METAIR

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METAIR INVESTMENTS LIMITED

Annual Report 2004

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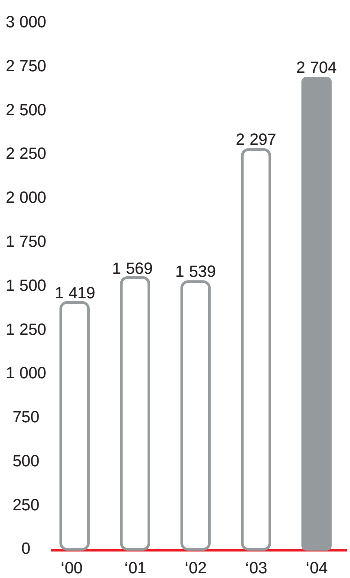
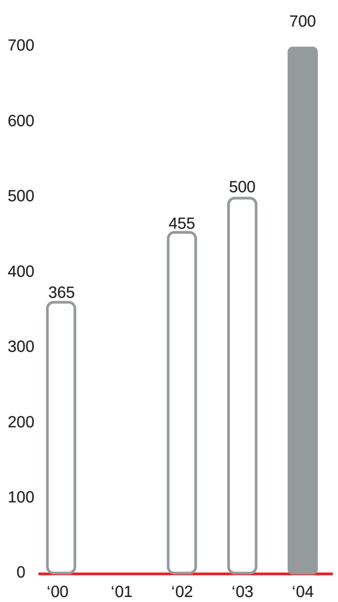
FINANCIAL HIGHLIGHTS
for the year ended 31 December 2004

	2004 R'000	2003 R'000	2002 R'000	2001 R'000	2000 R'000
Revenue	**1 950 244**	1 854 208	1 612 836	1 208 339	1 085 882
Profit before taxation	**228 611**	189 902	117 054	107 618	119 740
Interest paid	**11 953**	19 026	21 942	11 796	6 884
Profit attributable to ordinary shareholders	**156 724**	135 806	88 335	92 546	91 478
Total shareholders' funds	**805 724**	686 010	582 367	518 195	424 361
Interest-bearing debt	**84 751**	99 175	92 896	75 819	44 036
Property, plant and equipment	**397 495**	337 940	279 999	228 528	144 988
Current assets	**733 750**	610 250	554 804	477 580	433 050
Total assets	**1 205 643**	1 027 711	911 572	773 850	643 113
Number of shares in issue	**5 949**	5 898	5 898	5 826	5 798
Weighted average number of shares in issue	**5 937**	5 898	5 841	5 819	5 798
Net asset value per share (cents)	**13 544**	11 631	9 874	8 895	7 319
Basic earnings per share (cents)	**2 640**	2 303	1 512	1 590	1 578
Headline earnings per share (cents)	**2 704**	2 297	1 539	1 569	1 419
Dividend per share (cents) declared and paid	**700**	500	455		365
Dividend cover (times) (calculated on headline earnings)	**3,9**	4,6	3,4		3,9
Net profit as a % of average total shareholders' funds	**21,0**	21,4	16,1	19,6	21,0
Profit before interest and tax as a % of average total assets (excluding cash)	**22,8**	22,6	16,8	16,6	21,5
Total shareholders' funds as a % of total assets	**66.8**	66,8	64,1	67,0	66,0
Interest cover (times)	**20**	11	6	10	18

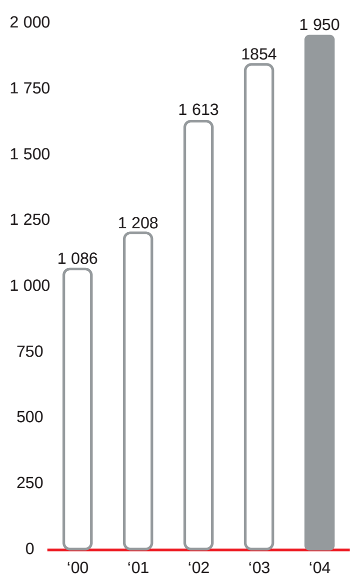
HEADLINE EARNINGS PER SHARE *(Cents)*



DIVIDENDS PER SHARE *(Cents)*



REVENUE *(R million)*



Notes:

1. The dividend in respect of the 2001 financial year was declared and paid during 2002.

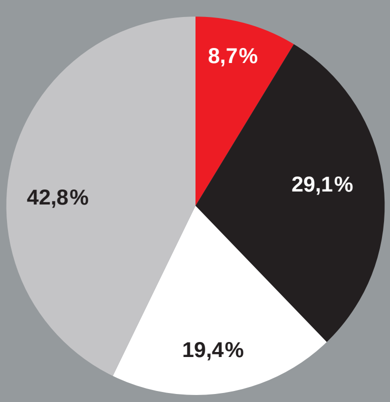
Metair Investments Limited (“Metair”) encompasses a portfolio of companies manufacturing and distributing products predominantly for the automotive industry.

The five operating subsidiaries and two associate companies are autonomously managed and each has a specific product focus. Automotive components are supplied primarily to South African assemblers of new vehicles (OEM’s), but the group also supplies components for the replacement market and a large proportion of output is exported.

Products manufactured include heating and cooling systems, shock absorbers, springs, lead acid batteries, lighting and signalling devices, plastic mouldings, wiring harnesses and front end modules.

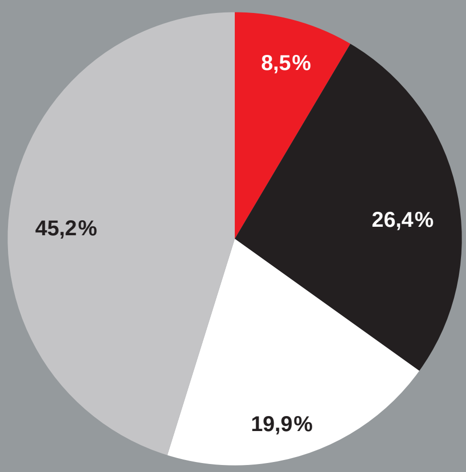
Metair is dedicated to the automotive industry and through partnerships and technical relationships, brings a South African focus to a global industry. Ongoing investments in facilities and people ensure that subsidiary companies meet the challenge of continuous quality and efficiency improvements and maintain a competitive edge despite increasing demands from customers to reduce costs.

TURNOVER BY SECTOR *(R000)*



2003

Original equipment	R793 410
Export	R540 409
Aftermarket	R358 993
Non-auto	R161 396



2004

Original equipment	R881 150
Export	R514 493
Aftermarket	R388 014
Non-auto	R166 587

Export includes an estimate for the year in respect of those components supplied to OEMs for incorporation into their vehicle export programmes.

SMITHS MANUFACTURING (PTY) LTD 100%
- Radiators
- Heaters
- Air-conditioners
- Blower motors
- Condensors
- Cooling fans
- Hoses and pipes

SMITHS PLASTICS (PTY) LTD 100%
- Plastic injection mouldings

HESTO HARNESSES (PTY) LTD 100%
- Wiring harnesses

METINDUSTRIAL (PTY) LTD FIRST NATIONAL BATTERY DIVISION 100%
- Batteries (includes non automotive)

SUPREME SPRING DIVISION 100%
- Coil springs
- Leaf springs
- Stabilisers
- Torsion bars

HELLA SA (PTY) LTD 100%
- Headlights
- Plastic injection mouldings
- Lamps
- Wheel trims
- Horns
- Automotive cable

VALEO SYSTEMS SOUTH AFRICA (PTY) LTD 49%
- Front end modules

TENNECO AUTOMOTIVE HOLDINGS SA (PTY) LTD 25.1%
- Shock absorbers
- Struts
- Track control arms

1 E Bradley

2 A D Plummer

3 C I J van der Merwe

4 G J Strydom

5 R S Broadley

6 L Soanes

7 S M Vermaak

1 E Bradley (66)
Non-executive chairman
BSc, MSc

2 A D Plummer* (57)
Managing Director
FCA (England & Wales)

3 C I J van der Merwe (56)
Finance Director
M Comm. (Acc), CA (SA)

4 G J Strydom (41)
Non-executive director
B. Compt (Hons) CA (SA)

5 R S Broadley (72)
Independent non-executive director
Advanced Technical Certificate

6 L Soanes* (68)
Independent non-executive director
National Certificate of Engineering

7 S M Vermaak (39)
Company Secretary
B. Comm. (Fin. M.)
AIRMSA

SECRETARY
S M Vermaak

REGISTRARS
Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001

REGISTERED OFFICE
10 Anerley Road, Parktown, 2193

REGISTRATION NUMBER
1948/031013/06

*British

OVERVIEW
We take pleasure in announcing the results for 2004 to shareholders. Overall market conditions were more favourable than foreseen in the Interim Report. The profitability for the second six months exceeded that achieved in the first six months of the year and the full year results were very satisfactory.

The net profit was R156,7 million compared to the R135,8 million achieved in 2003. Headline earnings per share for the full year were 2704 cents compared to 2297 cents achieved in the previous year. Headline earnings for the second six months were 1417 cents compared to 1055 cents achieved for the comparable period of 2003. A dividend of 850 cents per share has been declared in respect of 2004 compared to 700 cents declared in respect of 2003.

The 2004 year was characterised by very strong demand in the domestic vehicle market and more difficult trading conditions in terms of exports. The Rand strength experienced in 2003 continued throughout 2004 and this together with marginally lower interest rates resulted in stable vehicle prices and an increase in domestic vehicle sales to a level last experienced in the 1980's. The downside of the stronger Rand was a substantial increase in the numbers of imported vehicles and severe pressure on export volumes and margins.

Total sales of passenger and light commercial vehicles in the domestic market (as reported by NAAMSA) increased from 366,000 in 2003 to 460,000 (25,8% increase). Sales of locally produced vehicles increased by 16,3% but imported vehicle sales increased dramatically by 56,2%. Much of the growth in imported vehicles stemmed from independent importers with a proliferation of models and derivatives. Light commercial vehicles sales increased by 23,3% and locally produced vehicles constituted a much larger percentage of this sector.

Exports of built up vehicles declined from 126,000 in 2003 to 110,000 impacted by the exchange rate and model changes. Overall production of passenger and light commercial vehicles increased from 405,000 in 2003 to 434,000.

The impact of tariff reductions under the Motor Industry Development Programme (MIDP) was exaggerated in 2004, as in the past, the phase down in duties has been offset by a weakening exchange rate.

The component industry experienced substantial pressure on margins both in domestic and export markets and export volumes declined. The MIDP will be subject to a review during the course of 2005.

POST BALANCE SHEET EVENT
As recently announced, Metair has negotiated the sale of 25% of its shareholding in Smiths Manufacturing to Denso Corporation. The transaction is dependent on approval by the Competitions Commission. Smiths have enjoyed a longstanding relationship with Denso as a licensor and this investment will further strengthen this relationship and significantly enhance Smiths' ability to service its customers with world class products.

OPERATING RESULTS
Total Group turnover increased by 5,2% to R1950,2 million compared to R1854,2 million in 2003. Component volume production was higher but the Group turnover was impacted by lower domestic and export selling prices driven by the exchange rate. All of this growth occurred in the second six months due to the dramatic increase in domestic demand particularly in the last quarter.

The 16,3% increase in locally produced vehicles sold in the domestic market resulted in a higher OE turnover for the full year but sales of components to OE customers increased by only 11,1% due to market mix and price reductions. OE sales constituted 45,2% of turnover – (2003 42,7%).

Export sales declined by 4,8% from R540,4 million in 2003 to R514,5 million. Direct component exports were marginally higher than 2003 due to increased exports of radiators and constituted 53,9% of total exports. Indirect component exports (components sold to OEM's for incorporation into vehicles destined for export markets) reduced from R271,1 million to R237,1 million as a result of the lower vehicle export volumes achieved. Non-automotive exports were marginally lower due to the exchange rate.

Overall exports were constrained by the strength of the Rand and the percentage contribution to Group turnover declined from 29,1% to 26,3%.

Aftermarket sales mainly comprised of automotive batteries, airconditioner kits and parts and automotive lighting products. A favourable performance from all products was recorded and the turnover from this segment increased by 8,1% compared to 2003. However, competition from imported products again increased representing a major threat to future growth in this market segment. Aftermarket sales constituted 19,9% of total turnover (2003 - 19,4%).

Non-automotive turnover comprised sales of industrial batteries for the mining, forklift truck and stand-by use in the domestic market. Turnover increased marginally with strong demand for forklift truck batteries due to the substantial increase in consumer sales. Demand in the mining sector fell with mines reducing headcount and downscaling underground operations.

Gross profit increased by 7,2% and overall gross margins achieved were 0,5% higher than 2003 (24,3% compared to 23,8%) resulting from better operating efficiencies at the higher volumes and cost saving activities. Additional profit also arose from timing differences on exchange rate movements.

The contribution to Group profits from Metair's two associates - Tenneco Automotive Holdings SA (Tenneco) and Valeo Systems SA (Valeo) reduced from R5,4 million in 2003 to R2,5 million in 2004. The loss incurred by Tenneco increased compared to 2003, but Valeo continued to perform well.

Operating profit increased by 13,4% reflecting good control over selling, administration and distribution expenses.

Financing costs reduced due to the very strong cash flow despite the capital expenditure incurred during the year. The cash flow generated during the year resulted in net cash increasing to R145,7 million on the balance sheet compared to R24,4 million in December 2003.

The tax rate was 31% in 2004. Of the tax charge of R70,0 million, deferred tax constituted R11,1 million.

With the emphasis on the production of vehicles for international markets, the demands from OE customers for global cost, quality and delivery intensified. In addition, the enhanced technical specifications for new components required a significant re-think in the way that the Group's manufacturing, engineering and quality departments functioned. Whilst the investment in new facilities and technologies enabled specifications to be met, operating procedures and training methods had to be modified considerably to enable this to be done consistently and cost effectively.

The Group significantly increased the level of co-operation with its licensors and the number of visits both by their staff members and by Metair employees to their technical and manufacturing facilities increased substantially. Significant input and assistance was also received from the staff of OE customers.

Further progress was made in terms of quality certification (VDA6, TS16949 and Q1) and environmental certification (ISO14001) throughout the subsidiaries and delivered quality levels (PPM's) again showed good improvements.

The cost reduction initiative under the banner of MCRC (Metair Cost Reduction Commitment) continued throughout the year with specific emphasis on meeting global cost targets for the introduction of new products. Lean manufacturing co-ordinators were appointed at all subsidiaries and while initial costs were incurred, some of the benefits already became apparent in 2004.

Total Group headcount increased from to 4635 in December 2003 to 4912 at year end. Efficiencies improved but additional people were recruited towards year end particularly at Hesto Harnesses where two major projects will commence in the first quarter of 2005. Significantly higher levels of training were undertaken in all subsidiaries to improve skill levels. Additional trainees were employed in this respect and in the context of meeting Employment Equity plans.

On the balance sheet, the increase in the net book value of fixed assets from R337,9 million to R397,5 million reflects investments made mainly in land and buildings R19,5 and plant and machinery R88,6. Current assets (stock and debtors but excluding cash) increased but at a lesser rate than the turnover reflecting tight management control. This together with the improved profitability contributed to the significant improvement in the net cash position.

The balance sheet remains strong with shareholders' funds representing 66,8% of total assets at year end (2003: 66,8%).

PROSPECTS

Industry

The overall prospects for the industry remain positive for 2005. Domestic GDP growth of more than 3,5% is expected and, provided interest rates and exchange rates remain stable, further significant growth in domestic vehicle sales can be expected. Imported vehicles may gain further market share but locally produced vehicle volumes should show positive growth.

The decline in the volume of vehicles exported should be reversed with the introduction of three major new models destined for export markets and other vehicle manufacturers announcing facility enhancements specifically focusing on export quality requirements. Levels of local content on export vehicles are relatively low but those component manufacturers meeting the challenge of global competitiveness should benefit from the increased volumes. South African vehicle manufacturers have clearly identified the volume leverage of vehicle export programmes as a critical success factor in order to remain competitive in the domestic market.

Predictions for component exports remain more difficult. Complementation ratios in the MIDP reduce again in 2005 and substantial improvements in price competitiveness will be required if volumes are to be maintained. The pending review of the programme may also be a cause of uncertainty. The complementation feature of the programme has been a major driver in stimulating component exports but has also facilitated the growth in vehicle imports.

Competition from imported products has become much more evident in the replacement market and the continued growth of a large variety of imported vehicles means that opportunities for the supply of locally produced replacement parts are reducing. The overall increase in the vehicle parc should however have a positive impact.

The improving Rand exchange rate has emphasised the challenge facing the South African automotive industry. The MIDP was designed to provide a phased transition to global competitiveness for vehicle and component manufacturers alike. The timescale for improvements has dramatically shrunk and could shrink further should modifications to the programme be necessary. International competition from Eastern Europe, India and China is intensifying and a growing domestic market will become increasingly more attractive to international producers struggling with excess capacity.

South African component companies, whether locally owned or subsidiaries of international conglomerates, must redouble their efforts to meet this challenge. Substantial further investments in people, facilities and technology will be required to meet the demands of customers who are not prepared to compromise. Global relationships will become even more important with virtually all procurement decisions being made outside South Africa by the parent companies of vehicle manufacturers.

Metair Group

The continued growth expected in the domestic vehicle market in 2005 should have a positive impact on turnover for the Group. In addition, the launch of three new passenger vehicles in the first quarter of 2005 will generate further turnover for the Group when export volumes increase in the second half of the year. Gross margins on the new contracts will however be lower and cost recovery on existing OE business will be difficult.

Component export margins and volumes will continue to be negatively influenced by the Rand exchange rate and profitability in the domestic replacement market will be pressurised by the growth of imported products.

Investments made during 2004 in training, new facilities and technology will assist Group companies to meet the expected volume increases and the greater demands from customers in terms of specification, quality, delivery and cost.

During 2004 significant progress has been made in exploring and defining new relationships with long standing technical partners and this process will continue in 2005.

The exchange rate remains a major determining factor in terms of the overall profitability of the Group and at the current level, despite potential volume growth, profitability may be lower in 2005.

Elizabeth Bradley

E Bradley
Chairman

A D Plummer
Managing Director

16 March 2005

SMITHS MANUFACTURING (PTY) LIMITED (SMITHS)

Leon Coetzee
Managing Director

Turnover increased by 5.1% over 2003 but manufacturing volumes were higher as the turnover value reflected reduced domestic and export selling prices due to the strong Rand.

OE sales were 8,3% higher than 2003 and aftermarket sales increased by 9,9%. Direct exports (mainly radiators and airconditioner kits), increased by 20,1% compared to 2003 and represented 18,3% of turnover but margins were lower. Indirect exports were lower than 2003 due to reduced exports of vehicles by OE customers.

Overall profitability increased due to the increased volumes, tight cost control, exchange rate movements and substantially lower financing costs. The relocation of the assembly plant in 2003 also resulted in increased costs in that year.

Following the expansion into the new Assembly Plant facility and with assistance from our licensor, substantial improvements in material flow and transport logistics were initiated with the introduction of just in time and continuous improvement programmes. The improved facilities and manufacturing methods will accommodate the increased requirements from customers in terms of enhanced standards, technology and quality levels required for new high volume products being introduced during the first half of 2005.

The construction of a new Heat Exchanger factory at a total cost of approximately R50 million is scheduled for completion by October 2005. This will accommodate new thin wall technology heat exchangers to be produced in high volumes from 2006 onwards. An additional (fourth) brazing furnace is under construction in the USA for the new factory. This will free up capacity in the existing facility which has not adequately accommodated the growth in sales and the demands of the latest technology and projected requirements through to 2008. Locally produced fin machines, successfully designed by Smiths and installed in 2003 / 2004 will be supplemented with further machines to meet the volumes forecast for 2005 and beyond.

The additional sophisticated information technology improvements implemented during 2004, producing real time information, have significantly improved speed of communication and efficiency. A back up Sun Solaris "Disaster Recovery" computer was installed to eliminate the risk of a computer failure.

During 2004 Smiths Manufacturing restructured, invested in and applied the continuous improvement philosophy identified as SBS "Smiths Business Systems". This is an ongoing management philosophy which has become the operating culture and which will guide all Smiths employees in their daily activities into the future. The benefits anticipated include greater employee participation and satisfaction, reduced inventory levels, improved efficiency and better capacity utilisation.

Production volumes in 2005 should increase over 2004 with the introduction of the new Toyota Hilux and BMW 3 Series projects. Domestic and export margins will be negatively impacted by the strong Rand and the need to increase global competitiveness and profitability is expected to be lower than that achieved in 2004.


991-01
231-01
182-01

Kenneth Lello
Managing Director

2004 was the first full year that Smiths Plastics traded as a separately registered company as opposed to a division of Smiths Manufacturing. Turnover grew by 8,8% compared to 2003 with approximately 25% of production supplied to Smiths.

The management team developed well during the year and is now well established but were faced with significant challenges. In addition to the increased manufacturing activity, substantial re-arrangements were undertaken and new facilities commissioned.

Several additional moulding machines were installed including two 2500 tonne machines. All of the smaller moulding machines were relocated to the Shepstone Road factory that had to be modified to accommodate the power and water connections and an extension to the mezzanine floor for material supply. The component store was relocated to the Pineside Road factory and new facilities for the painting and chrome plating of plastics were also installed in this factory. Plating of radiator grills commenced in July 2004. More than 100 new moulding tools were received and production tests and approvals undertaken.

Quality systems received priority and certification through Underwriters Laboratories was awarded to Smiths Plastics for QS 9000, TS 16949 and ISO14001 during 2004.

New management structures to cater for volume growth in 2005 were introduced and a revised shift pattern for continuous operation over five days was introduced. Smiths Plastics also adopted the Smiths Business Systems “SBS” based on the Toyota Production and Lean Manufacturing principles. With assistance from Toyota, the programme was initiated and focused on material flow, stock reduction, batch size and lead time reduction and increased efficiency and flexibility. Dedicated facilities will be implemented for each customer where practical to facilitate quicker response times.

In the circumstances it was not surprising that profitability declined compared to 2003.

Significant further growth in turnover is expected in 2005 with the introduction of the new Hilux and start of volume production from the additional 100 tools commissioned in 2004. Three further injection moulding machines will arrive in March 2005 and additional moulding business has also been obtained from motor plants for other vehicles.

In the longer term, the volumes projected indicate that at least 15 further injection moulding machines will be required before mid 2007 to support the launch of a major new vehicle. The current logistical and storage space will not accommodate 2006 volumes. To meet this requirement, an adjacent property has been purchased comprising 5 000 square metres of factory space on 18 000 square meters of land. This will be used for warehousing and distribution of finished goods direct to the motor plants from the first quarter of 2006 onwards. This will also facilitate the just in time, Kanban and lean manufacturing principles specified by our customers as part of a continuous improvement programme.


DEMAG
DEMAG

METINDUSTRIAL (PTY) LIMITED
FIRST NATIONAL BATTERY DIVISION (FNB)

Louis Laubscher
Divisional Managing Director

First National Battery once again delivered a good performance in 2004 and achieved growth in after tax profit of 15,5%. Turnover increased by 1,4% and the improvement in profitability was mainly as a result of cost savings, lower interest rates and the cost benefits of the company's vertically integrated activities (mainly lead recycling).

The commissioning of the new automotive battery assembly line was problematic initially but significant progress had been made by year end. The quality of batteries produced from this line is world class.

The LME lead price in U.S. Dollar terms remained high and increased even further during the year. Global competition made price recovery of the increased lead price very difficult.

Demand for automotive batteries in the domestic replacement market increased in 2004 in line with the upswing in the South African economy. Competition in this segment intensified with several new importers becoming active during the review period. FNB managed a modest increase in domestic sales volumes in spite of the increased competition. Battery Centre, FNB's successful nation wide franchised sales outlets continued to play an important role in our success in the domestic automotive battery market.

Increased competition in export markets plus the continued strength of the Rand forced the management of First National Battery to scale battery exports down and to identify selected alternative niche markets. The planned volume growth of locally produced new vehicles over the next two to three years presents an attractive sales opportunity for First National Battery. This is a very demanding market sector with high barriers of entry, but FNB is well positioned to grow our existing share of this market. Much of the increased business will be import replacement and management's strategy to develop our in-house technological capability over the past number of years will facilitate this growth.

Local demand for batteries in industrial applications increased in the review period. The mining sector demand was down due to ongoing headcount reduction and general down scaling of underground mining activities.

First National Battery's ongoing relationship with EnerSys Europe proved beneficial to both parties. Product approval has now been obtained for a range of FNB industrial batteries for use in the British nuclear power generating industry. The battery replacement market in this industry segment offers attractive potential export volumes in the medium term. Our industrial battery product range is also being expanded and developed to ensure that we can benefit from other niche opportunities.

With the very high lead price and the strong Rand, profitability may decline in 2005.


FREE
x battery check
x battery fitting
x charge rate test
x battery service
x expert advice
RAYLITE

METINDUSTRIAL (PTY) LIMITED
SUPREME SPRING DIVISION (SUPREME)

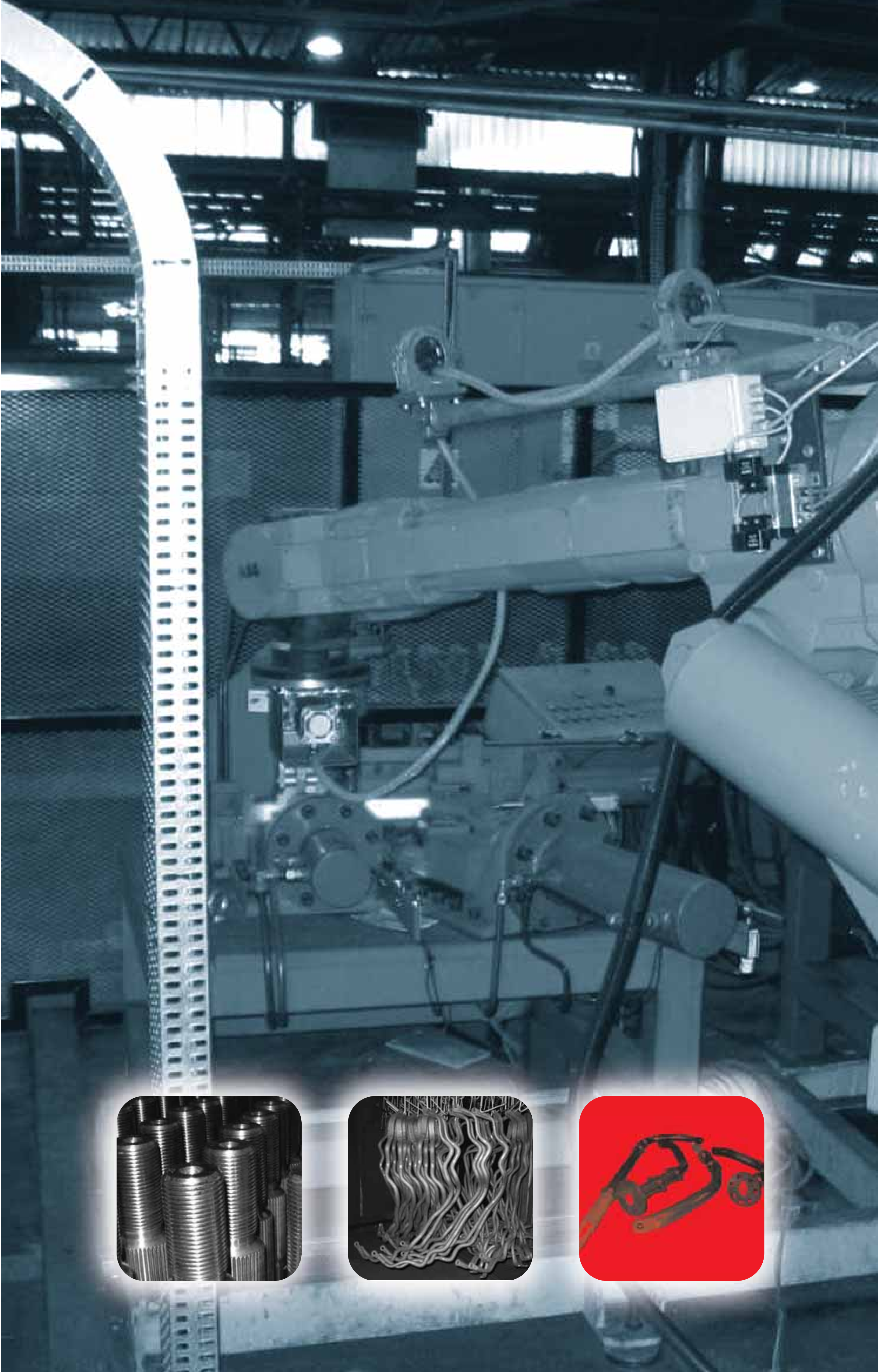
André Becker
Divisional Managing Director

Turnover increased by 20,7% compared to 2003 and Supreme showed a very pleasing return to profitability in 2004. This was largely due to an improvement in the local vehicle market and in particular the light commercial vehicle market where Supreme supplies leaf springs and torsion bars. In addition the company managed to achieve good improvements in production efficiencies and reduced scrap levels.

The results were achieved despite the continued strength of the Rand against major currencies, which placed further pressure on export margins. It has however, been possible to achieve some improvements in export pricing which has partially offset the impact of the exchange rate.

The company has also invested heavily in new contracts for Toyota and Land Rover, which commence in the first quarter of 2005. These contracts will contribute additional turnover in 2005 and beyond. Customers have become much more receptive to localisation of spring products particularly for incorporation in vehicles destined for export markets. Supreme are pursuing a number of additional contracts including the development of cold form springs.

In many respects 2004 was a watershed year for Supreme with many challenges to overcome. With a stable and competent management team with proven manufacturing and technical capability, Supreme is now much better placed to face such challenges in the future. The improvement recorded in 2004 is expected to continue into the new year.



HELLA SA (PTY) LIMITED (HELLA)

Chris Rist
Managing Director

Buoyant vehicle sales during the period translated into a good performance by the company during 2004. Turnover increased by only 5,8% with the strength of the Rand resulting in fierce competition from imported products. Price reductions, specifically in the OEM segment, limited growth in total turnover.

Careful control of operating costs assisted in maintaining margins. Profitability before tax increased marginally compared to 2003, but with previous tax losses fully utilised, the tax charge for the year was a full 30%.

At the factory in Uitenhage, extensive capital expenditure was undertaken during the year to upgrade certain manufacturing processes and to install additional production capacity. A new state of the art assembly line was installed to produce the Golf A5 headlight, as well as additional facilities for two new Toyota headlights and a taillight. Volume production of one headlight commenced during 2004, the other two products commence in the first half of 2005. Additional manufacturing and storage space requirements for these projects have been met, following the termination by the tenant of a lease of part of the Hella factory. In addition, an outside warehouse was consolidated onto the existing site yielding improved logistics and reduced rentals.

A small proto-type vacuum metalising chamber for producing headlight reflectors was locally built at a significant cost saving to an imported alternative. This was followed later in the year by a larger chamber to facilitate the introduction of improved processes and greater volume production.

A factory site was purchased in Stanger (close to the Hesto factory) and the cable manufacturing facility was relocated from Isithebe and re-commissioned prior to the end of December. The move will improve logistics and the additional space will facilitate an extension to the range of cables presently being made.

Extensive development was undertaken with local suppliers to develop new insulating compounds to meet the international demands of “end of vehicle life” being applied by world authorities.

Evermore demanding quality standards and tighter manufacturing tolerances remain the order of the day, and the endeavours of the company were rewarded in this regard with certification according to the Ford Q1 standards. The company also achieved a zero PPM rating for delivered quality with three of our key OEM customers.

2005 will be a challenging year with significant new product launches at high volumes. In the longer term, further volume increases linked to vehicle export programmes will provide opportunities for investment in greater manufacturing capacity and localisation of imported sub components. We have worked closely with and received excellent support from our licensors in developing new products and processes and further developments will demand even closer co-operation in future.

HESTO HARNESSES (PTY) LIMITED (HESTO)

Tom Clarkson
Managing Director

2004 will probably be known as a year of records, with most macroeconomic indicators pointing towards a very healthy economy and high levels of business and consumer confidence. Inflation levels were at 30-year lows and the Rand again performed above expectations. 2004 also saw the end of our direct exports into Europe due to model run-out. These factors resulted in lower imported material costs, price reductions to our customers and a marginal increase of 5,2% in turnover despite higher activity levels.

Preparations for the manufacture of harnesses for the new Hilux and Ford Focus in early 2005 had a major impact. Greater Japanese and European involvement in our customers cascaded into our business, regenerating the organisation and the individuals. Many of our staff visited our Technical Aid partners in Europe, Japan and Thailand where they received training or formed part of international project activities. Our licensors, in turn, supported our activities locally with many visits from their staff. Our in-house Education Centre, modelled on one of our licensors' facility in the Philippines, was established and more than 600 employees qualified in various skills through this centre in 2004.

To accommodate this additional business, the Stanger factory was extended by an additional 9800 sq m. This space will be sufficient to allow us to consolidate our factories on to one site and further reduce operating cost.

Further improvements were made to enhance competitiveness in quality, delivery, cost and support. Cost down pressures necessitated further productivity improvements and cost down teams became a permanent feature of the Hesto way of business. The results of these 'projects' were regularly shared with our customers. The quality focus resulted in more complex facilities, improved processes and higher levels of technology and innovation.

The key focus in the first half of 2005 will be the successful launch of the Hilux and Ford Focus projects and the ramp up of volumes that follow. Technical and process enhancements developed during 2004 must be entrenched at the higher activity levels. Continuous improvement programmes remain critical to ensure ongoing competitiveness particularly as the Rand is expected to remain reasonably strong. The higher volumes will generate additional profit contribution but cost recovery from customers will be difficult and margins are expected to decline.

Further volume growth is expected beyond 2005 with the full year effect of the new projects. Hesto has been awarded business for the future Corolla which will be exported in significant volumes and planning for this development has already started.

FINANCIAL REVIEW
The measurement of financial performance plays an important role throughout the Metair Group. Budgeting systems, monthly reporting and quarterly forecasts are applied and reviewed at subsidiary and Group level and the executive directors of Metair actively participate in the regular review of the performance of subsidiaries.

The principal financial objective is to maximise shareholder wealth whilst recognising that the cyclical nature and capital intensity of the motor industry demands a conservative approach to dividend distribution.

The policy of the Group has been to maintain a dividend cover of between three and four times.

A dividend of 850 cents per share was declared on 16 March 2005 in respect of the 2004 financial year.

PERFORMANCE MEASURE
The key measurement of performance used by the Group is ROA (return on total assets). This measures earnings before interest and tax (EBIT) as a percentage of gross assets (fixed and current assets excluding cash). The target is a return of 22% (2003 : 25%) which was confirmed at a board meeting in March 2004 and performance related bonuses for directors are predominantly linked to the achievement of this objective.

The percentage achieved for 2004 of 22,8% (2003 : 22,6%) was in line with this objective.

The 22% return, whilst onerous, remains an achievable Group objective, but is continually under review.

TAXATION
The Group tax rate was 30,6% (2003 : 31,2%).

GEARING
The Group objective is that shareholders' funds should always exceed 50% of total assets. The percentage at year-end was at a comfortable 66,8% (2003 : 66,8%). Current assets increased compared to 2003 due to increased business.

RETIREMENT FUNDS
The Group provides retirement benefits to its employees by way of both provident and pension funds, with the latter being a defined benefit fund. Pension fund benefits are provided under the Metair Group Pension Fund - governed by the Pension Funds Act of 1956. The Group also provides post retirement medical aid to certain employees in the Group.

The fund is officially valued every three years on 30 June and the latest actuarial valuation on 30 June 2001 confirmed a sound financial position. The fund changed it's financial year-end from June to April during 2004.

Further detail is presented in the notes to the financial statements.

ANALYSIS OF SHAREHOLDERS
AN ANALYSIS OF SHAREHOLDERS AT 31 DECEMBER 2004 SHOWED THE FOLLOWING:

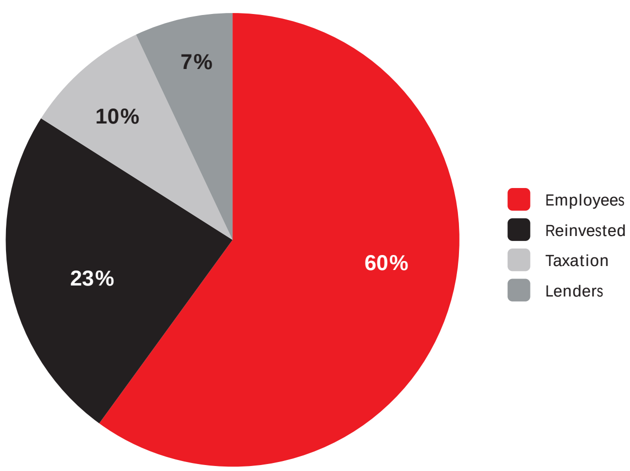
	Shareholders		No of shares	
	Number	%	‘000	%
Shareholders’ spread				
Public shareholders	549	98,39	584	10%
Non-public shareholders	9	1,61	5364	90%
Major shareholders with more than 5% holding				
Wesco Investments Ltd and its subsidiaries			2362	40%
Old Mutual Nominees (Pty) Ltd			1319	22%
South African Trust and Finance Company Ltd			487	8%
Nedcor Nominees Holdings			390	7%
First National Nominees (Pty) Ltd			299	5%

VALUE ADDED STATEMENT

For the year ended 31 December 2004

		GROUP	
		2004 R'000	2003 R'000
WEALTH CREATED			
Revenue		**1 950 244**	1 854 208
Less: Net cost of products and services		**(1 245 073)**	(1 242 334)
Value added		**705 171**	611 874
Add: Income from investments		**13 794**	15 587
Wealth created		**718 965**	627 461
WEALTH DISTRIBUTION	%		
Employees			
Salaries, wages and other benefits	60	**431 816**	385 682
Providers of capital	7	**53 505**	48 516
Interest on borrowings	1	**11 953**	19 026
Dividends to shareholders	6	**41 552**	29 490
Government taxation and levies	10	**69 969**	59 300
Retained in the Group	23	**163 675**	133 963
To provide for the maintenance of capital	7	**47 908**	27 456
To provide for expansion	16	**115 767**	106 507
	100	**718 965**	627 461
Total number of employees		**4 912**	4 635

DISTRIBUTION OF VALUE ADDED %



The directors of the company and its subsidiaries agree with the spirit of the recommendations of the code of corporate practices and conduct as contained in the King Report on corporate governance for South Africa (King II) released in March 2002, and are committed to implementation of these principles where appropriate.

BOARD OF DIRECTORS

The board of directors comprises of six directors, of whom two are executive directors (one being the managing director), two non-executive directors (one being the chairman) and two independent non-executive directors. The board meets at least once a quarter with the responsibility for strategic and policy decisions, the approval of budgets, and the monitoring of Group performance. Board meetings were attended by all members of the board in 2004

A board self-evaluation process was conducted during the year on the board as a whole. This process was co-ordinated by the company secretary and results were discussed at the board meeting in December 2004. The board's attention was drawn to areas which need attention. This process will be co-ordinated and repeated annually to assess progress.

FINANCIAL

The directors acknowledge responsibility for the preparation of the annual financial statements, which, in their opinion, fairly present the state of affairs of the company and the Group at the end of the year.

The external auditors are responsible for reporting on the fair presentation of these financial statements.

The financial statements set out in this report have been prepared by the directors in accordance with South African Statements of Generally Accepted Accounting Practice. They are based on appropriate accounting policies which have been applied consistently and which 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, PricewaterhouseCoopers Incorporated, 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 presentations made to the independent auditors during their audit are valid and appropriate.

The audit report of PricewaterhouseCoopers Incorporated is presented on page 26.

GROUP RISK ASSESSMENT

Risk management is the responsibility of the board.

A full risk assessment was done for the whole Group in a formal risk assessment workshop held on 29th July 2003, using a well structured and tested methodology.

The Group's risks have been identified and rated. Reporting will be done through the board audit committee which will monitor and evaluate the whole process in its efforts to continually improve the Group's exposure to risk.

BOARD AUDIT COMMITTEE

The company established a board audit committee on 25th August 2003 and an internal audit function was established during 2004. Internal audits were done at all the Metair subsidiaries during June and July 2004 and a foundation was laid for the internal audit process going forward. A detailed internal audit report was presented to the committee. Mrs S M Vermaak was recommended by the audit committee and unanimously appointed by the Metair board as group internal auditor on 23 August 2004.

The committee comprises two non-executive directors, namely Mrs E Bradley and Mr G J Strydom, and an independent member, Mr P R Robinson, who is also the chairman of the committee. The appropriate terms of reference for the committee are in place.

The main purpose of the committee is to assist the board in carrying out its duties relating to accounting policies, internal controls, financial reporting practices and identification of exposure to significant risk and setting principles for recommending the use of external auditors for non-audit services.

Meetings were held during the year in March, August and November 2004, which were attended by all members of the committee. The next meeting will be held in March 2005.

BOARD REMUNERATION COMMITTEE

The Group formalised a board remuneration committee on 25th August 2003 comprising two independent non-executive directors, Messrs R S Broadley, who is also the chairman, and L Soanes and a non-executive director, Mrs E Bradley. The main purpose of the committee is:

– to discharge the responsibilities of the board relating to all compensation, including equity compensation, of the Metair Group executives
– to establish and administer the Metair Group executive remuneration with the broad objective of:
  - aligning executive remuneration with company performance and shareholder interests;
  - setting remuneration standards which attract, retain and motivate a competent executive team;
  - linking individual pay with operation and company performance in relation to strategic objectives; and
  - evaluating compensation of executives including approval of salary, equity and incentive based awards
– to assist the board of directors, in consultation with the chairman of the board and the managing director, in identifying and recommending qualified individuals to become board members, in determining the composition of the board of directors and its committees and in monitoring a process to assess board effectiveness.
– to review the trends and appropriateness of remuneration of directors of subsidiary companies.

One meeting was held during the year in November 2004, which was attended by all members of the committee. The next meeting will be held in December 2005.

Service contracts with executive directors are reviewed and renewed on an annual basis.

INTERNAL CONTROLS

To fulfil its responsibilities, the board of directors maintains adequate accounting records and has developed and continues to maintain an effective system of internal control. This function will in future be audited by internal audit.

The directors report that the Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets.

GOING CONCERN

Financial statements have been prepared on a going concern basis. The directors have no reason to believe that the business of the Group will not continue to function as a going concern for the forseeable future.

INSIDER TRADING

No employee (directors and officers included) may trade directly or indirectly in the shares of the company during the closed periods determined by the board. Closed periods are imposed one month prior to the end of a reporting period up to the publication of the results. Where appropriate, a closed period is also imposed during periods where major transactions are being negotiated and a public announcement is imminent.

EMPLOYMENT EQUITY

The Group through each of its subsidiaries has:

- submitted the relevant Employment Equity reports (in October 2004), after thorough consultation with staff and union representatives;
- through the Employment Equity Committees monitored and measured performance against the five year Employment Equity Plan and instituted corrective action where necessary;
- addressed barriers such as skills shortage amongst previously disadvantaged groups, 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.

BLACK ECONOMIC EMPOWERMENT

The Group is fully committed to black economic empowerment principles and has already made headway by appointing a black empowerment partner in one of its subsidiaries.

CORPORATE SOCIAL RESPONSIBILITY

The Group accepts its corporate social responsibility and at present contributes to a number of charitable and educational institutions. During the year the Group donated an amount of R931 000 towards these institutions.

SPONSOR

LPC Manhattan Sponsors (Pty) Limited acts as sponsor to the company in compliance with the Listings Requirements of the JSE Securities Exchange South Africa.

KING II COMPLIANCE

The company complies with the principles as set out in the King Code on corporate governance as required by the revised Listings Requirements of the JSE (section 3.84). The following corporate governance practices are in place:

- A Board Charter was drawn up in terms of the recommendations of the King II report
- Separate audit and remuneration committees, comprising non-executive and independent non-executive directors with appropriate terms of reference were established
- Separate policies detailing procedures relating to board appointments and evidencing a clear division of responsibilities to ensure a balance of power and authority so that no one individual has unfettered powers of decision making
- CV's of directors standing for election / re-election at the next annual general meeting are included in the notice of the annual general meeting
- Directors are categorised as executive, non-executive and independent non-executive according to the guidelines as set out in the new Listings Requirements (section 3.84 (f))
- A Code of Ethics has been drawn up
- A formal HIV/AIDS policy has been drawn up, with each of the Group subsidiaries having its own policy in dealing with the HIV/AIDS issue on a continuous basis
- Confidentiality agreements have been entered into with the printers, website maintenance contractors and sponsor.

The above documents are available for inspection by shareholders at the registered office of the company.

The following reports and statements in respect of the year ended 31 December 2004 are presented by the board of directors in compliance with the requirements of the Companies Act, 1973:

REPORT OF THE INDEPENDENT AUDITORS AND CERTIFICATE OF THE COMPANY SECRETARY

REPORT OF THE INDEPENDENT AUDITORS

To the members of Metair Investments Limited

We have audited the annual financial statements of Metair Investments Limited and its subsidiaries set out on pages 27 to 58 for the year ended 31 December 2004.

These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards.

Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes :

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit Opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the Group at 31 December 2004 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the South African Companies Act, 1973.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS

Chartered Accountants (SA)
Registered Accountants and Auditors
16 March 2005
Johannesburg

CERTIFICATE BY COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 December 2004, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

SM Vermaak

S.M. Vermaak
16 March 2005

DIRECTORS' REPORT

For the year ended 31 December 2004

The directors have pleasure in submitting their report for the year ended 31 December 2004.

GENERAL REVIEW
The main business of the Group is the manufacture and supply of motor vehicle components. The financial statements on pages 27 to 58 set out fully the financial position, results of operations and cash flows of the Group for the financial year.

FINANCIAL RESULTS
The consolidated net profit for the year was R156,724 million (2003:R135,806 million).

DIVIDENDS
The following dividends were declared in respect of the years ended 31 December:

	2004 R'000	2003 R'000
Ordinary shares Declared and paid 700 cents per share (2003 : 500 cents per share)	41,552	29,490

A dividend of 850 cents per share was declared on 16 March 2005 in respect of the 2004 financial year.

SHARE CAPITAL
50 975 shares were issued during the year. Full details on the present position of the company's share capital are set out in the notes to the financial statements.

CHANGES IN NON-CURRENT ASSETS
The main changes to the property, plant and equipment of the company and its subsidiaries were as follows:
Additions – R108 121 000
Disposals – R1 677 000

INTEREST OF DIRECTORS
Interest of directors in the company's ordinary share capital are disclosed in note 16 of the annual financial statements.

DIRECTORS
The composition of the board of directors is set out on page 4.

SECRETARY
S M Vermaak
Business address: 10 Anerley Road, Parktown, Johannesburg, 2193
Postal address: P O Box 2077, Saxonwold, 2132

SUBSIDIARIES
Details of the company's investments in its subsidiaries are disclosed on page 58.

HOLDING COMPANY
The company has no holding company.

AUDITORS
PricewaterhouseCoopers Incorporated will continue in office in accordance with section 270(2) of the Companies Act, 1973.

POST BALANCE SHEET EVENT
As recently announced, Metair has negotiated the sale of 25% of its shareholding in Smiths Manufacturing (Pty) Limited to Denso Corporation. The transaction is dependent on approval by the Competitions Commission.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS
The directors have approved the annual financial statements on page 27 to 58 which are signed on their behalf by:

E le R Bradley
Chairman

A D Plummer
Managing Director

Johannesburg
16 March 2005

PRINCIPAL ACCOUNTING POLICIES
The principal accounting policies adopted in the preparation of these financial statements are set out below:

BASIS OF PREPARATION
The Group financial statements have been prepared in accordance with Statements of South African Generally Accepted Accounting Practice. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, derivative financial instruments are shown at fair value. The policies used in preparing the financial statements are consistent with those of the previous year.

Preparation of the Group financial statements in conformity with Generally Accepted Accounting Practice requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BASIS OF CONSOLIDATION
The Group financial statements incorporate the financial statements of Metair Investments Limited and all its subsidiaries from the effective dates of acquisition to the effective dates of disposal. All significant inter-group balances and transactions have been eliminated. Subsidiaries, which are those companies in which the Group has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations, are consolidated. The investment in subsidiaries are stated at cost less amounts written off.

ASSOCIATED COMPANIES
Associates are those companies in which the Group exercises a significant influence and holds a long-term equity interest of not more than 50%. Associates are accounted for on the equity method using their most recent audited financial statements. The retained equity accounted profit of the associates is transferred to non-distributable reserves. Where associates have revalued their assets, the proportionate share of this revaluation is recognised and the corresponding amount is reflected in non-distributable reserves. The company accounts for associated companies at cost.

FOREIGN CURRENCIES
Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are credited to or charged against profit, except when deferred in equity as qualifying cash flow hedges.

TRADEMARKS AND LICENSES
Trademarks and licenses are shown at cost and are depreciated on a straight-line basis over their expected useful lives. Local and foreign licenses are amortised over the terms of the agreements.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION
Freehold land is included at cost, and buildings, plant and equipment are included at cost less depreciation. Depreciation of buildings, plant vehicles and equipment is calculated on a straight-line basis at rates designed to write off the assets over their anticipated useful lives.

Assets leased in terms of finance lease agreements are capitalised. These assets are depreciated on the straight-line basis at rates considered appropriate to reduce book values over the duration of the lease agreements to estimated residual value. Finance costs are charged to operating profit over the period of the lease. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and the finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges are included in borrowings.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement over the period of the lease.

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 fair market value 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 fair market value of the asset. Fair market value is determined using anticipated cash flows discounted at a rate commensurate with the risk involved or the price earnings method. Assets to be disposed of are recorded at fair market value.

INVENTORY
Inventory is valued at the lower of cost or net realisable value, due account being taken of possible obsolescence. Cost is determined on the first-in first-out method. Work in progress and finished goods include materials, direct labour and a proportion of overheads.

TAXATION
Deferred taxation is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

The taxation value of losses expected to be available for utilisation against future taxable income is set off against the deferred taxation liability within the same legal taxation unit. Net deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised. Deferred taxation is calculated using taxation rates that have been enacted at the balance sheet date. The effect on deferred taxation of any changes in taxation rates is charged to the income statement except to the extent that it relates to items previously charged or credited directly to equity.

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 balance sheet date. This provision is calculated based on service histories. Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

REVENUE
Revenue represents the total value of net sales of subsidiaries' products. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

EARNINGS PER SHARE
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.

FINANCIAL INSTRUMENTS
Financial instruments carried at the balance sheet date include cash and bank balances, investments, receivables, trade creditors and borrowings. Financial assets are recognised when the Group has rights or other access to economic benefits. Such assets consist of cash, a contractual right to receive cash or another financial asset.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms.

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair valued hedge), or (2) a hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset (for example, inventory, property, plant and equipment) or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firmly committed or forecasted transaction affects the income statement (for example when the forecasted sale takes place).

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under specific rules in AC133. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under AC133 are recognised immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under AC 133, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the committed or forecasted transaction ultimately is recognised in the income statement. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of forward exchange contracts used for hedging purposes and movements on the hedging reserve in shareholders' equity are disclosed in the financial statements.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. The adjustment to the carrying value of originated loans and receivables to amortised cost are calculated by reference to market interest rates using the effective interest rate method. The face values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of non-current financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

INVESTMENTS

The Group's investments are classified as either loans and receivables made by the Group or available for sale assets. These are included in non-current assets. The portion of loans and receivables that is receivable during the next 12 months is included in current assets. Available for sale investments are included in current assets if the directors have expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designations on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Loans and receivables originated by the Group are carried at amortised cost using the effective interest rate method. Available for sale investments are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of loans and receivables originated by the Group and available for sale investments are included in the income statement in the period in which they arise.

TRADE AND OTHER RECEIVABLES
Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provisions is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. Bad debts are written off during the year in which they are identified.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, and deposits held on call with banks, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated.

BORROWINGS
Borrowings are recognised initially as the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield 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.

RETIREMENT BENEFITS
The Group operates a Group defined benefit plan and 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.

For the defined benefit plan, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every three years. The pension obligation or asset is measured as the present value of the estimated future cash flows using interest rates of government securities that have terms to maturity approximating the terms of the related liability or asset. All actuarial gains and losses are spread forward over the remaining service lives of employees.

The Group's contribution to the defined contribution pension plans are charged to the income statement in the year to which they relate.

Other post-retirement obligations
Some Group companies provided post-retirement health care benefits to their retirees until 31 December 1996. Employees who joined the Group after 1 January 1997 will 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. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out by independent qualified actuaries.

INCOME STATEMENTS

for the year ended 31 December 2004

	NOTES	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
Revenue	1	**1 950 244**	1 854 208		
Cost of sales		**(1 476 547)**	(1 412 236)		
Gross profit		**473 697**	441 972		
Other operating income		**16 220**	14 543		22
Distribution costs		**(52 615)**	(50 818)		
Administrative expenses		**(209 731)**	(206 686)		
Other operating expenses		**(2 125)**	(275)	**(355)**	(276)
Operating profit/(loss)		**225 446**	198 736	**(355)**	(254)
Net finance	2	**3 165**	(8 834)	**92 989**	65 593
Profit before taxation	3	**228 611**	189 902	**92 634**	65 339
Taxation	4	**(69 969)**	(59 300)	**(4 568)**	(3 186)
Profit after taxation		**158 642**	130 602	**88 066**	62 153
Share of results of associates		**2 451**	5 395		
Impairment of investment in associate company	10	**(3 775)**			
Profit after taxation before minority interest		**157 318**	135 997	**88 066**	62 153
Minority interest	18	**(594)**	(191)		
Net profit for the year		**156 724**	135 806	**88 066**	**62 153**
Earnings per share					
Basic earnings per share (cents)	5	**2 640**	2 303		
Headline earnings per share (cents)	5	**2 704**	2 297		
Diluted earnings per share					
Basic earnings per share (cents)	5	**2 598**	2 252		
Headline earnings per share (cents)	5	**2 660**	2 246		
Dividend per share (cents)	6	**700**	500		
Number of shares in issue ('000)		**5 949**	5 898		
Weighted average number of shares in issue ('000)		**5 937**	5 898		

BALANCE SHEETS

for the year ended 31 December 2004

	NOTES	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
ASSETS					
Non-Current Assets		**471 893**	417 461	**331 023**	281 584
Property, plant and equipment	7	**397 495**	337 940		
Intangible assets	8	**3 753**	2 528		
Interest in subsidiaries	9			**293 326**	251 532
Investment in associates	10	**30 491**	34 835	**12 697**	5 052
Deferred taxation	20	**4 998**	5 861		
Other non-current assets	11	**35 156**	36 297	**25 000**	25 000
Current Assets		**733 750**	610 250	**110 412**	112 390
Inventory	12	**262 028**	259 607		
Accounts receivable	13	**241 288**	227 032		
Short-term loans - subsidiaries				**110 412**	112 390
Cash and cash equivalents	14	**149 653**	123 611		
Available for sale investments	15	**80 781**			
Total Assets		**1 205 643**	1 027 711	**441 435**	393 974
EQUITY AND LIABILITIES					
Capital and Reserves		**805 024**	685 819	**441 194**	393 786
Share capital and premium	16	**35 149**	34 165	**35 149**	34 165
Hedging reserve			(2 864)		
Treasury shares	16	**(219)**			
Non-distributable reserves	17	**20 297**	32 346		
Retained earnings		**749 797**	622 172	**406 045**	359 621
Ordinary shareholders equity		**805 024**	685 819	**441 194**	393 786
Minority interest	18	**700**	191		
Total Shareholders' Funds		**805 724**	686 010	**441 194**	393 786
Non-Current Liabilities		**105 688**	109 499		
Interest bearing borrowings	19	**69 248**	84 481		
Deferred taxation	20	**36 440**	25 018		
Current Liabilities		**294 231**	232 202	**241**	188
Trade and other payables	21	**229 860**	174 703	**241**	188
Borrowings	19	**15 503**	14 694		
Taxation		**19 050**	16 073		
Provisions for liabilities and charges	22	**29 818**	26 732		
Total Liabilities		**399 919**	341 701	**241**	188
Total Equity and Liabilities		**1 205 643**	1 027 711	**441 435**	393 974

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2004

R'000	Notes	Share capital and premium	Treasury shares	Hedging reserves	Non-distributable reserves	Retained earnings	Total
Balance at 31 December 2002		34 165			30 802	517 400	582 367
Cash flow hedges:							
– net fair value losses	24			(4 091)			(4 091)
– deferred taxation				1 227			1 227
Transfers	10				1 544	(1 544)	
Net profit for the year						135 806	135 806
Dividend	6					(29 490)	(29 490)
Balance at 31 December 2003		34 165		(2 864)	32 346	622 172	685 819
Ordinary shares issued	16	984					984
Cash flow hedges:							
– reversal of fair value hedge				4 091			4 091
– deferred taxation				(1 227)			(1 227)
Consolidation of Share Trust			(219)			404	185
Transfers	10				(12 049)	12 049	
Net profit for the year						156 724	156 724
Dividend	6					(41 552)	(41 552)
Balance at 31 December 2004		35 149	(219)		20 297	749 797	805 024

CASH FLOW STATEMENTS
for the year ended 31 December 2004

	NOTES	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**1 935 988**	1 878 305		
Cash paid to suppliers and employees		**(1 616 962)**	(1 613 938)		
Cash generated from/(utilised in) operations	23.1	**319 026**	264 367	**(302)**	(355)
Finance charges		**(11 953)**	(19 026)		
Investment income		**15 118**	10 192	**82 404**	61 742
Taxation paid	23.2	**(55 934)**	(26 767)	**(4 568)**	(3 186)
Dividends paid	23.3	**(41 637)**	(29 490)	**(41 642)**	(29 490)
Dividend income from associate		**10 725**	3 851	**10 585**	3 851
Net cash inflow from operating activities		**235 345**	203 127	**46 477**	32 562
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of property, plant and equipment		**(108 121)**	(101 325)		
Acquisition of intangible assets		**(2 245)**			
Decrease in other non-current assets		**1 141**	420		
(Increase)/decrease in loans to associate		**(7 705)**	60	**(7 645)**	
Increase in interest in subsidiaries				**(39 816)**	(32 562)
Proceeds on disposal of property, plant and equipment		**1 663**	2 204		
Net cash outflow from investing activities		**(115 267)**	(98 641)	**(47 461)**	(32 562)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		**984**		**984**	
Long-term loans (repaid)/raised		**(15 233)**	6 225		
Short-term loans raised		**809**	54		
Effect of consolidation of share trust		**185**			
Net cash (outflow)/inflow from financing activities		**(13 255)**	6 279	**984**	
Net increase in cash and cash equivalents		**106 823**	110 765		
Cash and cash equivalents at beginning of the year		**123 611**	12 846		
Cash and cash equivalents at end of the year	14	**230 434**	123 611		

METAIR

	GROUP		COMPANY	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
1. REVENUE				
Group revenue comprises the total value of net sales of subsidiaries' products predominantly in the automotive industry	**1 950 244**	1 854 208		
2. NET FINANCE				
Interest income	**11 436**	6 572		
Dividends from subsidiaries (unlisted)			**79 709**	59 046
Dividends from associates (unlisted)			**10 585**	3 851
Dividend on redeemable preference shares (unlisted)	**3 682**	3 620	**2 695**	2 696
Interest expense:				
Bank borrowings	**(10 231)**	(11 670)		
Finance leases	**(1 722)**	(7 356)		
	3 165	(8 834)	**92 989**	65 593
3. PROFIT BEFORE TAXATION				
Profit before taxation is stated after taking into account the following:				
Auditors' remuneration				
– Audit fees	**1 158**	1 435		
– Expenses	**7**	7		
– Agreed procedure certificates	**295**	267		
– Risk assessment workshop		55		
Depreciation and amortisation (Notes 7 and 8)	**47 909**	41 977		
(Loss)/profit on disposal of property, plant and equipment	**(14)**	354		
Fair value gain on investment	**112**			
Operating lease charges				
– Property	**11 282**	11 016		
– Plant and equipment	**2 644**	2 379		
Managerial and technical service fees paid to outside parties	**4 963**	5 975		
Foreign exchange losses	**(6 084)**	(17 136)		
Staff costs				
– Wages and salaries	**384 342**	342 615		
– Termination benefits	**397**	220		
– Social security costs	**19 836**	18 327		
– Pension costs – defined contribution plans	**8 638**	7 478		
– defined benefit plans	**18 603**	17 042		
	431 816	385 682		

	GROUP		COMPANY	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
3. PROFIT BEFORE TAXATION (continued)				
Number of persons employed by the Group at the end of the year:				
Hourly	**3 816**	3 558		
Monthly	**1 096**	1 077		
	4 912	4 635		
Directors' emoluments				
– Executive directors				
– Salaries and allowances			**2 614**	2 277
– Other benefits			**600**	960
			3 214	3 237
– Paid by subsidiary companies			**(3 214)**	(3 237)
– Non-executive directors			**6**	4
– Fees			**115**	60
– Paid by subsidiary company			**(109)**	(56)

On 5 April 2004 directors were granted options over 11 700 shares at R159.00 per share.
These options lapse on 5 April 2014.

COMPANY

3. PROFIT BEFORE TAXATION (continued)

			2004		
Directors' emoluments (continued)	E Bradley R'000	RS Broadley R'000	L Soanes R'000	AD Plummer R'000	CIJ vd Merwe R'000
– Executive directors					
– Salaries and allowances				**1 304**	**916**
– Performance bonuses				**414**	**282**
– Pension and provident fund contributions				**144**	**107**
– Company contributions				**24**	**23**
				1 886	**1 328**
– Paid by subsidiary companies				**(1 886)**	**(1 328)**
– Non-executive directors	**2**	**2**	**2**		
– Fees	**55**	**30**	**30**		
– Paid by subsidiary company	**(53)**	**(28)**	**(28)**		

		2003		
	RS Broadley R'000	L Soanes R'000	AD Plummer R'000	CIJ vd Merwe R'000
– Executive directors				
– Salaries and allowances			1 221	874
– Deferred compensation			66	263
– Performance bonuses			319	217
– Pension and provident fund contributions			129	99
– Company contributions			26	23
			1 761	1 476
– Paid by subsidiary companies			(1 761)	(1 476)
– Non-executive directors	2	2		
– Fees	30	30		
– Paid by subsidiary company	(28)	(28)		

	GROUP		COMPANY	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
4. TAXATION				
South African normal taxation	**65 359**	56 114		
Current:				
– this year	**55 106**	47 604		
– prior years	**(805)**	1 496		
Deferred:				
– this year	**12 256**	5 717		
– prior years	**(1 198)**	1 297		
Secondary taxation on companies	**4 610**	3 186	**4 568**	3 186
	69 969	59 300	**4 568**	3 186
	%	%	**%**	%
Reconciliation of taxation rate:				
Standard rate	**30**	30	**30**	30
Increased by:				
Prior year adjustment		1		
Secondary taxation on companies	**2**	2	**5**	5
Decreased by:				
Exempt income	**(1)**	(2)	**(30)**	(30)
Effective rate	**31**	31	**5**	5
Calculated tax losses of subsidiaries	**6 347**	17 976		
Utilised to offset deferred taxation	**(6 347)**	(17 976)		
Assessable tax losses available for offset against future taxable income				
STC credits to be offset against future STC liabilities	**443**	637	**443**	637

	GROUP		COMPANY	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
5. EARNINGS PER SHARE				
Basic earnings per share represent the income in cents attributable to each equity share, based on the Group's net income from ordinary activities divided by the weighted average number of shares in issue.	**2 640**	2 303		
Headline earnings per share represent the income in cents attributable to each equity share, based on the Group's net income from ordinary activities, excluding significant non-operating items divided by the weighted average number of shares in issue.	**2 704**	2 297		
5.1 Diluted earnings per share				
Basic earnings per share (cents)	**2 598**	2 252		
Headline earnings per share (cents)	**2 660**	2 246		

For the diluted earnings per share calculation the weighted average number of ordinary shares in issue is adjusted to take account of potential dilutive share options granted to employees. The number of shares taken into account is determined as the outstanding excercisable options at the balance sheet date less shares held by the Metair Share Trust.

	Group			
Reconciliation between earnings and headline earnings:	**Earnings 2004 R'000**	**Per share 2004 cents**	Earnings 2003 R'000	Per share 2003 cents
Earnings per share				
Net profit attributable to ordinary shareholders	**156 724**	**2 640**	135 806	2 303
Impairment of investment in associate company	**3 775**	**64**		
Loss/(profit) on disposal of property, plant and equipment	**14**		(354)	(6)
Headline earnings	**160 513**	**2 704**	135 452	2 297
Dilutive earnings per share				
Net profit attributable to ordinary shareholders	**156 724**		135 806	
Interest income on proceeds	**1 179**		703	
Net profit adjusted for dilutive share options ('000)	**157 903**		136 509	
Dilutive headline earnings per share				
Headline earnings	**160 513**		135 452	
Interest income on proceeds	**1 179**		703	
Headline earnings adjusted for dilutive share options ('000)	**161 692**		136 155	
Weighted average number of shares in issue ('000)	**5 937**		5 898	
Adjustment for dilutive share options ('000)	**141**		164	
	6 078		6 062	

	GROUP		COMPANY	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
6. DIVIDENDS				
Declared and paid:				
700 cents per share (2003 : 500 cents per share)	**41 552**	29 490	**41 642**	29 490
	41 552	29 490	**41 642**	29 490

A dividend of 850 cents per share was declared on 16 March 2005 in respect of the 2004 financial year.

	Land and buildings R'000	Plant and equipment R'000	Capitalised leased assets R'000	Total net book value R'000
7. PROPERTY, PLANT AND EQUIPMENT				
2004				
Group				
At cost	**115 120**	**509 571**	**34 169**	**658 860**
Less: Depreciation	**(11 302)**	**(235 231)**	**(14 832)**	**(261 365)**
	103 818	**274 340**	**19 337**	**397 495**
2003				
Group				
At cost	95 605	429 007	34 160	558 772
Less: Depreciation	(9 038)	(199 345)	(12 449)	(220 832)
	86 567	229 662	21 711	337 940
Reconciliation of movement:				
Group				
Year ended 31 December 2004				
Opening net book value	**86 567**	**229 662**	**21 711**	**337 940**
Additions	**19 515**	**88 597**	**9**	**108 121**
Disposals		**(1 677)**		**(1 677)**
Depreciation	**(2 264)**	**(42 242)**	**(2 383)**	**(46 889)**
Closing net book value	**103 818**	**274 340**	**19 337**	**397 495**
Year ended 31 December 2003				
Opening net book value	60 487	195 198	24 314	279 999
Additions	27 868	73 444	13	101 325
Disposals		(1 245)	(605)	(1 850)
Depreciation	(1 788)	(37 735)	(2 011)	(41 534)
Closing net book value	86 567	229 662	21 711	337 940

The register of land and buildings is open for inspection by members at the registered offices of Metair Investments or its subsidiaries owning the respective properties.

Certain assets are encumbered as security for liabilities as set out in note 19.

The estimated useful lives for property plant and equipment are as follows :

Buildings	20 – 50 years
Plant machinery vehicles and equipment	2 – 25 years
Capitalised leased assets	over period of the lease not exceeding 5 years

	Trademarks R'000	Licenses R'000	Total R'000
8. INTANGIBLE ASSETS			
2004			
Group			
At cost	**1 000**	**10 869**	**11 869**
Less: Depreciation	**(600)**	**(7 516)**	**(8 116)**
	400	**3 353**	**3 753**
2003			
Group			
At cost	1 000	8 624	9 624
Less: Depreciation	(533)	(6 563)	(7 096)
	467	2 061	2 528
Reconciliation of movement:			
Group			
Year ended 31 December 2004			
Opening net book value	**467**	**2 061**	**2 528**
Additions		**2 245**	**2 245**
Depreciation	**(67)**	**(953)**	**(1 020)**
Closing net book value	**400**	**3 353**	**3 753**
Year ended 31 December 2003			
Opening net book value	533	2 438	2 971
Depreciation	(66)	(377)	(443)
Closing net book value	467	2 061	2 528

The estimated useful lives for trademarks and licences are as follows :

Trademarks	15 years
Licences	5 - 15 years

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
9. INTEREST IN SUBSIDIARIES				
Unlisted				
Shares at cost less amounts written off			**34 194**	34 194
Advances to subsidiary companies			**259 132**	217 338
(Directors' valuation of shares held - R860 709 000) (2003: R785 417 000)				
			293 326	251 532
Aggregate attributable income and losses after tax of subsidiaries:				
Income	**151 629**	127 495		
Losses	**1 343**			
Details of subsidiaries are disclosed on page 58				
10. INVESTMENT IN ASSOCIATES				
Unlisted				
Shares at cost	**5 052**	5 052	**5 052**	5 052
Share of post-acquisition reserves included in non-distributable reserves	**17 274**	29 323		
In respect of current year	**(8 274)**	1 544		
Impairment of investment in Tenneco Automotive Holdings SA (Pty) Ltd	**(3 775)**			
In respect of prior year	**29 323**	27 779		
Total carrying value	**22 326**	34 375	**5 052**	5 052
Loan to associate	**8 165**	460	**7 645**	
Investment in associates	**30 491**	34 835	**12 697**	5 052
Directors valuation	**65 044**	34 835		
The summarised financial information of associates is in aggregate as follows:				
Income statement				
Revenue	**379 931**	373 385		
Profit before taxation	**1 792**	7 969		
Taxation	**145**	1 390		
Profit after taxation	**1 937**	9 359		
Balance sheet				
Assets				
Non-current assets	**43 943**	40 036		
Current assets	**151 319**	141 280		
	195 262	181 316		
Equity and liabilities				
Shareholders' equity	**105 082**	109 323		
Non-current liabilities	**7 004**	5 781		
Current liabilities	**83 176**	66 212		
	195 262	181 316		

	Percentage holding	Number of shares held	Group carrying amount R'000	Company cost R'000
10. INVESTMENTS IN ASSOCIATES (continued)				
2004				
Unlisted				
Tenneco Automotive Holdings SA (Pty) Ltd	**25.10%**	**154 712**	**15 194**	**2 259**
Valeo Systems SA (Pty) Ltd	**49%**	**490**	**14 543**	**2 793**
Other			**754**	
			30 491	**5 052**
2003				
Unlisted				
Tenneco Automotive Holdings SA (Pty) Ltd	25.10%	154 712	20 523	2 259
Valeo Systems SA (Pty) Ltd	49%	490	13 378	2 793
Other			934	
			34 835	5 052

The associate companies operate in the automotive industry. The companies are all incorporated in South Africa. Details of associates are disclosed on page 58. The carrying value of the group's investment in Tenneco Automotive Holdings SA (Pty) Ltd has been impaired due to the history of continuing losses of the company.

	NOTES	GROUP		COMPANY	
		2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
11. OTHER NON-CURRENT ASSETS					
Preference shares - unlisted		**35 000**	35 000	**25 000**	25 000
Other investments		**156**	1 297		
(Directors' valuation - Preference shares R35 000 000 (2003:R35 000 000) Other investments R156 000 (2003:R1 297 000)					
		35 156	36 297	**25 000**	25 000

The preference shares have a weighted average dividend rate of 10,12% (2003 : 10,49%) and are redeemable in 2006.

Other non-current investments bear no interest.

	NOTES	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
12. INVENTORY					
Raw material		**153 617**	146 381		
Work in progress		**12 138**	9 483		
Finished goods		**96 273**	103 743		
		262 028	259 607		

The above inventories are stated net of a provision for obsolescence and slow moving stock of R11 801 000 (2003: R9 845 000).

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
13. ACCOUNTS RECEIVABLE				
Trade receivables	**203 686**	174 334		
Prepayments	**5 140**	6 149		
Forward foreign exchange contracts (note 24)	**104**	849		
Other receivables	**32 358**	45 700		
	241 288	227 032		
The above trade receivables are stated net of a provision for impairment of R5 991 000 (2003 : R6 334 000)				
14. CASH AND CASH EQUIVALENTS				
For the purposes of the cash flow statement cash and cash equivalents consists of the following:				
Cash at bank and on hand	**153 584**	134 517		
Bank overdrafts	**(3 931)**	(10 906)		
	149 653	123 611		
Available for sale investments	**80 781**			
	230 434	123 611		
The effective interest rate on short-term bank deposits was 7,11% (2003 : 10,18%) and the effective interest rate on bank overdrafts was10,25% (2003 : 12,53%).				
15. AVAILABLE FOR SALE INVESTMENTS				
Portfolio of various capital and money market investments at cost	**80 669**			
Fair value gain	**112**			
	80 781			
16. SHARE CAPITAL AND PREMIUM				
Authorised:				
7 500 000 ordinary shares of 50c each	**3 750**	3 750	**3 750**	3 750
Issued				
5 948 910 (2003:5 897 935) ordinary shares of 50c each	**2 974**	2 949	**2 974**	2 949
Share premium	**32 175**	31 216	**32 175**	31 216
	35 149	34 165	**35 149**	34 165
Share premium				
Balance at the beginning of the year	**31 216**	31 216	**31 216**	31 216
Premium on shares issued during the year	**959**		**959**	
Balance at the end of the year	**32 175**	31 216	**32 175**	31 216

Treasury shares arose on the consolidation of the Metair Share Trust during the 2004 financial year. The trust held 9 050 shares in Metair Investments Limited at year-end.
A share purchase scheme exists with 566 261 (2003: 590 766) ordinary shares reserved for the purpose of the scheme and under the control of the directors.
50 975 shares (2003: nil shares) were issued during the year to the Metair Share Trust. The market value of these shares as at 31 December 2004 was R178,00 per share.
Share options are granted to directors.

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16. SHARE CAPITAL AND PREMIUM (continued)

Options which have been granted but not yet delivered to participants in Metair Share Option Scheme are as follows:

2003 Number of shares	2004 Number of shares	Option price	Date granted	Date exercisable
6 000		R67,00	16.01.96	16.01.01
6 900	3 700	R30,00	11.06.98	11.06.03
40 700	3 700	R18,00	11.01.99	11.01.04
	1 650	R25,00	7.01.00	7.01.04
45 720	34 775	R25,00	7.01.00	7.01.05
	12 575	R35,00	8.01.01	8.01.05
51 200	37 725	R35,00	8.01.01	8.01.06
1 300		R50,00	6.03.01	6.03.06
1 900	1 900	R50,00	1.06.01	1.06.06
	13 075	R59,00	7.01.02	7.01.06
57 900	41 225	R59,00	7.01.02	7.01.07
1 400	1 400	R76,00	10.04.02	10.04.07
60 900	57 700	R108,50	1.04.03	1.04.08
	60 200	R159,00	5.04.04	5.04.09

32 575 Options were exercised during the year.

The share options are exercisable immediately after the option has been granted (provided this does not fall in a closed period as determined by the JSE Securities Exchange South Africa) but not later than ten years after such date. Delivery of the shares to the participant can only take place on the expiry of five years from the date the option was granted provided this does not fall in a closed period as determined by the JSE Securities Exchange South Africa. A decision was taken to change the offer date from January to April effective 2003. The decision was taken due to the fact that January falls within the company's closed period as determined by the JSE Securities Exchange South Africa. As a result of this decision it was decided that participants can take delivery 1 year earlier (within 4 years instead of 5) of 25% of the options granted in January 2000, January 2001 and January 2002 to compensate for the closed period.

Options expire if not taken up within ten years from date of the grant. No options previously granted to directors in the group expired during the year.

Options under the scheme are granted at the closing price ruling on the JSE Securities Exchange South Africa on the previous day.

	2004	2003
Number of shares held by the Metair Share Trust	9 050	15 520
Market value of shares held by the Metair Share Trust	R 1 610 900	R 2 250 400

Options exercised by executive directors

C I J van der Merwe 2003	Number of shares	Price per share	Offer price per share	Benefit
* Non-beneficial payments :				
– Options exercised	3 900	100.00	108.50	(33)

A D Plummer 2003	Number of shares	Price per share	Offer price per share	Benefit
Beneficial payments :				
– Options exercised	7 200	100.00	59.00	295
– Options exercised	7 300	100.00	108.50	(62)

There were no options exercised by executive directors during 2004.

METAIR

16. SHARE CAPITAL AND PREMIUM (continued)

Share options held by directors (beneficial and non-beneficial) in terms of their participation in the Metair Share Trust as at 31 December 2004

		OFFER		EXERCISE			
Name	**Offer date**	**Number of shares**	**Price per share**	**Number of shares**	**Price per share**	**Exercise date**	**Lapse date**
AD Plummer	05.04.04	7 700	R159.00	–			05.04.14
	01.04.03	7 300	R108.50	7 300	R 100.00	26.08.03	01.04.13
	07.01.02	7 200	R59.00	7 200	R 100.00	26.08.03	07.01.12
	08.01.01	7 200	R35.00	–			08.01.11
	07.01.00	5 175	R25.00	5 175	R 25.00	10.01.00	07.01.10
		34 575		19 675			
CIJ van der Merwe	05.04.04	4 000	R159.00	–			05.04.14
	01.04.03	3 900	R108.50	3 900	R 100.00	26.08.03	01.04.13
	07.01.02	3 900	R59.00	3 900	R 59.00	08.01.02	07.01.12
	08.01.01	3 900	R35.00	3 900	R 35.00	08.01.01	08.01.11
	07.01.00	2 775	R25.00	2 775	R 25.00	10.01.00	07.01.10
		18 475		14 475			
Total		53 050		34 150			

Share options held by directors (beneficial and non-beneficial) in terms of their participation in the Metair Share Trust as at 31 December 2003

		OFFER		EXERCISE			
Name	Offer date	Number of shares	Price per share	Number of shares	Price per share	Exercise date	Lapse date
AD Plummer	01.04.03	7 300	R108.50	7 300	R 100.00	26.08.03	01.04.13
	07.01.02	7 200	R59.00	7 200	R 100.00	26.08.03	07.01.12
	08.01.01	7 200	R35.00	–			08.01.11
	07.01.00	6 900	R25.00	6 900	R 25.00	10.01.00	07.01.10
	11.01.99	6 900	R18.00	6 900	R 18.00	12.01.99	11.01.09
		35 500		28 300			
CIJ van der Merwe	01.04.03	3 900	R108.50	3 900	R 100.00	26.08.03	01.04.13
	07.01.02	3 900	R59.00	3 900	R 59.00	08.01.02	07.01.12
	08.01.01	3 900	R35.00	3 900	R 35.00	08.01.01	08.01.11
	07.01.00	3 700	R25.00	3 700	R 25.00	10.01.00	07.01.10
	11.01.99	3 700	R18.00	3 700	R 18.00	11.01.99	11.01.09
		19 100		19 100			
Total		54 600		47 400			

Interest of directors

At 31 December 2004 members of the board of directors had a direct and indirect beneficial and non-beneficial interest in the company's ordinary share capital as set out below (there has been no change since that date):

	31 December 2004								31 December 2003							
Director	Beneficial Direct Number	%	Indirect Number	%	Non-beneficial Direct Number	%	Indirect Number	%	Beneficial Direct Number	%	Indirect Number	%	Non-beneficial Direct Number	%	Indirect Number	%
NON-EXECUTIVE DIRECTORS																
E Bradley			706,135	11.9			963,267	16.2			706,135	12.0			963,267	16.3
GJ Strydom	–	–	4,640	0.1	–	–	–	–	–	–	6,004	0.1	–	–	–	–
INDEPENDENT NON-EXECUTIVE DIRECTORS																
L Soanes	9,600	0.2	–	–	–	–	–	–	9,600	0.2	–	–	–	–	–	–
Total	9,600	0.2	710,775	12.0	–	–	963,267	16.2	9,600	0.2	712,139	12.1	–	–	963,267	16.3

Executive directors, Messrs A D Plummer, C I J van der Merwe and independent non-executive director Mr R S Broadley had no direct or indirect beneficial or non-beneficial interest in the company's ordinary share capital as at 31 December 2004 (2003 : Nil).

METAIR

	GROUP		COMPANY	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
17. NON-DISTRIBUTABLE RESERVES				
Non-distributable reserves comprise:				
Interest in distributable and non-distributable reserves of associate companies	**17 771**	29 820		
Reserves arising on acquisition of interest in subsidiaries	**2 526**	2 526		
	20 297	32 346		
Transfer from retained income consists of:				
Share of associated companies' after tax income	**(8 274)**	1 544		
Impairment of investment in associate company	**(3 775)**	1 544		
	(12 049)	1 544		
18. MINORITY INTEREST				
Opening balance	**191**			
Movement per income statement	**594**	191		
Dividend	**(85)**			
Closing balance	**700**	191		
19. INTEREST BEARING BORROWINGS				
Secured				
– Instalment sale agreement secured over plant with a book value of R23 158 000 (2003:R24 489 000) currently bearing interest at prime minus 2,75%. Repayable in annual instalments of R6 213 000 (2003:R4 985 000) until 2009.	**23 466**	27 367		
– Instalment sale agreement secured over plant with a book value of R8 845 000 currently bearing interest at prime minus 2,75%. Repayable in annual instalments of R1 369 000 until 2008.	**7 559**	8 917		
– Capitalised finance lease secured over plant with a book value of R16 889 000 (2003:R18 541 000) currently bearing interest at 8,37% (2003:12,5%). Repayable in monthly instalments of R321 021 (2003:R284 000) until May 2009.	**6 794**	10 051		
– Instalment sale agreement secured over plant with a book value of R5 190 000 (2003:R8 021 000) currently bearing interest at 8,37% (2003:8,87%). Repayable in monthly instalments of R188 377 (2003:R188 789) until August 2007.	**4 837**	6 599		
– Instalment sale agreement secured over plant with a book value of R1 559 000 in 2003, fully paid during 2004 bearing interest in 2003 at prime less 2,728%. Repaid in monthly instalments of R63 972.		1 966		
– Instalment sale agreement secured over plant with a book value of R8 062 000 (2003:R9 275 000) currently bearing interest at prime less 2,75% (2003:2,75%). Repayable in monthly instalments of R240 485 until September 2007.	**7 095**	9 275		
– Long-term loans currently bearing interest at the prime rate. Repayable from 2006 with an option to renew. Secured by cumulative redeemable preference shares of R35 000 000 (refer note 11).	**35 000**	35 000		
	84 751	99 175		
Current portion included in current liabilities	**(15 503)**	(14 694)		
	69 248	84 481		

METAIR

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
19. INTEREST BEARING BORROWINGS (continued)				
Maturity of non-current borrowings (excluding finance lease liabilities)				
Not later than 1 year	**12 080**	11 286		
Between 2 and 5 years	**65 877**	77 838		
	77 957	89 124		
Finance lease liabilities - minimum lease payments:				
Not later than 1 year	**3 852**	4 148		
Later than 1 year and not later than 5 years	**3 540**	7 255		
	7 392	11 403		
Future finance charges on finance leases	**(598)**	(1 352)		
Present value of finance lease liabilities	**6 794**	10 051		
The present value of all finance lease liabilities may be analysed as follows:				
Not later than 1 year	**3 423**	3 408		
Later than 1 year and not later than 5 years	**3 371**	6 643		
	6 794	10 051		
Borrowing facilities				
The Group has the following undrawn contracted borrowing facilities:				
Floating rate:				
Expiring beyond 1 year	**54 780**	61 000		
Expiring within 1 year	**107 000**	127 000		
The borrowing powers of the company are unlimited in terms of its Articles of Association.				

	GROUP		COMPANY	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000

20. DEFERRED TAXATION

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2003:30%) Deferred income tax assets and liabilities are offset when the income taxes relate to the same fiscal authority and there is a legal right to offset at settlement. The following amounts are shown in the consolidated balance sheet:

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
Deferred tax assets	**(4 998)**	(5 861)		
Deferred tax liabilities	**36 440**	25 018		
Net deferred tax liability	**31 442**	19 157		

The movement on the deferred income tax account is as follows:

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
At beginning of year	**19 157**	13 370		
Income statement charge				
– current year	**12 256**	5 717		
– prior year	**(1 198)**	1 297		
Tax charge from/(to) equity - hedging reserve	**1 227**	(1 227)		
At end of year	**31 442**	19 157		

Deferred income tax assets are recognised only for tax losses carried forward to the extent that realisation of the related tax benefit is probable.

Group
Deferred tax assets and liabilities, deferred tax charge/(credit) in the income statement and deferred tax charge/(credit) in equity are attributable to the following items:

20. DEFERRED TAXATION (continued)

Deferred tax liabilities

	Contingency policy	Plant and equipment allowances	Provisions	Other	Total
	2004				
Opening balance		**25 380**	**468**	**(830)**	**25 018**
Charged/(credited) to the income statement	**1 054**	**12 357**	**(333)**	**(1 656)**	**11 422**
Closing balance	**1 054**	**37 737**	**135**	**(2 486)**	**36 440**

	Plant and equipment allowances	Provisions	Other	Total
	2003			
Opening balance	20 633	682	(4 215)	17 100
Charged/(credited) to the income statement	4 747	(214)	3 385	7 918
Closing balance	25 380	468	(830)	25 018

Deferred tax assets

	Fair value losses	Assessed losses set off	Provision for doubtful debts	Warranty claims	Provisions	Total
	2004					
Opening balance	**(1 227)**	**(836)**	**(847)**	**(1 546)**	**(1 405)**	**(5 861)**
(Credited)/charged to the income statement		**(594)**	**329**	**131**	**(230)**	**(364)**
Debited to equity	**1 227**					**1 227**
Closing balance		**(1 430)**	**(518)**	**(1 415)**	**(1 635)**	**(4 998)**

	Fair value losses	Assessed losses set off	Provision for doubtful debts	Warranty claims	Provisions	Total
	2003					
Opening balance		(334)	(676)	(1 515)	(1 205)	(3 730)
Credited to the income statement		(502)	(171)	(31)	(200)	(904)
Credited to equity	(1 227)					(1 227)
Closing balance	(1 227)	(836)	(847)	(1 546)	(1 405)	(5 861)

	GROUP		COMPANY	
	2004 R'000	2003 R'000	**2004 R'000**	2003 R'000
21. TRADE AND OTHER PAYABLES				
Trade creditors	**144 920**	107 209	**149**	105
Forward foreign exchange contracts (note 24)	**1 189**	5 829		
Sundry creditors and accruals	**83 751**	61 665	**92**	83
	229 860	174 703	**241**	188

22. PROVISIONS FOR LIABILITIES AND CHARGES

2004

GROUP	Warranty R'000	Leave pay R'000	Post-retirement medical aid and other R'000	Total R'000
Balance at beginning of the year	**7 159**	**7 374**	**12 199**	**26 732**
Charged to the income statement				
– Additional provision	**700**	**1 561**	**2 421**	**4 682**
Transfers from provisions not utilised for original purpose	**(565)**	**(607)**		**(1 172)**
Utilised during the year			**(424)**	**(424)**
Balance at end of the year	**7 294**	**8 328**	**14 196**	**29 818**

2003

GROUP	Warranty R'000	Leave pay R'000	Post-retirement medical aid and other R'000	Total R'000
Balance at beginning of the year	7 300	6 079	11 049	24 428
Charged to the income statement				
– Additional provision	139	1 361	1 433	2 933
Transfers from provisions not utilised for original purpose			(223)	(223)
Utilised during the year	(280)	(66)	(60)	(406)
Balance at end of the year	7 159	7 374	12 199	26 732

Warranty
Provision is made for the estimated liability on all products still under warranty including claims intimated not yet settled.

Leave Pay
Employee entitlements to annual leave is recognised when it accrues to employees. A provision based on the full cost to the company is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Post retirement medical aid and other
For details of this provision refer to note 27.

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
23. NOTES TO CASH FLOW STATEMENTS				
23.1 Reconciliation of net profit before taxation to cash generated from/(utilised in) operations				
Net profit before taxation	**228 611**	189 902	**92 634**	65 339
Adjustment for:				
Depreciation and amortisation	**47 909**	41 977		
Loss/(profit) on disposal of property, plant and equipment	**14**	(354)		
Income from subsidiaries & associates			**(92 989)**	(65 593)
Income from investments	**(15 118)**	(10 192)		
Finance charges	**11 953**	19 026		
Operating profit before working capital changes	**273 369**	240 359	**(355)**	(254)
Working capital changes:				
(Increase)/decrease in inventory	**(2 421)**	21 776		
(Increase)/decrease in accounts receivable	**(14 256)**	24 097		
Increase/(decrease) in accounts payable	**62 334**	(21 865)	**53**	(101)
Cash generated from/(utilised in) operations	**319 026**	264 367	**(302)**	(355)
23.2 Taxation paid				
Taxation paid is reconciled to the amount disclosed in the income statement as follows:				
Amounts (unpaid)/overpaid at beginning of year	**(16 073)**	9 446		
Income statement charge (note 4)	**(58 911)**	(52 286)	**(4 568)**	(3 186)
Amounts unpaid at end of year	**19 050**	16 073		
	(55 934)	(26 767)	**(4 568)**	(3 186)
23.3 Dividends paid				
To shareholders	**(41 552)**	(29 490)	**(41 642)**	(29 490)
To minorities in subsidiaries	**(85)**			
	(41 637)	(29 490)	**(41 642)**	(29 490)

24. FINANCIAL INSTRUMENTS

24.1 Financial risk management

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollars, Euros, Pound Sterling and Japanese Yen. Forward foreign exchange contracts are entered into to manage all exposures to fluctuations in foreign currency exchange rates on specific transactions.

Credit risk

Management has a credit policy in place and the exposure to risk is monitored on an ongoing basis. Cash is placed with substantial and reputable financial institutions.

Potential concentrations of credit risk consist mainly within trade receivables. Trade receivables comprise a large number of customers. Ongoing credit evaluations are performed on the financial position of these debtors. Trade debtors are presented net of the provision for impairment.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Repayment of long-term borrowings are structured so as to match the expected cash flows from the operations to which they relate.

Interest rate risk

The Group is exposed to interest rate risk as it borrows and places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and placings within market expectations. Working capital funding requirements are managed by the use of financial instruments to maximise returns while minimising risk with active input from the Group's bankers taking cognisance of the interest yield curve. Term finance is structured and managed with the assistance of the Group's bankers.

	GROUP			
24.2 Derivative financial instruments	**2004**		2003	
	R'000		R'000	
At 31 December 2004	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts - cash flow hedges				(4 091)
Forward foreign exchange contracts - fair value hedges	**104**	**(1 189)**	849	(1 738)
	104	**(1 189)**	849	(5 829)

	GROUP	
Net fair values of derivative financial instruments	**2004**	2003
	R'000	R'000
The net fair values of derivative financial instruments at the balance sheet date and designated as cash flow hedges were:		
Forward foreign exchange contracts		
– with negative fair values		(4 091)
The net fair values of derivative financial instruments at the balance sheet date and designated as fair value hedges were:		
Forward foreign exchange contracts		
– with positive fair values	**104**	849
– with negative fair values	**(1 189)**	(1 738)
	(1 085)	(889)

24. FINANCIAL INSTRUMENTS (continued)

Uncovered foreign currency monetary items	Reflected in the Balance Sheet **2004** Foreign Amount '000	**2004** Rand Equivalent R'000	2003 Foreign Amount '000	2003 Rand Equivalent R'000	Uncovered purchase orders not yet reflected as liabilities in the Balance Sheet **2004** Foreign Amount '000	**2004** Rand Equivalent R'000	2003 Foreign Amount '000	2003 Rand Equivalent R'000
24.3 Future foreign exchange exposures								
US Dollars	**2 555**	**14 959**	835	5 504	**(18 075)**	**(6 670)**	(1 267)	(8 413)
Euro	**30**	**3 682**	519	5 318	**(151 194)**	**(3 834)**	(1 471)	(12 297)
Japanese Yen	**(8 586)**	**(473)**	(286)	(18)	**(1 015 366)**	**(10 954)**	(189 527)	(11 803)
Australian Dollars	**3**	**14**	35	175	**(472)**	**(2 080)**	(350)	(1 745)
British Pounds	**764**	**5 762**	1 477	14 291	**(9 670)**	**(1 525)**	(212)	(2 507)
Thai Bhat	**(2 438)**	**(355)**	(32)	(5)				
Taiwanese Dollar	**(26)**	**(5)**	(26)	(5)				

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
25. CONTINGENT LIABILITIES				
Guarantees in respect of secured loans and overdrafts of subsidiaries	**40 675**	40 675	**40 675**	40 675
Guarantees in respect of subsidiaries' employee loans	**3 000**	3 000		
Trade guarantees	**786**	940		
Lease commitments	**1 344**	1 241		
	45 805	45 856	**40 675**	40 675
Any future dividend declaration out of the distributable reserves of the company will be subject to secondary taxation on companies at 12,5%.				
26. COMMITMENTS				
Capital commitments	**51 352**	95 772		
Contracted:				
Plant, machinery, tools, jigs and dies	**26 569**	55 051		
Authorised by the directors but not yet contracted:				
Plant, machinery, tools, jigs and dies	**24 783**	40 721		
Unexpired portion of operating lease contracts	**21 099**	46 910		
Payable within one year	**9 335**	19 177		
Payable thereafter	**11 764**	27 733		
	72 451	142 682		

The above commitments will be financed mainly from internal resources as well as from further borrowings.

	GROUP	
	2004 R'000	2003 R'000
27. RETIREMENT BENEFIT INFORMATION		
The policy of the Group is to provide retirement benefits for its employees. The Metair Group Pension Fund is a defined benefit pension fund providing retirement and other benefits to employees, who are not members of one of the provident funds, and to their dependants.		
Pensions and other post-retirement obligations		
Amounts recognised in the balance sheet :		
Post retirement medical benefits	**13 019**	10 716
	13 019	10 716
Pension schemes		
The policy of the Group is to provide retirement benefits for its employees. Participation in retirement benefit plans is however not compulsory but 88% (2003:92%) of the Group's employees are members of the Metair Group Pension Fund (a defined benefit plan) or provident funds. The Metair Group Pension Fund is valued by an independent actuary every three years using the projected unit credit method. The latest actuarial valuation was carried out as at 30 June 2001 and the fund was found to be in a sound financial position. The Metair Group Pension Fund is governed by the Pension Fund Act which requires actuarial valuations every three years. The Metair Group Pension Fund year-end changed from June to April during 2004. The next actuarial valuation will be completed by 31 March 2005.		
The transitional asset under AC116 (revised) has been calculated. The asset was however not recognised in the balance sheet due to the current uncertainty in the pension fund industry regarding the apportionment of the pension fund surplus.		
The amounts that would have been recognised in the Group balance sheet are as follows :		
Defined benefit obligation	**329 061**	294 007
Assets at fair value	**347 712**	319 821
	18 651	25 814
The actual return on the plan assets amounted to R7 380 000 (2003: R7 547 000)		
The principal actuarial assumptions used were :		
Discount rate for obligation	**9%**	10%
Expected return on plan assets	**9%**	10%
Salary increase	**6%**	7%
Pension increase	**4%**	5%
Inflation	**4%**	5%

	GROUP 2004 R'000	GROUP 2003 R'000
27. RETIREMENT BENEFIT INFORMATION (continued)		
Post-retirement medical 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 method of accounting and frequency of valuation are similar to those used for defined benefit schemes.		
In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in health costs of 5% (2003 : 12%) per year.		
The amounts recognised in the income statement are as follows:		
Current service costs	**750**	324
Interest costs	**2 016**	949
Recognised actuarial (gain)/loss	**(173)**	230
	2 593	1 503
Movement in the liability recognised in the balance sheet :		
At beginning of year	**10 716**	9 473
Total expense per income statement as above	**2 593**	1 503
Contributions paid	**(290)**	(260)
At end of year	**13 019**	10 716

	GROUP 2004 R'000	GROUP 2003 R'000	COMPANY 2004 R'000	COMPANY 2003 R'000
28. SUBORDINATION AGREEMENTS				
The company has subordinated loans to the following subsidiaries in favour of and for the benefit of the other creditors of the relevant companies:				
Hella (SA) (Pty) Limited			**24 247**	24 247
Metindustrial Limited			**182 000**	182 000
Smiths Manufacturing (Pty) Limited				36 000
Smiths Plastics (Pty) Limited			**36 000**	

29. COMPARATIVES

– Costs amounting to R30,746 million, such as depreciation and production overheads, included in other operating expenses in 2003 have been reclassified as part of administrative expenses and cost of sales.

– Diluted earnings per share for the 2003 year have been recalculated to take account of the effect of interest income.

INVESTMENT IN SUBSIDIARIES AND ASSOCIATES
as at 31 December 2004

Incorporated in South Africa	Type	Issued share capital **2004** **R'000**	2003 R'000	% Direct (indirect) interest **2004** **%**	2003 %	Cost of shares **2004** **R'000**	2003 R'000
SUBSIDIARIES							
MOTOR COMPONENT MANUFACTURING							
Smiths Manufacturing (Pty) Ltd	ordinary			**100**	100	**6 000**	6 000
Metindustrial (Pty) Ltd	ordinary	**500**	500	**100**	100		
First National Battery Company (Pty) Ltd	ordinary	**1 704**	1 704	**100**	100		
Hella SA (Pty) Ltd	ordinary	**329**	329	**100**	100		
Hesto Harnesses (Pty) Ltd	ordinary			**100**	100		
Smiths Plastics (Pty) Ltd	ordinary			**100**	100	**28 194**	28 194
Kimitar Investments (Pty) Ltd	ordinary			**(100)**	(100)		
First National Battery Industrial (Pty) Ltd	ordinary			**(75)**	(75)		
Tlangi Investments (Pty) Ltd	ordinary			**(50)**	(50)		
MANAGEMENT SERVICES							
Metair Management Services (Pty) Ltd	ordinary			**100**	100		
PROPERTIES							
SMSA Property (Pty) Ltd	ordinary	**3 000**	3 000	**(100)**	(100)		
Climate Control Properties (Pty) Ltd	ordinary			**(100)**	(100)		
Supreme Spring Properties (Pty) Ltd	ordinary		3 000		100		
						34 194	34 194
ASSOCIATES							
Tenneco Automotive Holdings SA (Pty) Ltd	ordinary			**25,1**	**25,1**		
Valeo Systems South Africa (Pty) Ltd				**49**	**49**		
Tuniwell (Pty) Ltd				**(40)**	**(40)**		

	2004 **R'000**	2003 R'000
Indebtedness by subsidiaries:		
Metindustrial (Pty) Ltd	**180 096**	173 496
Smiths Manufacturing (Pty) Ltd		7 806
Hesto Harnesses (Pty) Ltd	**11 789**	11 789
Hella SA (Pty) Ltd	**24 247**	24 247
Smiths Plastics (Pty) Limited	**43 000**	
	259 132	217 338

METAIR INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1948/031013/06)
JSE share code : MTA ISIN : ZAE 000004743
("Metair" or "the company")

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of Metair Investments Limited will be held in the boardroom, Wesco House, 10 Anerley Road, Parktown, Johannesburg, on Wednesday, 4 May 2005, at 09h00 for the following purposes :

1. To consider and approve the annual financial statements for the year ended 31 December 2004.
2. To elect a director in place of Mr C.I.J. van der Merwe who retires in terms of the articles of association, but, being eligible, has offered himself for re-election (note 1).
3. To elect a director in place of Mr G.J. Strydom who retires in terms of the articles of association, but, being eligible, has offered himself for re-election (note 1).

Special business

4. To consider, and, if deemed fit, to pass, with or without modification, the resolution set out below:

Ordinary resolution number 1
To resolve that all the ordinary shares required for the purpose of carrying out the terms of the Metair Share Trust (limited to a maximum of 10% of the issued ordinary share capital of the company), other than those which have specifically been appropriated for the trust in terms of ordinary resolutions duly passed at previous annual general meetings of the company, subject to the provisions of the Companies Act, 1973, and the Listing Requirements of the JSE Securities Exchange South Africa, be and are hereby specifically placed under the control of the directors, who be and are hereby authorised to allot and issue those shares in terms of the trust.

Voting instructions
A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend speak, and, on a poll, vote in his/her stead. A proxy need not be a shareholder of the company. The 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 the proxy 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 form of proxy accompanies this notice. Duly completed proxy forms must be received by the company at its registered office or by the Registrars (Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg) by no later than 29 April 2005 at 09h00.

The attention of shareholders is directed to the additional notes contained in the form of proxy.

By order of the board.

SVermaak

S.M. Vermaak Johannesburg
Secretary 16 March 2005

Registered office
Metair Investments Limited
Wesco House
10 Anerley Road
Parktown
Johannesburg

METAIR

NOTE

1. Directors retiring by rotation and who are seeking re-election

Mr C.I.J. van der Merwe

Mr van der Merwe was appointed to the Metair board as executive director in October 1985. He is also a director of all the Metair subsidiary companies.

Mr G.J. Strydom

Mr Strydom was appointed to the Metair board as non-executive director in May 1998. He is a member of the Metair Board Audit Committee. He is also the chief executive officer of Wesco Investments Limited and a director of a number of other companies.

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	
Final	
Declared	March
Payment	April

Shareholders are reminded to notify the Registrars of any change in address.

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