**	17 755
- Machinery, forklifts and equipment	**7 790**	9 362
- Vehicles	**14 447**	3 258

The total cash outflow for leases was R147.8 million (2022: R64.6 million).

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

Summary of the group's leasing activities:

The group leases forklifts, vehicles, equipment and machinery for operational requirements. Rental or lease contracts range from 1 to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions, but are generally standard in nature and generally does not contain extension or termination options. The lease arrangements generally do not contain any covenants or restrictions, but leased assets may not be used as security for borrowing purposes.

Group companies own most of their properties other than ATE and Rombat's Li-ion facility. ATE leases property in Benoni, South Africa, from which it operates. Annual rentals amounted to R9 663 888 (2022: R8 953 608), with escalations of 8% per annum. No covenants are imposed on the lease.

Rombat leases property in Bucharest, Romania, from which it carries out its Li-Ion cell manufacturing. Operations commenced in November 2019 and the lease term is for 5 years. Annual lease rentals are EUR276 000 (2022: EUR276 000) and there are no escalations. No covenants are imposed on the lease.

Generally lease rights are recognised as an asset with a corresponding liability at the date at which the leased asset is available for use by the group. Right of use assets are depreciated. Lease payments are allocated between the liability (capital obligation) and finance costs. The lease liabilities are included within borrowings (refer to note 14).

	GROUP						
	Goodwill R'000	Trade-marks R'000	Licences R'000	Brands R'000	Customer relation-ship R'000	Computer software research develop-ment costs R'000	Total R'000
8. INTANGIBLE ASSETS							
2023							
At cost	**625 408**	**66 079**	**46 322**	**435 682**	**231 263**	**138 645**	**1 543 399**
Less: Accumulated amortisation and impairment	**(17 797)**	**(40 689)**	**(24 877)**	**(57 676)**	**(157 362)**	**(78 027)**	**(376 428)**
	607 611	**25 390**	**21 445**	**378 006**	**73 901**	**60 618**	**1 166 971**
2022							
At cost	543 738	59 026	50 921	386 014	204 847	114 685	1 359 231
Less: Accumulated amortisation and impairment	(17 797)	(33 479)	(34 493)	(46 912)	(126 335)	(60 365)	(319 381)
	525 941	25 547	16 428	339 102	78 512	54 320	1 039 850
Reconciliation of movement:							
Year ended 31 December 2023							
Opening net book value	**525 941**	**25 547**	**16 428**	**339 102**	**78 512**	**54 320**	**1 039 850**
Additions			**7 418**	**2 378**		**15 277**	**25 073**
Amortisation		**(3 320)**	**(3 678)**	**(7 836)**	**(15 031)**	**(14 441)**	**(44 306)**
Foreign currency translation including the effect of hyperinflation (refer note 28)	**81 670**	**3 163**	**1 277**	**44 362**	**10 420**	**5 462**	**146 354**
Closing net book value	**607 611**	**25 390**	**21 445**	**378 006**	**73 901**	**60 618**	**1 166 971**
Year ended 31 December 2022							
Opening net book value	96 151	19 076	13 124	95 223	24 365	35 854	283 793
Additions			3 832			26 977	30 809
Amortisation		(2 873)	(4 887)	(4 874)	(13 270)	(15 280)	(41 184)
Foreign currency translation including the effect of hyperinflation (refer note 28)	429 790	9 344	4 359	248 753	67 417	6 769	766 432
Closing net book value	525 941	25 547	16 428	339 102	78 512	54 320	1 039 850

8. INTANGIBLE ASSETS (continued)

General

Goodwill, trademarks, brands and customer relationships are allocated to their respective underlying cash-generating units ('CGUs'). The respective businesses acquired are defined as the underlying CGUs which support the valuation of the goodwill, trademarks, brands and customer relationships. Significant trademarks and brands comprise of Mutlu, Povver, Celik and Rombat.

Brands are classified as indefinite useful life when an analysis of the relevant underlying factors confirm that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity. This assumption is further justified by the strong presence these brands have in their respective marketplace. The Mutlu brand is classified as indefinite useful life and is not amortised. The brand has a track record of stability, is long established and has demonstrated the ability to survive changes in the economic environment. Factors considered include the market-leading position of the Mutlu brand in Türkiye, its wide name-recognition and strong presence in the marketplace, management's intention to maintain advertising spend and to keep the brand indefinitely.

Defined life intangible assets are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the costs of these assets over their useful lives. Trademarks, brands and customer relationships are amortised over periods ranging from 5 to 25 years. There are no restrictions on title. Amortisation on finite intangible assets of R25 million (2022: R23.8 million) is included within cost of sales and R19 million (2022: R17.4 million) within administration expenses in the income statement.

Additions to intangible assets comprise predominantly of capitalised battery development costs within the Energy storage vertical, licences and software (as per accounting policy on intangible assets).

Goodwill and indefinite life intangible assets are allocated to the following CGUs:

	Opening net book value R'000	Hyperinflation opening balance restatement R'000	Hyperinflation current year impact R'000	Foreign Currency translation R'000	Closing net book value R'000
2023					
Goodwill					
- Rombat SA	**49 378**			**4 380**	**53 758**
- Mutlu group	**476 563**		**260 759**	**(183 469)**	**553 853**
Brands					
- Mutlu group	**308 200**		**41 901**	**(96 337)**	**253 764**
	834 141		**302 660**	**(275 426)**	**861 375**
2022					
Goodwill					
- Rombat SA	49 307			71	49 378
- Mutlu group	46 845	248 788	217 955	(37 025)	476 563
Brands					
- Mutlu group	81 814	125 075	120 576	(19 265)	308 200
	177 966	373 863	338 531	(56 219)	834 141

Impairment tests on goodwill and indefinite life intangible assets

The group's goodwill and indefinite life intangible assets arising in Mutlu and Rombat (the CGUs), belong to the energy storage vertical. The recoverable amount has been determined based on value-in-use calculations using discounted cash flow models ('DCF'), representing cash flows in the domestic currency of the relevant CGU.

DCF models use cash flow projections based on the most recent financial budgets and five-year business plans approved by the board, which include assumptions on profit before interest and tax, depreciation, working capital and capital maintenance expenditure. Cash flows beyond the five-year period are extrapolated using estimated growth rates consistent with long-term industry growth forecasts (terminal value). The estimated future cash flows used are pre-tax.

We calculated the discount rate (weighted average cost of capital or 'WACC') by considering various aspects including the selection of peer companies, country risk premiums, normalised target capital structure, size adjustment and alpha or specific risk premiums as at 31 December 2023. Due to the hyper inflationary environment which Mutlu operates in, the domestic currency WACC is considered to be less reliable or more volatile than a stable rate such as a USD- denominated WACC. As such, a USD denominated WACC was applied to USD denominated forecast cash flows for impairment testing of Mutlu.

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8. INTANGIBLE ASSETS (continued)

The summary of key assumptions used for value-in-use calculations are as follows:	ROMBAT %	MUTLU %
2023		
Compound annual battery volume growth rate*	**3.3**	**5.6**
Long-term growth rate**	**3.0**	**3.6**
Discount rate (WACC)***	**14.8**	**18.7**
Period (years)	**5.0**	**5.0**
2022		
Compound annual battery volume growth rate*	4.6	4.1
Long-term growth rate**	3.8	3.1
Discount rate (WACC)***	15.9	17.6
Period (years)	5.0	5.0

* *Compound annual volume growth rate in the initial five-year period for automotive batteries.*

** *Long-term growth rate used to extrapolate cash flows beyond the five-year period.*

*** *Implied post-tax discount rate applied to cash flow projections reflecting specific risks relating to the CGU and the country they operate in. The changes in the WACC of both Mutlu and Rombat are primarily driven by changes in risk free rates, betas and applicable alphas which are discussed further below.*

Pre-tax discount rates for Mutlu and Rombat are 24.4% and 17.5% respectively.

Raw material input costs: Lead constitutes approximately 60% of the material cost of batteries and therefore the group is exposed to commodity price risk in the quoted market price of lead which may impact on input costs. However; this risk is mitigated by the following:
- Operations benefit from vertical integration of scrap battery recycling which also allows the group to meet its legal recycling obligations and acts as a key source of raw materials.
- Recovery of old batteries through the group's distribution network and recycling of its lead content allows the group to significantly reduce its costs, thus achieving strong operational efficiency and overall lower input costs when compared to London Metals Exchange ('LME').
- A natural hedge exists for USD denominated Lead price which is partially off-set through export sales denominated in foreign currency.
- The majority of lead price increases are also passed into the aftermarket through selling price increases when required.
- Medium and long-term product pricing generally follow trends in USD and LME as battery prices are predominantly based on the USD exchange rate and the LME price of lead per tonne. USD2 350 USD/tonne (2022: USD2 200 USD/tonne) has been used in the forecast period costs for lead.

Implied post-tax discount rate: The discount rate of each CGU is determined using a Weighted Average Cost of Capital ('WACC') approach. Risk adjusted discount rates are derived from risk-free rates based upon long-term government bonds in the territory, or territories, within which each CGU operates. We have taken the yield of the ten-year benchmark sovereign bond for Romania denominated in the CGUs domestic currency as a proxy for the risk-free rate for Rombat. For Türkiye (Mutlu), we have used the 30-year United States ('US') government bond and applied a 'build-up approach', including adjusting for country risk premium. No inflation differential between the Turkish Lira and USD was applied in 2023 since a USD denominated discount rate was used (excluding the inflation differential). A relative risk adjustment (or beta) has been applied to risk-free rates to reflect the risk inherent in each CGU relative to all other sectors on average, determined using an average of the betas of comparable listed companies, relevered. The discount rate is further adjusted (where applicable) for a small stock premium, a company specific risk premium ('CSRP'), forecasting risk (alpha) and a market or equity risk premium. Since we have made use of domestic sovereign bonds as a measure of the risk-free rate for Rombat, no country risk premium has been applied. However, a country risk premium of 5.6% (2022: 5.5%) was applied to the risk-free rate determination of Mutlu. In determining the cost of debt we have used a 'build-up approach' considering each CGUs capacity to borrow on a stand-alone basis and is dependent on the general level of interest rates, default risk premiums, tax rates and long-term target debt weighting (debt to equity ratio).

Long-term growth rates: To forecast beyond the detailed cash flows into perpetuity, a long-term growth rate has been used. In each case, this approximates long-term industry and country forecasts in the territory where the CGU is primarily based.

Goodwill sensitivity analysis

The results of the group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in key assumptions has therefore been reviewed.

The table that follows shows the discount rate and long-term growth rate assumptions used in the calculation of value-in-use and the amount by which each assumption must change in isolation in order for the estimated recoverable amount to approximate the carrying value.

8. INTANGIBLE ASSETS (continued)

Sensitivity analysis of assumptions used in the goodwill impairment test	**ROMBAT**	**MUTLU**
Change required for the carrying value to approximate the recoverable amount:		
2023		
Discount rate % - applied	**14.8**	**18.7**
Discount rate % - threshold	**15.6**	**19.5**
Percentage points change (headroom)	**+0.8**	**+0.7**
Long-term growth rate % applied	**3.0**	**3.6**
Percentage points change (headroom)	**-1.2**	**-1.2**
2022		
Discount rate % - applied	15.9	17.6
Discount rate % - threshold	17.9	20.8
Percentage points change (headroom)	+2.0	+3.2
Long-term growth rate % applied	3.8	3.1
Percentage points change (headroom)	-3.3	-5.4

Changes to the compound annual volume growth rates are not significantly sensitive to recoverable amounts.

	COMPANY	
	2023 R'000	**2022 R'000**
9. INTEREST IN SUBSIDIARIES		
Unlisted		
Investments at cost	**493 695**	493 695
Share-based payment costs	**63 934**	90 998
	557 629	584 693
Advances to subsidiary companies, net of impairments	**1 787 871**	1 787 871
Current advances from subsidiary companies	**(411 624)**	(407 547)
	1 376 247	1 380 324
Total net investment interest	**1 933 876**	1 965 017

Advances to subsidiary companies are interest-free, unsecured, repayable on demand, to be settled in cash and presented net of impairment allowances. The gross carrying amount of loans advanced, which represent the maximum exposure to loss, is R1 982 084 316 (2022: R1 982 084 316).

The total expected credit loss provision amounted to R194 212 831 (2022: R194 212 831) (refer to note 19.2 B financial instruments - credit risk). Loans receivable are classified within a "held-to-collect" business model as the company holds the loans with the objective to collect the contractual cash flows which solely relates to payments of the principal amount and classified at amortised cost.

	COMPANY	
Gross amounts owing by/(to) subsidiaries consists of the following:	**2023 R'000**	**2022 R'000**
Inalex (Pty) Ltd	**1 814 634**	1 814 634
Automould (Pty) Ltd	**167 451**	167 451
Metair Management Services (Pty) Ltd	**(148 080)**	(263 636)
Business Venture Investments 1217 (Pty) Ltd	**(263 544)**	(143 911)
	1 570 461	1 574 538

The interest of Metair in the aggregate after tax income/(loss) of the subsidiaries was as follows:

	GROUP	
	2023 R'000	**2022 R'000**
Net income	**740 467**	973 239
Net losses	**(376 551)**	(331 275)

Details of subsidiaries of the group are disclosed at the end of the audited financial statements. The group structure is available as a supplementary schedule in the integrated annual report.

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9. INTEREST IN SUBSIDIARIES (continued)

All subsidiary undertakings are included in the group consolidation. Total non-controlling interest is R127.3 million (2022: R130.0 million) of which R123.2 million (2022: R125.4 million) relates to Smiths Manufacturing. Smiths Manufacturing is situated in South Africa and is a conventional manufacturing company producing automotive products such as climate control and air-conditioning systems predominantly for the OE sector. Management has assessed the level of influence that the group is able to exercise over Smiths Manufacturing and it has control over the company due to its voting and similar rights as well as the ability to direct the relevant activities.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information, prepared in accordance with IFRS, for Smiths Manufacturing (75% held) that has a non-controlling interest material to the group. The amounts disclosed are based on those included in the consolidated financial statements before inter-company eliminations.

	2023 R'000	2022 R'000
Summarised balance sheet		
Non-controlling interest %	25	25
Current		
Assets	759 374	731 064
Liabilities	(470 265)	(431 664)
Total net current assets	289 109	299 400
Non-current		
Assets	347 035	288 598
Liabilities	(130 955)	(81 015)
Total net non-current assets	216 080	207 583
Net assets	505 189	506 983
Summarised results		
Revenue	2 405 406	1 955 376
Other comprehensive (loss)/income	(66)	2 304
Profit attributable to non-controlling interest	34 079	36 393
Total comprehensive income allocated to non-controlling interest	34 063	36 969
Dividends paid to non-controlling interest	36 392	17 668
Accumulated non-controlling interest	123 249	125 379
Summarised cash flow		
Net cash inflow from operating activities	154 897	40 881
Net cash outflow from investing activities	(33 519)	(38 456)
Net cash outflow from financing activities	(1 796)	(3 262)

10. INVESTMENT IN ASSOCIATES

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Unlisted				
Investments at cost less impairment	187 026	169 086		47 264
Share of post-acquisition reserves included in equity accounted earnings	102 956	131 974		
Total carrying value	289 982	301 060		47 264
Reconciliation of movements:				
Balance at the beginning of the year	301 060	613 056	47 264	47 264
Disposal of associate		(8 433)		
Impairment of associate	(2 793)	(10 440)	(68 497)	
Share of equity accounted losses	(7 266)	(228 963)		
Dividends received	(6 047)	(61 551)		
Investment arising from revaluation of financial guarantee liability	21 233		21 233	
Foreign currency translation	(16 205)	(2 609)		
Investment in associates	289 982	301 060		47 264

Associates have share capital consisting of ordinary shares and subscribed capital held by the group. The principal place of business are identical to the country of their incorporation and the proportion of ownership is the same as voting rights held. The group's associates are private entities and operate in the automotive component industry, manufacturing automotive parts and batteries. Valeo Systems SA and Tenneco Automotive Holdings SA are held directly by the company.

10. INVESTMENT IN ASSOCIATES (continued)

The company issued a guarantee in favour of Standard Bank of South Africa in respect of credit facilities granted to Hesto for R850 million. The maximum amount the company is exposed to is R636 million (2022: R636 million). The actual exposure of the company was R466 million (2022: R578 million) at balance sheet date.

Set out in the table below is a summary of associates which are included in group results using the equity accounting method.

Nature of investment in associates	Percentage holding (effective) %	Place of business/ country of incorporation	Group carrying amount R'000
2023			
Unlisted			
Hesto Harnesses (Pty) Ltd	**74.9**	**South Africa**	
Valeo Systems SA (Pty) Ltd	**49.0**	**South Africa**	
Tenneco Automotive Holdings SA (Pty) Ltd	**25.1**	**South Africa**	**69 953**
Associated Battery Manufacturers (East Africa) Limited ('ABM')	**25.0**	**Kenya**	**217 575**
Denso Sales South Africa (Pty) Ltd	**49.0**	**South Africa**	**2 454**
MOLL	**25.1**	**Germany**	
Vizirama 12 (Pty) Ltd	**33.0**	**South Africa**	
Eye2square Innovations (Pty) Ltd	**20.0**	**South Africa**	
			289 982
2022			
Unlisted			
Hesto Harnesses (Pty) Ltd	74.9	South Africa	14 984
Valeo Systems SA (Pty) Ltd	49.0	South Africa	18 223
Tenneco Automotive Holdings SA (Pty) Ltd	25.1	South Africa	57 950
Associated Battery Manufacturers (East Africa) Limited	25.0	Kenya	209 852
Denso Sales South Africa (Pty) Ltd	49.0	South Africa	51
MOLL	25.1	Germany	
Vizirama 12 (Pty) Ltd	33.0	South Africa	
Eye2square Innovations (Pty) Ltd	20.0	South Africa	
			301 060

Although the group owns 74.9% of the majority voting rights in Hesto, the Shareholder's Agreement stipulates that unanimous consent is required for all decisions relating to the relevant activities of Hesto. In addition, the minority shareholder also has the ability, via a currently exercisable and substantive call option, to call the majority shareholding. Therefore, the group accounts for Hesto under the equity accounting method. Hesto's results are, however, included within the group's automotive business vertical (segment report) and for the purpose of calculating bank loan covenants.

Hesto manufactures and sells automotive wiring harnesses and related components in South Africa. Hesto is a specialist automotive component manufacturer which provides the group with additional OE product offerings as well being a local product differentiator. Hesto incurred a R574 million (2022: R314 million) loss after tax mainly due to the impact of global supply chain disruptions on the business, including significant air-freight and shipping charges to support customers, as well as project costs incurred on planned new customer models launches for the future.

The group's proportionate share of Hesto post-tax equity losses amounted to R393 million (2022: RNil). However, in terms of equity accounting rules under IFRS (IAS28), if there are no contractual obligations for shareholders to directly fund Hesto's operating losses, the share of losses exceeding the carrying value of the underlying investment are capped until sufficient profits are generated to reverse the accumulated loss position. Therefore, Hesto losses are not included in the group's results, but are included for segment reporting and debt covenant calculations.

ABM owns the Chloride and Exide brands for the Kenyan as well as Tanzanian and Ugandan markets. The ABM group is purely aftermarket and represents significant potential for synergies and technology transfer in maintenance free batteries for automotive and lithium batteries for solar.

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10. INVESTMENT IN ASSOCIATES (continued)

Summarised financial information for associates

Set out below is the summarised financial information for the associates, which are accounted for using the equity method:

	2023		
	Hesto R'000	ABM R'000	Other associates R'000
Summarised income statements			
Revenue	5 701 335	1 868 574	1 876 636
(Loss)/profit after taxation	(573 552)	95 710	(31 634)
Total comprehensive (loss)/income	(573 552)	95 710	(31 634)
Attributable to group	(36 217)	23 928	5 023
Dividends received from associates			(6 047)
Post foreign earnings currency translation		(16 205)	
Summarised balance sheets			
Current			
Assets	1 842 735	626 939	992 117
Liabilities*	(3 512 128)	(189 027)	(579 162)
Non-current			
Assets	1 619 886	304 835	326 851
Liabilities	(581 703)	(92 570)	(377 143)
Net assets	(631 210)	650 177	362 663

* Including subordinated shareholder loans.

	2022		
	Hesto R'000	ABM R'000	Other associates R'000
Summarised income statements			
Revenue	1 770 674	1 696 882	1 533 762
(Loss)/profit after taxation	(313 811)	103 891	(14 196)
Total comprehensive (loss)/income	(313 811)	103 891	(13 716)
Attributable to group	(235 044)	25 973	(19 892)
Dividends received from associates		(13 210)	(48 341)
Post foreign earnings currency translation		(3 089)	480
Summarised balance sheets			
Current			
Assets	1 255 456	608 985	979 328
Liabilities	(1 625 731)	(217 157)	(462 446)
Non-current			
Assets	1 415 952	368 169	349 111
Liabilities	(1 085 046)	(98 106)	(480 202)
Net assets	(39 369)	661 891	385 791

The information above reflects the amounts presented in the financial statements of the associates (and not the group's share of those amounts) adjusted for differences in accounting policies between the group and the associates.

The statutory financial year-end of ABM is the end of March, however, the results presented are at 31 December and equity accounted up to this date.

10. INVESTMENT IN ASSOCIATES (continued)

Reconciliation of summarised financial information

Reconciliation of summarised financial information of associates is presented in the table below:

	2023		
	Hesto R'000	ABM R'000	Other associates R'000
Opening net (liabilities)/assets 1 January	(39 369)	661 891	385 791
(Loss)/profit for the year	(573 552)	95 710	(31 634)
Dividends paid			(12 341)
Foreign currency translation and other movements		(107 424)	
Closing net (liabilities)/assets	(612 921)	650 177	341 816
Shareholding	74.9%	25.0%	Varying
Acquisition cost less accumulated impairment	1	121 321	
Investment arising from recognition of financial guarantee liability	65 704		
Post equity accounted (losses)/profits	(65 705)	96 254	72 407
Carrying amount		217 575	72 407

	2022		
	Hesto R'000	ABM R'000	Other associates R'000
Opening net assets 1 January	274 442	628 568	609 773
(Loss)/profit for the year	(313 811)	103 891	(14 196)
Dividends paid		(52 841)	(186 451)
Foreign currency translation and other movements		(17 727)	(23 335)
Closing net assets	(39 369)	661 891	385 791
Shareholding	74.9%	25.0%	Varying
Acquisition cost less accumulated impairment	1	121 821	2 793
Investment arising from initial recognition of financial guarantee liability	44 471		
Post equity accounted profits	(29 488)	88 031	73 431
Carrying amount	14 984	209 852	76 224

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
11. INVENTORY				
Raw material	1 641 655	1 158 796		
Work in progress	639 924	542 650		
Finished goods	999 616	977 681		
Right to recover returned goods	8 356	9 749		
	3 289 551	2 688 876		
Write-downs of inventories to net realisable value	47 335	29 684		
The cost of inventories expensed and included in cost of sales	11 430 567	10 486 321		
Inventory pledged by Rombat for bank overdrafts	177 864	7 567		

Certain inventory and work in progress, related to automotive components, are recognised as contract assets due to revenue being recognised over time. An asset for the right to recover returned goods is recognised for batteries sold under certain distributor arrangements.

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		GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
12.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	1 885 683	2 008 944		
	Less: Provision for impairment of trade receivables	(115 012)	(74 448)		
		1 770 671	1 934 496		
	Prepayments and deposits	151 991	164 823		
	Tooling receivables	51 471	262 437		
	Insurance proceeds and claims receivable		38 993		
	Grant claim receivable	3 205	3 605		
	VAT and customs receivable	101 407	126 619		
	Rebates and discounts receivable	143 490	100 062		
	Related party receivables (Hesto)	186 037	167 686		
	Other receivables	141 770	76 274		684
		2 550 042	2 874 995		684
	Gross trade receivables are analysed as follows:				
	Original equipment	856 510	689 783		
	Exports	313 096	318 159		
	Aftermarket	532 442	867 276		
	Non-automotive	183 635	133 726		
		1 885 683	2 008 944		

Improved cash recovery but also lower aftermarket sales drives reduction in trade receivables. This is as a result of production constraints and the impact of the earthquake on some of Mutlu Akü's aftermarket dealers.

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

	GROUP 2023 R'000	GROUP 2022 R'000
Rand	1 483 941	1 515 347
British Pound	37 262	28 065
Euro	264 763	185 921
US Dollar	148 954	139 196
Australian Dollar		1 362
Romanian Lei	121 810	170 070
Turkish Lira	493 312	835 034
	2 550 042	2 874 995

12. TRADE AND OTHER RECEIVABLES (continued)

The provision for impairment (loss allowance) can be reconciled as follows:

	Total R'000	Original equip-ment R'000	Export R'000	After-market R'000	Non-auto-motive R'000
2023					
At 1 January	**74 448**	**7 269**	**31 110**	**32 075**	**3 994**
Net remeasurement of loss allowance	**37 368**	**286**	**1 467**	**(11 461)**	**47 076**
Amounts written off	**(1 267)**			**(692)**	**(575)**
Currency adjustments	**4 464**		**2 716**	**1 748**	
As at 31 December	**115 013**	**7 555**	**35 293**	**21 670**	**50 495**
2022					
At 1 January	75 327	7 165	40 545	25 816	1 801
Net remeasurement of loss allowance	624	104	(9 479)	7 611	2 388
Amounts written off	(1 491)			(1 296)	(195)
Currency adjustments	(12)		44	(56)	
As at 31 December	74 448	7 269	31 110	32 075	3 994

We applied an overlay factor and increased the loss rates for our aftermarket customers, although actual current payment profiles have been generally within terms. Our OEM customers are considered low credit risk. 84% (2022: 86%) of the group's total debtors are within terms.

An ageing profile of trade receivables, from a customer market perspective, is presented below:

	Total R'000	Original equip-ment R'000	Export R'000	After-market R'000	Non-auto-motive R'000
2023					
Up to 3 months	**1 695 187**	**843 491**	**278 869**	**495 867**	**76 960**
3 to 6 months	**120 197**	**1 560**	**2 023**	**15 868**	**100 746**
Over 6 months	**70 299**	**11 459**	**32 204**	**20 707**	**5 929**
	1 885 683	**856 510**	**313 096**	**532 442**	**183 635**
2022					
Up to 3 months	1 904 004	680 194	288 666	804 750	130 394
3 to 6 months	37 972	2 379	617	33 163	1 813
Over 6 months	66 968	7 210	28 877	29 363	1 518
	2 008 944	689 783	318 160	867 276	133 725

The other classes within trade and other receivables do not contain impaired assets and of insignificant credit risk. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Mutlu has obtained security over trade receivables in the form of bank guarantees, mortgages and bank letters of credit which can be called upon if the trade debtor is in default. The total value is R204 million (2022: R533 million), which represents approximately 31% (2022: 55%) of total Mutlu debtors outstanding at year end. 45% of Mutlu export debtors R22 million (2022: R120 million)) secured through collateral. Mutlu has a low history of customer defaults and the collateral has been taken into account in determining the loss allowance under IFRS 9.

Receivables are classified within a “held-to-collect” business model since the group holds the trade receivables with the objective to collect the contractual cash flows and therefore measured at amortised cost. Trade receivables are recognised initially at the amount of consideration that is unconditional. Information about the group’s exposure to credit risk, the impairment policies and loss allowance model for trade receivables can be found in note 19.2B.

Trade receivables of R129.2 million (2022: R69.3 million), relating to Rombat and ATE, have been pledged as security for bank overdraft facilities granted.

NOTES TO THE FINANCIAL STATEMENTS

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		GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
13.	**CASH AND CASH EQUIVALENTS**				
	For the purposes of the cash flow statement, cash and cash equivalents consist of the following:				
	Cash at bank and on hand	**968 920**	1 298 608	**1 482**	3 391
	Bank overdrafts	**(402 305)**	(318 298)		
		566 615	980 310	**1 482**	3 391
	The following interest rates applied at year-end:				
	South African short-term bank deposits	**7.%**	3.9%		
	Turkish short-term bank deposits	**38.7%**	24.0%		
	European short-term bank deposits	**0.3%**	0.3%		
	South African bank overdrafts	**10.8%**	9.3%		
	European bank overdrafts	**10.5%**	4.2%		

Rombat has pledged as security property, plant and equipment of R95 million (2022: R88.6 million), inventory of R178 million (2022: R7.6 million) and trade receivables of R129.2 million (2022: R69.3 million) for bank overdraft facilities granted.

		GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
14.	**BORROWINGS AND FINANCIAL LIABILITIES**				
	Redeemable preference shares	**840 000**	840 000		
	Bank borrowings	**2 246 053**	2 352 750		
	Instalment sale liabilities	**243 662**	298 349		
	Lease liabilities	**67 903**	66 268		
	Total borrowings	**3 397 618**	3 557 367		
	Financial guarantee liabilities	**44 949**	27 547	**44 949**	27 547
	Total borrowings and financial liabilities	**3 442 567**	3 584 914	**44 949**	27 547
	Current portion of borrowings and financial liabilities	**2 384 725**	3 234 734	**33 317**	10 847
	Non-current portion of borrowings and financial liabilities	**1 057 842**	350 180	**11 632**	16 700
	Total borrowings and financial liabilities	**3 442 567**	3 584 914	**44 949**	27 547

Redeemable preference shares

Consists of cumulative mandatorily redeemable no par value preference shares originally issued in 2014 for R1.4 billion. The remaining R840 million is due on 13 December 2024. The preference share funding is unsecured.

Dividends (interest) are paid on a semi-annual basis on 30 April and 31 October of each year. The facility carries a dividend rate of 72% of 3 month JIBAR plus 2.04% (margin), equating to 68% of prime at December 2023 (2022: 68% of the ruling South African prime rate), calculated on a nominal annual rate, compounded monthly.

Bank borrowings

Bank borrowings consists of revolving credit facilities ('RCFs') drawn down of R1 275 million (2022: R1 255 million) and term, call and other loans of R971 million (2022: R1 098 million).

South African Revolving Credit Facilities ('RCFs')

Unsecured facilities for R750 million (RCF 1) and R525 million (RCF 2) are provided by Absa Bank Limited, Investec Bank and Standard Bank of South Africa Limited. Drawdowns on RCF 1 and RCF 2 amounted to R750 million (2022: R750 million) and R525 million (2022: R505 million) respectively.

RCF1 has a tenure of 5 years and matures on August 2026 and is classified as long term. Interest is charged at 2.25% over the ruling JIBAR rate, determined either on a one, three or six-month basis, as selected by the group (interest period). The maturity of RCF 2 is April 2024 and interest is charged at 2.35% over JIBAR. The facility is in the process of being extended by a further 1 year and is classified as current.

Interest on RCFs accrue on a daily basis and is payable in arrears at the end of each interest period. Drawdowns are payable on a rolling basis, at each interest period, but not later than the final maturity date. RCF funding is guaranteed by certain subsidiaries of the group.

14. BORROWINGS (continued)

Bank borrowings (continued)

Term and call loans arise in Mutlu for R891 million (2022: R1 001 million) and Rombat for R80 million (2022: R96 million).

Mutlu - Turkish Lira (TL) and US Dollar borrowings:

Consists of various unsecured term, call and revolver loans totaling TL1 229 million (2022: TL1 105 million) and USD7 million (2022: USD Nil), maturing at varying dates between January 2024 and October 2025. Interest comprises of a mixture of fixed and floating rates. TL461 million (R287 million) relates to floating rates ranging from 26.1% to 49.0% (2022: TL627 million at interest rates ranging from 15.7% to 33.0% per annum). TL768 million (R479 million) relates to fixed interest rates ranging from 13.5% to 51.0% per annum (2022: TL478 million at interest rates ranging from 10.4% to 23.7% per annum) USD7 million (R125 million) at fixed interest rates ranging from 8.0% to 11.2% per annum.

Rombat - Euro and Romanian Lei borrowings:

Consists of a EUR3.8 million (2022: EUR5.3 million) and Lei 0.6 million loan. The Euro loan is a fixed interest rate loan maturing in June 2026 with interest charged at 1.4% per annum. Capital repayments approximate EUR0.4 million (R7.8 million) per quarter (EUR1.5 million (R31.0 million) per annum). The Romanian Lei loan matures in October 2027 with interest charged at ROBOR +1.1% per annum. The loans are secured over property, plant and equipment, amounting to EUR11.7 million (2022: EUR11.5 million).

Covenant compliance

The group's preference shares and South African RCF funding amounting to R2.1 billion (2022: R2.1 billion) are subject to covenant requirements which were complied with at balance sheet date. Refer to note 19.3 for further information on covenants and capital risk management.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Maturity of bank borrowings and preference shares				
Within 1 year	2 256 551	3 123 831		
Later than 1 year and not later than 2 years	62 881	27 567		16 700
Later than 2 year and not later than 5 years	766 621	41 352		
	3 086 053	3 192 750		16 700
The carrying amount of total borrowings are denominated in the following currencies:				
Rand	2 398 501	2 449 504		
US Dollar	125 134			
Euro	82 385	105 558		
Romanian Lei	2 533			
Turkish Lira	789 065	1 002 305		
	3 397 618	3 557 367		

The group had the following undrawn and available borrowing (including overdraft) facilities at year-end:

- RCF 1 of RNil million (2022: RNil million)
- RCF 2 of RNil million (2022: R20 million)
- Other South African facilities of R766 million (2022: R732 million)
- USD denominated facilities of USD49 million (2022: USD53 million)
- Turkish Lira denominated facilities of TL565 million (2022: TL215 million)
- Euro denominated facilities of EUR9 million (2022: EUR13 million)

Except for the RCF funding, all undrawn borrowing facilities are renewable annually. The borrowing powers of the company are unlimited in terms of its memorandum of incorporation. Subsequent to balance sheet date, the group will undertake a full debt restructure and refinancing program, inclusive of Hesto.

Instalment sale liabilities

Assets acquired by instalment sale agreements are paid over an agreed time period. Assets are effectively purchased up front but the title of the asset passes automatically, once the full amount has been paid. Payment obligations are secured as the rights to the asset revert to the financer in the event of default. Instalment sale agreements are secured over vehicles and machinery with a book value of R245.6 million (2022: R280.6 million).

Financial liabilities

Financial liabilities arise due to financial guarantees provided by the Company on behalf of Hesto, for loan facilities advanced by funders for a total amount R1.8 billion (2022: R636 million). A financial guarantee is measured at fair value, using an interest rate differential method as set out in the accounting policies. Refer to note 19.2 and 20 for further detail.

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		GROUP 2023 R'000	GROUP 2022 R'000	COMPANY 2023 R'000	COMPANY 2022 R'000
14.	**BORROWINGS (continued)**				
	Instalment sale liabilities - minimum payments:				
	Within 1 year	75 846	92 659		
	Later than 1 year and not later than 5 years	230 340	284 243		
	Minimum instalments	306 186	376 902		
	Future finance charges	(62 524)	(78 553)		
	Present value of liabilities	243 662	298 349		
	The present value of all instalment sale liabilities may be analysed as follows:				
	Within 1 year	50 728	65 282		
	Later than 1 years and not later than 2 years	192 676	66 740		
	Later than 2 years and not later than 5 years	258	166 327		
	Present value of liabilities	243 662	298 349		
	Lease liabilities				
	Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.				
	Gross lease liabilities - minimum lease payments:				
	Within 1 year	51 575	37 975		
	Later than 1 year and not later than 5 years	27 388	34 629		
	Minimum lease payments	78 963	72 604		
	Future finance charges on leases	(11 061)	(6 336)		
	Present value of lease liabilities	67 902	66 268		
	The present value of all lease liabilities may be analysed as follows:				
	Within 1 year	44 129	34 774		
	Later than 1 years and not later than 2 years	16 287	23 586		
	Later than 2 years and not later than 5 years	7 486	7 908		
		67 902	66 268		
	All borrowings are interest-bearing and the approximate annual interest rates at year-end are as follows:	%	%		
	Preference shares	7.8	5.7		
	Bank borrowings				
	- RCF 1	*JIBAR+2.25	*JIBAR+2.25		
	- RCF 2	*JIBAR+2.35	*JIBAR+2.35		
	- Term, call and revolver loans (TL borrowings)	13.5 - 51.0	10.4 - 33.0		
	- Term, call and revolver loans (USD borrowings)	8.0 - 11.2			
	- Term loan (Euro borrowings)	1.4	1.4		
	- Term loan (Romanian Lei borrowings)	**ROBOR+1.1			
	Instalment sale liabilities	9.75 - 11.2	9.4 - 10.8		
	Lease liabilities	1.4 - 26.82	1.4 - 11.0		

* Johannesburg inter-bank agreed rate. As a result of global rate benchmark reforms, the South African Reserve Bank ('SARB') has indicated their intention to move away from JIBAR. The reform is still in progress and a suitable alternative for South Africa is only expected in a few years' time.

** Romanian interbank offered rate.

		GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
15.	**DEFERRED TAXATION**				
	Deferred taxation is calculated on all temporary differences under the liability method using a principal taxation rate of 27% (2022: 27%) for South Africa, 16% (2022: 16%) for Romania, 25% (2022: 20%) for Türkiye and 19% (2022: 19%) for the United Kingdom. The following amounts are shown in the consolidated balance sheet:				
	Deferred taxation assets	(116 446)	(36 599)		
	Deferred taxation liabilities	393 880	333 054		
		277 434	296 455		
	The movement is as follows:				
	At the beginning of the year	296 455	168 240		
	Income statement (credit)/charge:				
	- Current year	(47 071)	1 188		
	- Prior year reallocation	198	(1 296)		
	- Rate change	(2 429)	(1 595)		
	Taxation credited to other comprehensive income:				
	- Actuarial losses	(4 649)	(4 935)		
	Taxation charged/(credit) to equity:				
	- Share-based payments	4 950	(4 277)		
	Foreign currency translation, including the effect of hyperinflation	29 980	139 130		
	At the end of the year	277 434	296 455		
	Deferred taxation assets:				
	Deferred taxation asset to be recovered after more than 12 months	(166 263)	(135 113)		
	Deferred taxation asset to be recovered within 12 months	(140 144)	(70 906)		
		(306 407)	(206 019)		
	Deferred taxation liabilities:				
	Deferred taxation liability due after more than 12 months	512 019	465 582		
	Deferred taxation liability due within 12 months	71 822	36 892		
		583 841	502 474		
	Amounts aggregated:				
	Deferred taxation assets	(306 407)	(206 019)		
	Deferred taxation liabilities	583 841	502 474		
	Net deferred taxation liability	277 434	296 455		

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15. DEFERRED TAXATION (continued)

Deferred taxation liabilities

	GROUP			
	Plant and equipment R'000	Intangibles R'000	Claims and other receivables R'000	Total R'000
2023				
Opening balance	**362 828**	**78 126**	**61 520**	**502 474**
Reallocations	**(6 300)**		**6 234**	**(66)**
(Charged)/credited to the income statement - Current year	**(16 839)**	**(8 564)**	**69 415**	**44 012**
Credited to the income statement - Prior year reallocation	**(137)**		**2 761**	**2 624**
Rate change	**65**	**(49)**	**785**	**801**
Credited to other comprehensive income			**7**	**7**
Foreign currency translation**	**32 145**	**(1 265)**	**3 109**	**33 989**
Closing balance	**371 762**	**68 248**	**143 831**	**583 841**
2022				
Opening balance	249 772	20 835	81 465	352 072
Reallocations			(23 563)	(23 563)
(Credited)/charged to the income statement - Current year	64 679	(8 068)	(17 286)	39 325
Credited to the income statement - Prior year reallocation	(2)		(119)	(121)
Rate change	(3 649)		(4 240)	(7 889)
Credited to other comprehensive income			94	94
Foreign currency translation**	52 028	65 359	25 169	142 556
Closing balance	362 828	78 126	61 520	502 474

Deferred taxation assets

	GROUP						
2023	Share-based payments R'000	Post-employment benefits R'000	Assessed losses set off R'000	Provision for doubtful debts R'000	Warranty claims R'000	Derivatives and other R'000	Total R'000
Opening balance	**(13 891)**	**(25 460)**	**(66 725)**	**(11 823)**	**(14 529)**	**(73 591)**	**(206 019)**
Reallocations		**152**		**72**	**11**	**(169)**	**66**
Charged/(credited) to the income statement:							
- Current year	**5 124**	**13 789**	**(74 087)**	**(9 714)**	**(188)**	**(26 007)**	**(91 083)**
- Prior year reallocation		**300**		**59**	**114**	**(2 899)**	**(2 426)**
Rate change		**(2 557)**		**208**		**(881)**	**(3 230)**
Credited to other comprehensive income		**(4 656)**					**(4 656)**
Deferred taxation on share-based payment reserve*	**4 950**						**4 950**
Foreign currency translation**	**(105)**	**(1 662)**	**(752)**	**(344)**	**(302)**	**(844)**	**(4 009)**
Closing balance	**(3 922)**	**(20 094)**	**(141 564)**	**(21 542)**	**(14 894)**	**(104 391)**	**(306 407)**
2022							
Opening balance	(10 860)	(21 229)	(23 230)	(15 511)	(13 202)	(99 800)	(183 832)
Reallocations						23 563	23 563
(Credited)/charged to the income statement:							
- Current year	1 177	2 619	(46 049)	3 603	(1 187)	1 700	(38 137)
- Prior year reallocation		(32)		(17)		(1 126)	(1 175)
Rate change	95	357	2 282	109	438	3 013	6 294
Credited to other comprehensive income		(5 029)					(5 029)
Deferred taxation on share-based payment reserve*	(4 277)						(4 277)
Foreign currency translation**	(26)	(2 146)	272	(7)	(578)	(941)	(3 426)
Closing balance	(13 891)	(25 460)	(66 725)	(11 823)	(14 529)	(73 591)	(206 019)

* The measurement of the deductible expense on share-based payment reserves is based on the entity's share price.

** Including the effect of hyperinflation.

15. DEFERRED TAXATION (continued)

Deferred tax assets are recognised for the carry forward amount of unused tax losses relating to the group's operations where, among other things, taxation losses can be carried forward indefinitely and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise all tax losses carried forward. Recognition is limited to the extent that it is probable that the entities will generate future taxable income against which these tax losses can be utilised. However, for the utilisation of assessed losses in SA, carried over from prior years will be capped to 80% of taxable income.

Deferred tax liabilities are not recognised for the income tax effect that may arise on the remittance of unremitted earnings by subsidiaries. It is management's intention that, where there is no double taxation relief, these earnings will be permanently re-invested in the group.

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
16. TRADE AND OTHER PAYABLES				
Trade creditors	**2 009 354**	2 066 078		
Accrual for leave pay	**54 122**	39 263		
Trade accruals, including utilities, technical and license fees	**333 931**	308 517	**1 790**	1 593
Tool-maker payables	**66 424**	253 564		
Deferred income on government grants	**199 078**	138 655		
Payroll and statutory accruals	**154 873**	132 853		
Royalties payable	**55 548**	36 173		
VAT and other indirect taxes	**39 768**	19 934		
Rebates and discounts payable	**25 605**	43 622		
Refund liabilities	**12 278**	14 324		
Audit fee accrual	**6 233**	6 851		
Accrual for interest and other charges	**44 791**	24 831		
	3 002 005	3 084 665	**1 790**	1 593
Non-current portion of deferred income on government grants included in non-current liabilities	**(131 749)**	(88 991)		
Current portion included in current liabilities	**2 870 256**	2 995 674	**1 790**	1 593
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
Rand	**1 183 900**	1 219 531	**1 790**	1 593
Yen	**95 401**	62 464		
US Dollar	**613 382**	793 283		
Euro	**223 510**	213 223		
British Pound	**44 299**	5 073		
Thai Baht	**78 385**	85 593		
Romanian Lei	**248 715**	169 620		
Turkish Lira	**514 172**	535 593		
Indian Rupee	**241**	285		
	3 002 005	3 084 665	**1 790**	1 593

NOTES TO THE FINANCIAL STATEMENTS

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17. PROVISIONS FOR LIABILITIES AND CHARGES

Warranty

Provision is made for the estimated liability on all products sold which are still under warranty including claims initiated, not yet settled. Claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims would differ from historical amounts. Factors that could impact the estimated claims information include the success of the group's productivity and quality initiative, as well as parts and labour costs. The effect of discounting is immaterial. Warranties are assurance based and cannot be separately purchased.

Executive bonuses

Executive bonuses are approved by the remuneration committee.

Other provisions

Other provisions comprise predominantly of scrap battery returns (recycling) and long service awards, amounting to R8.9 million (2022: R9.1 million) and R30.3 million (2022: R25.3 million), respectively. The balance of R38.9 million (2022: R22.8 million) consists of legal risk and other provisions.

	GROUP			
	Executive bonus R'000	Warranty claims R'000	Other R'000	Total R'000
2023				
Balance at the beginning of the year	**35 888**	**64 000**	**57 203**	**157 091**
- Additional provision	**33 173**	**47 516**	**68 307**	**148 996**
- Unused amounts reversed	**(47)**	**(4 448)**	**(2 091)**	**(6 586)**
Utilised during the year	**(33 428)**	**(38 414)**	**(42 267)**	**(114 109)**
Foreign currency translation, including the effect of hyperinflation	**(768)**	**(2 664)**	**(3 079)**	**(6 511)**
Balance at the end of the year	**34 818**	**65 990**	**78 073**	**178 881**
2022				
Balance at the beginning of the year	35 772	56 103	47 138	139 013
- Additional provision	36 961	50 892	45 560	133 413
- Unused amounts reversed	(4 982)		(2 067)	(7 049)
Utilised during the year	(31 253)	(40 732)	(30 173)	(102 158)
Foreign currency translation, including the effect of hyperinflation	(610)	(2 263)	(3 255)	(6 128)
Balance at the end of the year	35 888	64 000	57 203	157 091

Analysis of total provisions:	2023 R'000	2022 R'000
Non-current	**52 747**	46 793
Current	**126 134**	110 297
	178 881	157 090

		GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
18.	**NOTES TO CASH FLOW STATEMENTS**				
18.1	**RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**				
	Profit/(loss) before taxation	291 685	234 605	(71 531)	235 367
	Adjustment for:				
	Depreciation and amortisation	440 512	372 951		
	Impairment charge/(reversal)	180 923	(4 247)		
	(Profit)/loss on disposal of property, plant and equipment	(19 697)	970		
	Amortisation of financial guarantee	(21 331)	(13 131)	(21 331)	(13 131)
	Loss allowance on loan to associate	300	5 100		
	Loss allowance on financial guarantee	14 974		14 974	
	Financial assets at fair value through profit or loss	3 814	19 408		
	Foreign exchange losses/(gains) on operating activities	25 189	(22 969)	(411)	
	Share-based payment/(reversal) expenses	(27 064)	18 694		(8 239)
	Post-employment benefit - charge	4 954	10 086		
	Post-employment benefits - contributions paid	(61 962)	(8 013)		
	Equity accounted losses from investments/dividends from investments	10 059	239 403	68 497	(45 180)
	Insurance claim received/(receivable)	38 993	(38 993)		
	Interest income	(68 918)	(33 981)	(19)	(11)
	Interest expense	809 710	410 747	3 346	3 195
	Net monetary gain arising from hyperinflation in Türkiye	(555 938)	(398 066)		
	Increase in provisions and derivatives	62 814	19 859		
	Operating cash generated/(utilised) before working capital changes	1 129 017	812 423	(6 475)	172 001
	Working capital changes (excluding the effect of foreign exchange differences and including the effect of hyperinflation on consolidation):	27 952	(661 227)	881	88
	Changes in contract assets and liabilities	246 696	(147 047)		
	Increase in inventory	(397 772)	(473 079)		
	Decrease/(increase) in trade and other receivables	454 694	(719 981)	684	(684)
	(Decrease)/increase in trade and other payables	(275 666)	678 880	197	772
	Cash generated from/(utilised in) operations	1 156 969	151 196	(5 594)	172 089
18.2	**TAXATION PAID**				
	Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
	Amounts receivable at the beginning of the year	(36 317)	(58 022)		
	Income statement charge (note 4)	(212 353)	(240 220)	(2)	
	Currency and hyperinflation impact	(1 384)	(7 175)		
	Amounts unpaid at the end of the year	14 825	36 317		
		(235 229)	(269 100)	(2)	
18.3	**DIVIDENDS PAID**				
	To shareholders		(174 223)		(179 087)
	To non-controlling interests	(36 479)	(17 873)		
		(36 479)	(192 096)		(179 087)
18.4	**INTEREST PAID**				
	Interest expense	(800 156)	(410 747)	(3 346)	(3 195)
	Accrual for interest and other charges at the beginning of the year	(24 831)	(8 576)		
	Accrual for interest and other charges at the end of the year	44 791	24 831		
	Currency and hyperinflation impact	(2 041)			
	Unwinding of interest of financial guarantee	2 937	3 195	2 937	3 195
		(779 300)	(391 297)	(409)	
18.5	**ADVANCES RECEIVED FROM/(MADE TO) SUBSIDIARIES**				
	Advances received from subsidiaries			25 448	8 339
	Advances made to subsidiaries			(21 371)	(46 657)
				4 077	(38 318)

NOTES TO THE FINANCIAL STATEMENTS

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	GROUP			
	Redeemable preference shares R'000	Bank borrowings R'000	Instalment sale and lease liabilities R'000	Total R'000
18. NOTES TO CASH FLOW STATEMENTS (continued)				
18.6 RECONCILIATION OF MOVEMENTS IN BORROWINGS (REFER TO NOTE 14) TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES				
2023				
Balance at the beginning of the year	**840 000**	**2 352 750**	**364 617**	**3 557 367**
Changes from financing cash flows:		**257 019**	**(101 601)**	**155 418**
Proceeds from RCF drawdowns		**145 000**		**145 000**
RCF repayments		**(125 000)**		**(125 000)**
Mutlu and Rombat borrowings repaid		**(1 120 122)**		**(1 120 122)**
Mutlu and Rombat borrowings raised		**1 357 141**		**1 357 141**
Lease repayments			**(101 601)**	**(101 601)**
New leases			**54 523**	**54 523**
Foreign currency translation including the effect of hyperinflation		**(363 716)**	**(5 974)**	**(369 690)**
Balance at the end of the year	**840 000**	**2 246 053**	**311 565**	**3 397 618**
2022				
Balance at the beginning of the year	840 000	1 243 011	206 411	2 289 422
Changes from financing cash flows:		1 356 701	(35 036)	1 321 665
Proceeds from RCF drawdowns		523 900		523 900
RCF repayments				
Mutlu borrowings repaid		(936 087)		(936 087)
Mutlu and Rombat borrowings raised		1 768 888		1 768 888
Lease repayments			(35 036)	(35 036)
New leases			193 670	193 670
Foreign currency translation including the effect of hyperinflation		(246 962)	(428)	(247 390)
Balance at the end of the year	840 000	2 352 750	364 617	3 557 367

19. FINANCIAL INSTRUMENTS

19.1 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Classification of financial assets included in balance sheet

	GROUP		
	Financial assets at amortised cost R'000	Mandatorily at fair value through profit or loss R'000	Total R'000
2023			
Derivative financial instruments		**2 198**	**2 198**
Trade and other receivables*	**2 333 617**		**2 333 617**
Cash and cash equivalents	**968 920**		**968 920**
Loans to associate	**215 815**		**215 815**
Total	**3 518 352**	**2 198**	**3 520 550**
2022			
Derivative financial instruments		1 558	1 558
Trade and other receivables*	2 375 079		2 375 079
Cash and cash equivalents	1 298 608		1 298 608
Loans to associate	192 574		192 574
Total	3 866 261	1 558	3 867 819

Classification of financial liabilities included in balance sheet

	GROUP		
	Mandatorily at fair value through profit or loss R'000	Financial liabilities at amortised cost R'000	Total R'000
2023			
Borrowings and other financial liabilities		**3 442 567**	**3 442 567**
Derivative financial instruments	**8 820**		**8 820**
Bank overdraft		**402 305**	**402 305**
Trade and other payables**		**2 667 696**	**2 667 696**
Total	**8 820**	**6 512 568**	**6 521 388**
2022			
Borrowings and other financial liabilities		3 584 914	3 584 914
Derivative financial instruments	8 050		8 050
Bank overdraft		318 298	318 298
Trade and other payables**		2 854 609	2 854 609
Total	8 050	6 757 821	6 765 871

* Prepayments and VAT receivables are excluded from the trade and other receivables balance.

** Leave pay, advances received, deferred income and other non-financial liabilities are excluded from trade and other payables balance.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

19. FINANCIAL INSTRUMENTS (continued)

19.1 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The accounting policies for financial instruments have been applied to the line items below for the company:

Assets and liabilities as per balance sheet

	COMPANY		
	Financial assets at amortised cost R'000	Financial liabilities at amortised cost R'000	Total R'000
2023			
Short-term loans to subsidiaries	**1 787 871**		**1 787 871**
Cash and cash equivalents	**1 482**		**1 482**
Short-term loans from subsidiaries		**(411 624)**	**(411 624)**
Trade and other payables		**(1 790)**	**(1 790)**
Other financial liabilities		**(44 949)**	**(44 949)**
Total	**1 789 353**	**(458 363)**	**1 330 990**
2022			
Short-term loans to subsidiaries	1 787 871		1 787 871
Trade and other receivables	684		684
Cash and cash equivalents	3 391		3 391
Short-term loans from subsidiaries		(407 547)	(407 547)
Trade and other payables		(1 593)	(1 593)
Other financial liabilities		(27 547)	(27 547)
Total	1 791 946	(436 687)	1 355 259

19.2 FINANCIAL RISK MANAGEMENT

The group's activities expose it to financial risks: market risk (including foreign currency exchange rate risk and variable interest rate risk), credit risk and liquidity risk. The group's overall risk management principles focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The risk management committee provides principles for overall risk management.

A. Market risk

i. Foreign currency exchange rate risk

The group exports and imports goods and is therefore exposed to risk arising from various foreign currency exchange exposures, primarily with respect to the Euro, USD and Japanese Yen.

Management has set up policies to manage foreign currency exchange rate risk against the functional currency. When the business wins long-term customer tenders or orders that are in a foreign currency the group minimises the potential volatility of the cash flows from these transactions by 'hedging' either economically (i.e., receiving hard currency) or through forward exchange contracts ('FECs'). At period end, the group values (mark to market) these FECs at the market forward rate at reporting date. These valuation adjustments are realised through profit and loss. Hedge accounting is not applied unless specifically designated as a cash flow hedge. The group's foreign exchange currency risk management policy is to 'cover' at least 50% of net foreign currency exposures (including orders for materials or firm commitments for capital expenditure, where possible).

The group makes use of professional foreign currency management specialists to assist in administering its foreign exchange exposures/contracts cover taken out by the group is summarised in note 19.5.

The company does not have any foreign currency exchange rate risk.

19. FINANCIAL INSTRUMENTS (continued)
19.2 FINANCIAL RISK MANAGEMENT (continued)
A. Market risk (continued)

Uncovered foreign currency exchange exposures at year-end can be analysed as follows:

	At balance sheet date				Purchase orders not yet reflected as liabilities in the balance sheet			
	2023		2022		2023		2022	
	Foreign amount outflow/ (inflow) '000	Rand equivalent outflow/ (inflow) R'000	Foreign amount outflow/ (inflow) '000	Rand equivalent outflow/ (inflow) R'000	Foreign amount '000	Rand equivalent R'000	Foreign amount '000	Rand equivalent R'000
US Dollars	(22 519)	(411 880)	(16 761)	(284 092)	2 636	49 277	9 901	168 320
Euros	(4 488)	(91 482)	(2 384)	(43 118)	3 005	60 799	2 176	39 581
Japanese Yen	50 502	6 231	415 448	53 819	572 681	74 236	587 213	75 701
Great British Pound	102	2 385	791	16 118	74	1 714	77	1 564
Thai Baht			34 406	16 931	42 766	22 873	34 063	16 762
Singapore Dollars	1	1	1 389	293			1 662	342
Indian Rupee	1 165	312	228	227	900	198		
Total		(494 433)		(239 822)		209 097		302 270

Foreign exchange sensitivity analysis	Profit higher/lower 2023 R'000	2022 R'000
At 31 December 2023, if the Rand had weakened/strengthened by 10% in relation to the following key currencies, with all other variables held constant, estimated post-taxation profit/equity for the year would change for the following:		
- Mainly as a result of foreign exchange gains/losses on translating foreign denominated trade receivables, trade payables and the mark-to-market valuation of the group's forward exchange contracts:		
US Dollar	35 507	50 118
Euros	3 801	2 205
Japanese Yen	6 823	4 451

The following significant exchange rates against the Rand applied at year-end:

	Spot rate		Average rate	
	2023	2022	2023	2022
US Dollar	18.3	17.0	18.5	16.4
Euros	20.4	18.1	20.0	17.2
Japanese Yen (at inverted rate)	7.7	7.8	7.6	8.0
Great British Pound	23.4	20.4	23.0	20.2
Turkish Lira	0.6	0.9	0.8	1.0
Romanian Lei	4.1	3.7	4.0	3.5

NOTES TO THE FINANCIAL STATEMENTS

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19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

A. Market risk (continued)

ii. Interest rate risk

The group's interest rate risk arises from bank 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. The group is exposed to variable interest rate risk as some of its borrowings are at floating interest rates (refer to note 14).

Management evaluates the group's borrowings and exposures as it deems appropriate in order to optimise interest savings and reduce volatility in the debt-related element of the group's cost of capital. Currently the group has not entered into any interest rate swaps or similar contracts, but will monitor the effectiveness of such derivatives as the need or risk requirements evolve.

Interest rates on bank overdrafts are disclosed in note 13. Bank overdraft facilities are reviewed annually and the terms are market-related. Interest rates and pricing profiles on borrowings, including maturity dates are disclosed in note 14.

At 31 December 2023, if the average interest rates on borrowings had changed by 1.0% point with all other variables held constant, group post-taxation profit/equity for the year would have changed by R20.6 million (2022: R14.1 million).

Changes in variable interest rates do not have a significant impact on the company as the company does not have any external borrowings or significant cash holdings.

Current advances to/from subsidiaries are interest free (refer to note 9).

iii. Price risk

The company and group are not exposed to equity securities price risk as the group does not have investments in equities or similar instruments.

B. Credit risk

Credit risk is the risk of financial loss to the group if a customer fails to pay their debt or a counterparty to a financial instrument fails to meet its contractual obligations i.e., recovering our cash from deposits held with banks. The group has two types of credit risk; operational and financial.

Operational credit risk relates to non-performance by customers in respect of trade receivables due to the group. Financial credit risk relates to non-performance by banks and similar institutions in respect of cash and deposits, facilities and financial instrument contracts such as forward foreign exchange currency contracts.

Operational

The group supplies batteries and automotive parts predominantly to the automotive industry and the debtor's book consists of OEM, aftermarket and export customers. As a supplier to international automotive OEMs, the cash recovery ranges from 30, 45 and 60 days, however, the group may have a concentration of amounts outstanding with a single or smaller grouping of customers at any one time. Trade receivables comprise of 45% (2022: 34%) due from OEM customers. The credit profiles of such OEMs are available from credit rating agencies. The insolvency of, damage to relations or commercial terms with a major customer could impact future results. In the aftermarket, there are a greater proportion of amounts receivable from small and medium-sized customers including the independent distributor networks, wholesale and retail customers within our energy storage business. The aftermarket profile mitigates against concentration risk to OEM customers.

Net trade receivables comprise of R1 193 million (2022: R1 474 million) from the energy storage business and R635 million (2022: R460 million) from the automotive component business. Further analysis of trade receivables and management's ageing profiles can be found in note 12.

Credit risk and customer relationships are managed in a number of ways within the group. The granting of credit is controlled by formal application processes and rigid account limits specific to each business unit. Credit evaluations are performed on the financial position of these debtors. This evaluation takes into account its financial position, past experience and other factors such as amounts overdue and credit limits. The group has extensive and regular dialogue with key customers and strong commercial and business relationships.

94% (2022: 96%) of the group's customers are long standing and have an established track record when transacting with the group. None of these customers' balances have been written off or are credit-impaired. An analysis of the group's credit quality can be found in the tables that follow.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Trade receivables are presented net of the provision for impairments calculated on the specific credit loss method. Movements in the allowance for impairment of trade receivables can be found in note 12. The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In monitoring customer credit risk, customers are grouped according to certain shared credit characteristics such as industry and markets, product types and sectors, trading history and existence of previous financial difficulties. Trade receivables are also written off when there is no reasonable expectation of recovery (specific impairments). Indicators that there are no reasonable expectations of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make payments for a period of greater than 60 days past due. The group continues to engage in enforcement activity to attempt to recover amounts written off. However, management has assessed the value of such trade receivables insignificant. Actual bad debts for the year amounted to R1.3 million (2022: R1.5 million).

A forward looking 'expected credit loss' ('ECL') model is used to determine impairment losses and group entities adopt a provision matrix, as a practical expedient, to measure ECL on trade receivables ('the simplified approach'). This model focuses on the risk that a debtor will default, rather than whether a loss has or will be incurred (objective evidence of impairment). Credit losses are recognised earlier because every loan and receivable 'has some risk of defaulting in the future' and has an 'expected' credit loss associated with it, from the moment of its origination or acquisition.

The matrix is a calculation of an impairment loss based on a default loss rate percentage applied over the life of trade receivables. The provision matrix is developed to compute historically observed 'flow rates'. These are derived by computing the historical 'flow rate' of trade receivables, based on their ageing and arriving at an average loss rate. After determining our ageing buckets, by type of counterparty, we also identify the default bucket. The definition of 'default' is consistent with that used for our internal credit risk management. We have used an 'over 6 months' ageing bucket as a default event and is defined as the failure to honour the credit terms agreed with the customer concerned.

Where practically possible, we adjust average loss rates for current conditions and forward-looking estimates, provided these are necessary and reasonable supportable information is available without undue cost or effort. We closely monitor the economic environments of our customers and our risk management processes are considered appropriate. In Türkiye we obtain collateral for aftermarket and export customers. The scalar economic factors we considered included the state of the automotive industry and outlook, GDP forecasts, the geography and industry in which our customers operate, time taken to settle debts and past default experiences in certain segments.

There has been no material change in the estimation techniques applied in determining the ECLs from the prior year. The following granular approach is applied in arriving at the loss rates:

Step 1: Disaggregation (segmentation) of debtor's book:
- Receivables are analysed by underlying markets and common credit characteristics being OEM, exports, aftermarket and non-auto.
- OEMs have low default risk and very limited or no historical write-offs. Exports and aftermarket may have a raised default risk due to the nature of customers (normally 'private' businesses) and have different route to markets compared to OEMs.

Step 2: Determine the period over which the data may be considered for determining the loss rates:
- Our analysis of data was performed over a period of between one to two years.

Step 3: Determine the ageing buckets and identify the default buckets:
- We analysed the collection of invoices separately for OEMs, aftermarket, exports and non-auto.
- We determined when the debtors paid and sorted into 'buckets' based on the number of days from creation of invoice until collection of invoice.
- Default triggers determined at 6 months except for OEM customer at 3 months.

Step 4: Conclude on appropriate loss rates:
- We calculated the theoretic 'historical' credit loss by using our default (or loss) 'trigger' divided by the amount unpaid (outstanding) at the end of each time bucket to arrive at the loss rate.
- We determined what percentage of proportion of trade receivables reach a point of no collection or loss.
- We adjusted the rates by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and our view of economic conditions over the expected lives of the receivables, in particular supply chain disruptions experienced in the industry.
- We looked at past customer default history, specifically the 2008 global financial crisis and impact on the automotive industry.

Step 5: Calculate expected credit losses:
- We then applied the loss rates to the actual portfolio of debtors (ageing bucket in each segment), at balance sheet date, to arrive at the impairment (ECL).

NOTES TO THE FINANCIAL STATEMENTS

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19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

From a group point of view our expected credit loss ('ECL') matrix and provision can be summarised as follows:

	GROUP					
	2023			2022		
Ageing buckets by counterparty - R'000	Amounts outstanding at year-end	Weighted average loss rate %	Expected credit loss	Amounts outstanding at year-end	Weighted average loss rate %	Expected credit loss
OEM	856 510	0.88%	7 554	689 783	1.05%	7 269
Export	313 096	11.27%	35 293	318 160	9.78%	31 110
Aftermarket	532 442	4.07%	21 670	867 276	3.70%	32 075
Non-Auto	183 635	27.50%	50 495	133 725	2.99%	3 994
IFRS 9 lifetime ECL: Y/E	**1 885 683**	**6.10%**	**115 012**	**2 008 944**	**3.71%**	**74 448**

The following table provides information about our debtors book and the exposure to credit risk from each customer as at 31 December:

	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
31 December 2023			
Current (not past due)	1 445 041	(688)	No
1 - 30 past due	302 367	(250)	No
31 - 60 days past due	50 342	(26 141)	No
61 - 90 days past due	12 496	(12 496)	Yes
More than 90 days past	75 437	(75 437)	Yes
Total debtors book	**1 885 683**	**(115 012)**	
31 December 2022			
Current (not past due)	1 720 713	(207)	No
1 - 30 past due	178 819	(968)	No
31 - 60 days past due	39 848	(3 709)	No
61 - 90 days past due	9 422	(9 422)	Yes
More than 90 days past	60 142	(60 142)	Yes
Total debtors book	**2 008 944**	**(74 448)**	

Approximately R47 million (2022: R43 million) of trade receivables are over 12 months on hand. The majority refers to Rombat export debtors, most of which are provided for. Past due amounts not impaired are still considered recoverable.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Contract assets are short-term in nature and relate to OEM customers, being global automakers, of low default risk and ECLs are immaterial. The main contributors to credit risk arise from the energy storage business, the majority of which is Rombat. The energy businesses are exposed to aftermarket and export customers. Mutlu receives collateral in the form of trade guarantees and mortgages over property for credit lines advanced to certain debtors covering 31% (2022: 35%) of limits and is credit enhancing. Risk of defaults have been remote. In certain instances, goods are not shipped if amounts are past due and cash advances are then requested. Expected credit losses on rebates, discount receivables, tooling and other receivables have been considered and are immaterial.

Financial

Cash and cash equivalents

Credit risk is mitigated by placing cash with different financial institutions to minimise risk. In South Africa, this is usually limited to the 'big 4' retail banks and highly reputable financial institutions. In Türkiye and Romania, this is usually limited to reputable financial institutions with strong international investment ratings. The group considers that it's cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The minimum credit rating for financial institutions where balances are held are South Africa BB-, Türkiye BB- and Romania BBB+. The maximum exposure to a single bank for deposits in South Africa is R290.4 million (2022: R217.6 million), whilst foreign deposits (held by foreign subsidiaries) vary amongst counterparties.

ECLs on cash and cash equivalents are immaterial. Deposits are readily convertible to cash and access is not restricted.
There have been no historical losses and none is expected in the future.

Derivatives

Derivatives (predominantly FECs) are entered into with various banks and financial counterparties of strong investment grades.

Guarantees

Certain group subsidiaries have provided cross guarantees for the RCF funding available to the group. These guarantees eliminate on consolidation. The company has issued guarantees to funders in respect of loan facilities granted to Hesto (refer to note 10).

The credit quality of financial assets is based on historical counterparty default rates:

	GROUP	
Analysis of credit quality	**2023 R'000**	**2022 R'000**
Trade receivables		
Counterparties are:		
Group 1 - new customers (less than 6 months) with no defaults	**169 891**	121 698
Group 2 - existing customers (more than 6 months) with no defaults in the past	**1 600 780**	1 812 798
Group 3 - existing customers (more than 6 months) with some defaults	**115 012**	74 448
	1 885 683	2 008 944
The group has different categories of customers and a period of six months has been used as the criteria in distinguishing between new and existing customers.		
Credit limits were within terms and management does not expect any losses from non-performance by these counterparties. The maximum exposure to credit risk is estimated to be the carrying amounts of the financial assets and the risk exposure may be minimised by collection of collateral held (refer to note 12).		
Cash and cash equivalents		
Bank balances were held as follows:		
South African banks	**628 877**	495 732
European banks	**86 053**	65 526
Turkish banks	**253 990**	737 350
	968 920	1 298 608
Derivative financial instruments		
Forward exchange contracts were held as follows:		
South African banks - net ZAR forward cover notional inflow/(outflow)	**587 383**	(336 244)

The group does not expect any financial counterparties to fail to meet their obligations. Additional information on credit ratings can be found publicly on S&P Global, Fitch and Moody's Investor services. Fitch reaffirmed its BB- rating with a stable outlook for South Africa, a B+ for Türkiye and BBB- for Romania.

NOTES TO THE FINANCIAL STATEMENTS

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19. FINANCIAL INSTRUMENTS (continued)

19.2 Financial risk management (continued)

B. Credit risk (continued)

	COMPANY	
Credit quality - Company	**2023 R'000**	**2022 R'000**
Current advances to subsidiaries		
- with no defaults in the past and not credit impaired/low credit risk ('Inalex')	1 787 971	1 787 971
Bank balances with South African banks - fully performing	1 482	3 391

Credit risk for the company arises from loans and guarantees advanced to subsidiaries and associates. These are subject to the expected credit loss model. The company applies the general approach for assessing impairments because loans do not fall within the scope of the simplified approach.

The general model requires recognising impairment losses in line with the stage of the financial asset and if there is no significant increase in credit risk ('SICR'), the loss allowance is based on 12-months ECL, alternatively the loss allowance is based on lifetime ECL.

ECLs are probability weighted averages of credit losses with the respective defaults occurring as the weights.
Three elements are taken into account:
- Probability of default ('PD') - is the percentage likelihood of that the borrower will not be able to repay its debt within some period.
- Loss given default ('LGD') - is the percentage that could be lost in the event of a default by the borrower not paying its debt (principal and interest).
- Exposure at default ('EAD') - is the outstanding balance of the loan - how much the company is owed at balance sheet date.

There is a rebuttable presumption that if a loan is more than 30 days past due, there has been a significant increase in credit risk.

Loans to subsidiaries have no fixed repayment terms, are interest free and therefore payable on demand ('quasi equity').
If the loan is in stage 1-a fully performing, healthy asset, then the loss allowance can be calculated at 12-month ECL.

The company applied a probability weighted methodology for calculating expected credit losses under IFRS 9 (ECL=PD*LGD*EAD). A weighted average PD rate was computed based on a probability weighted outcomes approach.

The qualitative factors considered when assessing whether or not there has been a SICR included:
- adverse forecasts for the subsidiaries' operating results;
- evidence of working capital deficiencies or liquidity problems in the subsidiaries, which could also be the result of financing or cash management decisions taken by the company;
- changes in credit spread in the automotive industry that may indicate an increase in credit risk or deterioration over time, which may provide a general indicator of exposures to operating subsidiaries; and
- changes in the enterprise values of the underlying operations and indicators of decline in values.

Under a 12-month ECL scenario, the impairment loss should be limited to the effect of discounting the amount due on the loan at the effective interest rate (present value). Since the effective interest rate is 0%, and all strategies indicate that the company would fully recover the outstanding balance of the loan, discounting would have no impact on ECLs. However, forward-looking information needs to be considered and loans are expected to be recovered over time:

External information:
- publicly available default rate studies analysed by industry, corporate grading, emerging market and in country default ratings; and
- SA government bond yields – five-year credit default swaps (implied PD).

Internal information:
- specific factors impacting on the longer term operating results of operations;
- compliance with lenders covenants;
- ability to service preference shares funding and dividends;
- South African automotive outlook and OEM volume recovery;
- South African government support of the local automotive industry and certainty of the APDP plan until 2035; and
- underlying impairment testing (refer to note 8) and support for asset carrying values in the group. The group's most significant subsidiary, Mutlu Akü, is supported by the under-lying cash flows.

19. FINANCIAL INSTRUMENTS (continued)

19.2 FINANCIAL RISK MANAGEMENT (continued)

B. Credit risk (continued)

Credit risk – company (continued)

The company adopts a 'repayment over time' strategy for loans advanced which could be recovered in a number of ways:
- adjusting dividends declared upstream;
- refinancing or extensions of funding facilities;
- sale of certain operating subsidiaries or introduction of equity partners into some of our businesses; and
- sale of some of the group's free-hold properties.

The company has specifically impaired loans advanced to Automould (Pty) Ltd for R167 451 000 (2022: R167 451 000). Automould suffered financial losses in the past and the company subordinated claims in favour of the other creditors of Automould.

Financial guarantees issued by the company results in the recognition of a financial guarantee liability (refer to note 14), recognised as an ECL balance to the extent that there are underlying defaults on obligations to funders. An associate or subsidiary is considered to have defaulted when they have not met their contractual obligations for payment due. In determining expected default, the forward-looking factors under the expected credit loss model are applied.

The reconciliation for loss allowances (impairments) at 31 December are as follows:

	COMPANY	
	2023 Loans to subsidiaries at amortised cost R'000	**2022 Loans to subsidiaries at amortised cost R'000**
Loss allowance as at 31 December	**(194 213)**	(194 213)

C. Liquidity risk

The group is exposed to liquidity risk as part of its normal financing and operational cash cycles. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to ensure that sufficient liquidity is available to meet obligations as they fall due and to maintain sufficient flexibility in order to fund investment and acquisition objectives. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The group utilises the credit facilities of various banking institutions and has been able to operate within these facilities. This trend is expected to continue into the foreseeable future to fund growth in the group. Details of borrowings facilities are disclosed in note 14. Projected operational cash flows and the impending debt refinancing exercise are expected to provide adequate liquidity.

Analysis of financial liabilities – maturities (group)

The table below analyses the group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (continued)
19.2 FINANCIAL RISK MANAGEMENT (continued)
C. Liquidity risk (continued)

	Balance sheet carrying value R'000	Total Contractual cash flows R'000	Maturities Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
As at 31 December 2023						
Borrowings (excluding lease liabilities)	**3 329 715**	**3 958 602**	**2 448 706**	**276 101**	**1 233 795**	
Lease liabilities	**67 903**	**78 963**	**51 575**	**19 631**	**7 757**	
Derivative financial liabilities	**8 820**	**8 820**	**8 820**			
Overdraft	**402 305**	**402 305**	**402 305**			
Trade and other payables	**2 667 696**	**2 667 696**	**2 667 696**			
	6 476 439	**7 116 386**	**5 579 102**	**295 732**	**1 241 552**	
As at 31 December 2022						
Borrowings (excluding lease liabilities)	3 491 099	4 013 834	1 680 002	1 150 863	1 108 068	74 901
Lease liabilities	66 268	72 604	37 975	34 629		
Derivative financial liabilities	8 050	8 050	8 050			
Overdraft	318 298	318 298	318 298			
Trade and other payables	2 854 609	2 854 609	2 854 609			
	6 738 324	7 267 395	4 898 934	1 185 492	1 108 068	74 901

Analysis of financial liabilities - maturities (company)
Financial liabilities of R412 million (2022: R408 million) mainly relates to amounts due to Business Investments No 1217 (Pty) Ltd (BVI) and Metair Management Services (Pty) Ltd and is classified as current. BVI holds equity shares in the company (treasury shares). Recoveries of advances from other subsidiaries as well as dividends received by the company provides adequate liquidity to repay BVI, if required. The contractual cash flows approximate the carrying values.

The company issued proportionate (74.9%) guarantees on behalf of Hesto, for funding facilities provided by Standard Bank and shareholder loans from Yazaki Corporation. Non-performance by Hesto may result in contractual cash flows to be made and therefore included in the maturity analysis below:

Maturity profile of financial guarantee issued on behalf of Hesto as at December

	GROUP AND COMPANY Balance sheet carrying value (IFRS 9 fair value)	Contractual cash flow (nominal value undiscounted)	Less than 1 year
2023	**44 949**	**1 656 689**	**1 656 689**
2022	27 547	636 650	636 650

The maximum amount of the guarantees are allocated to the earliest period in which the guarantee could be called. The carrying value of the financial guarantee instrument is determined in accordance with IFRS 9, Hesto's exposure to Standard Bank amounts to R608 million (2022: R637 million) and Yazaki shareholder loan of R1 048 million (USD57 million).

19 FINANCIAL INSTRUMENTS (continued)

19.3 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 and maximise returns.

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/reduce capital investments. Capital allocations are limited to the most meaningful projects with the highest probability of success to support the group's required return on invested capital and free cash flow generation.

The group monitors capital structure on the basis of net debt/equity. This ratio is calculated as net debt divided by ordinary shareholders' equity. Net debt is calculated as total interest-bearing borrowings (including bank overdrafts) less cash and cash equivalents. Over time our target remains c. 25% debt:equity and the actual ratio may fluctuate over the short-term especially in situations when new projects or model launches are executed. Overall the debt levels are targeted not to exceed 2.5 x Earnings before Interest, Tax, Depreciation, Amortisation and Impairments (EBITDA). EBITDA is calculated as: profit before taxation of R292 million (2022: R235 million), excluding net interest expense and net monetary loss of R185 million (2022: gain of R-21 million) and excluding depreciation, amortisation and impairments of R624 million (2022: R373 million), amounting to R1.1 billion (2022: R0.6 billion).

The ratios at 31 December were as follows:

	GROUP	
	2023 R'000	**2022 R'000**
Total borrowings including bank overdraft (notes 13 and 14)	**3 799 923**	3 875 665
Less: Cash and cash equivalents (note 13)	**(968 920)**	(1 298 608)
Net debt	**2 831 003**	2 577 057
Ordinary shareholders' equity	**5 405 556**	5 067 509
Total capital employed	**8 236 559**	7 644 566
Net debt/equity ratio %	**52.4**	50.9
Net debt:EBITDA ('times')	**2.6**	4.4
Net debt/Capital ratio %	**34.4**	33.7

Debt covenants

The preference and RCF funding (refer note 14) are subject to covenant measures and were complied with at 31 December 2023. Group net debt on a covenant testing basis amounts to R4.5 billion and includes the proportional debt of Hesto. The three covenant measures (as calculated and defined per covenant rules), effective for December 2023 are:

- Priority debt covenant: not more than 2 times (achieved 1.6 times)
- Interest cover ratio: not less than 1.5 times (achieved 1.7 times)
- Net borrowings to adjusted EBITDA ratio (determined by covenant testing rules): not more than 4.0 times (achieved 3.1 times).

Our funders have been fully supportive and waived covenants for 31 December 2022 and amended covenant threshold measures for December 2023. In addition, RCF 2 is in the process of being extended for a further one year from maturity of 23 April 2024. These measures will assist the group in complying with future covenant requirements and ensure sufficient liquidity to meet operational needs. Covenants at a Hesto level have been waived until March 2024 and will be revised following the debt restructure and financing program at Hesto and group.

The company is not subject to debt covenants.

19.4 FAIR VALUE ESTIMATION

The financial instruments that are measured subsequent to initial recognition at fair value are forward currency contracts. All of these financial instruments are classified as Level 2 fair value measurements, as defined by IFRS 13, being those derived from inputs other than quoted prices that are observable. Derivative financial instruments are discussed further below in note 19.5.

Financial instruments traded in active markets and based on market prices at reporting date as well as financial instruments in which inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) are classified as level 1 and level 3 respectively, as defined by IFRS 13. There are no such items applicable to the group at reporting date.

Bank overdrafts, other short-term bank borrowings, bank balances and cash and short-term bank deposits, trade receivables and payables approximate book value due to their short maturities. For borrowings, the current contractual pricing of borrowings approximates the rates that would be available to the group. The fair value of the long-term fixed rate borrowings in Mutlu approximates carrying values.

NOTES TO THE FINANCIAL STATEMENTS

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19. FINANCIAL INSTRUMENTS (continued)

19.5 DERIVATIVE FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method as defined in note 19.4:

		GROUP			
		2023 R'000		2022 R'000	
At 31 December	Level	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts and similar instruments - Mandatorily at fair value through profit/(loss)	2	2 198	8 820	1 558	8 050

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates (market observable/published rates) to terminate the contracts at the reporting date. The maximum exposure to credit risk at the balance sheet is the fair value of the derivative assets.

Derivatives are used as economic hedges and are classified as current assets or liabilities as the maturity of the hedged item is less than 12 months. Derivative instruments resulted in a loss of R3.8 million (2022: loss of R19.4 million) for the year.

Forward exchange contracts ('FECs')

Year-end forward exchange contracts can be analysed as follows:

	**Rand amount (outflow)/ inflow '000	Foreign notional amount '000	FEC rate - range	Derivative Asset/ Liability fair value Rand '000	Period to maturity
Derivative financial assets					
US Dollar	(28 481)	1 517	18.43 - 19.19	(500)	12 January 2024 - 28 March 2024
Euro	(22 705)	1 142	19.79 - 20.70	675	12 January 2024 - 28 March 2024
Japanese Yen	(82 165)	635 691	0.13 - 0.13	1 156	04 January 2024 - 28 June 2024
Great British Pound	54	(2)	22.88 - 23.85	3	29 January 2024 - 29 January 2024
Thai Baht	(85 118)	160 650	0.52 - 0.54	877	31 January 2024 - 28 March 2024
Australian Dollar	(21)	(1)	12.36 - 12.72	(13)	31 January 2024 - 31 January 2024
	(218 436)			2 198	
Total derivative financial assets				**2 198**	
Derivative financial liabilities					
US Dollar	(269 014)	14 186	18.45 - 19.58	(7 702)	02 January 2024 - 26 April 2024
Euro	(69 497)	3 369	20.34 - 20.84	(787)	29 January 2024 - 28 March 2024
Great British Pound	(5 179)	216	23.54 - 24.13	(97)	29 January 2024 - 26 April 2024
Japanese Yen	(20 350)	153 287	0.13 - 0.14	(201)	31 January 2024 - 31 July 2024
Thai Baht	(4 907)	9 113	0.54 - 0.54	(33)	30 January 2024 - 29 February 2024
	(368 947)			(8 820)	
Total derivative financial liabilities				**(8 820)**	

* Includes forward exchange contracts that represent imports and exports being managed on a net basis.
** Forward cover value in ZAR terms, representing the foreign notional amount translated at the contracted rates.

		GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
20.	**CONTINGENT LIABILITIES**				
	Limited guarantee in respect of Valeo overdraft facility		3 675		3 675
	Limited guarantee in respect of Hesto loan funding (notional)	**1 656 689**	636 650	**1 656 689**	636 650
	Performance and related guarantees	**360 144**	332 792		
		2 016 833	973 117	**1 656 689**	640 325

The group has contingent liabilities in respect of performance guarantees, letters of credit, customs and excise and other related matters arising out of the ordinary course of business. The likelihood of loss is remote.

European Commission's investigation on ‘Eurobat lead premium’

The European Commission (‘Commission’) is currently investigating alleged anti-competitive behaviour relating to automotive lead-acid starter batteries in the European Economic Area. Metair’s subsidiary in Romania, Rombat S.A. (‘Rombat’), received a Statement of Objections (‘SO’) from the Commission expressing concerns that battery manufacturers, including Rombat, may have potentially violated EU anti-trust rules by exchanging commercially sensitive information within the Eurobat lead premium system to determine the surcharge price element of automotive starter batteries sold to OEMs. The SO is also addressed to Metair and its Dutch subsidiary, Metair International Holding Cooperatief UA based on a presumption that they exercised decisive influence over Rombat since 14 March 2012.

A SO summarises the findings of the European Commission in fine proceedings and gives details on the next steps. Together with external legal counsel, Rombat is currently conducting an in-depth analysis of the SO in order to prepare an initial response to the Commission, which will be submitted during April 2024. This will be followed by an oral hearing at the Commission later in the year. It is not clear when the Commission's final decision will be issued.

The setting of a fine involves a complex calculation, with several factors to be considered including various mitigation factors and inability to pay. The legal maximum limit that can be imposed is an administrative penalty of up to 10% of annual turnover for the year preceding the Commission’s decision.

For the avoidance of doubt, the SO does not constitute a definitive ruling by the Commission and a final determination will only be made following receipt and assessment by the Commission of Rombat's written and oral submissions.

In line with the strict confidentiality obligations and legal privilege, Rombat and Metair cannot disclose any further information at this stage. Therefore, up to this point, due to the confidential nature of the Commission's investigation and the uncertainty in quantifying and determining the timing of any potential fine, the matter is being treated as a contingent liability at balance sheet date.

21.	**COMMITMENTS**				
	Capital commitments	**777 552**	670 918		
	Contracted:				
	- Plant, machinery and equipment	**77 494**	143 823		
	Authorised by the directors, but not yet contracted:				
	- Plant, machinery and equipment	**700 058**	527 095		

Commitments will be financed from a combination of internal cash resources, unutilised funding facilities and future specific project financing facilities. The maturity profile for lease obligations (commitments) can be found in notes 14 and 19.2 C.

NOTES TO THE FINANCIAL STATEMENTS

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22. POST-EMPLOYMENT BENEFITS

The group provides post-employment benefits for its employees.
Amounts included in the financial statements comprise of:

	GROUP	
	2023 R'000	2022 R'000
Balance sheet obligation for:		
Post-employment medical aid benefits (note 22.1)	**40 067**	38 054
Other post-employment benefits (note 22.2)	**23 555**	55 251
Liability in the balance sheet	**63 622**	93 305
Income statement charge:		
Post-employment medical aid benefits (note 22.1)	**4 802**	4 770
Other post-employment benefits (note 22.2)	**9 706**	5 316
	14 508	10 086
Remeasurements included in other comprehensive income:		
Post-employment medical aid benefits (note 22.1) - gain	**(1 191)**	(5 243)
Other post-employment benefits (note 22.2) - loss	**24 304**	31 241
Long service award - loss	**405**	567
	23 518	26 565

22.1 POST-EMPLOYMENT MEDICAL AID BENEFITS

Certain of the companies in the group operated post-employment medical benefit schemes until 31 December 1996. Employees who joined the group after 1 January 1997 will not receive any co-payment subsidy from the group upon reaching retirement.

The scheme is unfunded. The present value of the obligation is based on the 'projected unit credit basis' using certain assumptions.

The amounts recognised in the income statement are as follows:

	GROUP	
	2023 R'000	2022 R'000
Current service costs	**562**	630
Interest costs	**4 240**	4 140
	4 802	4 770
Movement in the liability recognised in the balance sheet		
At the beginning of the year	**38 054**	40 712
Total expense per income statement	**4 802**	4 770
Contributions paid	**(1 598)**	(2 185)
Actuarial gain recognised in other comprehensive income	**(1 191)**	(5 243)
At the end of the year	**40 067**	38 054
The amounts recognised in equity are as follows:		
Recognised actuarial gain	**(1 191)**	(5 243)
Assumptions	**2023**	**2022**
The principal actuarial assumptions used were:		
- Discount rate for obligation	**11.8%**	12.0%
- Healthcare cost inflation	**7.5%**	8.0%
- Continuation of membership on retirement	**100.0%**	100.0%
- CPI inflation	**7.0%**	7.0%
- Post-retirement mortality	**PA (90)-1**	PA (90)-1
- Pre-retirement mortality	**SA 85-90**	SA 85-90

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience.

22. POST-EMPLOYMENT BENEFITS (continued)

22.1 POST-EMPLOYMENT MEDICAL AID BENEFITS (continued)

The key financial assumption are the discount and inflation rates (and consequently the discount 'gap').

The effect of a one percentage point movement in the subsidy inflation rate and assumed discount rate is as follows:

Assumption	Change	Accrued liability	% change	Current service and interest costs	% change
Central assumption		40 067		4 802	
Subsidy inflation rate	1%	44 504	11%	5 402	12%
	-1%	36 283	-9%	4 297	-11%
Discount rate	1%	36 288	-9%	4 636	-3%
	-1%	44 559	11%	4 986	4%

22.2 OTHER POST-EMPLOYMENT BENEFITS

In accordance with Turkish social legislation, Mutlu is required to make lump sum payments to current employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such payments are calculated on the basis of 30-day pay limited to a salary cap of TL23 490 (2022: TL15 371) per year for each year of employment at the rate of pay applicable at the date of retirement/termination.

The group reflects a liability calculated using the projected unit credit method, based upon factors derived using experience of personnel terminating their services (and being eligible to receive retirement pay) and discounted by using the current market yield at the balance sheet date on government bonds (or rates approved by the Turkish capital markets board). Severance payment liability is not subject to any legal funding.

The scheme is unfunded.

	GROUP	
	2023 R'000	**2022 R'000**
Current service costs	**4 392**	2 405
Interest costs	**5 314**	2 911
	9 706	5 316
Movement in the liability recognised in the balance sheet		
At the beginning of the year	**55 251**	32 551
Total expense per income statement	**9 706**	5 316
Contributions paid**	**(60 364)**	(5 828)
Actuarial loss recognised in other comprehensive income*	**24 304**	31 241
Currency adjustment	**(5 342)**	(8 029)
At the end of the year	**23 555**	55 251
The amounts recognised in equity are as follows:		
Recognised actuarial loss	**24 304**	31 241
The principal actuarial assumptions used at balance sheet date are as follows (based on Turkish statistics):	**2023**	**2022**
Annual discount rate	**26.5%**	15.0%
Salary inflation rate	**23.0%**	10.5%
Average monthly earnings (Turkish Lira)	**24 548**	12 682
Mortality table	**CS080 F/M**	CS080 F/M

The principal assumption is that the maximum liability for each year of service will increase in line with inflation.

* The majority of the large actuarial loss for the year arises from the unexpected salary increases due to the higher inflation in Türkiye and the salary cap that increased in 2023 at a rate of 30%.

** The reason for the increase in contributions paid is due to the early retirement policy instituted in the current year by the Turkish government.

22.3 PENSION SCHEMES

The group operates defined contribution pension schemes and contributions are charged against the income statement. The group contributed R110 million (2022: R99.8 million) to the defined contribution schemes.

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		GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
23.	**SUBORDINATION AGREEMENTS**				
	The company has subordinated claims in favour of, and for the benefit of, the other creditors of subsidiaries to the extent that the aforementioned subsidiaries liabilities exceed total assets.				
	Total loan amount receivable (gross) from:				
	Automould (Pty) Ltd (formerly Smiths Plastics (Pty) Ltd) (note 19.2)			167 451	167 451
				167 451	167 451

24. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The judgements, estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements include the following:

Revenue recognition

- timing of revenue recognition – Whether revenue from the supply of automotive components is recognised over time or at a point in time; and
- whether tooling supply arrangements result in separate performance obligations and should therefore be included within revenue, on a principal, rather than agent, basis.

Refer to note 1.2 and accounting policies on revenue for further details.

IFRS 16 – Incremental borrowing rates

The determination of incremental borrowing rates, as set out in the accounting policy note on leases, required management judgement. Incremental borrowing rates (IBR's) are based on the cost of borrowing from third parties. Borrowing rates readily observable in the market or available through recent financing are used by group entities as a starting point and adjusted by margins of between 0.25 to 1 basis points (bps) depending on the size, duration and country of lease. Security provided as well as the nature of the asset leased is also considered.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2023 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Asset useful lives and residual values (refer to note 7)

Property, plant and equipment are depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset useful lives, factors such as technological innovation, product life cycles/project life and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Intangible asset useful lives (refer to note 8)

Intangible assets are amortised over their useful life on a systematic basis, once assessed by management as having a limited period of benefit to the entity. Intangible assets with an indefinite useful life are not subject to amortisation. The amortisation methods and useful lives are reviewed at least annually. In reassessing asset useful lives, market, technology, customer and contract related factors are taken into account.

24. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Goodwill impairment testing (refer to note 8)
The group tests annually whether goodwill (including indefinite life intangibles) has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates. Key estimates include growth and discount rates (WACC) applied. Future cash flows (earnings) expected to be generated by Mutlu and Rombat (CGUs) are projected, taking into account factors such as market conditions and earnings growth. Sensitivity analyses are also performed.

IFRS 2 - Equity-settled schemes (refer to note 26.1)
IFRS 2 charges, determined by reference to the fair value of options granted, are calculated in terms of the group's accounting policy and based on option pricing models for the share option scheme in operation. The charge is based on assumptions applied at grant date to the valuation models. These include, among others, the risk-free interest rate, Metair share price volatility and dividend yields.

Fair value determination at grant date includes market performance conditions (such as share price), excludes the impact of any service and non-market performance vesting conditions (such as employment period conditions and profitability) and includes the impact of any non-vesting conditions.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Measurement of expected credit loss ('ECL') allowance for trade receivables, contract assets and intercompany loans (refer to notes 12 and 19.2 B. Credit risk)
IFRS 9 allows a 'simplified approach' (one of the three approaches) to determine loss allowances and adopts a 'life-time' ECL for trade receivables (without significant financing components). Essentially IFRS 9 tells us how to create expected credit losses for trade receivables using a 'provision matrix'.

The calculation of an impairment loss is based on a default rate percentage applied over the life of a group of financial assets or receivables, from the moment of its origination or acquisition. The definition of 'default' should also be consistent with that used for internal credit risk management.

In using the simplified approach, certain assumptions in determining the weighted-average loss rate was applied. The group also 'disaggregated' its debtor's book into common credit and risk characteristics. Some of the assumptions applied included defining a default base, analysing historical credit losses and the practicalities of applying forward looking estimates.

The company applied the general approach to estimate ECL for intercompany loans.

Revenue measurement in battery aftermarket arrangements – estimate of variable consideration (refer to note 1.2)
An entity shall include in revenue some or all of an amount of variable consideration, estimated only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, when the uncertainty associated with the variable consideration is subsequently resolved.

In one of the group's businesses, a supply arrangement exists whereby some independent aftermarket franchises are requested to supply batteries to other customers. A credit-note (refund) is issued to the specific distributor or franchise for their stock that is utilised from their inventory holding.

Since the group has an option to redirect the batteries, initially sold to the distributor, a variable consideration constraint exists. Therefore, the amount of revenue recognised is adjusted for the expected credit notes to be issued, usually indicated by historical trends and sales forecasts.

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25. RELATED PARTIES

The group and company entered into transactions with related parties. The table below summarises transactions with related parties of the group.

	GROUP	
	2023 R'000	2022 R'000
Hesto		
The group entered into the following transactions with Hesto (a major associate):		
Purchases from group companies	597 273	308 220
Sales to group companies	90 676	101 190
Management fees paid to group companies	16 686	4 519
Management fees received from group companies	444	443
Interest paid to group companies on shareholder's loan	23 541	10 424
Outstanding balances arising from transactions with Hesto:		
Loan receivable from Hesto (gross subordinated shareholder's loan including interest, prior)	221 215	192 574
Receivable due from sale of goods to Hesto	186 037	167 686
Payables arising from sale of goods by Hesto	440	180
Valeo		
Purchases from group companies	62 646	56 207
Outstanding balance to group companies	6 623	2 072

The company provided a letter of support to Metair Management Services (Pty) Ltd and historically subordinated claims against Automould (Pty) Ltd (refer to note 23). The company also guaranteed funding provided to Hesto in favour of Standard Bank and Yazaki Corporation (refer to note 10). The RCF facilities available to SA subsidiaries (refer to note 14) is guaranteed by certain group subsidiaries ('cross-guarantees').

During 2022, the group advanced a shareholder's loan for R187 250 000 to Hesto. The loan is unsecured with a maturity date of 30 May 2025. Interest is charged at prime rates. A loss allowance of R5.4 million (2022: R5.1 million) is recognised for impairment.

Information on emoluments paid to executive and non-executive directors have been presented in note 3. Employees fulfilling the role of key management are all appointed to the board of directors.

Information on investments in subsidiaries and associates, including loan advances are presented in notes 9 and 10. Information on loans granted to subsidiaries has been presented in note 9. Dividends from subsidiaries has been presented in note 3. Directors' shareholding and share incentives granted have been presented in note 26.

Information on the Metair Investments Limited 2009 Share Plan can be found in note 26. The share-based payment credit for key management amounted to R6.9 million (2022: R6.1 million expense).

Information on the Metair group Pension Scheme can be found in note 22.3. Information on shareholding of the company is available on the shareholder's analysis included in the integrated annual report.

Transactions that are eliminated intra-group for consolidation purposes are not included.

		GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
26.	**STATED CAPITAL AND TREASURY SHARES**				
	Authorised number of shares				
	400 000 000 ordinary shares at no par value	400 000 000	400 000 000	400 000 000	400 000 000
	Issued number of shares				
	Ordinary shares at beginning and end of the year	198 985 886	198 985 886	198 985 886	198 985 886
		198 985 886	198 985 886	198 985 886	198 985 886
	Issued				
	198 985 886 ordinary shares of no par value	1 497 931	1 497 931	1 497 931	1 497 931
	Treasury shares				
	Balance at the beginning of the year	(106 974)	(118 153)		
	Shares disposed by Business Venture Investments No 1217 (Pty) Ltd (vesting utilisation)		11 179		
	Balance at the end of the year	(106 974)	(106 974)		
	Number of treasury shares are held as follows				
	Business Venture Investments No 1217 (Pty) Ltd	5 216 028	5 216 028		

Treasury shares are ordinary shares held by Business Venture Investments No 1217 (Pty) Ltd in Metair Investments Ltd ('List-Co') and may be used for vesting purpose related to the Metair Investments Limited 2009 share plan.

26.1 THE METAIR INVESTMENTS LTD 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME)

The Metair Investments Ltd 2009 Share Plan is an equity-settled share-based payment scheme approved by shareholders on 4 December 2009. Under the plan, executives, senior managers and/or key employees of the group will annually be offered long term incentive awards in the form of share options listed below.

Annual allocations of awards made to executives and selected managers are governed by Metair's remuneration policies.

If an employee ceases to be employed by the group by reason of no-fault termination prior to vesting or exercise the awards available to vest and/or be exercised, shall be deemed to have vested, been exercised and shall be settled to the employee in terms of the share plan with effect from the date of termination of employment. All shares vested are exercised.

a) Share appreciation rights

Movements in the number of rights granted are as follows:

	2023		2022	
	Number of rights	Weighted average strike rights price R	Number of rights	Weighted average strike rights price R
Balance at the beginning of the year	621 406	21.64	1 339 192	20.81
Lapsed	(55 323)	(21.46)	(76 810)	(20.80)
Vested with appreciation			(195 973)	(19.20)
Vested with no appreciation*			(445 003)	(20.37)
Balance at the end of the year	566 083	21.66	621 406	21.64
IFRS 2 share-based payment charge		R549 112		R1 323 286

* Rights that have vested with a nil appreciation value.

On settlement, the value accruing to participants will be the appreciation of Metair's share price. Calculated as the difference between the share price at vesting and strike price. No new awards have been granted.

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26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LTD 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

a) Share appreciation rights (continued)

Rights outstanding at the end of the year vest in the following years (performance period):

	2023 Number of rights	2022 Number of rights
Year ending 31 December:		
2023		427 461
2024	566 083	193 945
	566 083	621 406

b) Performance shares

Annual conditional awards of performance shares will be made to participants with a zero strike price. Performance shares will vest on the third anniversary of their award, to the extent that the specified performance criteria over the intervening period has been met.

Metair executive's performance criteria will be the group's return on invested capital ('ROIC') (40%), HEPS growth targets (30%) as well as cash conversion rates (20%) and ESG targets (10%).

Movements in the number of shares awarded are as follows:

	2023 Number shares	2022 Number shares
Balance at the beginning of the year	5 519 725	4 336 536
Granted	2 469 967	1 862 104
Additional increase based on performance criteria		108 258
Lapsed	(2 704 098)	(320 901)
Vested		(466 272)
Balance at the end of the year	5 285 594	5 519 725
Share awards outstanding vest in the following financial years, subject to the fulfilment of performance conditions.		
2023		1 747 724
2024	1 617 210	1 969 532
2025	1 443 302	1 802 469
2026	2 225 082	
	5 285 594	5 519 725
IFRS 2 share-based payment (reversal)/charge*	R(27 613 113)	R17 370 954

* This was due to adjusting estimated number of shares outstanding for the purpose of IFRS 2 due to certain vesting conditions not being met on certain allocations.

26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LTD 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

c) Bonus shares

Special allocations of 433 369 bonus shares were awarded to the previous CEO (S. Douwenga) vest after three years on continued employment. These shares were forfeited on his resignation effective as at 31 January 2024.

d) Valuation of share incentive grants

The performance shares granted are the economic equivalent of awarding a Metair share (without dividend rights for the period from grant date to vesting date) at zero strike. Therefore, the value of each performance share is equal to the share price on the grant date less the present value of future dividends expected over the vesting period.

The table below sets out the assumptions used to value the grants:

	2023	2022
Performance shares		
Spot price	**R25.00**	R30.00
Strike price (grant price)	**Nil**	Nil
Volatility	**N/A**	N/A
Dividend yield	**3.90%**	3.18%
Risk-free interest rate	**7.83%**	6.38%
Valuation (IFRS 2)	**R46 664 760**	R72 885 081
Fair value per share at grant date	**R22.23**	R27.27

The total IFRS 2 share-based payment resulted in a credit for the year of R 27.1 million (2022: R18.7 million expense), including allocation to non-controlling interests. This was due to adjusting the estimated number of shares outstanding for the purposes of IFRS 2 due to certain conditions not being met on certain allocations. Share-based payment expenses are capitalised to the investment in subsidiaries at a company level. Metair's share price at 31 December 2023 was R17.75 (2022: R27.50).

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26. STATED CAPITAL AND TREASURY SHARES (continued)

26.1 THE METAIR INVESTMENTS LIMITED 2009 SHARE PLAN (EQUITY-SETTLED SHARE-BASED PAYMENT SCHEME) (continued)

e) Share awards, options and other grants allocated to and exercised by Metair Investments Limited executive directors

	2023			2022	
	R. Haffejee	**S. Douwenga***	**A. Jogia****	**R. Haffejee**	**S. Douwenga**
Number of shares:					
Share appreciation rights					
Opening shares		63 234	10 254		129 235
Lapsed					(3 300)
Exercise					(62 701)
Cumulative		63 234	10 254		63 234
Performance shares					
Opening shares	336 032	382 147	48 663	187 990	311 825
Yearly award		175 227	89 178	148 042	99 569
Lapsed	(336 032)	(158 812)			
Additional increase based on performance criteria					14 624
Exercise					(43 871)
Cumulative		398 562	137 841	336 032	382 147
Bonus shares					
Yearly award		433 369			
Cumulative		433 369			
Total number of shares					
Opening shares	336 032	445 381	58 917	187 990	441 060
Yearly award		608 596	89 178	148 042	99 569
Lapsed	(336 032)	(158 812)			(3 300)
Additional increase based on performance criteria					14 624
Exercise					(106 572)
Cumulative		895 165	148 095	336 032	445 381

* Mr S. Douwenga's non vested awards will be forfeited due to his resignation.

** Mr A. Jogia's awards also include awards granted prior to his appointment as CFO.

26.2 INTEREST OF DIRECTORS

The aggregate direct beneficial holdings of directors and their immediate families in the issued ordinary shares of the company are detailed below.

	Number of shares as at 31 December 2023	**%**	Number of shares as at 31 December 2022	**%**
Executive directors				
A Jogia	10 662	0.01		
Non-executive directors				
S Sithole & N Mkhondo indirect non-beneficial through Value Capital Partners	39 075 118	19.64	37 698 710	18.95
Total	39 085 780	19.65	37 698 710	18.95

There has been no change to these interests between the end of the financial year and the date of approval of the annual financial statements.

		GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
27.	**RESERVES**				
27.1	**SHARE-BASED PAYMENT RESERVE**				
	Balance at the beginning of the year	57 897	202 464	90 999	82 688
	Value of service (reversal)/provided	(27 064)	18 694	(27 064)	18 694
	Deferred taxation	(4 950)	4 277		
	Utilisation of treasury shares to settle obligation*		(11 179)		(10 383)
	Estimated taxation effect of utilisation of treasury shares		(1 667)		
	Transfer of net vesting impact to retained earnings	(802)	(154 692)		
	Balance at the end of the year	25 081	57 897	63 935	90 999
	*The market value of shares utilised to settle the obligation in 2022 amounted to R18.4 million.				
27.2	**FOREIGN CURRENCY TRANSLATION RESERVE**				
	Balance at beginning of the year	(1 446 061)	(2 966 589)		
	Net exchange differences on translation of foreign operations including the effect of hyperinflation	296 533	1 520 528		
	Balance at end of the year	(1 149 528)	(1 446 061)		
27.3	**EQUITY ACCOUNTED RESERVES**				
	Balance at the beginning of the year	114 372	404 886		
	Transfers from retained earnings	(13 313)	(290 514)		
	Balance at the end of the year	101 059	114 372		
	Transfer from retained earnings consists of:				
	- Share of results of associates	(7 266)	(228 963)	(68 497)	
	- Dividends received	(6 047)	(61 551)		
		(13 313)	(290 514)	(68 497)	
27.4	**CHANGE IN OWNERSHIP RESERVE - NON-CONTROLLING INTERESTS ('NCI')**				
	The reserve relates to the premiums paid on purchases of NCI without a change in degree of control. The reserve arose as a result of transactions with Mutlu NCI (minority squeeze out)				
	Balance at the beginning of the year	(22 260)	(21 197)		
	Foreign currency translation, including the effect of hyperinflation	(2 955)	(1 063)		
	Balance at the end of the year	(25 215)	(22 260)		
	Total other reserves	(1 048 603)	(1 296 052)	63 935	90 999
27.5	**RETAINED EARNINGS**				
	Balance at the beginning of the year	4 972 604	4 759 200	398 286	350 245
	Net profit/(loss) for the year	95 535	(40 385)	(71 533)	235 367
	Other comprehensive loss	(18 853)	(22 206)		
	Dividends paid		(174 223)		(179 087)
	Transfers to equity accounted reserves	13 313	290 514		
	Transfer of net vesting impact of share-based payments to retained earnings	603	159 704		(8 239)
	Balance at the end of the year	5 063 202	4 972 604	326 753	398 286
27.6	**NON-CONTROLLING INTERESTS**				
	Balance at the beginning of the year	129 986	115 812		
	Net profit for the year - attributable to NCI	33 099	36 473		
	Other comprehensive income - attributable to NCI	515	586		
	Transfer of net vesting impact of share-based payments to retained earnings	199	(5 012)		
	Dividend	(36 479)	(17 873)		
	Balance at the end of the year	127 320	129 986		

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28. IAS 29 – FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES - TÜRKIYE

During 2023, Türkiye remained classified as a hyperinflationary economy. The group continued to apply hyperinflation accounting for amounts reported by Mutlu Akü in Türkiye (''Mutlu Akü group of companies' also referred to as 'Mutlu'), whose functional currency is the Turkish Lira, as if the economy had been hyperinflationary from date of acquisition. Further information on the application of hyperinflation accounting, including policy choices and key accounting estimates and judgements applied can be found within the groups accounting policies (page 158, 'Türkiye hyperinflation accounting').

Financial impact

Hyperinflationary accounting requires transactions and balances to be stated in terms of the measuring unit current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period. The group uses the Turkish consumer price index (CPI) as the general price index to restate amounts which provides an official observable indication of the change in the price of goods and services.

IAS 29 requires full retrospective application and therefore applied from December 2013, the date of acquisition. The Turkish CPI increased from 229 points in December 2013 to 1859 points in December 2023. The CPI rate increased by 64.8% (2022: 64.3%) in the current financial year ending 31 December 2023. Based on these CPI increases, transactions within Mutlu's income statements and other comprehensive income, balance sheets, statement of changes in equity and statement of cash flows have been restated, from the date these transactions occurred, to reflect the purchasing power of the Turkish currency on 31 December 2023.

Mutlu's results are restated for the effect of hyperinflation before translation, into the group's presentation currency, at the closing rate of R0.62. The average TL: ZAR exchange rate for the year was R0.80 (2022: R1.00).

The impact of IAS 29 resulted in an uplift of R2 201 million (2022: R1 643 million) in net asset value and profit after tax of R70 million (2022: loss after tax of R208 million). A gain on the net monetary position of R556 million was also recognised in the income statement and calculated as the difference resulting from the restatement of non-monetary assets, equity and non-monetary liabilities, items in the income statement and other comprehensive income.

A summary of the impact of IAS 29 on the group, including the hyperinflation adjustments, are tabled below:

31 December	Base year	General price index (CPI)	Inflation rate (Year on year % change)
2023	**Dec-13**	**8.119**	**64.78%**
2022	Dec-13	4.927	64.30%

2023 Hyperinflation impact (R'm)	Excluding hyperinflation (Pre-Hyper)	IAS 29 Impact (adjustments)	Including hyperinflation (Post-Hyper)
Key income statement and KPI impacts:			
Revenue	**15 849**	**7**	**15 856**
Cost of sales (a)	**(13 479)**	**(456)**	**(13 935)**
Gross profit	**2 370**	**(449)**	**1 921**
Operating profit	**980**	**(493)**	**487**
Net monetary gain (b)		**556**	**556**
Profit for the period	**59**	**70**	**129**
Headline earnings/(loss)	**192**	**70**	**262**
Basic earnings per share (cents)	**13**	**36**	**49**
Headline earnings per share (cents)	**99**	**36**	**135**
Group EBITDA	**1 322**	**(395)**	**927**
PBIT margin (%)	**6.2%**	**(3.1%)**	**3.1%**

2022 Hyperinflation impact (R'm)	Excluding hyperinflation (Pre-Hyper)	IAS 29 Impact (adjustments)	Including hyperinflation (Post-Hyper)
Key income statement and KPI impacts:			
Revenue	13 619	286	13 905
Cost of sales (a)	(11 858)	(809)	(12 667)
Gross profit	1 761	(523)	1 238
Operating profit	1 029	(576)	453
Net monetary gain (b)		398	398
Profit for the period	204	(208)	(4)
Headline earnings/(loss)	176	(208)	(32)
Basic earnings per share (cents)	0.87	(1.07)	(0.21)
Headline earnings per share (cents)	0.91	(1.07)	(0.17)
Group EBITDA	1 320	(495)	825
PBIT margin (%)	7.6%	(4.3%)	3.3%

28. IAS 29 – FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES - TÜRKIYE (continued)

2023 Hyperinflation impact (R'm)	Excluding hyperinflation (Pre-Hyper)	IAS 29 Impact (adjustments)	Including hyperinflation (Post-Hyper)
Key balance sheet impacts:			
Non-current assets	**3 698**	**2 169**	**5 867**
Property, plant and equipment	**2 940**	**1 138**	**4 078**
Intangible assets	**145**	**1 022**	**1 167**
Other non-current assets	**613**	**9**	**622**
Current assets	**6 944**	**298**	**7 242**
Inventory	**2 995**	**295**	**3 290**
Other current assets	**3 949**	**3**	**3 952**
Total Assets	**10 642**	**2 467**	**13 109**
Total equity	**3 332**	**2 201**	**5 533**
Foreign currency translation and NCI reserve	**(3 506)**	**2 331**	**(1 175)**
Retained income	**5 193**	**(130)**	**5 063**
Share capital and other reserves	**1 645**		**1 645**
Total liabilities	**7 310**	**266**	**7 576**
Deferred taxation liabilities	**154**	**266**	**420**
Other liabilities	**7 156**		**7 156**
Total equity and liabilities	**10 642**	**2 467**	**13 109**

2022 Hyperinflation impact (R'm)	Excluding hyperinflation (Pre-Hyper)	IAS 29 Impact (adjustments)	Including hyperinflation (Post-Hyper)
Key balance sheet impacts:			
Non-current assets	3 621	1 720	5 341
Property, plant and equipment	2 876	894	3 770
Intangible assets	214	826	1 040
Other non-current assets	531		531
Current assets	7 411	80	7 491
Inventory	2 611	78	2 689
Other current assets	4 800	2	4 802
Total Assets	11 032	1 800	12 832
Total equity	3 555	1 642	5 197
Foreign currency translation and NCI reserve	(3 316)	1 848	(1 468)
Retained income	5 178	(206)	4 972
Share capital and other reserves	1 693		1 693
Total liabilities	7 477	158	7 635
Deferred taxation liabilities	176	158	334
Other liabilities	7 301		7 301
Total equity and liabilities	11 032	1 800	12 832

a) Cost of sales is restated from the date of production, including raw material purchases, and not the date of sale. The impact of indexation is applied at an average of 60 – 90 days before the actual revenue is earned and therefore causes a significant timing mismatch on operating profit.

b) The monetary gain is of R556 million (2022: R398 million) is essentially generated from Mutlu's net monetary liability position used to invest in hard assets (non-monetary) such as property, plant and equipment, intangible assets and inventory. Other impacts on the net monetary position in the income statement would be driven by revenue and other expenses indexation.

We performed impairment testing on Mutlu including goodwill, and sufficient headroom exists based on our expectations of the market recovery, forecast volumes and longer-term business plans. Our five-year forecasts support the carrying values of assets (Refer to note 8 for further information).

29. EVENTS AFTER REPORTING DATE

The key focus of the group is to correct the capital structure including the debt profile (including Hesto). In this regard, the group has commenced a debt advisory restructure program. In addition, funders have agreed in principal to extend the maturity of RCF 2 of R525 million for a further year until April 2025.

Other than events disclosed within the financial statements, there were no other significant post-balance sheet events.

ACCOUNTING POLICIES

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

The consolidated and separate financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board ('IASB') in issue and effective for the group at 31 December 2023 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act.

The consolidated financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. Derivative financial instruments are carried at fair value.

The consolidated financial statements are prepared on the going concern basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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 consolidated financial statements are disclosed in note 24.

NEW STANDARDS AND INTERPRETATIONS

Accounting policy developments include new standards issued, amendments to standards, and interpretations issued on current standards as issued by the IASB.

(a) Standards, amendments and interpretations effective for the first time

New standards and amendments adopted by the group:
The group has applied the following amendments for the first time for the annual reporting period commencing 1 January 2023:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1.
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practise Statement 2.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.
- Definition of Accounting Estimates – Amendment to IAS 8.

The amendments listed above did not have any impact on the amounts recognised in the current and prior periods and are not expected to significantly affect future periods.

(b) Standards, amendments and interpretations not yet adopted by the group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Under the amendments to IAS 1 Presentation of Financial Statements the classification of certain liabilities as current or non-current may change. In addition, companies may need to provide new disclosures for liabilities subject to covenants.

The amendments apply from 1 January 2024. There are no classification variations compared to policies currently applied by the group regarding liabilities and covenants.

BASIS OF CONSOLIDATION

The group and company (consolidated and separate) financial statements are included in this report.

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of Metair and all its subsidiaries from the effective dates of acquisition to the effective dates of loss of control.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are no longer consolidated from the date that control is lost.

The acquisition method of accounting is used to account for business combinations of subsidiaries by the group.
The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity instruments issued at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest ('NCI'). Acquisition-related costs are expensed in the period in which the costs are incurred, or services received.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, NCI recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The company accounts for subsidiary undertakings at cost less impairment. Advances to subsidiaries by the company, which do not have fixed terms of repayment, are classified as loans to subsidiary companies – current at amortised cost. Accounting policies on intercompany loans, including impairment assessments, is fully discussed in notes 9 and 19.2.

For the company, the equity-settled share-based payment cost is capitalised to the investment in subsidiaries.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Changes in ownership interests in subsidiaries without change of control
Transactions with NCI that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between the fair value of 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 NCIs are also recorded in equity.

Disposals of subsidiaries
When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, 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.

(b) Non-controlling interest ('NCI')
NCI is valued at the NCI's portion of the acquirer's identifiable assets, liabilities and contingent liabilities at the acquisition date plus the NCI's portion of post-acquisition reserves, excluding the NCI's portion of share-based payment reserve.

NCI is included in equity on the balance sheet and is also reconciled in the statement of changes in equity.

(c) Associate companies
Associates are all entities over which the group has a significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the statement of other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the 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 associate. 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 is reclassified to profit or loss where appropriate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains or losses arising on investments in associates are recognised in the income statement.

If an associated company applies accounting policies that are recognised as being materially different to those adopted by the group, appropriate adjustments are made to the consolidated financial statements, prior to equity accounting.

The group's share of associated earnings less dividends received is transferred to other reserves within the statement of changes in equity. For the purposes of the cash flow statement, dividends received from associates are classified as operating cash flows as these enter into the determination of net profit or loss.

Treatment of Hesto using the Equity accounting method
Although Metair owns 74.9% of Hesto, Hesto is accounted for as an associate, using the equity accounting method and is not consolidated as a group entity. The shareholder's agreement stipulates that unanimous consent is required for all decisions relating to the relevant activities of Hesto (*de facto* control or majority vote). In addition, the other shareholder also has a currently exercisable and substantive option (call option) over Metair's shareholding that results in the classification of the investment as an associate rather than a joint venture.

The call option held would benefit the other shareholder through additional voting rights acquired from its exercise. The other shareholder currently holds 25.1% shareholding in Hesto and the option will allow an increase to either 50.1% or 100% shareholding. The unanimous consent required for decision-making is a clear indication that Metair does not control Hesto. Although unanimous consent usually indicates joint control, the impact of the call option results in the relationship being one of an associate, however equity accounting is applied under both basis.

FOREIGN CURRENCY TRANSLATION
(a) 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 South African Rands ('ZAR'), which is the company's functional and the group's presentation currency.

(b) Transactions and balances
Transactions denominated in foreign currency are translated at the spot exchange rate into the functional currency at the transaction date and if remeasured, on date of remeasurement. Foreign exchange gains or 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 currency, are recognised within profit/loss, except when deferred in other comprehensive income as a qualifying cash flow hedge. Monetary items denominated in foreign currency are translated at the closing rate at the reporting date.

(c) Group companies
The results and financial position of all the group entities (except Mutlu Akü, which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (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 rate on the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets or liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

ACCOUNTING POLICIES CONTINUED

TÜRKIYE HYPERINFLATION ACCOUNTING

During 2023, Türkiye remained classified as a hyperinflationary economy. The assessment as to when an economy is hyperinflationary is based on the guidelines of IAS 29: Financial Reporting in Hyperinflationary Economies (IAS 29), which considers qualitative as well as quantitative factors, including whether the accumulated inflation over a three-year period is in excess of 100%. The International Monetary Fund confirmed cumulative inflation rates over a three-year period exceeded 100% as at October 2023.

The Group applied hyperinflation accounting, as specified in IAS 29, for amounts reported by Mutlu Akü in Türkiye (includes ''Mutlu Akü group of companies' also referred to as Mutlu Group), whose functional currency is Turkish Lira, since 1 January 2022. The application of IAS 29 to Mutlu Akü's operations is done prior to the translation of those results to the group's presentation currency.

General price index

IAS 29 requires transactions and balances to be stated in terms of the measuring unit at the end of the reporting period, using a general price index to account for the effect of loss of purchasing power experienced during the period. The group has elected to use the Turkish CPI, provided by the Turkish Statistical Institute, as the general price index. The Turkish CPI provides an observable published indicator of changes in the general purchasing power of the country's currency. IAS 29 requires full retrospective application of its principles. Consequently, IAS 29 principles are applied from the date the Metair Group acquired the Mutlu Group (i.e., December 2013). The Turkish CPI increased from 229 in December 2013 to 1859 in December 2023. The CPI increased by 65% (2022: 64%) in the current financial year ending 31 December 2023. Based on these CPI increases, the transactions within the group statements of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows have been restated from the date these transactions occurred to reflect the period end (31 December 2023) purchasing power of the Turkish currency.

Impact on the balance sheet (statement of financial position)

The group has not restated comparative amounts relating to Mutlu Akü for changes in purchase power of its functional currency in the current set of annual financial statements, as the presentation currency of the group is (South African Rand) that of a non-hyperinflationary economy. The difference between the net asset value of Mutlu previously reported and its restated comparative information is presented in the foreign currency translation reserve ('FCTR') presented under other comprehensive income ('OCI') in the consolidated statement of comprehensive income and consolidated statement of changes in equity. This difference encompasses the initial and subsequent impact of the application of IAS 29 as a combined effect relating to the inflationary restatement in accordance with IAS 29 and the foreign exchange translation in accordance with IAS 21 as a net change. This is consistent with the IFRS Interpretations Committee agenda decision of March 2020.

At the beginning of the first period in which IAS 29 is applied, the components of equity, excluding retained earnings, are restated by applying the change in the general purchase power of the Turkish Lira from the dates the components were contributed or otherwise arose, to their purchasing power at the end of the reporting period. These restatements are recognised directly in equity. Restated retained earnings are derived based on the other amounts in the restated statement of financial position.

The carrying amounts of non-monetary assets and liabilities carried at historical cost have been adjusted to reflect the change in the purchasing power of the Turkish Lira from the date of initial recognition to the end of the reporting period. Where non-monetary items are restated above their recoverable amount an impairment loss is recognised directly in the consolidated statement of comprehensive income. Non-monetary items that are held at fair value or net realisable value are not restated, as these items are recognised based on current price levels. Monetary items are already expressed in the measurement unit current at the end of the reporting period and do not require restatement.

Impact on the income statement (statement of comprehensive income)

All items recognised in the statement of comprehensive income are restated by applying the change in the purchasing power of the Turkish Lira from the dates when the items of income and expenses were initially earned or incurred to the purchase power at the end of the reporting period. The gain/loss earned/incurred on the net monetary position of Mutlu has been recognised in the consolidated statement of comprehensive income as a "Net monetary gain arising from hyperinflation".

Impact on the statement of cash flows

All items in the statement of cash flows are expressed in terms of the purchasing power of the Turkish Lira at the end of the reporting period. The resultant statement of cash flows is prepared to reflect cash flows during the year measured at the current purchasing power at the end of the reporting period.

Deferred taxation

Hyperinflation accounting in accordance with IAS 29 within the accounting result in changes to the carrying amounts of all non-monetary assets and liabilities without a corresponding tax base adjustment. As the inflationary adjustments relate to subsequent measurement of the non-monetary assets and liabilities, deferred tax assets and liabilities are raised to the extent that it is likely that these would realise in future periods.

Exchange rate

The results, cash flows and financial position of Mutlu Akü, which is accounted for as an entity operating in a hyperinflationary economy and has a functional currency different from the presentation currency of the group, have been translated into the presentation currency of the group at the closing spot rate of exchange ruling at the reporting date.

Impact of hyperinflation on group's results

Significant hyperinflation-accounting adjustments are highlighted in note 28 to the financial statements.

Critical accounting estimates and judgements applied in adoption of IAS 29:

The Turkish Consumer Price Index as published by Türkiye Cumhuriyet Merkez Bankasi (Turkish Statistical Institute) is representative of the general price increase within the economy and has therefore been used by the group as a basis to restate amounts presented in terms of IAS 29. This index provides a reliable and observable indication of the change in the price of goods and services over time. It is the measure generally accepted by market participants to measure the change in purchase power for the Turkish Lira.

Where transactions occurred in high volume and with significant frequency (e.g., daily revenues, expenses, borrowing cash flows and interest transactions), which rendered the determination of a specific transaction date impracticable, monthly or semi-annual averages were used to approximate the value of these transactions. Further, the respective monthly, or semi-annual CPI average was applied in restating these amounts, depending on when the cash flows were expected to arise.

Average opening and closing inventory days, representing the time for which inventory was on hand, was used to calculate the acquisition dates for the opening and closing inventory balances, respectively. These inventory balances were restated in terms of IAS 29 based on the purchasing power applicable from the calculated acquisition dates for each of these balances. Purchases made during the year were restated in terms of IAS 29 based on the average purchase power associated with the month in which the transaction occurred. The inventory balances restated in terms of IAS 29 were used as a basis to calculate the cost of goods sold for the year.

INTANGIBLES

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred in an acquisition over the group's share in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired and the amount of the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed and is recognised in profit or loss.

The carrying value of goodwill is compared to the recoverable amount which is the higher of value-in-use and the fair value less cost to sell. Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 years. The amortisation methods and estimated remaining useful lives are reviewed at least annually.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. These intangibles have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight-line basis over their estimated useful lives of 5 to 15 years. The amortisation methods and estimated remaining useful lives are reviewed at least annually.

(d) Brands

Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands are classified into two categories: brands with a finite useful life and are carried at cost less accumulated amortisation (definite lives) and brands which have been assessed by management as an indefinite useful life intangible asset and not subject to amortisation.

The Mutlu brand has been assessed as an indefinite useful life intangible asset and is based on an analysis of relevant underlying factors confirming that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the group. This assumption is further justified by the strong presence the brand has in Türkiye and the rest of its international market place and management's intention to keep the Mutlu brand indefinitely.

Amortisation is charged to the income statement on a straight-line basis over the useful life of the asset of 25 years, except for the Mutlu brand. The amortisation methods and estimated remaining useful lives are reviewed at least annually.

The indefinite life intangible assets are tested for impairment annually. The assessment that the estimated useful lives of these assets are indefinite is reviewed at least annually.

Subsequent expenditure on acquired intangible assets is capitalised only when the cost meets the definition and recognition criteria of IAS 38 and the costs can be reliably measured.

(e) 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 estimated useful lives.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (3 - 5 years).

(f) Research and development

Research expenditure relating to gaining new technical knowledge and understanding is charged to the income statement when incurred. Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the costs can be measured reliably, the products or processes are technically and commercially feasible, future economic benefits are probable, and the group intends to and has sufficient resources to complete development and to use or sell the asset. All remaining development expenditure is charged to the income statement. Cost includes expenditure on materials, direct labour and an allocated proportion of project overheads.

Amortisation of development costs recognised as assets are written off to the income statement over 3 - 5 years.

PROPERTY, PLANT AND EQUIPMENT

(a) Owned assets

Land and buildings comprise mainly factories and offices. All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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.

ACCOUNTING POLICIES CONTINUED

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives as follows:

Buildings	50 years
Plant, machinery and equipment	3 - 20 years
Vehicles and furniture and fittings	3 - 5 years

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Residual values and useful lives of all assets are reviewed, and adjusted if appropriate, on an annual basis.

In addition, depreciation of an item of property, plant and equipment is to begin when it is available for use and ceases at the earlier of the date it is classified as held for sale or the date that it is derecognised upon disposal. An item of property, plant and equipment is derecognised when no future economic benefits are expected from its use or disposal. Expenditure incurred on the construction of property, plant and equipment is capitalised within property, plant and equipment and depreciated once brought into use.

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.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income and expenses in the income statement.

(b) Spare parts and tooling

Spare parts are classified as plant and equipment rather than inventory when they meet the definition of property, plant and equipment. Tooling used in the production of a specific project is subjected to an economic analysis of contractual relations with the automaker/customer in order to determine which party has control over the tool. Tooling is capitalised as part of plant and equipment only when it meets the definition of an asset.

LEASES

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed monthly lease payments (including in-substance fixed payments), less any lease incentives receivable.

The group’s leasing arrangements are predominantly standard in nature. Lease terms are negotiated on an individual basis and contain varying terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Leased payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by group entities, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture and generally lower than USD 5 000 per item per ZAR equivalent. Further information on leases can be found in note 7.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment. The group periodically evaluates the carrying value of property, plant and equipment and intangible assets when events and circumstances warrant such a review. The carrying value of an asset is considered to be impaired when the recoverable amount of such an asset is less than its carrying value.

In that event, a loss is recognised based on the amount by which the carrying value exceeds the recoverable amount.
The recoverable amount is the higher of an asset’s fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (‘CGUs’).

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable willing parties, less the costs of disposal.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the CGU to which the asset belongs.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose results are reviewed by the executive decision-makers to allocate resources and to assess its performance.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors that make strategic decisions. The operating activities of the group (predominantly automotive) are structured according to the markets served – energy storage and automotive components. Reportable segments derive their sales from the manufacture of predominantly batteries and automotive parts.

COMPARATIVE FIGURES

Certain additional disclosure has been provided in respect of the current year. To the extent practicable, comparative information has also been provided.

INVENTORY

Inventory is stated at the lower of cost or net realisable value, due account being taken of possible obsolescence. The cost of inventories is based on the first-in, first-out principle. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and appropriate share of production overheads based on normal operating capacity.

Borrowing costs are not capitalised cost of inventory. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

CURRENT AND DEFERRED TAX

(a) Income tax expense

The tax expense for the period comprises current and deferred 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 respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries 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 the tax authorities. The charge for current tax is predominantly based on results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income and includes any adjustments to tax payable in respect of prior years.

(b) Deferred tax assets and liabilities

Deferred income tax is recognised, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

The provision of deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities. 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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The group recognises the estimated liability on all products still under warranty at the reporting date. This provision is calculated based on service histories. The group also recognises a liability for recovering used lead-acid batteries for recycling obligations. A provision is recognised and based on collection rate experience.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 method.

COST OF SALES

All costs directly related to the producing of products are included in cost of sales. Costs that cannot be directly linked are included separately or under other operating expenses. When inventories are sold, the carrying amount is recognised in cost of sales. Any write-down, losses or reversals of previous write-downs or losses are recognised in cost of sales.

REVENUE AND OTHER INCOME

Revenue from contracts with customers

General

The group recognises revenue when (or as) a group entity satisfies a performance obligation by transferring a promised good or service to a customer. Goods and services are transferred when (or as) the customer obtains control of that asset. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Revenue from a contract with customers is in scope of IFRS 15, once all of the following criteria are met;

- collection of consideration is probable;
- contract has commercial substance;
- rights and payment terms are identified; and
- approved and parties committed to obligations.

Revenue is measured at the transaction price derived from contracts with customers and is net of volume rebates, discounts and other similar items such as life-time price reductions (‘LTRs’), incentives and sales taxes (‘VAT’). Intercompany sales have been eliminated for purposes of group consolidation.

ACCOUNTING POLICIES CONTINUED

The significant specific accounting policies for the group's main types of revenue streams are summarised as follows:

Sale of automotive parts and components including tooling obligations to customers

The automotive components business vertical produces original equipment ('OE') components used in the assembly of new vehicles by original equipment manufacturers ('OEMs') in South Africa as well as spare parts and accessories ('OES'). The group also produces generic and aftermarket products. Products include lights (headlamps and tail-lamps), wire harnesses, suspension springs, radiators, air conditioners and brakes.

The majority of automotive component revenue streams arise from contracts with OEMs and normally span over the vehicle model life which can range from between 5 to 7 years of production, including facelifts.

For the purposes of the segment report, OE revenue is derived from the manufacture of components used in the assembly of new vehicles. Aftermarket revenue includes the manufacture and distribution of parts used to service vehicles already produced by OEMs, known as OES, as well as other generic parts.

Revenue on components and parts sold are recognised on the following basis:

- OEM contractual customers – Over time, i.e., before the parts have been delivered to the customers premises; and
- at the point in time for all other customers i.e., usually when the parts have been delivered and accepted by customer's at their premises.

The group meets the requirements for applying the 'series' guidance for components and spare parts sold to OEMs over-time and therefore, in respect of each non-cancellable customer purchase order (or rolling forecasts received from the customers), the entire quantity of parts required by the customer is accounted for as a single performance obligation for which revenue is allocated and recognised, as the parts are manufactured. Manufacturing and delivery is based on customer-specific production releases.

For all other generic and aftermarket parts, customers obtain control the parts when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Delivery occurs when the parts have been shipped to the specific location, the risk of obsolescence and loss has been transferred to the customers and the customers have accepted the goods in accordance with their corresponding purchase orders.

Measurement

Revenue for fully completed parts is recognised predominantly on the 'right to invoice' method. Subject to OEM annual pricing reviews, the selling or piece price per component manufactured is usually fixed and agreed by both parties. For semi-completed components and customer specific raw materials committed, revenue is recognised on an input method, being the measure of progress of manufacturing costs increment to date plus an appropriate margin. This depicts a fair representation of efforts fulfilled, in terms of the overall performance obligations to OEMs. Aftermarket pricing is based on approved price lists.

Revenue adjustments and variations

The transaction price is based on the amount of consideration a group entity expects to be entitled to for each component manufactured and supplied. These include fixed and variable (subject to constraints) elements. Variable consideration encompasses any amount that is variable under a contract including, for example, discounts, rebates, OEM price adjustments and customer's rights to return products.

During the ordinary course of business, OEM customer pricing is normally adjusted to take into account inflationary cost increases in materials (such as steel and copper), economic cost increases for labour and production overheads and foreign exchange rate fluctuations on imported materials. These adjustments are common in our industry and are negotiated and adjusted for in annual pricing reviews or 'APRs'. Pricing changes could also occur as a result of engineering changes due to model facelifts.

Revenue therefore includes some or all of an amount of variable consideration, estimated only to the extent that it is highly probably that a significant reversal in the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. If applicable, revenue is adjusted, on a cumulative catch up basis, for pricing changes on components already supplied (retrospective) to OEMs. Adjustments are based on the most likely amount to be received (or paid), subject to the extent that it does not result in a significant reversal of revenue accumulated.

Contract modifications are applied prospectively (i.e., to future parts supplied) and will only impact future purchase orders and performance obligations.

In certain instances, OEMs request LTRs that is volume linked. When a group entity agrees to grant a customer an option to acquire additional goods or services at a reduced price, that option is a separate performance obligation under the contract if it provides a material right that the customer would otherwise not receive without entering into the contract. Revenue is adjusted based on the anticipated sales over the LTR period and where products sold are substantially the same and the customer is able to buy future units at a reduced price, a relatively consistent price is applied to all parts during the LTR period.

The LTR gives the customer the right to acquire additional parts at a lower price in future and in these specific cases, a portion of revenue is deferred to later in the contract.

Customer tooling requirements

During new vehicle model launches or major facelifts, the group's automotive business units may engage in sourcing, procuring and/or assembly of customer tooling required for the specific parts to be manufactured for the OEM customers. Customer-specific tooling orders are normally outsourced to third-party specialised toolmakers and the costs are recovered with usually no mark up (we have limited pricing influence).

Tooling supply arrangements create separate enforceable rights and performance obligations and revenue is therefore recognised separately. The group is the primary party responsible for the delivery of the tool to the customer and the group controls the tool before the obligation is satisfied. The group therefore accounts for these arrangements as principal and revenue is recognised on a gross basis. Revenue for the tool is recognised progressively ('over time'). Costs incurred to fulfil the contract to date are effectively recognised immediately, since the revenue booked represents recovery of costs incurred, at zero profit margin.

Cash advancements or progress payments received from customers are initially classified as contract liabilities.

Revenue from OEM customer specific tooling, that we are engaged to supply for use in the production of customer-specific parts, is recognised over time, as the services are provided and contract assets are raised. The stage of completion to determine the amount of revenue to recognise is based on the cost to cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities. Tooling arrangements can differ on a case-by-case basis.

Energy storage – sale of automotive and industrial batteries

The energy storage business manufactures automotive batteries for supply to the aftermarket (replacements) through our unique aftermarket distribution channels and independent franchised retail networks ('distributors') as well as to OEMs for new vehicles manufactured. Batteries are also exported to destinations across 'EMEA' from our operations in South Africa, Türkiye and Romania.

Revenue is recognised when control of the batteries has transferred, being at the point in time when the batteries have been delivered. None of the requirements to recognise revenue over time is met.

Delivery occurs when the batteries have been shipped to the specific location, the risk of obsolescence and loss have been transferred to the customers and the customers have accepted the goods in accordance with their corresponding purchase orders.

When a product is subject to delivery to the customer's site, legal title passes when the product is physically handed over. When a product is shipped to the customer free-on-board '(FOB') shipping point (i.e., exports), legal title passes and the risks and rewards are generally considered to have transferred to the customer when the product is handed over to the carrier.

Arrangements that involve shipment of goods to a customer might include promises related to the shipping service that give rise to a performance obligation. Shipping and handling services may be considered a separate performance obligation if control of the goods transfers to the customer before shipment, but a group entity may promise to ship the goods (or arrange for the goods to be shipped). In contrast, if control of a good does not transfer to the customer before shipment, shipping is not a promised service to the customer. This is because shipping is a fulfilment activity as the costs are incurred as part of transferring the goods to the customer.

The amount of revenue booked is based on the transaction price, which is the full amount of consideration a group entity expects to be entitled to for supplying each battery. OEM pricing is normally also adjusted during the year for movements in forex rates regarding imported subcomponents and the London Metal Exchange index changes ('LME' changes) for lead. These adjustments result in variable consideration. To the extent that forex rates and lead commodity (LME) price changes relate only to batteries that are to be delivered in the future, there is no variable consideration, as there is no variability in the selling price between when control of the battery transfers to an OEM customer and when the selling price is settled.

If the price negotiations will impact the transaction price of the parts already supplied, then revenue is adjusted for the revised price as a cumulative catch-up adjustment.

Revenue from aftermarket sales is recognised based on the price quoted to the customer, governed by internal pricing lists, net of any discounts and rebates. Volume discounts, rebates and similar customer incentives are accrued for during the year, based on the most likely amount to be paid and is readily determinable at balance sheet. These amounts are accrued for within trade and other payables (see note 16).

In one group entity, a supply arrangement exists whereby refunds are issued to certain distributors who may be requested to deliver stock, initially sold to them, to other customers of the group entity. The distributor also receives a handling (logistics) fee for this service. The handling fee is expensed as it is a distinct service provided to the group entity. The distributor arrangement effectively permits the customer to return an item for a credit as stock is re-directed to other customers of the entity. Sales made to distributors, who have a right of return arrangement, are deferred for the amount of revenue the group is ultimately entitled to. Therefore, for goods that will be re-distributed to other customers under this arrangement, revenue is not recognised as it is highly probable that a significant reversal will occur.

A liability is created for the amount of revenue the group entity expects to refund (i.e., products expected to be returned). An asset with a corresponding decrease to cost of sales is created for the right to recover products, when the refund liability is settled, at the cost of the initial inventory less any costs to recover the products.

Contract assets and trade receivables

A trade receivable is recognised when the goods are delivered, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due. If the group has recognised revenue but not issued an invoice, then the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional, usually upon collection or delivery of the goods and in the case of tooling, as agreed with the customer.

Warranties

The group's obligation to provide for warranties is recognised as a provision (see note 17). The customer does not have the option to purchase the warranty separately. Refunds are provided for faulty products under the group's standard warranty obligations which are in line with industry practices. The estimated costs are recorded as a liability when the group transfers the product to the customer.

Returned goods are exchanged for new goods and no cash refunds are offered.

Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. No element of financing is deemed present, sales are consistent with market practice.

Dividends

Dividend income is recognised when the right to receive payment is established.

Interest

Interest income is recognised using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

Sundry and incidental income

The group generates incidental income in the form of sale of scrap such as off-cuts, rental income arising from short-term external rental of portions of owned warehouses, external management fees and other sundry items. These items are accounted for as other operating income and are not regarded as core revenue streams.

GOVERNMENT GRANTS AND SIMILAR INCENTIVES

The group qualifies for certain incentives and allowances mainly linked to investment stimulation and production output such as the Automotive Incentive Scheme ('AIS'), the Enterprise Investment Programme ('EIP'), the Productive Asset Allowance ('PAA'), the Automotive Production and Development Programme ('APDP') and similar other foreign state incentives.

Government grants that compensate the group for the cost of an asset are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the group will comply with the conditions attached to the grants. The grants are amortised to the income statement as other operating income on a systematic basis over the useful life of the asset, or vehicle model life if shorter.

ACCOUNTING POLICIES CONTINUED

Grants are classified as non-current to the extent that they are long-term in nature.

Government grants that compensate the group for expenses incurred are recognised in the income statement as other operating income when there is reasonable assurance that they will be received and that the group will comply with the conditions attached to the grants. These are recognised over the period necessary to match them with the costs that they are intended to compensate. Grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

EARNINGS PER SHARE

Basic earnings per share is expressed in cents and is based on the net profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, excluding ordinary shares purchased by the company (treasury shares).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (incentive shares).

Headline earnings is earnings as determined by IAS 33, adjusted for ‘separately identifiable re-measurements’, net of related tax (both current and deferred) and related non-controlling interest.

FINANCIAL INSTRUMENTS

(a) Recognition and initial measurement

Financial instruments, consisting of financial assets and financial liabilities, carried at the reporting date by the group include bank and cash, trade receivables, trade payables, borrowings, bank overdrafts and derivative instruments such as forward foreign exchange contracts (‘FECs’). Trade receivables and trade payables exclude prepayments and certain statutory and employee-related payables for the purposes of financial instruments. Contract assets are also excluded as it does not represent an unconditional right to payment until goods are physically delivered.

Trade receivables are initially recognised when they are originated, in conjunction with IFRS 15. All other financial assets and liabilities are recognised on the balance sheet when the group and company become a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(b) Classification and subsequent measurement
Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The consolidated group does not hold debt or equity investments.

Financial assets are classified as current assets if they are expected to be realised within 12-months of the reporting date.

Assessing the SPPI criterion

In order for a financial asset to qualify for amortised cost or FVOCI it needs to give rise to cash flows that are ‘solely payments of principal and interest’ on the principal amount outstanding. This assessment is colloquially referred to as the SPPI test. It is performed at an instrument level.

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The trade receivables of the group only involve a single cash flow - the payment of the amount resulting from a transaction in the scope of IFRS 15, which is deemed to be the principal, as stated above. Therefore, the cash flows resulting from the receivables meet the SPPI test of payments of principal and interest despite the interest component being zero in most cases.

Bank and cash are short term in nature and interest income is earned on amounts deposited with the bank. The group recognises these balances at its contractual par amount. The bank balances involve one single cash flow which is the repayment of the principal plus interest accrued at the effective rate. Therefore, the cash flows resulting from these deposits meet the SPPI test of payments of principal and interest.

The contractual cash flows for trade receivables and bank and cash consists solely of principal and interest.

IFRS 9 ‘Business model’ assessment

In addition to the results from the SPPI test, the classification is dependent on the business model under which the group holds the financial assets. An entity's business model for managing financial assets refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from either collecting contractual cash flows, selling the financial assets or both.

A business model is typically observable through particular activities undertaken by an entity to achieve its objective, such as how its performance is evaluated, how its managers are remunerated and how its risks are managed, plus the frequency and magnitude of sales. For the purposes of the business model assessment, the group assessed financial assets at a higher level of aggregation. The group has more than one business model for managing its financial instruments and therefore the assessment need not be determined at the reporting entity level.

Amortised cost business model
The group operates an amortised cost business model for financial assets other than derivatives. Trade and other receivables as well as bank and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Our business model is to hold these assets in order to collect contractual cash flows, provided they pass the SPPI test mentioned above. The group manufactures and supplies automotive parts and batteries for the automotive industry. Receivables, arising from the revenue generated, are collected from customers and are based on the agreed contractual terms. This forms an integral component of working capital and credit risk management as well as cash generation for the group. In re-affirming our assessment, we considered:
- the time value of money;
- credit risk;
- terms that limit the group's claim to cash flows;
- liquidity risk;
- administration costs; and
- profit margins applied.

The group's policy for trade receivables as well as bank and cash are to therefore hold to collect the contractual cash flows. Therefore, these are classified and measured at amortised cost.

Amortised cost financial assets are subsequently measured using the effective interest method and are subject to the impairment requirements in IFRS 9. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Gains and losses are recognised in profit or loss when the instrument is derecognised or impaired.

Other business models
All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. IFRS 9 requires financial assets to be measured at FVTPL if they are not held within either a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The group makes use of derivative financial instruments such as forward FECs to manage foreign exchange risk. Derivatives fail the SPPI test. They include considerable leverage which is a non-SPPI feature. Therefore, derivative financial instruments are classified and measured at FVTPL. Refer to section C below for further polices on derivatives and hedging.

On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. This was not applicable for the year.

Financial liabilities
Financial liabilities are recognised on the transaction date when the group becomes a party to the contract and thus has a contractual obligation and are derecognised when these contractual obligations are discharged, cancelled or expired.

The group classifies its financial liabilities as either at fair value through profit or loss (predominantly derivatives instruments such as FECs) or amortised cost.

Financial liabilities are stated initially on the transaction date at fair value including transaction costs. Subsequently, they are stated at amortised cost using the effective interest method, other than those designated at fair value through profit or loss. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Fair value estimation
The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The nominal value less estimated credit adjustments of trade receivables are assumed to approximate their fair values.

Impairment of financial assets
The group recognises loss allowances for ECLs on financial assets measured at amortised cost, as well as on the financial liability recognised for financial guarantee contracts. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs, using the simplified approach. See accounting policy on trade receivables for further information. Loss allowances for advances to subsidiaries are calculated using a probability weighted basis for lifetime ECLs. For financial guarantee contracts, the date that the group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the group considers the changes in the risk that the specified debtor will default on the contract

(c) Derivative financial instruments and hedging activities
All derivative financial instruments are initially recognised at fair value and are subsequently stated at fair value at the reporting date. Attributable transaction costs are recognised in the income statement when incurred. Resulting gains or losses on derivative instruments, excluding designated and effective hedging instruments, are recognised in the income statement within other operating income. The group does not hold or issue derivative financial instruments for dealing purposes.

The group is exposed to market risks from changes in interest rates, foreign exchange rates and commodity prices. The group uses derivative instruments to hedge its exposure to these risks.

The group predominantly uses forward FECs to limit risk in changes in foreign exchange rates. To the extent that a derivative instrument has a maturity period of longer than one year, the fair value of these instruments will be reflected as a non-current asset or liability.

The method of recognising the resulting gain or loss is dependent 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 either:
- hedges of the fair value of recognised assets or liabilities or firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is optional, and the group does not apply hedge accounting unless in situations of acquisition of significant foreign operations. Hedge accounting is therefore not discussed further.

When derivative instruments, including forward exchange contracts, are entered into as fair value hedges, no hedge accounting is applied (held for trading). All gains and losses on fair value hedges are recognised in the income statement.
The fair values of derivative instruments used for hedging purposes are disclosed in note 19.5.

Financial guarantee contracts
Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:
- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments; and
- the amount initially recognised less cumulative amortisation recognised in profit and loss.

ACCOUNTING POLICIES CONTINUED

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment. The nominal contractual values of financial guarantees are not recorded in the balance sheet. The nominal value together with any ECL considerations are disclosed in Note 19.2 financial risk management (credit and liquidity risk).

TRADE RECEIVABLES

Trade receivables are recognised at the transaction price as measured and defined in IFRS 15, Revenue from contracts with customers and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires lifetime credit losses to be recognised from initial recognition of all receivables and contract assets. Refer to note 19.2 B – credit risk management for further details on impairment policies.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at carrying value, measured at amortised cost.

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term, highly liquid investments with original maturities of three months or less, all of which are available for use by the group unless otherwise stated.

Cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing. Borrowing costs are expensed unless capitalised as part of the cost of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Preference shares, which are mandatorily redeemable on a specific date, or at the option of the shareholders, or if dividend payments are not discretionary are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

EMPLOYEE BENEFITS

Remuneration of employees is charged to the income statement. Short-term employee benefits are those that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the services have been rendered.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the income statement as the related service is provided.

Long-term employee benefits are those benefits that are expected to be wholly settled more than 12 months after the end of the annual reporting period in which the services have been rendered and are discounted to their present value. An accrual is recognised for accumulated leave, incentive bonuses and other employee benefits when the group has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

Retirement benefits

The group operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and by the relevant group companies taking account of the recommendations of independent qualified actuaries.

The group also has an obligation in respect of its operations in Türkiye which requires mandatory lump sum payments similar to that of a defined benefit pension plan. Defined benefit plans require a liability to be recognised in the balance sheet at the present value of the expected obligation at reporting date. There are no plan assets.

(a) Defined contribution pension plans

For defined contribution pension plans, the group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Defined benefit (post-employment) medical aid benefits

Some group companies provided post-employment health care benefits to their retirees until 31 December 1996. Employees who joined the group after 1 January 1997 do not receive this benefit. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and electing to participate in the scheme. Valuations of these obligations are carried out by independent qualified actuaries.

The liability recognised in the balance sheet is the present value of the defined benefit obligation at the reporting date. The plans are unfunded.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The discount rate used is interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation. In South Africa there is no deep and liquid market in such bonds and therefore the market rates on government bonds are used. For Türkiye, the rates approved by Capital Markets Board are used.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of comprehensive income as re-measurements, in the period in which they arise. Past-service costs are recognised immediately in the income statement.

(c) Other post-employment benefits

In accordance with the existing Turkish social legislation, the group is required to make lump sum payments to current employees (employed in Mutlu) whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the accounting methodology described in respect of defined benefit plans above. Valuations of these are carried out by independent qualified actuaries. The obligation is discounted by using the market rate on government bonds or rates approved by the Capital Markets Board of Türkiye.

(d) Long service

The group pays its employees a long service benefit after a specified period of continuous service. The benefit is paid in the month the employee reaches the milestone. The method of accounting and frequency of valuation are similar to those under the defined schemes. The actuarial valuation to determine the liability is performed annually.

(e) Bonus plans

The group recognises a liability and an expense for bonuses and similar items based on a formula that takes into consideration, among others, the profit attributable after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(f) Share-based payment transactions

The group operates an equity-settled share-based payment compensation plan. The fair value of share options, share appreciation rights, bonus shares and performance shares granted to group directors and senior executives are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted excluding the impact of non-market vesting conditions.

Fair value is measured using the Black Scholes, Binomial tree and Monte-Carlo option pricing models where applicable. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of behavioural considerations such as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which these incentives are granted and the extent to which the employees have rendered service to the reporting date.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. 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, if any, for equity-settled share-based payments, in the income statement, with a corresponding adjustment to equity.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value of equity instruments granted, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.
The group's net vesting impact on the vesting of share-based payment obligations is transferred to retained earnings within the statement of changes in equity.

INVESTMENT TAX CREDITS ('ITC')

The group uses the 'flow-through' method under which the tax benefit from an ITC is recorded immediately as a reduction in current income tax expense (income tax credit) in the period that the credit is generated. The amount recognised is the actual tax reduction, indicated by the tax authorities, which is deducted from corporate tax calculated at reporting date.

If there are significant ongoing performance obligations or a less than probable likelihood of not committing to a project objective or outlay, the 'deferral' method, under which the tax benefit from an ITC is deferred and amortised within income tax provision over the lesser of the project or asset useful life, is applied.

STATED 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, net of tax, from the proceeds. Where a group company purchases the company's equity stated capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from 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 the related income tax effects, is included in equity attributable to the company's equity holders. Dividends received on treasury shares are eliminated on consolidation.

TOOLING DEBTORS AND CREDITORS

The group also facilitates tooling arrangements in terms of which it sources and oversees the manufacture of certain moulds on behalf of its customers.

Deposits received from customers for tooling arrangements are recorded as contract liabilities under IFRS 15 (previously tooling creditors). Prepayments paid to suppliers for tooling arrangements are recorded as tooling debtors or prepayments.

DIVIDENDS PAYABLE

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company in a general meeting or by the board.

DIVIDENDS WITHHOLDING TAX

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The group withholds dividends tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the group's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

AS AT 31 DECEMBER 2023

	Type	Issued share capital 2023 R'000	Issued share capital 2022 R'000	Direct/ (indirect) interest 2023 %	Direct/ (indirect) interest 2022 %	Direct/ (indirect) cost of shares less impairment 2023 R'000	Direct/ (indirect) cost of shares less impairment 2022 R'000
SUBSIDIARIES							
Automotive components							
Smiths Manufacturing (Pty) Ltd	ordinary			(75.0)	(75.0)	(4 500)	(4 500)
Lumotech (Pty) Ltd	ordinary	1 200	1 200	(100.0)	(100.0)	(20 000)	(20 000)
Alfred Teves Brake Systems (Pty) Ltd	ordinary	15	15	(100.0)	(100.0)	(15)	(15)
Automould (Pty) Ltd	ordinary			(100.0)	(100.0)	(28 194)	(28 194)
Unitrade 745 (Pty) Ltd	ordinary			(100.0)	(100.0)		
Smiths Electric Motors (Pty) Ltd	ordinary			(75.0)	(75.0)		
Auto Plastics (Pty) Ltd	ordinary	2	2	(100.0)	(100.0)	(25 477)	(25 477)
Energy storage							
Metindustrial (Pty) Ltd	ordinary	500	500	(100.0)	(100.0)		
Rombat SA**	ordinary	76 010	76 010	(99.4)	(99.4)	(437 393)	(437 393)
Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi***	ordinary			(100.0)	(100.0)		
Dynamic Battery Services Limited~	ordinary	2	2	(100.0)	(100.0)	(31 000)	(31 000)
First National Battery Retail (Pty) Ltd	ordinary			(100.0)	(100.0)		
Tlangi Investments (Pty) Ltd	ordinary			(100.0)	(100.0)		
Intermediate holding and management services							
Inalex (Pty) Ltd	ordinary	493 695	493 695	100.0	100.0	493 695	493 695
Nikisize (Pty) Ltd	ordinary	52 695	52 695	(100.0)	(100.0)	(52 695)	(52 695)
Metair Management Services (Pty) Ltd	ordinary			(100.0)	(100.0)		
Business Venture Investments No 1217 (Pty) Ltd	ordinary			(100.0)	(100.0)		
Metair International Cooperatief U.A.*	ordinary	2 978 352	2 978 352	(100.0)	(100.0)	(2 934 489)	(2 934 489)
Metair Energy Solutions B.V*	ordinary			(100.0)	(100.0)		
Metair Akü Holding Anonim Şirketi***	ordinary	2 494 422	2 494 422	(100.0)	(100.0)	(2 514 065)	(2 514 065)
Properties							
SMSA Property (Pty) Ltd	ordinary	3 000	3 000	(75.0)	(75.0)		
Honeypenny (Pty) Ltd	ordinary			(100.0)	(100.0)	(6 850)	(6 850)
Climate Control Properties (Pty) Ltd	ordinary	2	2	(100.0)	(100.0)	(2)	(2)
Direct interest						493 695	493 695
Indirect interest						(6 054 680)	(6 054 680)

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

CONTINUED

		Issued share capital		Direct/ (indirect) interest		Direct/ (indirect) cost of shares less impairment	
	Type	2023 R'000	2022 R'000	2023 %	2022 %	2023 R'000	2022 R'000
ASSOCIATES							
Hesto Harnesses (Pty) Ltd	ordinary	1	1	(74.9)	(74.9)		(44 472)
Associated Battery Manufacturers (East Africa) Ltd'	ordinary	953	953	(25.0)	(25.0)	(121 325)	(121 821)
Akkumulatorenfabrik MOLL GmbH + Co.KG``	fixed capital			(25.1)	(25.1)		
MOLL Grundstücks- und Vermogensverwaltungs GmbH + Co. KG``	fixed capital			(25.1)	(25.1)		
Tenneco Automotive Holdings SA (Pty) Ltd	ordinary	1 233	1 233	25.1	25.1		
Valeo Systems South Africa (Pty) Ltd	ordinary	1	1	49.0	49.0		2 793
Vizirama 112 (Pty) Ltd	ordinary			33.0	33.0		
Eye2square Innovations (Pty) Ltd	ordinary			(20.0)	(20.0)		
Denso Sales South Africa (Pty) Ltd	ordinary			(49.0)	(49.0)		
Direct interest							2 793
Indirect interest						(121 325)	(166 293)

All subsidiaries and associates are incorporated in South Africa except for:
* Metair International Cooperatief U.A. and Metair Energy Solutions B.V - Netherlands
** Rombat SA - Romania
*** Mutlu group is incorporated in Türkiye, consists of the following:
- Metair Akü Holding Anonim Şirketi
- Mutlu Holding Anonim Şirketi
- Mutlu Akü ve Malzemeleri Sanayii Anonim Şirketi (Mutlu Akü)
- Mutlu Plastik ve Ambalaji Sanayi Anonim Şirketi (Plastik)
- Metair Gayrimenkul Proje Kiralama Anonim Şirketi (Mutlu Property)

~ Dynamic Batteries - United Kingdom
` Associated Battery Manufacturers (East Africa) Limited - Kenya
`` MOLL group are registered partnerships in Germany and consists of the following entities:
- Akkumulatorenfabrik MOLL GmbH & Co. KG (currently in liquidation process)
- MOLL Grundstücks- und Vermogensverwaltungs GmbH & Co. KG
- MOLL Beteiligungsgesellschaft GmbH
- MOLL Grundbesitz GmbH

SHAREHOLDER INFORMATION

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE and A2X share code: MTA
ISIN: ZAE000090692
("Metair" or the "company" or the "group")

NOTICE TO SHAREHOLDERS

Notice is hereby given that the annual general meeting (AGM) of the shareholders of Metair (shareholders) will be held at Metair's registered office, Suite 7, Ground Floor, Building 2, Oxford & Glenhove, 114 Oxford Road, Houghton Estate, Johannesburg, 2198, Republic of South Africa and remotely through an electronic interactive platform hosted by The Meeting Specialist (Pty) Ltd (TMS), as permitted in terms of clause 16.5 of Metair's memorandum of incorporation (MOI), the Listings Requirements of the JSE Limited (JSE) (JSE Listings Requirements) and the Companies Act, No. 71 of 2008, as amended (Companies Act) on Tuesday, 7 May 2024, at 14h00, subject to any cancellation, postponement or adjournment, in terms of section 63(2)(b) of the Companies Act, for the following purposes:

ORDINARY BUSINESS

1. Presentation of annual financial statements

To present the audited annual financial statements, which include the directors' report and the audit and risk committee report, for the year ended 31 December 2023, as approved by the board of directors of the company (directors), (board) in terms of section 30(3) of the Companies Act, incorporating the auditor's report.

2. Social and ethics committee report

To receive a report by the social and ethics committee on the matters within its mandate.

3. Resolutions

To consider, and, if deemed fit pass, with or without modification, the ordinary resolutions set out below:

4. Re-election of the directors retiring by rotation and confirmation of appointment of a director

ORDINARY RESOLUTION NUMBER 1

Resolved that Mr PH Giliam, who retires in terms of the provisions of the company's MOI, but being eligible and has offered himself for re-election, be and is hereby re-elected as a director of the company.

PH Giliam
Independent non-executive director
Age: 68
Qualification: B.Eng (Hons)
Nationality: South African

Mr Giliam holds a B.Eng (Hons) in Automotive, Project Management and a Bachelor in Mechanical Engineering from the University of Pretoria. Mr Giliam was previously the managing director of Robertson and Caine Proprietary Limited and has a wealth of experience in the automotive industry, gained through various senior roles, including, *inter alia*, project director at Jaguar Land Rover U.K, vice president at BMW Group and plant coordinator of Metalsa South Africa.

He was appointed as an independent non-executive director of Metair and a member of the investment committee with effect from 1 May 2021. Mr Giliam also serves as a member of the remuneration and nominations committee.

ORDINARY RESOLUTION NUMBER 2

Resolved that Ms N Medupe, who retires in terms of the provisions of the company's MOI, but being eligible and has offered herself for re-election, be and is hereby re-elected as a director of the company.

N Medupe
Independent non-executive director
Age: 53
Qualifications: B.Com of Accountancy, Postgraduate diploma in Accountancy, Certificate in Sustainability Leadership and Corporate Governance, CA(SA)
Nationality: South African

Ms Medupe is a qualified Chartered Accountant (South Africa) and holds a Bachelor of Accountancy from the University of Durban Westville, a postgraduate diploma in Accountancy from the University of KwaZulu-Natal and a certificate in Sustainability Leadership and Corporate Governance from the London Business School.

Ms Medupe has over 29 years of professional experience, while her non-executive director experience is 15 years. She serves on boards that include Alexander Forbes Group Holdings Limited, City Lodge Hotels Limited and Exxaro Resources Limited. She also has experience chairing committees such as audit and risk, social and ethics and remuneration. Ms Medupe has served in numerous executive roles including her current role as chief executive officer of Indyebo Incorporated, chief operating officer of Nedbank Group Internal Audit, as well as a Partner in other audit firms.

Ms Medupe was appointed as an independent non-executive director of the company and chairperson of the audit and risk committee with effect from 13 June 2023.

ORDINARY RESOLUTION NUMBER 3

Resolved that Ms AK Sithebe, who retires in terms of the provisions of the company's MOI, but being eligible and has offered herself for re-election, be and is hereby re-elected as a director of the company.

AK Sithebe
Independent non-executive director
Age: 41
Qualifications: B.Com Accounting (Honours), CA(SA), MBA
Nationality: South African

Ms Sithebe is a private equity practitioner with extensive experience in mergers and acquisitions (M&A) and corporate finance garnered from a wide range of businesses primarily in the industrials value chain. She began her career with EY where she trained to qualify as a CA(SA) after which she established an accounting and audit practice named Kamva Advisory & Associates Inc. from 2008 to 2011. Ms Sithebe later went on to join the Industrial Development Corporation of South Africa (IDC) where she was a Senior Dealmaker. Ms Sithebe later held the role of Principal at African Phoenix Investments Limited which was a JSE listed mid-market focused private equity investment firm. Ms Sithebe is currently Managing Director of Kamva Investments, an investment holding entity with a focus on unlisted investments and M&A advisory. Ms Sithebe also serves on the boards of Altron Limited and Dis-Chem Pharmacies Limited. Ms Sithebe holds a BCom. Acc (RAU) with Honours (UNISA) and an MBA from GIBS.

Ms Sithebe was appointed as an independent non-executive director and a member of the audit and risk committee with effect from 1 January 2021 and to the social and ethics committee with effect from 29 January 2021.

ORDINARY RESOLUTION NUMBER 4

Resolved that the appointment of Mr PS O'Flaherty, the chief executive officer of the company, as a director of the company with effect from 1 February 2024, be and is hereby confirmed.

PS O'Flaherty
Executive director (chief executive officer)
Age: 61
Qualifications: B.Comm, B.Acc, CA(SA)
Nationality: South African

Mr O'Flaherty is a qualified Chartered Accountant (SA) and began his career at PricewaterhouseCoopers Inc. in 1986, having served as an audit partner for 6 years in the Energy and Mining sector. Since 2001, he has served in both Chief Financial Officer and Chief Executive Officer (CEO) roles in JSE listed companies (Group Five Limited and ArcelorMittal South Africa Limited), the public sector (Eskom Holdings Limited) and in large multinational private companies.

Mr O'Flaherty has a track record across multiple emerging markets coupled with in-depth experience in turnarounds, restructurings, mergers and acquisitions, and programme and project management. Prior to joining Ernst & Young Inc., he had the overall responsibility for the $1bn separation of ABSA Bank Limited from Barclays Plc.

Mr O'Flaherty is a commercially focused leader and has gained extensive experience across the manufacturing, mining, infrastructure, energy, trading, and financial services industries. He has also served as a non-executive director of JSE listed companies.

RE-APPOINTMENT OF INDEPENDENT AUDITORS

5. Ordinary resolution number 5

Resolved that Ernst & Young Inc., with the designated audit partner being Mr D Venter, be re-appointed as the company's independent external auditors for the ensuing year ending 31 December 2024 until the conclusion of the next AGM of the company, as recommended by the audit and risk committee.

The audit and risk committee and the board are satisfied that Ernst & Young Inc. (and Mr D Venter) are independent and suitable for re-appointment, having considered and applied the provisions of section 94(8) of the Companies Act and paragraph 3.84(g)(iii) read with paragraphs 3.86 and 3.87 of the JSE Listings Requirements.

6. Election of audit and risk committee members

Resolved that the members of the audit and risk committee as set out below be and are hereby elected in accordance with the provisions of section 94(2) of the Companies Act and the King IV Report on Corporate Governance for South Africa 2016 (King IV) for the period commencing on the date of their election and enduring until the next AGM of the company.

Resolved that the nominees (each of whom are independent non-executive directors of the company) to the audit and risk committee, as proposed by the board, be and are hereby elected:

ORDINARY RESOLUTION NUMBER 6

Resolved that Ms N Medupe be and is hereby elected as a member (and chairperson) of the audit and risk committee. Refer to ordinary resolution number 2 for full biographical details.

"Subject to her re-election as a director pursuant to ordinary resolution number 2"

ORDINARY RESOLUTION NUMBER 7

Resolved that Ms A Sithebe be and is hereby elected as a member of the audit and risk committee. Refer to ordinary resolution number 3 for full biographical details.

"Subject to her re-election as a director pursuant to ordinary resolution number 3"

ORDINARY RESOLUTION NUMBER 8

Resolved that Mr B Mawasha be and is hereby elected as a member of the audit and risk committee.

B Mawasha
Independent non-executive director
Age: 45
Qualifications: BSc (Eng) Electrical, GCC, PMD, ADP
Nationality: South African

Mr Mawasha has been CEO of Kolobe Nala Investment Company (KNI) since April 2019. Prior to KNI, he was Country Head – South Africa for Rio Tinto and Managing Director of Richards Bay Minerals. He previously held leadership, operational and technical roles at Anglo American (Kumba Iron Ore), the De Beers Group and AngloGold Ashanti. Mr Mawasha is passionate about education and the development of others. He is a member of the Witwatersrand University Mining Advisory Council. In 2017, he was selected as a Young Global Leader of the World Economic Forum. Mr Mawasha was appointed to the Metair board and the audit and risk committee on 1 March 2018. On 2 May 2019, he was appointed as chairman of the investment committee. He was then appointed as the lead independent non-executive director on 15 February 2023.

He is a certified director with the Institute of directors of Southern Africa and a member of the South African Institute of Electrical Engineers.

REMUNERATION POLICY

7. Ordinary non-binding advisory resolution number 9

Resolved as an ordinary non-binding advisory resolution that the company's remuneration policy, as set out in the remuneration report contained in the integrated annual report (refer to page 66 of the integrated annual report) be and is hereby endorsed through a non-binding advisory vote.

REMUNERATION IMPLEMENTATION REPORT

8. Ordinary non-binding advisory resolution number 10

Resolved as an ordinary non-binding advisory resolution that the company's remuneration implementation report, as set out in the remuneration report contained in the integrated annual report (refer to page 170 of the integrated annual report) be and is hereby endorsed through a non-binding advisory vote.

The reason for the above resolutions being proposed through a separate non-binding advisory vote is due to it being a recommended practice in terms of the King IV and a requirement of the JSE Listings Requirements, which is in line with sound corporate governance.

The non-binding resolutions are of an advisory nature only and failure to pass these resolutions will therefore not have any legal or other consequences relating to existing arrangements. However, the board will take the outcome of the votes into consideration when considering future implementation of the company's remuneration report.

SHAREHOLDER INFORMATION (continued)

Shareholders are reminded that in terms of King IV and the JSE Listings Requirements, should 25% or more of the voting rights exercised be against one or both of these non-binding ordinary resolutions, the company undertakes to engage with such dissenting shareholders as to the reasons therefor, and undertakes to make recommendations based on the feedback received.

SPECIAL BUSINESS

To consider, and, if deemed fit, to pass, with or without modification, the special resolutions set out below:

Special resolution number 1

Approval of non-executive directors' remuneration

Resolved as a special resolution in terms of section 66(9) of the Companies Act, that the remuneration of the non-executive directors of the company serving on the board and/or the board of directors of any of its subsidiaries with effect from 1 January 2024 onwards (refer to page 75 of the integrated annual report) be and is hereby approved.

The reason for and effect of special resolution number 1 is to approve, to the extent required, the remuneration for non-executive directors for the period commencing 1 January 2024 onwards.

Special resolution number 2

Provision of Financial Assistance in terms of Section 45 of the Companies Act

Resolved as a special resolution in accordance with section 45 of the Companies Act, that the board be and is hereby authorised, by way of a general authority, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution, to provide any direct or indirect financial assistance limited to related and inter-related companies which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share), (but subject to the provisions of the MOI and section 45(1) of the Companies Act) in such amount and in any form including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) to any of its present or future subsidiaries and/or any juristic person that the company directly or indirectly controls from time to time (collectively hereinafter referred to as the Metair group) and being on such terms and conditions as the board in its discretion deems fit, for any purpose whether in the normal course of business of the Metair group or of a transactional nature, subject thereto that the board will, before making such financial assistance available, satisfy itself that:

i) immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test as prescribed in section 4 of the Companies Act; and
ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The effect of this special resolution number 2 and the reason therefor is that such special resolution is required in terms of section 45 of the Companies Act to grant the directors the authority to allow the company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any company which is related or inter-related to the company or any other juristic person that the company directly or indirectly controls.

This special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of the company.

Shareholders are referred to the announcement published on SENS on Wednesday, 19 July 2023 regarding the financial assistance provided by the company in terms of section 45 of the Companies Act during the 2023 financial year.

Special resolution number 3

Provision of Financial Assistance in terms of Section 44 of the Companies Act

Resolved as a special resolution in accordance with section 44 of the Companies Act, that the board be and is hereby authorised, by way of a general authority, at any time and from time to time during the period of two years commencing on the date of passing of this special resolution, to provide, any direct or indirect financial assistance to any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share) for the purpose of or in connection with the subscription of any option, or any securities, issued or to be issued by Metair or any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share) or for the purchase of any securities in Metair or any related or inter-related companies in which Metair, directly or indirectly, holds a controlling equity interest (50% plus one share), (but subject to the provisions of the MOI and section 44 of the Companies Act) in such amount and in any form (including, but not limited to, by way of loan (on an interest-free or a market-related interest basis), guarantee, the provision of security or otherwise) whether in the normal course of business or of a transactional nature, subject thereto that the board will, before making such financial assistance available, satisfy itself that:

i) immediately after providing the financial assistance, Metair will satisfy the solvency and liquidity test as prescribed in section 4 of the Companies Act; and
ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to Metair.

The effect of this special resolution number 3 and the reason therefor is that such special resolution is required in terms of section 44 of the Companies Act to grant the directors the authority to allow Metair to provide financial assistance by way of loan, guarantee, the provision of security or otherwise, to any related or inter-related company in which Metair, directly or indirectly, holds a controlling interest for the purpose of or in connection with the subscription of any option, or any securities, issued or to be issued by Metair or any related or inter-related company which Metair, directly or indirectly, holds a controlling interest, or for the purchase of any securities in Metair or any related or inter-related company in which Metair, directly or indirectly, holds a controlling interest.

Furthermore, this special resolution specifically makes provision for Metair to provide financial assistance in respect of the issuance of preference shares by members of the Metair Group, as part of the group's tax efficient funding strategy. The special resolution does not authorise Metair to provide financial assistance to a director or prescribed officer of Metair.

Special resolution number 4

General Authority to repurchase the company's securities

Resolved as a special resolution in terms of the Companies Act and the JSE Listings Requirements, that the authorisation granted to the company in terms of clause 13 of its MOI to acquire the company's own securities by way of a general approval, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject only to the provisions of the Companies Act and the JSE Listings Requirements, be and is hereby approved, subject to the following terms and conditions:

i) any repurchase of securities must be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the company and any counterparty;
ii) this general authority shall be valid until the company's next AGM, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
iii) repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the repurchase will be effected;
iv) at any point in time, the company may only appoint one agent to effect any repurchases on the company's behalf;
v) an announcement shall be published as soon as the company has cumulatively repurchased 3% of the initial number (being the number of that class of shares in issue at the time that the general authority was granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing the details as required by paragraph 11.27 of the JSE Listings Requirements;
vi) repurchases shall not, in the aggregate, in any one financial year exceed 5% of the company's issued share capital of that class;
vii) acquisitions by the subsidiaries of the company may not result in a subsidiary, together with all other subsidiaries of the company, holding more than 10% of the relevant class of the issued share capital of the company from time to time;
viii) repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined in the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed to the JSE prior to the prohibited period,

   With regard to the above, the company must instruct only one independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme. The repurchase programme must be submitted to the JSE in writing prior to the commencement of the prohibited period and must include the details required in terms of paragraph 5.72(h) of the JSE Listings Requirements;

ix) the intention of the board is that the repurchase of the company's securities will be effected within the parameters laid down by this resolution as well as by the Companies Act, the JSE Listings Requirements and the board, as and when the directors of the company deem such repurchases to be appropriate, having regard for prevailing market and business conditions; and
x) the directors will ensure that the requisite prior resolution of the board has been taken authorising such repurchases, confirming that the company and its subsidiaries engaged in such repurchases have passed the solvency and liquidity test envisaged in section 4 of the Companies Act and confirming that, since such tests were performed, there have been no material changes to the financial position of the Metair group.

The directors shall not make any repurchases under this general authority unless they are of the opinion that, after considering the effect of the maximum number of shares to be repurchased and for a period of 12 months after the date of the notice of the AGM:

a) the company and the Metair group will be able, in the ordinary course of business, to pay their debts;
b) the assets of the company and the Metair group will be in excess of the liabilities of the company and the Metair group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements;
c) the share capital and reserves of the company and the Metair group are adequate for the ordinary business purposes of the company and the Metair group; and
d) the working capital of the company and the Metair group will be adequate for ordinary business purposes.

The effect of this special resolution number 4 and the reason therefor is to renew the general authority given to the directors, in the previous AGM, in terms of the Companies Act, the MOI and the JSE Listings Requirements for the acquisition by the company and/or its subsidiaries of the company's securities, which authority may be used at the directors' discretion during the course of the period authorised.

Having considered the effect of the maximum number of shares that may be repurchased pursuant to this general authority, and subject to the board approving the terms of each repurchase programme, a resolution has been passed by the board authorising the repurchase and confirming that the company and the Metair group have passed the solvency and liquidity test contemplated in section 4 of the Companies Act. Since the test was performed, there have been no material changes to the financial position of the Metair group.

Additional disclosure

In terms of the JSE Listings Requirements, the following disclosures are required with reference to the general authority to repurchase its own securities by the company and/or its subsidiaries set out in special resolution number 4, some of which are set out in the integrated annual report of which this notice forms part.

Major shareholders of the company – refer to page 77 of the integrated annual report.

Share capital – refer to page 77 of the integrated annual report.

Directors' responsibility statement

The directors, whose names are given on pages 8 to 9 of the integrated annual report collectively and individually accept full responsibility for the accuracy of the information pertaining to the above special resolution number 4 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by law and the JSE Listings Requirements.

Material change

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the Metair group since the financial year end on 31 December 2023 to the date of posting of the integrated annual report.

SHAREHOLDER INFORMATION (continued)

PERCENTAGE OF VOTING RIGHTS REQUIRED FOR RESOLUTIONS

Ordinary resolutions

The percentage of voting rights that will be required for the adoption of each ordinary resolution is 50% plus one of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM in order to be adopted.

Special resolutions

The percentage of voting rights that will be required for the adoption of each special resolution is at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM in order to be adopted.

NOTICE RECORD DATE, VOTING RECORD DATE AND FORMS OF PROXY

This notice of the company's AGM has been sent to its shareholders who were recorded as such in the company's securities register on Thursday, 28 March 2024, being the notice record date used to determine which shareholders are entitled to receive this notice of the AGM.

The record date on which shareholders of the company must be registered as such in the company's securities register in order to attend and vote at the AGM is Friday, 26 April 2024, being the voting record date used to determine which shareholders are entitled to attend and vote at the AGM. The last day to trade in order to be entitled to vote at the annual general meeting will therefore be Tuesday, 23 April 2024.

In terms of section 63(1) of the Companies Act, any person attending or participating in the AGM must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

Duly completed proxy forms must be received by the company at its registered office or by TMS (JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 or at PO Box 62043, Marshalltown, 2107 or *via* email at proxy@tmsmeetings.co.za) by no later than Friday, 3 May 2024 at 14h00. Any forms of proxy not lodged at this time must be handed or submitted electronically, *via* email to proxy@tmsmeetings.co.za, to the chairperson of the AGM immediately prior to commencement of the AGM. A shareholder entitled to attend and vote at the AGM may appoint one or more proxies (who need not be a shareholder(s) of the company) of his/her own choice to attend, speak, and, on a poll, vote in his/her stead at the AGM.

The attention of shareholders is directed to the additional notes contained in the form of proxy.

ELECTRONIC PARTICIPATION

The AGM will also be accessible through electronic communication, as permitted by the JSE Listings Requirements and in accordance with the provisions of the Companies Act and the company's MOI. TMS will assist shareholders with the requirements for electronic attendance, participation in, and/or voting at the AGM. Shareholders who wish to electronically attend, participate in and/or vote at the AGM are required to contact TMS at proxy@tmsmeetings.co.za or on +27 84 433 4836; +27 81 711 4255; or +27 61 440 0654 as soon as possible, in any event by no later than 14h00 on Friday, 3 May 2024. Shareholders participating in this manner may still appoint a proxy to vote on their behalf at the AGM. Access by means of electronic communication will be at the expense of the individual shareholders.

Neither the company nor TMS can be held accountable in the case of loss of network connectivity or other network failure due to, *inter alia*, insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any shareholder from electronically attending, participating in and/or voting at the AGM.

Shareholders or their proxies may participate in (but not vote at) the AGM by way of telephone conference call. If they wish to do so, they:

- must contact the company secretary (by email at the address sanet@metair.co.za) by no later than Friday, 2 May 2024 at 14h00 in order to obtain a pin number and dial-in details for that conference call:
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

Shareholders and their proxies will not be able to vote telephonically at the AGM and will still need to appoint a proxy or representative to vote on their behalf at the meeting.

By order of the board

SM Vermaak
Group Company secretary

Johannesburg
25 March 2024

Registered office
Metair Investments Limited
Oxford & Glenhove Building
114 Oxford Road
Houghton Estate
Johannesburg
Gauteng, 2198

FORM OF PROXY

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1948/031013/06)
JSE and A2X share code: MTA
ISIN: ZAE000090692
("Metair" or "company")

IMPORTANT NOTE CONCERNING THIS FORM OF PROXY

This form of proxy is only for the use by those shareholders of Metair who have not yet dematerialised their shares in Metair or who have dematerialised their shares in Metair, and such dematerialised shares are recorded in the electronic sub-register of Metair Investments Limited in the shareholder's own name (entitled shareholders).

If either of the above situations is not applicable to you, you must not use this form. In such event, you must notify your duly appointed Central Securities Depository Participant (CSDP) or broker, as the case may be, in the manner stipulated in the agreement governing your relationship with your CSDP or broker, of your instructions as regards voting your shares at the annual general meeting.

A shareholder entitled to attend and vote at the meeting may appoint one or more proxies of his/her own choice to attend, speak, and, on a poll, vote in his/her stead at the annual general meeting of the company to be held at 14h00 (South African Standard Time) on Tuesday, 7 May 2024 at the company's registered office, Suite 7, Ground Floor, Building 2, Oxford & Glenhove, 114 Oxford Road, Houghton Estate, Johannesburg, 2198. A proxy need not be a shareholder of the company.

I, ____
(name in block letters)
of (address) ____

____

being holder/s of ______________________ ordinary shares in the company, do hereby appoint:

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the chairperson of the annual general meeting as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote for or against the resolutions or abstain from voting, in accordance with the following instructions:

Voting instruction:

Please indicate with an "X" in the appropriate spaces how votes are to be cast	In Favour	Against	Abstain
Presentation of annual financial statements	NON-VOTING AGENDA ITEM		
Social and ethics committee report	NON-VOTING AGENDA ITEM		
Re-election of the directors retiring by rotation and confirmation of appointment of a director	☐	☐	☐
Ordinary resolution number 1 – Re-election of Mr PH Giliam as a director of Metair	☐	☐	☐
Ordinary resolution number 2 – Re-election of Ms N Medupe as a director of Metair	☐	☐	☐
Ordinary resolution number 3 – Re-election of Ms AK Sithebe as a director of Metair	☐	☐	☐
Ordinary resolution number 4 – Confirmation of appointment of Mr PS O'Flaherty as an executive director of Metair	☐	☐	☐
Ordinary resolution number 5 – Re-appointment of Ernst and Young Inc. as auditors of Metair for the financial year ending 31 December 2024 and until the conclusion of the next annual general meeting	☐	☐	☐
Election of audit and risk committee members	☐	☐	☐
Ordinary resolution number 6 – Election of Ms N Medupe as a member and chairperson of the audit and risk committee. Ms Medupe's election to the audit and risk committee is subject to her re-election as a director pursuant to ordinary resolution number 2	☐	☐	☐
Ordinary resolution number 7 – Election of Ms AK Sithebe as a member of the audit and risk committee. Ms Sithebe election to the audit and risk committee is subject to her re-election as a director pursuant to ordinary resolution number 3	☐	☐	☐
Ordinary resolution number 8 – Election of Mr B Mawasha as a member of the audit and risk committee	☐	☐	☐
Ordinary non-binding advisory resolution number 9 – Endorsement of the company's remuneration policy	☐	☐	☐
Ordinary non-binding advisory resolution number 10 – Endorsement of the company's remuneration implementation report	☐	☐	☐
Special business:	☐	☐	☐
Special resolution number 1 – Approval of non-executive directors' remuneration	☐	☐	☐
Special resolution number 2 – Provision of financial assistance in terms of Section 45 of the Companies Act	☐	☐	☐
Special resolution number 3 – Provision of financial assistance in terms of Section 44 of the Companies Act	☐	☐	☐
Special resolution number 4 – General authority to repurchase the company's securities	☐	☐	☐

Signed at: ______________________ on ______________________________ 2024.

Signature: ____

Assisted by me (where applicable): ______________________________

This form of proxy should be lodged with or posted to the registered office of the company (Oxford & Glenhove Building – Suite 7, 114 Oxford Road, Houghton Estate, 2191) or lodged with, posted or emailed to The Meeting Specialist (Pty) Ltd (JSE Building, One Exchange Square, Gwen Lane, Sandown, 2196 or at PO Box 62043, Marshalltown, 2107 or *via* email at proxy@tmsmeetings.co.za) by no later than Friday, 3 May 2024 at 14h00 (South African Standard Time) or handed or submitted electronically, *via* email to proxy@tmsmeetings.co.za, to the chairperson of the annual general meeting before the appointed proxy exercises any of the relevant shareholder rights at the annual general meeting.

NOTES TO THE FORM OF PROXY

Please read the notes on the reverse side hereof.

An entitled shareholder may insert the name of a proxy or the names of two alternative proxies of the entitled shareholder's choice in the space(s) provided, with or without deleting "the chairperson of the general meeting" but any such deletion must be initialled by the entitled shareholder. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of ordinary shares held in respect of which you desire to vote. 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 all the entitled shareholder's votes exercisable thereat. An entitled shareholder or his/her proxy is not obliged to use all the votes exercisable by the entitled shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the entitled shareholder or by his/her proxy.

The completion and lodging of this form of proxy will not preclude the relevant entitled shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's Transfer Secretaries or waived by the chairperson of the annual general meeting.

Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).

A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries of the company.

The chairperson of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these instructions and notes, provided that he/she is satisfied as to the manner in which the entitled shareholder concerned wishes to vote.

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT, NO. 71 OF 2008, AS AMENDED (COMPANIES ACT)

In terms of section 58 of the Companies Act:

- a shareholder of a company may, at any time and in accordance with the provisions of Section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
- irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
- any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by:
  - i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - ii) delivering a copy of the revocation instrument to the proxy and to the relevant company;
- a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise;
- if the instrument appointing a proxy has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's Memorandum of Incorporation to be delivered to a shareholder must be delivered by such company to:
  - – the relevant shareholder; or
  - – the proxy or proxies, if the relevant shareholder has:
    - i) directed such company to do so, in writing; and
    - ii) paid any reasonable fee charged by such company for doing so;
- if a company issues an invitation to its shareholders to appoint 1 (one) or more persons named by the company as a proxy, or supplies a form of proxy instrument:
  - – the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised;
  - – the invitation or form of proxy instrument supplied by the company must:
    - ° bear a reasonably prominent summary of the rights established in section 58 of the Companies Act;
    - ° contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name and, if desired, an alternative name of a proxy chosen by the shareholder; and
    - ° provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting;
  - – the company must not require that the proxy appointment be made irrevocable; and
  - – the proxy appointment remains valid only until the end of the meeting at which it was intended to be used.

SHAREHOLDERS DIARY

Financial year-end	December
Annual general meeting	May

REPORTS AND PROFIT STATEMENTS

Interim report	August
Annual report and financial statements	March

ORDINARY DIVIDENDS

Declared	March
Payment	April

Shareholders are reminded to notify the Transfer Secretaries of any change in address.

CORPORATE INFORMATION

Metair Investments Limited

JSE and A2X Share Code: MTA

ISIN: ZAE000090692

Registration Number: 1948/031013/06

LEI No: 378900C0933C7C909172

Business address and registered office

Metair Investments Limited

Oxford and Glenhove Building No. 2
Suite 7
114 Oxford Road
Houghton Estate
Johannesburg
Gauteng
2198

Postal address

PostNet Suite 231
Private Bag X31
Saxonwold
Gauteng
2132

Group company secretary

Sanet Vermaak

Email: Sanet@metair.co.za

Telephone: +27 10 786 0800

Website www.metair.co.za

Sponsor

One Capital

Auditors

Ernst and Young Inc.

Share transfer secretaries

Computershare Investor Services Proprietary Limited

Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196
South Africa

Postal address

Private Bag X9000
Saxonwold
2132
South Africa

Telephone: +27 11 370 5000

Website: www.computershare.com

Further information on this report and its contents can be obtained from the group company secretary.

METAIR
INVESTMENTS LIMITED
automotive | industrial | retail

www.metair.co.za